

THIRD DIVISION

[G.R. No. 201073, February 10, 2016]

**PHILIPPINE AIRLINES, INC. PETITIONER, VS. PAL EMPLOYEES
SAVINGS & LOAN ASSOCIATION, INC., RESPONDENT.**

DECISION

PEREZ, J.:

Assailed in the present Petition for Review on *Certiorari* is the Decision dated September 13, 2011^[1] and the Resolution dated March 13, 2012^[2] of the Court of Appeals (CA) in CA-G.R. CV No. 82098, CA-G.R. CR No. 28341, and CA-G.R. CR No. 28655, which affirmed with modification the Consolidated Decision dated November 6, 2002^[3] of the Regional Trial Court (RTC), Branch 118, Pasay City in Civil Case Nos. 97-1026 and 00-0016.

Factual Background

Respondent Philippine Airlines (PAL) Employees Savings and Loan Association, Inc. (PESALA) is a private non-stock corporation, the principal purposes of which are "(t)o promote and cultivate the habit of thrift and saving among its members; and to that end, to receive moneys on deposits from said members; (t)o loan said deposits to members when in need."^[4]

With the enactment of Republic Act (R.A.) No. 3779 (*Savings and Loan Association Law*), PESALA submitted the necessary requirements to the Bangko Sentral ng Pilipinas (BSP) so that PESALA will be authorized to operate as a savings and loan association. Among the documents required by and submitted to the BSP was a Certification dated June 20, 1969 issued by Mr. Claro C. Gloria, then Vice President for Industrial Relations of PAL, to the effect that PAL sanctions and supports the systems and operations of the PESALA; and that it allows and implements an arrangement whereby the PESALA collects-loan repayments, capital contributions, and deposits from its members by payroll deduction through the facilities of PAL. The said Certification reads:^[5]

This is to certify that the Philippine Air Lines, Inc.:

1. Sanctions and supports the systems and operations of the PAL Employees Savings and Loan Association, Inc. (PESALA);
2. Allows and implements an arrangement whereby the PAL Employees Savings and Loan Association collects loan repayments, capital contributions, and deposits from its members by payroll deduction through the facilities of PAL;

3. Has loaned to the PESALA specific office space to enable it to carry on its normal business until such time as it will have already acquired its own office; and
4. Authorizes the Association to conduct business within the PAL office space loaned to the Association, Monday through Friday, from 8:00 A.M. to 1:00 P.M., and 2:00 P.M. to 4:30 P.M.

On January 28, 1972, the BSP issued to PESALA Certificate of Authority No. C-062. [6] Since then and until the filing of the present case before the trial court, PAL religiously complied with its arrangement with PESALA to carry-out the payroll deductions of the loan repayments, capital contributions, and deposits of PESALA members. [7]

The controversy began on July 11, 1997, when PESALA received from Atty. Jose C. Blanco (Blanco), then PAL Labor Affairs Officer-in-Charge, a Letter [8] informing it that PAL shall implement a maximum 40% salary deduction on all its Philippine-based employees effective August 1, 1997. The Letter stated that, as all present Philippine-based collective bargaining agreements (CBAs) contain this maximum 40% salary deduction provision and to prevent "zero net pay" situations, PAL was going to strictly enforce said provision.

Foreseeing difficulties, PESALA estimated that if the 40% ceiling will be implemented, "then only around 8% (P19,200,000.00) of the total monthly payroll of P240,000,000.00 due to PESALA will be collected by PAL. The balance of around P48,000,000.00 will have to be collected directly by plaintiff PESALA from its members who number around 13,000 and who have different offices nationwide." [9] PESALA claimed that this scenario is highly possible as PESALA was only ninth in the priority order of payroll deductions. [10] In the obtaining circumstances, PESALA's computation showed that "(t)here will remain an uncollected amount of P38,400,000.00 monthly for which plaintiff will suffer loss of interest income of around P3,840,000.00 monthly." [11]

Antecedent Proceedings

On August 6, 1997, PESALA filed a Complaint [12] for Specific Performance, Damages or Declaratory Relief with a Prayer for Temporary Restraining Order and Injunction before the RTC of Pasay City, and which was docketed as Civil Case No. 97-1026. The Complaint prayed for the following: [13]

WHEREFORE, premises considered, plaintiff most respectfully prays that:

