

## SECOND DIVISION

[ G.R. No. 236496, July 08, 2019 ]

**F.F. CRUZ & CO., INC., PETITIONER, VS. JOSE B. GALANDEZ, DOMINGO I. SAJUELA, AND MARLON D. NAMOC, RESPONDENTS.**

### DECISION

**PERLAS-BERNABE, J.:**

Assailed in this petition for review on *certiorari*<sup>[1]</sup> are the Decision<sup>[2]</sup> dated February 8, 2017 and the Resolution<sup>[3]</sup> dated January 4, 2018 of the Court of Appeals (CA) in CA-G.R. SP. No. 08468 which reversed and set aside the Order<sup>[4]</sup> dated April 30, 2013 and the Resolution<sup>[5]</sup> dated March 31, 2014 of the National Labor Relations Commission (NLRC) in NLRC Case No. VAC-03-000204-2012 declaring the case closed and terminated, and instead, ordered the remand of the case to the NLRC for re-computation of the award of backwages until respondents Jose B. Galandez (Galandez), Domingo I. Sajuela (Sajuela), and Marlon D. Namoc's (Namoc; collectively, respondents) reinstatement, or if no longer viable, to include payment of separation pay.

#### The Facts

Galandez, Sajuela and Namoc were employed as warehouseman purchaser, and welder,<sup>[6]</sup> respectively, by petitioner F.F. Cruz & Co., Inc. (petitioner), a company engaged in the construction business.<sup>[7]</sup> Sometime in April and May 2011, respondents were issued notices of termination<sup>[8]</sup> on the ground of retirement. Believing that they were illegally dismissed since they have not yet reached the compulsory retirement age, and instead, were compelled to retire without their consent, respondents initially filed a complaint<sup>[9]</sup> before the Department of Labor and Employment (DOLE). During the conciliation meetings, petitioner then agreed to pay respondents their separation pay of one (1) month for every year of service by way of compromise.<sup>[10]</sup> However, as petitioner failed to honor its undertaking, the DOLE referred<sup>[11]</sup> the matter to the NLRC, for which complaints<sup>[12]</sup> for illegal dismissal with money claims were filed by respondents against petitioner, its President Felipe Cruz, Vice President Eric Cruz, and Human Resources Manager Alberto Alvarez.

For its part, petitioner, together with the impleaded officers, denied that respondents were illegally dismissed. It claimed that respondents were merely notified of their retirement, which was a form of retrenchment to prevent losses, and that the offer to pay their retirement equivalent to one-half (1/2) month pay was just, legal, and proper given that respondents and their families were permitted to stay in a bunk house provided by petitioner free of charge during the whole period of their employment.<sup>[13]</sup>

In a Decision<sup>[14]</sup> dated December 15, 2011, the Labor Arbiter (LA) ruled in favor of respondents declaring them to have been illegally dismissed, and as such, were **ordered reinstated** to their former positions without loss of seniority rights. Accordingly, petitioner and its officers were ordered to jointly and solidarily pay respondents the total monetary award of P179,864.69<sup>[15]</sup> representing their full backwages reckoned from the time of their dismissal until December 16, 2011, 13<sup>th</sup> month pay, as well as 10% attorney's fees.<sup>[16]</sup>

Feeling aggrieved, petitioner appealed<sup>[17]</sup> to the NLRC, and in a Decision<sup>[18]</sup> dated July 17, 2012 (NLRC) Decision) affirmed the LA's ruling finding respondents to have been illegally dismissed, and as such, are entitled to **reinstatement with backwages**.<sup>[19]</sup> In this regard, the NLRC recomputed respondents' backwages and attorney's fees in the total amount of P363,047.68<sup>[20]</sup> **subject to further re-computation until the latter's reinstatement**.<sup>[21]</sup> Petitioner's motion for reconsideration<sup>[22]</sup> was denied in a Resolution<sup>[23]</sup> dated September 21, 2012.

Thus, in the letters dated February 1, 2013<sup>[24]</sup> and March 14, 2013,<sup>[25]</sup> respondents sought to enforce the afore-mentioned NLRC Decision, **demanding petitioner to reinstatement them** and to pay their full backwages which, as of January 17, 2013, was computed at P520,061.68. They also proposed to be paid separation pay equivalent to one (1) month pay for every year of service should reinstatement be no longer possible.<sup>[26]</sup>

On March 25, 2013, petitioner undertook to settle and pay respondents their adjudged monetary award<sup>[27]</sup> in the total aggregate amount of P363,047.68, for which the latter executed a Quitclaim and Release<sup>[28]</sup> in consideration thereof before a Notary Public. Believing to have settled in full its monetary obligations to respondents, petitioner filed a Manifestation<sup>[29]</sup> dated April 4, 2013 to the NLRC seeking to declare the case closed and terminated.<sup>[30]</sup>

In an Order<sup>[31]</sup> dated April 30, 2013, the NLRC approved the subject quitclaims, and accordingly, declared the case closed and terminated after finding the amicable settlement between petitioner and respondents to be "*[i]n consideration of the full satisfaction of the award in favor of the complainants as embodied in Our, 17 July 2012 Decision,*"<sup>[32]</sup> and not contrary to law, morals, and public policy.

