Republic of the Philippines
Supreme Court
Manila

FIRST DIVISION

KARJ GLOBAL MARKETING NETWORK, INC., Petitioner,	**G.R. No. 190654**
	Present:
	PERALTA, *C.J., Chairperson,* CAGUIOA, J. REYES, JR., LAZARO-JAVIER, and LOPEZ, *JJ.*
- versus -	
MIGUEL P. MARA,* Respondent.	Promulgated: JUL 28 2020

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DECISION

CAGUIOA, *J.:*

Before the Court is a Petition for Review on Certiorari[1] (Petition) under Rule 45 of the Rules of Court assailing the Decision[2] dated October 19, 2009 and Resolution[3] dated December 17, 2009 of the Court of Appeals (CA) in CA-G.R. SP No. 109424. The CA affirmed the findings of the National Labor Relations Commission (NLRC) that petitioner Karj Global Marketing Network, Inc. (petitioner) failed to perfect its appeal, so that the Labor Arbiter's (LA) decision finding respondent Miguel P. Mara (respondent) entitled to 14th month pay and a refund of his car's maintenance expenditures, damages and attorney's fees has already become final and executory.

Facts

The facts are summarized by the CA as follows:

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* Also referred to as Miguel Angel P. Mara in some parts of the records.

1 *Rollo*, pp. 8-46, excluding the Annexes.

2 Id. at 50-59. Penned by Associate Justice Myrna Dimaranan Vidal, with Associate Justices Jose Catral Mendoza and Romeo F. Barza concurring.

3 Id. at 48.

On 6 July 2006, Respondent MIGUEL ANGEL P. MARA (hereinafter Respondent) instituted a complaint before the Labor Arbiter against the Petitioner for non-payment of 14th month pay and refund of his car's maintenance expenditures, damages and attorney's fees.

In March 2004, Respondent commenced his employment with the Petitioner as Assistant General Manager. In his complaint, Respondent alleged that the Petitioner agreed to grant him with a "retention incentive 14th month bonus" pursuant to the Offer Sheet purportedly executed by the Petitioner; that in said Offer Sheet, Petitioner likewise undertook to provide Respondent with a brand new Isuzu Fuego or its equivalent and that it shall also shoulder Respondent's car's repairs and maintenance costs.

On the other hand, in its position paper, Petitioner contested the Respondent's allegations, contending that the 14th month bonus being claimed by the latter is discretionary in nature and that there is no document that would show that such gratuity is part of the regular compensation of the employees. Likewise, Petitioner rejected Respondent's claim for reimbursements of car repairs alleging that per the company car policy, in order that the Respondent could be entitled to such benefit, he should have used a brand new or second hand Toyota Altis and not a 1999 Black BMW used by the Respondent, hence, Respondent's claim for such reimbursements failed to comply with the procedure laid down by [the] company car policy.

On 16 October 2006, Labor Arbiter ARTHUR L. AMANSEC rendered a decision, the *fallo* thereof reads:

> WHEREFORE, judgment is hereby made ordering the respondents to pay the complainant P198,800.00 or 14th month pay benefit for the years 2004 and 2005. The respondents are also ordered to refund to the complainant the amount of P289,000.00 as company car maintenance costs.
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> Other claims are dismissed for lack of merit.
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> SO ORDERED.

Aggrieved thereby, Petitioner filed an appeal before the NLRC.

It came to pass that prior to the issuance of the aforesaid Labor Arbiter's decision, three creditors of the Petitioner instituted before the Regional Trial Court (RTC) of Para[ñ]aque City a *Petition for Involuntary Insolvency* against the Petitioner which was raffled to Branch 196, which on 2 October 2006, issued an Order, ruling thus:

> As a consequence of the filing of the petition, respondent corporation in the petition is enjoined from disposing, in any manner, of its property except in so far as it concerns the ordinary operations of commerce or industry in which it is engaged in and furthermore, from making any payments outside of necessary or legitimate expenses of its business or industry so long as the proceeding is pending.
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> SO ORDERED.