1. Upon the filing of this Complaint, a temporary restraining order be issued prohibiting defendants or any of their representatives from implementing the 40% limitation on the salary deductions as stated in the Jose C. Blanco's letter dated July 11, 1997 on the deductions pertaining to the loan repayments, capital contributions and deposits authorized by the PESALA members which will be remitted to PESALA and to order defendants to maintain *status quo ante litem* and to strictly enforce the aforesaid payroll deductions in favor of PESALA;

2. After notice and hearing, a writ of preliminary injunction be issued against the defendants preventing the latter from committing the aforesaid acts under the preceding paragraph upon such bond as this Honorable Court may equitably and reasonably fix and to strictly enforce the payroll deductions in favor of PESALA during the pendency of the case;

3. After trial and hearing, judgment be rendered as follows:

- a. Making the preliminary injunction permanent with respect to the acts stated in paragraph 1 of the prayer; and
- b. Ordering defendants to pay to PESALA the amount of P3,840,000.00 monthly as damages reckoned from the time PAL starts applying the 40% maximum deductions on the PESALA deductions; and
- c. Ordering the defendants jointly and severally to pay plaintiff the sum of P250,000.00 as attorney's fees and P5,000.00 as appearance fee per appearance as well as the costs of litigation.

Other reliefs just and equitable in the premises are likewise prayed.

In the Order dated August 11, 1997, the RTC issued a Temporary Restraining Order (TRO) prohibiting PAL and its representatives from implementing the maximum 40% salary deduction, to wit:^[14]

In order to preserve the *status quo* between the parties pending resolution on the prayer for the issuance of a writ of preliminary injunction included in the complaint, a *Temporary Restraining Order* is hereby issued enjoining/prohibiting defendants or any of their representatives from enforcing/implementing the maximum 40% salary deduction on the Philippine based PAL employees as stated in the letter of defendant Jose C. Blanco dated July 11, 1997, on the deductions pertaining to the loan repayments, capital contributions and deposits authorized by the PESALA members which will be remitted to PESALA.

PAL, however, was not able to comply with the TRO for the August 1-15, 1997 payroll as it allegedly received a copy of the said TRO after the corresponding payroll was already prepared. As the TRO was not complied with, only P3,672,051.52 was remitted by PAL to PESALA instead of the usual P28,500,000.00.^[15]

After a finding that the alleged CBA provision on the maximum 40% deduction was applicable only to union dues, and as the PESALA deductions were duly authorized by the member-employees, the RTC granted the injunctive writ prayed for by PESALA, enjoining PAL, Blanco, and all other persons or officials acting under them from implementing the maximum 40% limitation on salary deductions, and ordering PAL to strictly enforce the payroll deductions in favor of PESALA until further orders from the court. The Order dated September 3, 1997 states:^[16]

In view of all the foregoing, finding merit in the herein injunctive prayer, the same is GRANTED. Let therefore, a Writ of Preliminary Injunction be

issued, enjoining the defendants Philippine Airlines and Jose Blanco, and all other persons or officials acting under them from implementing the 40% limitation on the salary deductions as stated in the letter of defendant Jose C. Blanco dated July 11, 1997, pertaining to the loan repayments, capital contributions and deposits authorized by the PESALA members which will be remitted to PESALA and to maintain the status *quo ante litem* and to strictly enforce the payroll deductions in favor of plaintiff PESALA until further order from this Court, upon plaintiffs posting of a credible injunction bond in the amount of One Million (P1,000,000.00) Pesos.

SO ORDERED.

