



Republic of the Philippines  
Supreme Court  
Manila

FIRST DIVISION

NOTICE

Sirs/Mesdames:

*Please take notice that the Court, First Division, issued a Resolution dated **July 28, 2020** which reads as follows:*

**“G.R. No. 224955 (*Philacor Credit Corporation v Giovanni Osabal*)**

**Antecedents**

The facts are undisputed.

In Sub-RAB V Case No. 05-06-00142-01 entitled “*Giovanni P. Osabal v. Philacor Credit Corporation, Marsha Santos and Gregorio dela Rosa*”, Labor Arbiter Rolando L. Bobis (Labor Arbiter Bobis) rendered his Decision<sup>1</sup> dated February 2, 2002 finding respondent Giovanni Osabal (Osabal) to have been illegally dismissed by petitioner Philacor Credit Corporation (Philacor), ordering his reinstatement with backwages and other benefits, and granting him moral and exemplary damages and attorney’s fees, *viz*:

WHEREFORE, finding merit on the causes of action set forth by the complainants, judgment is hereby rendered declaring the termination or dismissal of both complainants from employment by the respondents as ILLEGAL and ORDERING the latter, jointly and severally, the following:

- A. To reinstate the complainants immediately upon receipt hereof to his former position without loss of seniority rights and other privileges, either by admitting him back to work under the same terms and conditions prevailing prior to his dismissal, or at the option of the respondents, merely reinstated in the payroll.

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<sup>1</sup> *Rollo*, pp. 34-44.

Should reinstatement however be no longer feasible, a separation pay equivalent to one-month salary for every year of service from the date of the commencement of his employment up to the actual date of the finality of this decision, should be afforded by the respondents to the complainant, in lieu of the latter's reinstatement, which as of the date of this decision amounted to ₱24,185.20 at the rate of ₱232.55 per day x twenty-six (26) days x four (4) years.

- B. To pay backwages, inclusive of allowances and to pay other benefits or their monetary equivalent, computed from the date of the dismissal on June 1, 2001, up to the time of his actual reinstatement, whether physically or on payroll, which as of the date of this decision amounted to ₱48,370.40 at the rate of ₱232.55 per day x twenty-six (26) days x eight (8) months.
- C. To pay Moral and/or Exemplary damages in the [amount] of xxx FIFTY THOUSAND [PESOS] (₱50,000.00).
- D. To pay Attorney's Fees equivalent to 10% of the total amount of ₱122,555.60 due to the complainant as above-computed or the equivalent sum of ₱12,255.66.

Other than the above, all other claims are hereby ordered DISMISSED for lack of merit.

SO ORDERED.<sup>2</sup>

Philacor, however, never complied with the reinstatement order, albeit it pursued its appeal with the National Labor Relations Commission (NLRC) which, under Decision<sup>3</sup> dated July 15, 2004, affirmed in the main but deleted the award of damages, thus:

**WHEREFORE**, the appealed decision is modified by deleting the award of moral and exemplary damages. The rest of the decisions stands. As of this date, backwages and other benefits of the complainant amount to ₱195,260.22 as computed above.

SO ORDERED.<sup>4</sup>

While Philacor's motion for reconsideration was pending, Osabal, on August 17, 2007, received ₱38,003.67 in partial satisfaction of the monetary award.

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<sup>2</sup> *Id.* at 44.

<sup>3</sup> *Id.* at 46-68.

<sup>4</sup> *Id.* at 67.

By Resolution<sup>5</sup> dated June 22, 2009, the NLRC granted Philacor's motion for reconsideration, thus:

WHEREFORE, the motion for reconsideration is hereby GRANTED and the assailed Decision is SET ASIDE. A new judgment is hereby entered GRANTING the appeal, REVERSING the Labor Arbiter's Decision dated February 2, 2002 and dismissing the complaint for illegal dismissal for lack of merit.