Meanwhile, on 28 November 2008, the NLRC dismissed Petitioner's appeal, dispositively holding as follows:

> With the appeal having been filed without the required bond, we have no recourse but to dismiss respondent's appeal for non-perfection.
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> SO ORDERED.[4]

Petitioner thus filed a petition for *certiorari* with the CA arguing that the NLRC committed grave abuse of discretion amounting to lack or excess of jurisdiction when it dismissed petitioner's appeal despite the RTC Order[5] dated October 2, 2006 (RTC Order), which petitioner claims was a legal justification for not posting the cash or surety bond normally required for an appeal.[6]

In its Decision, the CA affirmed the NLRC, ruling that an appeal bond is an indispensable requirement in perfecting an appeal before the NLRC. Accordingly, the CA held that the NLRC did not commit any error in dismissing petitioner's appeal.[7]

The CA further found petitioner's claim that the RTC Order prohibited it from disposing of its property as baseless as the posting of the bond did not mean that petitioner had to dispose a portion of its property. And even if such constituted a disposal of property, it would not have been a violation of the RTC Order because the case involves payment of an employee's benefits, which is within the ambit of a legitimate operation of petitioner's business.[8]

For the CA, given that an appeal is a statutory privilege, petitioner should have complied strictly with the rules on appeal.[9] The NLRC therefore did not commit grave abuse of discretion when it ruled that petitioner failed to perfect its appeal.[10]

Aggrieved, petitioner filed a motion for reconsideration, but this was denied.

Hence, this Petition.

Petitioner claims that it was barred from posting the bond following the RTC Order, the dispositive portion of which is quoted here anew:

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4 Id. at 50-53; citations omitted.
5 Id. at 177.
6 Id. at 53-54.
7 Id. at 56.
8 Id. at 56-57.
9 Id. at 57.
10 Id. at 58.

> As a consequence of the filing of the petition, respondent corporation in the petition is enjoined from disposing, in any manner, of its property except in so far as it concerns the ordinary operations of commerce or industry in which it is engaged in and furthermore, from making any payments outside of necessary or legitimate expenses of its business or industry so long as the proceeding is pending.
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> SO ORDERED.[11]

Records show that petitioner filed its Motion to Suspend Proceedings[12] dated November 2, 2006, and alleged that it received the LA's Decision on October 27, 2006,[13] while it received the RTC Order on October 9, 2006.[14] Petitioner further stated in its motion that it informed the RTC of the pendency of the case filed by respondent.[15]

Eventually, petitioner filed a Notice of Appeal and Memorandum of Appeal *Ad Cautelam*[16] dated November 6, 2006.

Issue

The question for the Court is whether the CA was correct in affirming the NLRC's strict adherence to the requirement for the posting of an appeal bond in order to perfect an appeal before it.

The Court's Ruling

The Petition is granted. The CA erred in affirming the NLRC.

Liberal application of the requirement for an appeal bond

Article 223 of the Labor Code requires the posting of a cash or surety bond when the judgment appealed from involves a monetary award.

> **Art. 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
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> x x x x
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> In case of a judgment involving a monetary award, an appeal by the employer may be perfected only upon the posting of a cash or surety bond issued by a reputable bonding company duly accredited by the

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11 Id. at 177.
12 Id. at 170-176.
13 Id. at 170.
14 Id. at 171.
15 Id. at 175.
16 Id. at 282-308.

> Commission in the amount equivalent to the monetary award in the judgment appealed from.

Indeed, as the CA ruled, the posting of the bond is "an *indispensable* requisite for the perfection of an appeal by the employer."[17] As the Court held in *Viron Garments Manufacturing, Co., Inc. v. NLRC*[18] (*Viron*), the mandatory nature of the bond "is clearly limned in the provision that an appeal by the employer may be perfected '*only upon the posting of a cash or surety bond.*' The word 'only' makes it perfectly clear, that the lawmakers intended the posting of a cash or surety bond by the employer to be the exclusive means by which an employer's appeal may be perfected."[19]

As against this rule, the Court has recognized exceptional circumstances where it relaxed the requirement for an appeal bond. As held in *Lepanto Consolidated Mining Corp. v. Icao*:[20]

> x x x [T]his Court has liberally applied the NLRC Rules and the Labor Code provisions on the posting of an appeal bond in exceptional cases. In *Your Bus Lines v. NLRC*, the Court excused the appellant's failure to post a bond, because it relied on the notice of the decision. While the notice enumerated all the other requirements for perfecting an appeal, it did not include a bond in the list. In *Blancaflor v. NLRC*, the failure of the appellant therein to post a bond was partly caused by the labor arbiter's failure to state the exact amount of monetary award due, which would have been the basis of the amount of the bond to be posted. In *Cabalan Pastulan Negrito Labor Association v. NLRC*, petitioner-appellant was an association of Negritos performing trash-sorting services in the American naval base in Subic Bay. The plea of the association that its appeal be given due course despite its non-posting of a bond, on account of its insolvency and poverty, was granted by this Court. In *UERM-Memorial Medical Center v. NLRC*, we allowed the appellant-employer to post a property bond in lieu of a cash or surety bond. The assailed judgment involved more than P17 million; thus, its execution could adversely affect the economic survival of the employer, which was a medical center.[21] (Citations removed)

