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FIRST DIVISION

[G.R. No. 192488, April 19, 2016]

BLUE EAGLE MANAGEMENT, INC., MA. AMELIA S. BONOAN, AND CARMELITA S. DELA RAMA, PETITIONERS, VS. JOCELYN L. NAVAL, RESPONDENT.

D E C I S I O N

LEONARDO-DE CASTRO, J.:

Before the Court is a Petition for Review on *Certiorari* under Rule 45 of the Rules of Court filed by petitioners Blue Eagle Management, Inc. (BEMI), Ma. Amelia S. Bonoan (Bonoan), and Ma. Carmelita S. Dela Rama (Dela Rama), assailing the Decision[1] dated March 11, 2010 of the Court of Appeals in CA-G.R. SP No. 106037. The appellate court annulled and set aside the Decision[2] dated May 31, 2007 of the National Labor Relations Commission (NLRC) in NLRC NCR CA No. 051363-07 and reinstated the Labor Arbiter's Decision[3] dated October 12, 2006 in NLRC-NCR Case No. 00-03-01845-06 finding that respondent Jocelyn L. Naval was illegally dismissed.

Petitioners and respondent presented two varying accounts of the circumstances that gave rise to this case.

Petitioners' Account

Petitioner BEMI is a domestic corporation registered with the Philippine Securities and Exchange Commission in 2004, with the primary purpose of establishing, owning, operating, or managing a sports complex, and performing any and all acts necessary and incidental to carrying out the same. It had an authorized capital stock of P100,000.00, divided into 100,000 shares with P1.00 par value per share; of which 25,000 shares worth P25,000.00 were subscribed and fully paid for as of December 31, 2005. It commenced operation on January 2, 2005.

By virtue of a Memorandum of Agreement (MOA), finalized on September 29, 2006, Ateneo de Manila University (ADMU), owner of the Moro Lorenzo Sports Center (MLSC) located within the ADMU compound, gave petitioner BEMI the authority to manage and operate the following businesses at MLSC: (a) sports clinic; (b) fitness gym; (c) coffee shop; and (d) lease of basketball courts, badminton courts, locker rooms/storage facilities, weight training room, track oval, martial arts deck, and office spaces. Under the MOA, ADMU and petitioner BEMI agreed, among other terms and conditions, that (a) petitioner BEMI would operate the businesses on its own account and employ its own employees, secure the necessary business licenses and permits under its name, and pay all taxes related to its operations under its name; (b) profits or losses from operations would be for the account of petitioner BEMI; (c) petitioner BEMI would be responsible for the costs of maintaining MLSC in the same condition as it was when turned over by ADMU excluding ordinary wear

and tear; (d) petitioner BEMI would reimburse ADMU the costs of electrical, water, telephone, and other utility charges, including the cost of installation fees and deposits related thereto, which had been separately and exclusively used and consumed by petitioner BEMI within MLSC; and (e) the agreement would be valid for a period of three years commencing on October 1, 2006. Petitioner BEMI was able to conduct its businesses at MLSC from January 2, 2005 to September 30, 2006 under a draft MOA, which was basically the same as the final MOA.[4] When petitioner BEMI took over the operations of MLSC on January 2, 2005, it also agreed to absorb all the employees of the previous operator.

Petitioners Bonoan and Dela Rama were then the General Manager[5] and Human Resources (HR) Manager, respectively, of petitioner BEMI.

Respondent was hired on January 15, 2005 by petitioner BEMI as a member of its maintenance staff.

During its first year of operation in 2005, petitioner BEMI suffered financial losses in the total amount of P5,067,409.44. In an attempt to reduce its financial losses, the Management of petitioner BEMI (Management) resolved sometime in January 2006 to decrease the operational expenses of the company. Since the gross income of petitioner BEMI was not even enough to cover the costs of the salaries, wages, and other benefits of its employees, one of the measures the Management intended to implement was the downsizing of its workforce. Pursuant to such decision of the Management, petitioners Bonoan and Dela Rama evaluated and identified several employees who could be the subject of retrenchment proceedings, taking into consideration the employees' positions and tenures at petitioner BEMI. After their evaluation, petitioners Bonoan and Dela Rama identified five employees for retrenchment, namely, Arvin A. Aluad, Alghie B. Domdom, Randell S. Esurena, Edmund T. Tugay, and respondent. Respondent was included in the list because she was one of the employees with the shortest tenures.