SO ORDERED.<sup>6</sup>

On Osabal's petition for certiorari, the Court of Appeals (CA) affirmed with modification through its Decision<sup>7</sup> dated August 25, 2011 in CA-G.R. SP No. 113770:

ACCORDINGLY, the instant petition is **PARTIALLY GRANTED**. The NLRC Decision dismissing the complaint for illegal dismissal is **AFFIRMED** with the **MODIFICATION** that, for failure to comply with the due process requirement in valid terminations, Philacor is **ORDERED** to pay Osabal nominal damages in the amount of ₱30,000.00.

SO ORDERED.<sup>8</sup>

The aforesaid decision became final and executory per Entry of Judgment dated June 19, 2012.<sup>9</sup>

In September 2012, Osabal moved for execution/payment of his reinstatement salaries, inclusive of allowances and other benefits, plus nominal damages pursuant to the Labor Arbiter Bobis' directive under Decision dated February 2, 2002.

Philacor opposed on the ground that Osabal was not entitled to payment of salaries but only to nominal damages which had already been paid when the amount of ₱38,003.67 was garnished and released to him from its UCPB account in 2007.<sup>10</sup>

### Labor Arbiter's Ruling

Under Order<sup>11</sup> dated March 11, 2013, Labor Arbiter Jesus Orlando M. Quiñones (Labor Arbiter Quiñones) sustained Osabal's monetary claim, viz:

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<sup>5</sup> *Id.* at 69-75.

<sup>6</sup> *Id.* at 74.

<sup>7</sup> *Id.* at 76-85, 87.

<sup>8</sup> *Id.* at 85.

<sup>9</sup> *Id.* at 86.

<sup>10</sup> *Id.* at 25.

<sup>11</sup> *Id.* at 88-89.



WHEREFORE, in view of the foregoing, judgment is hereby rendered finding complainant being entitled to reinstatement salaries covering the period February 26, 2002 until June 22, 2009, plus nominal damages of ₱30,000.00 less the amount it has collected during the pendency of appeal for ₱38,003.68 (see computation attached hereto as integral part of this Order).

Subject to complainant's payment of legal fees for re-computation, let a writ of execution issue therefor.

SO ORDERED.<sup>12</sup>

### **Proceedings before the NLRC**

Aggrieved, Philacor filed a Petition for Extraordinary Remedies<sup>13</sup> with the NLRC on May 6, 2013.

Philacor charged Labor Arbiter Quiñones with grave abuse of discretion in directing the payment of Osabal's reinstatement salaries way in excess of the CA's final and executory Decision dated August 25, 2011.<sup>14</sup>

Philacor further argued that the ruling of Labor Arbiter Bobis actually gave it the option to grant separation pay in lieu of reinstatement. Osabal's reinstatement would have meant his transfer to Bulacan which he had long refused. In fact, it was Osabal's refusal to transfer which led to his termination in the first place. More, in Osabal's *Kasagutan* dated May 7, 2001, he himself proposed to be granted separation pay instead of being transferred to Bulacan. Osabal never demanded for actual or payroll reinstatement.<sup>15</sup>

Philacor also asserted that the order to grant separation pay to Osabal may have become effective, but the same did not necessarily become executory. For unlike reinstatement, payment of separation pay here was dependent on a *final* finding that the employee was illegally dismissed. But this final finding never came for Osabal. What became final and executory was the finding of the NLRC and the CA that he was validly dismissed after all. Osabal, therefore, never became entitled to separation pay; but only to nominal damages of ₱30,000.00 as decreed by the CA. Notably, this amount was even less than the actual amount garnished and released to him in 2007.<sup>16</sup>

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<sup>12</sup> *Id.* at 25.

<sup>13</sup> *Id.* at 91-104.

<sup>14</sup> *Id.* at 95-96.

<sup>15</sup> *Id.* at 97-98.

<sup>16</sup> *Id.* at 98.