PAL failed to comply with the terms of the Order dated September 3, 1997. For the pay period of September 1-15, 1997, the deduction advice given by PESALA was for P31,870,194.45 but only P27,209,088.24 was deducted, leaving a balance of P4,661,106.21. For the pay period of September 16-30, 1997, the deduction advice was for P31,678,265.85 but only P27,755,336.75 was deducted, leaving a balance of P3,922,929.10. For the pay period of October 1-15, 1997, the deduction advice was for P31,366,866.24 but only P27,668,179.53 was deducted, leaving a balance of P3,698,686.71. For the pay period of October 16-31, 1997, the deduction advice was for P31,074,983.79 but only P27,887,935.13 was deducted, leaving a balance of P3,187,048.66. For the pay period of November 1-15, 1997, the deduction advice was for P31,062,541.02 but only P27,897,703.61 was deducted, leaving a balance of P3,164,837.41. For the pay period of November 16-30, 1997, the deduction advice was for P31,306,925.06 but only P28,476,282.37 was deducted, leaving a balance of P2,830,642.69. For the pay period of December 1-15, 1997, the deduction advice was for P31,468,236.78 but only P28,363,695.00 was deducted, leaving a balance of P3,104,541.78. For the pay period of December 16-31, 1997, the deduction advice was for P31,258,380.50 but only P27,387,361.59 was deducted, leaving a balance of P3,871,018.91. For the pay period of January 1-15, 1998, the deduction advice was for P31,304,373.14 but only P25,382,534.85 was deducted, leaving a balance of P5,921,838.29. For the pay period of January 16-30, 1998, the deduction advice was for P31,687,242.52 but only P27,190,730.72 was deducted, leaving a balance of P4,496,511.80. For the pay period of February 1-15, 1998, the deduction advice was for P31,919,262.26 but only P26,269,660.41 was deducted, leaving a balance of P5,649,601.85.^[17] Thus, from September 1, 1997 to February 15, 1998, a balance of P44,488,760.41^[18] was incurred.^[19]

In an Order dated March 11, 1998, the RTC ordered PAL to remit to PESALA the amount of P44,488,716.41, to wit:^[20]

WHEREFORE, and based on the foregoing considerations, finding the motion of the plaintiff to be meritorious, the same is hereby GRANTED. Defendants are hereby ordered to remit to the plaintiff PESALA the total undeducted amount of P44,488,716.41 which corresponds to pay periods from September 1997 to February 15, 1998, and to cause the deductions in full in the succeeding pay periods in accordance with the deduction advice of the plaintiff.

SO ORDERED.

In the meantime, PAL was placed under receivership on June 23, 1998. Thus, in the Order dated July 1, 1998, the Securities and Exchange Commission (SEC) prohibited PAL from paying any amounts in respect of any liabilities incurred prior to June 23, 1998 and declared all claims for payment against PAL suspended.^[21]

In defense, PAL claimed that PESALA never filed any claims with the Rehabilitation Receiver of PAL nor with the SEC that is why it was unable to comply with the RTC's Order dated March 11, 1998.^[22]

During the hearing held on December 4, 1998, however, then PAL's counsel, Atty. Emmanuel Pena, and Blanco assured the Court that: (1) PAL will regularly remit to PESALA the full amount per pay period that is due to the latter, and (2) PAL will pay PESALA the balance of P44,488,716.41 by January 1999. These assurances were embodied in the Order dated December 4, 1998.^[23]

Despite said assurances, PAL still failed to make good its word. On January 17, 2000, PESALA filed a Petition for Indirect Contempt against Blanco, Mr. Avelino L. Zapanta (then PAL President), and Mr. Andrew L. Huang (then PAL Senior Vice President-Finance and Chief Financial Officer) before the Regional Trial Court of Pasay City, docketed as Civil Case No. 00-0016, and consolidated with Civil Case No. 97-1026.

In the Decision dated November 6, 2002, the RTC made the writ of preliminary injunction earlier issued as permanent, thus ordering PAL and its officials to strictly comply with and implement the arrangement between the parties whereby PAL deducts from the salaries of PESALA members through payroll deductions the loan repayments, capital contributions and deposits of said members, and to remit the same to PESALA. The RTC also declared Blanco, Zapanta, and Huang guilty of indirect contempt and ordered them to remit or turn-over to PESALA the amount of P44,488,716.41 within three days from receipt of the Decision, otherwise their arrest and detention shall be ordered immediately. The dispositive of the said Decision reads:^[24]

WHEREFORE, the foregoing premises considered, judgment is hereby rendered in favor of the plaintiff/petitioner and against defendants/respondents:

- a. Ordering the defendants and all other officials, persons or agents acting under them to strictly comply with and implement the arrangement between the parties whereby defendants deduct from the salaries of the members of PESALA through payroll deductions the loan repayments, capital contributions and deposits of said members and to remit the same to plaintiff immediately giving full priority to plaintiff's deduction as contained in the Clarificatory Order dated May 19, 2000;
- b. Making the writ of preliminary injunction earlier issued as permanent;
- c. Ordering the defendants to pay the plaintiff attorney's fees of P250,000.00;