Before actually commencing retrenchment proceedings (scheduled to be completed not later than March 31, 2006), petitioner Dela Rama separately met with each of the five aforementioned employees between February 16 and 24, 2006 and presented to them the option of resigning instead. The employees who would choose to resign would no longer be required to report for work after their resignation but would still be paid their full salary for February 2006 and their pro-rated 13th month pay, plus financial assistance in the amount of one month salary for every year of service at petitioner BEMI. This option would also give the employees free time to seek other employment while still receiving salary from petitioner BEMI.

Petitioner Dela Rama, together with Ferdinand Chiongson (Chiongson), the officer-in-charge of the maintenance staff, spoke to respondent on the morning of February 20, 2006. Petitioner Dela Rama and Chiongson presented to respondent her options and gave her time to decide. Just several hours after the meeting, respondent returned to petitioner Dela Rama's office and informed petitioner Dela Rama that she would voluntarily resign. In petitioner Dela Rama's presence, respondent then executed a resignation letter in her own handwriting. Respondent's resignation letter was forwarded to and approved by petitioner Bonoan on the same day. The other four employees identified for retrenchment similarly opted to voluntarily resign and

executed their respective resignation letters.

Since all the five employees identified for retrenchment decided to voluntarily resign instead and avail themselves of the financial package offered by petitioner BEMI, there was no more need for the company to initiate retrenchment proceedings. The five employees were instructed to return on February 28, 2006 to comply with the exit procedure of petitioner BEMI and receive the amounts due them by reason of their voluntary resignation.

On February 28, 2006, the resigned employees, except for respondent, appeared at the premises of petitioner BEMI, completed their exit procedures, received the amounts due them, and executed release waivers and quitclaims in favor of petitioner BEMI. Respondent's non-appearance on February 28, 2006 prompted petitioner Bonoan to write her a letter dated March 1, 2006 stating that in connection with respondent's voluntary resignation, she must comply with the exit procedures of petitioner BEMI; and upon her completion thereof, she would receive her separation pay, but less her P4,500.00 outstanding financial obligation[6] to the company. The said letter was mailed to respondent on March 2, 2006.

Respondent appeared at petitioner Bonoan's office on March 3, 2006. Because respondent was finding it difficult to find new employment, she asked if it was possible for her to return to work for petitioner BEMI. However, petitioner Bonoan replied that respondent's resignation had long been approved and that petitioner BEMI would not be able to rehire respondent given the difficult financial position of the company. Petitioner Bonoan advised respondent to just receive the amount she was entitled to by reason of her voluntary resignation. Petitioner Bonoan also attempted to furnish respondent with a copy of the letter dated March 1, 2006 but after reading the contents of said letter, respondent refused to receive the same. On the afternoon of March 3, 2006, respondent filed a complaint for illegal dismissal against petitioners before the NLRC.

Respondent's Account

According to respondent, she was employed by petitioner BEMI on January 17, 2005 as maintenance staff. Respondent was assigned to the Gym Department with the primary function of giving assistance to customers who were working-out or performing aerobic exercises.

In December 2005, one Dr. Florendo, a regular customer, visited the gym to exercise. As Dr. Florendo made her way to her favorite spot, she said to her companion, *"Andyan na naman yung mga referee.*" Dr. Florendo was referring to a group of referees who were exercising on the other side of the gym and whose presence apparently irked the doctor. As Dr. Florendo was working-out, someone from the group of referees raised the volume of the television in the middle of the gym. Irritated by the noise, Dr. Florendo ordered respondent to lower the volume of the television, angrily uttering, "*Ano ba yan? Bakit hindi nyo binabantayan*" Dr. Florendo then immediately complained to the gym manager.

Meanwhile, Mr. Ilagan, who headed the group of referees, approached respondent to ask what was going on. Respondent relayed Dr. Florendo's complaint to Mr. Ilagan. Mr. Ilagan wanted to know who among his group raised the volume of the television, and upon respondent's suggestion, Mr. Ilagan directly approached Dr. Florendo.

Unfortunately, an argument erupted between Mr. Ilagan and Dr. Florendo. Following the argument between the two customers, Dr. Florendo confronted respondent and demanded to know why respondent divulged to Mr. Ilagan the doctor's complaints against the group of referees. Dr. Florendo continued to berate and insult respondent. Shocked by how Dr. Florendo was treating her, respondent was unable to defend herself and could only cry. Dr. Florendo's parting words to respondent were, "*Ipatatanggal kita!*"

Soon after, respondent was summoned before petitioner Dela Rama, the HR Manager. Petitioner Dela Rama purportedly received a complaint from a customer that respondent was not doing her work well, so petitioner Dela Rama would be issuing a memorandum suspending respondent for three days starting January 3, 2006. Yet, after respondent served just one day of suspension on January 3, 2006, petitioner Dela Rama already ordered respondent to return to work on January 4, 2006. Respondent was made to sign a document attesting that she was suspended for only one day, and was also instructed to tell her co-employees that she was not suspended and she merely took a leave of absence. Ever since respondent was allowed to return to work, though, petitioner Dela Rama's attitude towards her had completely become unpleasant. Petitioner Dela Rama was always critical of respondent's work.