To determine whether to allow a liberal application of the rule on bonds, it is crucial to understand, especially in this case, whether respondent stands to lose the security provided by the appeal bond as the purpose of the appeal bond, as held in *Viron,* is to ensure that when the workers prevail, they will receive the money judgment in their favor:

> The requirement that the employer post a cash or surety bond to perfect its/his appeal is apparently intended to assure the workers that if

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17 *Viron Garments Manufacturing, Co., Inc. v. NLRC*, G.R. No. 97357, March 18, 1992, 207 SCRA 339, 342. Italics in the original.

18 Id.

19 Id. at 342. Italics in the original.

20 G.R. No. 196047, January 15, 2014, 714 SCRA 1.

21 Id. at 14-15.

> they prevail in the case, they will receive the money judgment in their favor upon the dismissal of the employer's appeal. It was intended to discourage employers from using an appeal to delay, or even evade, their obligation to satisfy their employees' just and lawful claims.[22]

Here, the Court deems the existence of the insolvency proceedings as an exceptional circumstance to warrant the liberal application of the rules requiring an appeal bond. The failure to file an appeal bond did not contradict the need to ensure that respondent, if his claim is deemed valid, will receive the money judgment.

The rule on a requirement of an appeal bond cannot operate in a vacuum. "[W]hen the law does not clearly provide a rule or norm for the tribunal to follow in deciding a question submitted, but leaves to the tribunal the discretion to determine the case in one way or another, the judge must decide the question in conformity with justice, reason and equity, in view of the circumstances of the case."[23]

Here, there seems to be an absence of rule or norm to follow on whether to require an appeal bond when the appealing employer is subject of involuntary liquidation proceedings. But the NLRC, mandated to act with justice, reason and equity, should have allowed the appeal and ruled on the merits considering the circumstances of the case.

It is beyond dispute that money claims arising from employer-employee relationship are within the original and exclusive jurisdiction of the LA and the NLRC. Article 217 of the Labor Code states:

> **Art. 217.** ***Jurisdiction of the Labor Arbiters and the Commission.*** – (a) Except as otherwise provided under this Code, the Labor Arbiters shall have original and exclusive jurisdiction to hear and decide, within thirty (30) calendar days after the submission of the case by the parties for decision without extension, even in the absence of stenographic notes, the following cases involving all workers, whether agricultural or non-agricultural:
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> x x x x
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> (6) Except claims for Employees Compensation, Social Security, Medicare and maternity benefits, **all other claims arising from employer-employee relations**, including those of persons in domestic or household service, involving an amount exceeding five thousand pesos (P5,000.00) regardless of whether accompanied with a claim for reinstatement. (Emphasis supplied and underscoring supplied)

Following Article 217 of the Labor Code, and given the LA's and NLRC's exclusive and original jurisdiction to rule on money claims of an

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22 *Viron Garments Manufacturing, Co., Inc. v. NLRC*, supra note 17, at 342.
23 *Lepanto Consolidated Mining Corp. v. Icao*, supra note 20, at 13.

employee, such case may only be filed and ruled upon by the LA and NLRC.

However, when an employer is undergoing insolvency proceedings, Article 217 of the Labor has to be read together with Section 60 of the Insolvency Law[24] which states that a creditor may be allowed to proceed with the suit to ascertain the amount due to it but the execution of which shall be stayed:

> SECTION 60. No creditor, proving his debt or claim, shall be allowed to maintain any suit therefor against the debtor, but shall be deemed to have waived all right of action and suit against him, and all proceedings already commenced, or any unsatisfied judgment already obtained thereon, shall be deemed to be discharged and surrendered thereby; and after the debtor's discharge, upon proper application and proof to the court having jurisdiction, all such proceedings shall be dismissed, and such unsatisfied judgments satisfied of record: *Provided*, That no valid lien existing in good faith thereunder shall be thereby affected. A creditor proving his debt or claim shall not be held to have waived his right of action or suit against the debtor when a discharge has have been refused or the proceedings have been determined without a discharge. No creditor whose debt is provable under this Act shall be allowed, after the commencement of proceedings in insolvency, to prosecute to final judgment any action therefor against the debtor until the question of the debtor's discharge shall have been determined, and any such suit or proceeding shall, upon the application of the debtor or of any creditor, or the assignee, be stayed to await the determination of the court on the question of discharge: *Provided*, **That if the amount due the creditor is in dispute, the suit, by leave of the court in insolvency, may proceed to judgment for the purpose of ascertaining the amount due, which amount, when adjudged, may be allowed in the insolvency proceedings, but execution shall be stayed as aforesaid.** (Emphasis and underscoring supplied)

Further, during the pendency of the insolvency proceedings, the measure of protection for the employee is to have the claim considered as a contingent claim before the insolvent court following Section 55 of the Insolvency Act.