In his Answer to the Petition,<sup>17</sup> Osabal cited Article 223 of the Labor Code stating that an order of reinstatement is immediately executory even pending appeal. Thus, from the time the Labor Arbiter Bobis' decision was rendered on February 2, 2002 until finality of the CA's ruling, his actual or payroll reinstatement should have been effected.<sup>18</sup>

### **The NLRC's Ruling**

Under Decision<sup>19</sup> dated August 30, 2013, the NLRC dismissed Philacor's petition. It held that under Article 223 of the Labor Code, Philacor's obligation to reinstate Osabal to his former position became effective on February 26, 2002 when it received the Labor Arbiter Bobis' directive to immediately reinstate Osabal per Decision dated February 2, 2002. Being immediately executory, the same did not require a writ of execution. But Philacor did not comply even as it pursued its appeal before the NLRC. Though the NLRC eventually reversed on reconsideration the finding of illegal dismissal, it did not erase Philacor's obligation to immediately reinstate Osabal pending appeal. It would be the height of injustice to have allowed Philacor to profit from its refusal to reinstate Osabal.

The NLRC denied Philacor's motion for reconsideration by Resolution<sup>20</sup> dated October 23, 2013.

### **The CA's Ruling**

Undaunted, Philacor elevated the case to the CA on certiorari via CA-G.R. SP No. 133338.

In its assailed Decision<sup>21</sup> dated November 13, 2015, the CA affirmed.

The CA denied reconsideration by Resolution<sup>22</sup> dated June 2, 2016.

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<sup>17</sup> *Id.* at 105.

<sup>18</sup> *Id.* at 109.

<sup>19</sup> *Id.* at 195-206.

<sup>20</sup> *Id.* at 214.

<sup>21</sup> Penned by Associate Justice Ma. Luisa C. Quijano-Padilla and concurred in by Associate Justices Normandie B. Pizarro and Carmelita Salandanan Manahan; *rollo*, pp. 23-31.

<sup>22</sup> *Rollo*, pp. 32-33.



### The Present Petition

Philacor now seeks affirmative relief from the Court and prays that the assailed dispositions of the CA be reversed and accordingly rule that Osabal is not entitled to reinstatement salaries. Philacor essentially reiterates its arguments before the NLRC and the CA. For his part, Osabal cites *Air Philippines Corporation v. Zamora*<sup>23</sup> to illustrate the application of Article 223 of the Labor Code and defend the rulings of the labor arbiter, the NLRC, and the CA.

### Threshold Issue

Is Osabal entitled to his reinstatement salaries pending appeal despite the NLRC's subsequent finding on reconsideration that he was validly dismissed, as affirmed by the CA?

### Ruling

The petition utterly lacks merit.

Article 223 of the Labor Code decrees:

**Article 223. Appeal.** Decisions, awards, or orders of the Labor Arbiter are final and executory unless appealed to the Commission by any or both parties within ten (10) calendar days from receipt of such decisions, awards, or orders. x x x

x x x x

**In any event, the decision of the Labor Arbiter reinstating a dismissed or separated employee, insofar as the reinstatement aspect is concerned, shall immediately be executory, even pending appeal.** The employee shall either be admitted back to work under the same terms and conditions prevailing prior to his dismissal or separation or, at the option of the employer, merely reinstated in the payroll. The posting of a bond by the employer shall not stay the execution for reinstatement provided herein.

x x x x

*Pioneer Texturizing Corporation v. National Labor Relations Commission*<sup>24</sup> elucidates on the rationale behind the provision, thus:

xxx **The provision of Art. 223 is clear that an award for reinstatement shall be immediately executory even pending appeal and the posting of a bond by the employer shall not stay**

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<sup>23</sup> 529 Phil. 718, 723-724 (2006).

<sup>24</sup> 345 Phil. 1057, 1075-1076 (1997).