On February 20, 2006, respondent was called to a meeting with petitioner Dela Rama and Ferdinand Tiongson (Tiongson).[7] During said meeting, Tiongson informed respondent that petitioner BEMI needed to reduce its manpower as part of the cost-cutting measures of the company, and respondent was a candidate for termination. Respondent inquired if the reduction in manpower was legitimate, and Tiongson, without directly answering respondent's question, warned respondent against filing a complaint with the NLRC, lest she also put in jeopardy her husband's employment, which happened to be connected with petitioner BEMI as well.

Respondent was then required to submit a handwritten resignation letter. Petitioner Dela Rama gave respondent a piece of paper and dictated to the latter the contents of her resignation letter, but respondent had her resignation letter typed on a computer and printed. Petitioner Dela Rama insisted on a handwritten resignation letter and refused to accept respondent's printed letter. Petitioner Dela Rama additionally advised respondent to just do as she was instructed or she would not receive anything from petitioner BEMI. Since respondent was already pregnant at that time and afraid that her husband might also lose his job, respondent was compelled to prepare the handwritten resignation letter as it was dictated by petitioner Dela Rama and sign the said letter in petitioner Dela Rama's presence. After respondent submitted her resignation letter, she was told that she still needed to secure clearance before she could receive any amount from petitioner BEMI. Because respondent really had no intention of resigning, she did not secure clearance and claim any amount from petitioner BEMI, and instead, she filed with the NLRC a complaint for illegal dismissal with prayer for reinstatement and payment of backwages, damages, and attorney's fees.

Antecedent Proceedings

When conciliatory conferences were unsuccessful, the parties were directed to submit their respective position papers.

The Labor Arbiter rendered a Decision on October 12, 2006 finding that respondent was illegally dismissed. According to the Labor Arbiter, petitioners were not able to prove that petitioner BEMI was suffering from serious business losses that would have justified retrenchment of its employees. The Financial Statement of petitioner BEMI for 2005 by itself was not sufficient and convincing proof of substantial losses for it did not show whether the losses of the company increased or decreased compared to previous years. Although petitioner BEMI posted a loss for 2005, it could also be possible that such loss was considerably less than those previously incurred, thereby indicating the improving condition of the company. As a result, the Labor Arbiter held that respondent did not resign voluntarily. There was no factual or legal basis for giving respondent the option to resign in lieu of the alleged retrenchment to be implemented by petitioners. Respondent was obviously misled into believing that there was ground for retrenchment. Respondent's resignation letter also did not deserve much weight. The resignation letter of respondent had uniform content as those of her four other co-employees. The assurances of payment of salaries, separation pay, and 13th month pay at a given date were words obviously coming from an employer. It was more of a quitclaim rather than a resignation letter. And the mere fact that respondent protested her act of signing a resignation letter by immediately filing a complaint for illegal dismissal against petitioners negated the allegation that respondent voluntarily resigned. Thus, the Labor Arbiter decreed:

> WHEREFORE, the foregoing premises considered, judgment is hereby rendered, declaring the dismissal of the [respondent] illegal and holding [petitioners] jointly and severally liable for the following:
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> 1. To reinstate the [respondent] to her former position without loss of seniority rights and other benefits;
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> 2. To pay [respondent's] full backwages from the time of her dismissal until actual reinstatement which up to this time has amounted to Php76,972.33[;]
>
> 3. To pay [respondent's] moral and exemplary damages in the amount Ten Thousand Pesos (P10,000.00)[; and]
>
> 4. To pay [respondent's] attorney's fee equivalent to 10% of the total monetary award.[8]

Petitioners appealed before the NLRC. In its Decision dated May 31, 2007, the NLRC found merit in petitioners' appeal for the following reasons:

> In the case at bar, [petitioners] succeeded in persuading this Commission by presenting its income tax return for the year 2005 and financial statements that the company had incurred a net loss of three million two hundred ninety-three thousand eight hundred sixteen pesos and 14/100 (P3,293,816.14) for the said year. Such amount of loss is likewise indicated in the company's Balance Sheet which was prepared by an independent auditor in September 2006. More specifically, the Balance Sheet would show that the company's gross profit (revenue less direct