Respondents moved for reconsideration<sup>[33]</sup> averring that: (a) they were not assisted by counsel when they executed the questioned quitclaims; (b) they were **defrauded by petitioner into believing that, after signing the same, they would be reinstated to their former positions in accordance with the NLRC Decision**; and (c) they were made to believe that an arrangement for the said settlement had been made and there was no need to consult their lawyer.<sup>[34]</sup> By way of opposition,<sup>[35]</sup> petitioner countered that respondents freely, voluntarily, and knowingly executed the subject quitclaims, and that the absence of their counsel during execution did not invalidate the contract. Petitioner further claimed that respondents were advised of the nature and consequences of the quitclaim before signing the same,<sup>[35]</sup> and denied defrauding them. It contended that by executing said

contract, respondents effectively vacated their right to the judgment awards under the NLRC Decision including the reinstatement aspect, and instead agreed to novate petitioner's obligation into a simple monetary obligation which was fully satisfied upon payment of the same.<sup>[36]</sup>

On March 31, 2014, the NLRC issued a Resolution<sup>[37]</sup> denying respondents' motion for reconsideration, ruling that the questioned quitclaims were in order having been subscribed and sworn to before a Notary Public, and that they were paid their full monetary judgment award. It held that the acceptance by respondents of the monetary award as full settlement of their claims effectively discharged petitioner from any other claim. It added that the absence of respondents' counsel during the execution of the subject quitclaims did not invalidate the same, and that they were fully aware of what they were giving up in exchange for the full monetary judgment award.<sup>[38]</sup>

Aggrieved, respondents elevated the matter to the CA via a petition for *certiorari*<sup>[39]</sup> contending that the NLRC committed grave abuse of discretion when it approved the quitclaim not in accordance with the NLRC rules of procedure and in ruling that the same represented their full monetary judgment award.<sup>[40]</sup>

### The CA Ruling

In a Decision<sup>[41]</sup> dated February 8, 2017, the CA gave due course to the petition and set aside the NLRC Order dated April 30, 2013 and Resolution dated March 31, 2014.<sup>[42]</sup> While the CA upheld the validity of the subject quitclaims for failure of respondents to show that the execution thereof was attended by fraud or deceit, it nonetheless ruled that the same did not bar respondents from asserting what was legally due them, particularly, the backwages and attorney's fees reckoned from the NLRC Decision up to respondents' reinstatement.<sup>[43]</sup> The CA pointed out that the subject quitclaim did not include a waiver of respondents' right to reinstatement or separation pay given that the latter had **repeatedly demanded for their reinstatement after its execution** as mandated under Article 279 [now Article 294]<sup>[44]</sup> of the Labor Code, as amended.<sup>[45]</sup> It further explicated that the law does not consider as valid any agreement to receive less compensation than what a worker is entitled to recover, and held that the amount received by respondents was only for the value of their backwages until their supposed reinstatement.<sup>[46]</sup> Accordingly, the CA ordered a remand of the case to the NLRC for re-computation of respondents' backwages until their reinstatement, or should the same be no longer viable, to include in their award separation pay.<sup>[47]</sup>

Both parties moved for reconsideration<sup>[48]</sup> with respondents asserting that the subject quitclaim should have been declared invalid<sup>[49]</sup> while petitioner maintained that the monetary settlement received by them already considered reinstatement, backwages, and separation pay.<sup>[50]</sup>

In a Resolution<sup>[51]</sup> dated January 4, 2018, the CA reversed its stance as to the validity of the subject quitclaims, holding that the consideration thereof was unconscionable given that respondents received far less than what the law required. It pointed out that quitclaims are ineffective to bar claims for the full measure of a

worker's legal rights when; (a) there is clear proof that the waiver was wangled from an unsuspecting or gullible person; or (b) the terms of settlement are unconscionable on their face. Since petitioner failed to establish that the settlement award is credible and reasonable as against what respondents should have received as an illegally dismissed employee, and considering further that the latter have repeatedly demanded for their reinstatement even after the execution of their respective quitclaims, the CA held that the acceptance by respondents of the benefits as consideration of the quitclaim did not amount to a waiver of what were legally due them.<sup>[52]</sup>

Hence, the instant petition.

### **The Issue Before the Court**

The essential issue for the Court's resolution is whether or not the CA committed any reversible error in: (a) holding that the questioned Quitclaims and Releases were invalid; and (b) ordering the remand of the case to the NLRC for re-computation of respondents' backwages until their actual reinstatement, or to pay separation pay in lieu of reinstatement.