**the execution for reinstatement.** The legislative intent is quite obvious, i.e., to make an award of reinstatement immediately enforceable, even pending appeal. To require the application for an issuance of a writ of execution as prerequisites for the execution of a reinstatement award would certainly betray and run counter to the very object and intent of Art. 223, i.e., the immediate execution of a reinstatement order. **The reason is simple. An application for a writ of execution and its issuance could be delayed for numerous reasons. A mere continuance or postponement of a scheduled hearing, for instance, or an inaction on the part of the Labor Arbiter or the NLRC could easily delay the issuance of a writ thereby setting at naught the strict mandate and noble purpose envisioned by Art. 223.** In other words, if the requirements of Art. 224 were to govern, as we so declared in *Maranaw*, then the executory nature of a reinstatement order or order contemplated by Art. 223 will be unduly circumscribed and rendered ineffectual. In enacting the law, the legislature is presumed to have ordained a valid and sensible law, one which operates no further than may be necessary to achieve a specific purpose . . . In introducing a new rule on the reinstatement aspect of a labor decision under R. A. No. 6715, Congress should not be considered to be indulging in mere semantic exercise. **On appeal, however, the appellate tribunal concerned may enjoin or suspend the reinstatement order in the exercise of its sound discretion.** (emphases added)

Verily, a dismissed employee whose case was favorably decided by the labor arbiter is entitled to reinstatement pending appeal. The same is immediately executory. Hence, unless there is a restraining order, it is ministerial on the labor arbiter to implement the order of reinstatement and mandatory on the employer to comply therewith.<sup>25</sup>

In his Decision dated February 2, 2002, Labor Arbiter Bobis ordered the immediate reinstatement of Osabal. From Philacor's receipt thereof on February 26, 2002, Philacor became duty-bound to either re-admit Osabal to work under the same terms and conditions prevailing prior to his alleged illegal dismissal or to reinstate him in the payroll. Though the NLRC reversed in its Resolution dated June 22, 2009, this did not annul Osabal's right to be reinstated and, consequently, to be paid his wages pending appeal. These rights had already accrued to Osabal the moment Philacor was notified of the adverse ruling against it.

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<sup>25</sup> *Garcia v. Philippine Airlines*, 596 Phil. 510, 536 (1998).



The Court has made similar pronouncements in *International Container Terminal Services, Inc. v. NLRC*,<sup>26</sup> *College of the Immaculate Conception v. NLRC*,<sup>27</sup> and *Pfizer, Inc. v. Velasco*.<sup>28</sup>

Philacor, nevertheless, questions the applicability of these cases for they are allegedly not on all fours with the present petition. For unlike the employers therein, Philacor was purportedly given the option to pay Osabal separation pay in lieu of reinstatement. Philacor merely exercised this option when it did not reinstate Osabal. Too, Osabal himself proposed to be paid separation pay in his *Kasagutan* dated May 7, 2001. At any rate, reinstatement is no longer feasible since Osabal refused to be transferred to Philacor's branch in Bulacan.

We are not persuaded.

To refresh, the Decision dated February 2, 2002 of Labor Arbiter Bobis pertinently states:

- A. To reinstate the complainants immediately upon receipt hereof to his former position without loss of seniority rights and other privileges, either by admitting him back to work under the same terms and conditions prevailing prior to his dismissal, or at the option of the respondents, merely reinstated in the payroll.

**Should reinstatement however be no longer feasible**, a separation pay equivalent to one-month salary for every year of service from the date of the commencement of his employment up to the actual date of the finality of this decision, xxx.<sup>29</sup>

For one, the ruling did not bestow any advantage upon Philacor which would have distinguished it from the employers in the cited cases. In fact, the so-called option is a mere superfluity. Whether it is expressly stated in the *fallo* of a pro labor ruling, separation pay is always granted in lieu of reinstatement in instances where reinstatement is no longer feasible.

For another, the phrase "should reinstatement xxx be no longer feasible" does not indicate an option in favor of Philacor but a condition. If the condition is not fulfilled, then the order to pay separation pay in lieu of reinstatement does not take effect. The non-feasibility of reinstatement is the condition while the payment of separation pay, the consequence.

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<sup>26</sup> 360 Phil. 527, 536 (1998).

<sup>27</sup> 630 Phil. 288, 305 (2010).

<sup>28</sup> 660 Phil. 434, 445 (2011).

<sup>29</sup> *Rollo*, p. 44.



Here, Philacor unilaterally claims that reinstatement was no longer feasible in view of its strained relationship with Osabal. But as the Court held in *Advan Motor, Inc. v. Veneracion*,<sup>30</sup> strained relationship may be invoked only against employees whose positions demand trust and confidence, or whose differences with their employer are of such nature or degree as to preclude reinstatement. Osabal does not fit in either category.