> SECTION 55. In all cases of contingent debts and contingent liabilities, contracted by the debtor, and not herein otherwise provided for, the creditor may make claim therefor and have his claim allowed, with the right to share in the dividends, if the contingency shall happen before the order of the final dividend; or he may, at any time, apply to the court to have the present value of the debt or liability ascertained and liquidated, which shall be done in such manner as the court shall order, and it shall be allowed for the amount so ascertained.

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[24] Act No. 1956, May 20, 1909. The Insolvency Law was the law in effect at the time of the NLRC's dismissal of the appeal on November 28, 2008. The Financial Rehabilitation and Insolvency Act (FRIA) of 2010, or Republic Act No. 10142, was signed into law on July 18, 2010.

Thus, like any other contingent claim, the employee may prosecute his case before the labor tribunals, and exhaust other remedies, until he or she obtains a final and executory judgment. Assuming the employee obtains a favorable money judgment, the execution will be stayed following Section 60 of the Insolvency Act because, as will be discussed below, the insolvency proceedings is the **only** proceeding where all creditors of the employer may establish their claims.

Assuming the insolvent corporation undergoes liquidation, the measure of protection given to employees is stated in Article 110 of the Labor Code, which provides for preference for unpaid wages and monetary claims even before the payment of claims of the government and other creditors. It states:

> **Art. 110.** ***Worker Preference in Case of Bankruptcy.*** – In the event of bankruptcy or liquidation of an employer's business, his workers shall enjoy first preference as regards their wages and other monetary claims, any provisions of law to the contrary notwithstanding. Such unpaid wages and monetary claims shall be paid in full before claims of the government and other creditors may be paid.

Article 110, in fact, can only be enforced in liquidation proceedings as held in *Development Bank of the Philippines v. Secretary of Labor*[25] *(DBP)*:

> **In this jurisdiction, bankruptcy, insolvency and general judicial liquidation proceedings provide the only proper venue for the enforcement of a creditor's preferential right such as that established in Article 110 of the Labor Code**, for these are in rem proceedings binding against the whole world where all persons having any interest in the assets of the debtor are given the opportunity to establish their respective credits [Philippine Savings Bank v. Lantin, *supra*; Development Bank of the Philippines v. Santos, *supra*].[26] (Emphasis and underscoring supplied)

What Article 110 means in the context of an insolvent employer is "that during bankruptcy, insolvency or liquidation proceedings involving the existing properties of the employer, the employees have the advantage of having their unpaid wages satisfied ahead of certain claims which may be proved therein."[27]

The foregoing therefore shows that an employee of an employer who is undergoing insolvency proceedings has many layers of protection starting from being allowed to prosecute his claim, registering a contingent claim before the insolvency court, and finally, enjoying a preference in case the assets of the corporation are ordered liquidated to pay for its debts.

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25 G.R. No. 79351, November 28, 1989, 179 SCRA 630.
26 Id. at 635.
27 Id. at 636.

Here, petitioner informed the labor tribunals of the pendency of the insolvency proceedings. In fact, it also informed the NLRC that it had apprised the insolvency court of the pendency of the case in its Motion to Suspend Proceedings. Even as it wanted a suspension of the proceedings, it still filed a Notice of Appeal and Memorandum of Appeal *Ad Cautelam*. It was therefore an error for the NLRC to dismiss the appeal outright when the foregoing shows that the law itself provides many measures of protection for the employee, such that an appeal before the NLRC may be allowed to proceed despite the lack of an appeal bond.