### **The Court's Ruling**

"To justify the grant of the extraordinary remedy of *certiorari*, petitioners must satisfactorily show that the court or quasi-judicial authority gravely abused the discretion conferred upon it. Grave abuse of discretion connotes judgment exercised in a capricious and whimsical manner that is tantamount to lack of jurisdiction. To be considered 'grave,' discretion must be exercised in a despotic manner by reason of passion or personal hostility, and must be so patent and gross as to amount to an evasion of positive duty or a virtual refusal to perform the duty enjoined by or to act at all in contemplation of law."<sup>[53]</sup>

"In labor disputes, grave abuse of discretion may be ascribed to the NLRC when, *inter alia*, its findings and the conclusions reached thereby are not supported by substantial evidence. This requirement of substantial evidence is clearly expressed in Section 5, Rule 133 of the Rules of Court which provides that '[i]n cases filed before administrative or quasi-judicial bodies, a fact may be deemed established if it is supported by substantial evidence, or that amount of relevant evidence which a reasonable mind might accept as adequate to justify a conclusion.'"<sup>[54]</sup>

Guided by the foregoing considerations, the Court finds that the CA correctly granted respondents' *certiorari* petition since the NLRC gravely abused its discretion in ***completely*** discharging petitioner from its obligations under a final and executory judgment in view of the Quitclaim and Release executed by respondents. In particular, as will be explained below, petitioner should not be discharged from its obligation to reinstate respondents since the Quitclaim and Release only settled the backwages aspect of petitioner's judgment debt.

At the outset, quitclaims are contracts in the nature of a *compromise* where parties make concessions, a lawful device to *avoid litigation*.<sup>[55]</sup> It is a valid and binding agreement between the parties, provided that it constitutes a credible and *reasonable settlement* and the one accomplishing it has done so voluntarily and with

a full understanding of its import.<sup>[56]</sup> In so doing, the parties adjust their difficulties in the manner they have agreed upon, disregarding the possible gain in litigation and keeping in mind that such gain is balanced by the danger of losing.<sup>[57]</sup> While quitclaims are generally intended for the purpose of preventing or putting an end to a lawsuit, jurisprudence nonetheless holds that the parties are not precluded from entering into a compromise even if a final judgment had already been rendered,<sup>[58]</sup> as in this case. As pointed out in *Magbanua v. Uy*,<sup>[59]</sup> "[t]here is no justification to disallow a compromise agreement, solely because it was entered into after final judgment. The validity of the agreement is determined by compliance with the requisites and principles of contracts, not by when it was entered into."<sup>[60]</sup>

For a deed of release, waiver, and quitclaim to be valid, it must be shown that: (a) there was no fraud or deceit on the part, of any parties; (b) that the consideration for the quitclaim is credible and reasonable; and (c) that the contract is not contrary to law, public order, public policy, morals or good customs, or prejudicial to a third person with a right recognized by law.<sup>[61]</sup> The burden rests on the employer to prove that the quitclaim constitutes a credible and reasonable settlement of what an employee is entitled to recover, and that the one accomplishing it has done so voluntarily and with a full understanding of its import.<sup>[62]</sup>

As culled from the records, it is not disputed that the **NLRC Decision had already become final and executory**, declaring respondents to have been illegally dismissed, and accordingly, ordered petitioner to: **(a) pay respondents their unpaid 13<sup>th</sup> month pay, backwages in accordance with Article 294 of the Labor Code, and attorney's fees (monetary aspect); and (b) reinstate respondents or pay their separation pay should reinstatement be no longer viable (reinstatement aspect)**.<sup>[63]</sup> It is likewise not denied that respondents immediately sought for the enforcement of the foregoing final and executory NLRC Decision<sup>[64]</sup> in their letters dated February 1, 2013 and March 14, 2013.

However, records disclose that petitioner was only able to partly comply with the NLRC Decision by paying respondents Galandez and Sajuela the amount of P123,230.25 each, and Namoc the sum of P116,587.18, **representing their backwages, 13<sup>th</sup> month pay and attorney's fees as provisionally computed by the NLRC as of July 17, 2012**.<sup>[65]</sup> Thereafter, respondents executed a Quitclaim and Release in favor of petitioner acknowledging payment, which pertinently reads:

THAT I, \_\_\_\_\_, his/her successors and assigns, for and in consideration of the sum of \_\_\_\_\_ (P \_\_\_\_\_) to his/her in hand paid, the receipts of which is hereby acknowledge, does hereby release and discharged F.F. CRUZ & CO., INC., their successors and assigns, from any and all manner of claims, demand, damages, causes of action or suits that he/she may now have, or that might subsequently occur to his/her by reason of any matter or things whatsoever, and particularly growing out or in any way connected with her employment with F.F. CRUZ & CO. INC.

It is the purpose of this release to forever settle, adjust and discharge all