There was simply no showing that Osabal, as field representative, occupied such a sensitive position which required complete trust and confidence. Philacor never even raised this as a defense. As such, we are left to assume that the relationship between Osabal and Philacor was as impersonal as that between an ordinary employee and management.

Too, Philacor failed to establish that the degree of its differences with Osabal foreclosed any possibility of reinstating the latter. Though Philacor harped on Osabal's *Kasagutan* dated May 7, 2001, the same actually bears Osabal's willingness to continue working for Philacor, *i.e.* "*Sana po ako ay inyong maunawaan at ako naman po ay di nagmamatigas na umalis kung inyo lamang babayaran. xxx Maaari din po ninyo akong gawing tagalinis sa sanga kung di talaga maaaring bayaran, xxx*".<sup>31</sup> Evidently, Osabal was still willing to work with Philacor even as "*Tagalinis.*"

More, Philacor should not have unilaterally decided that reinstatement was no longer feasible simply based on Osabal's prior refusal to be reassigned to Philacor's branch in Bulacan. Suffice it to state that this only affected the viability of Osabal's *actual* reinstatement but not his reinstatement in the *payroll*.

At any rate, whether Philacor and Osabal have strained relations is a question of fact.<sup>32</sup> When Labor Arbiter Quiñones, the NLRC and the Court of Appeals unanimously ruled in favor of Osabal, they effectively determined that despite the perceived animosity between the parties, reinstatement, at least in the payroll, remained viable pending appeal in the case for illegal dismissal.

All told, Philacor erred in invoking the doctrine of strained relations and electing its purported option to pay separation pay in lieu of reinstatement. Be that as it may, the Court deems it necessary to impose legal interest of six percent (6%) *per annum* from finality of this Resolution until fully paid pursuant to prevailing jurisprudence.<sup>33</sup>

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<sup>30</sup> 822 Phil. 596, 605 (2017).

<sup>31</sup> As cited by the Court of Appeals, *rollo*, p. 28.

<sup>32</sup> *Supra* note 29.


<sup>33</sup> *Nacar v. Gallery Frames*, 716 Phil. 267, 281 (2013).

Indeed, every labor dispute almost always results in “strained relations”. The phrase cannot therefore be applied indiscriminately and given an overarching interpretation lest we bar employees from ever getting reinstated<sup>34</sup> as here. Philacor invoked the doctrine of strained relations to deprive Osabal of his reinstatement salaries from the moment it received notice of the order of reinstatement on February 26, 2002 until it was reversed seven (7) years later on June 22, 2009. It served as a convenient excuse for Philacor to defy the order of reinstatement which was immediately executory under Article 223 of the Labor Code. Thus, instead of receiving his reinstatement salaries while his case pended before the NLRC, Osabal was forced to seek confirmation of his entitlement thereto in another round of legal battle. After going through the motions, eleven (11) years later, Osabal will finally be obtaining a definitive ruling which would enable him to recover his reinstatement salaries. Meantime, throughout Osabal’s eighteen (18) years of wait, he was paid a mere pittance by Philacor. Certainly, this cannot be countenanced. Otherwise, no employer in illegal dismissal cases would ever reinstate its dismissed employee pending appeal, in utter disregard of the wisdom behind Article 223 of the Labor Code.

**WHEREFORE**, the petition is **DENIED**. The Decision dated November 13, 2015 and Resolution dated June 2, 2016 of the Court of Appeals in CA-G.R. SP No. 133338, **AFFIRMED with MODIFICATION** that all monetary awards to respondent Giovanni Osabal shall earn legal interest of six percent (6%) *per annum* from finality of this Resolution until fully paid.

**SO ORDERED.”**

**By authority of the Court:**

  
**LIBRADA C. BUENA**  
Division Clerk of Court *for rolls*

by:

**MARIA TERESA B. SIBULO**  
Deputy Division Clerk of Court  
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<sup>34</sup> Supra note 29.





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