Respondent is not entitled to 14th month pay and reimbursements

As a general rule, the Court would have directed the remand of the case, reinstated the appeal, and directed the NLRC to rule on the merits. But the ends of justice would not be subserved by doing so considering the length of time that this case has been on-going. It is imperative that the Court already rule on the merits considering the time that has lapsed since the labor tribunals have rendered their decisions and given that all the materials facts are before the Court. As the Court held in *Cabalan Pastulan Negrito Labor Association v. NLRC*:[28]

> While this Court, when it finds that a lower court or quasi[-]judicial body is in error, may simply and conveniently nullify the challenged decision, resolution or order and remand the case thereto for further appropriate action, it is well within the conscientious exercise of its broad review powers to refrain from doing so and instead choose to render judgment on the merits when all material facts have been duly laid before it as would buttress its ultimate conclusion, in the public interest and for the expeditious administration of justice, such as where the ends of justice would not be subserved by the remand of the case.[29]

Here, the claims and evidence of the parties, which form part of the records of this case, are as follows.

Respondent claims that he is entitled to 14th month pay in the amount of ₱198,800.00,[30] as supported by the December 5, 2003 Offer Sheet[31] which he and a certain Gregory Francis Banzon[32] (Banzon) signed. He also claimed he is entitled to a refund for expenses incurred for the repairs he made on his company car amounting to ₱289,939.00.[33] Respondent submitted a Vehicle Checklist[34] which showed the condition of the car when he returned the car.

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28 G.R. No. 106108, February 23, 1995, 241 SCRA 643.
29 Id. at 658.
30 See *rollo*, p. 104.
31 Id. at 106-107.
32 Also referred to as Greg Banzon in some parts of the records.
33 *Rollo*, p. 104.
34 Id. at 108-109.

On the other hand, petitioner denies that it is bound by the terms in the Offer Sheet as the signatory therein, Banzon, started working for petitioner only on September 6, 2004. This was supported by a Certificate by the Human Resources Head of petitioner.[35] Petitioner likewise submitted its 2003 General Information Sheet (GIS) which showed that Banzon was not one of its stockholders or officer.[36] Further, petitioner claimed that respondent failed to comply with the company car policy, which states that all charges for repairs and maintenance shall be supported by suppliers' invoices.[37]

Based on the foregoing, the Court finds respondent's claims without merit. Substantial evidence has been defined as "that amount of relevant evidence as a reasonable mind might accept as adequate to support a conclusion, even if other minds, equally reasonable, might conceivably opine otherwise."[38]

Here, respondent failed to prove his entitlement to his claims. Although he submitted an Offer Sheet that showed he is entitled to 14th month pay, the validity of this Offer Sheet was controverted by the evidence of petitioner showing that the signatory thereto was not one of its stockholders or officers at the time the Offer Sheet was executed. The Offer Sheet was executed on December 5, 2003, but Banzon only started working for petitioner on September 6, 2004, and he was likewise not reported as an officer or stockholder of petitioner in its 2003 GIS.

As to the reimbursements for repairs of the cars, respondent also failed to prove his entitlement to it. He failed to submit any document to prove that he incurred expenses for the repair and maintenance of the car. "Mere allegation is not proof or evidence."[39] Given this, the Court denies his claim for reimbursements.

Given the foregoing, the Court also denies respondent's claim for attorney's fees.

WHEREFORE, premises considered, the Petition is **GRANTED**. The Decision dated October 19, 2009 and Resolution dated December 17, 2009 of the Court of Appeals in CA-G.R. SP No. 109424 are **REVERSED and SET ASIDE**. Respondent's complaint is **DISMISSED** for lack of merit.

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35 Id. at 132.

36 Id. at 133-136.

37 Id. at 128.

38 *Sumifru (Philippines) Corp. v. Nagkahiusang Mamumuo sa Suyapa Farm (NAMASUFA-NAFLU-KMU)*, G.R. No. 202091, June 7, 2017, 826 SCRA 438, 450, citing *T & H Shopfitters Corp./Gin Queen Corp. v. T & H Shopfitters Corp./Gin Queen Workers Union*, 728 Phil. 168, 180-181 (2014).

39 *Expedition Construction Corporation v. Africa*, G.R. No. 228671, December 14, 2017, 849 SCRA 327, 343, citing *Villanueva v. Philippine Daily Inquirer, Inc.* 605 Phil. 926, 937 (2009).

SO ORDERED.

ALFREDO BENJAMIN S. CAGUIOA
Associate Justice

WE CONCUR:

DIOSDADO M. PERALTA
Chief Justice
Chairperson

JOSE C. REYES, JR.
Associate Justice

AMY C. LAZARO-JAVIER
Associate Justice

MARIO V. LOPEZ
Associate Justice

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution, I certify that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.

DIOSDADO M. PERALTA
Chief Justice