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THIRD DIVISION

[G.R. No. 194885, January 26, 2015]

C.F. SHARP CREW MANAGEMENT, INC. AND REEDEREI CLAUS PETER OFFEN, PETITIONERS, VS. CLEMENTE M. PEREZ, RESPONDENT.

D E C I S I O N

VILLARAMA, JR., J.:

Before us is a petition for review of the Decision[1] dated July 8, 2010 and Resolution[2] dated December 22, 2010 of the Court of Appeals (CA) in CA-G.R. SP. No. 94745. The CA reinstated the Labor Arbiter's award of US$125,000 as disability benefits and 10% thereof as attorney's fees to respondent-seaman Clemente M. Perez.

The facts follow.

Petitioners C.F. Sharp Crew Management, Inc. and Reederei Claus Peter Offen hired respondent as Oiler on board the vessel M/V P&O Nedlloyd Rio Grande. The parties signed the 10-month employment contract[3] on May 22, 2000 and they agreed to comply with the 1996 Philippine Overseas Employment Administration Standard Employment Contract (POEA-SEC). Respondent's employment is also covered by a Collective Bargaining Agreement (CBA).

While the Rio Grande was in Singapore on November 1, 2000, respondent failed to report for duty. But at 9:30 a.m., he showed up at the crewmess confused. The crew got scared of him. The Master of the Rio Grande decided that respondent will be a high risk for the safety of the ship and its crew and must be repatriated.[4] Respondent was diagnosed to have acute psychosis at Gleneagles Maritime Medical Center and was declared unfit for sea duty.[5]

Respondent arrived in Manila on November 22, 2000 and petitioners referred him to Dr. Baltazar V. Reyes, Jr. Dr. Reyes's psychiatric evaluation stated that respondent did not present any psychiatric difficulty of note, and that it is best to do a psychological test and to observe respondent for another month without medication. According to Dr. Reyes, respondent felt that his illness was caused by unfair treatment from the German chief engineer. In 1996, respondent was sent home after a similar breakdown in Spain but he was able to return to work in September 1997, said Dr. Reyes. Dr. Reyes's impression is that respondent has recurrent acute psychotic disorder for it does not show all the time. He may be normal at one time but his psychotic disorder will become manifest once triggered by an outside factor, most probably by a problem with his superiors.[6]

Petitioners also referred respondent to the American Outpatient Clinic for co-

management. He was likewise diagnosed with recurrent acute psychotic disorder, per the medical report[7] dated February 2, 2001 of Dr. Leticia C. Abesamis. Respondent's psychological evaluation[8] on March 1, 2001 showed that respondent has an average intellectual level and no significant manifestation of personality and mental disturbances. In her letter[9] dated February 11, 2002, Psychometrician Raquel Arceta reported to Dr. Abesamis that respondent is still fit to work abroad at the time of evaluation.

Meantime, in another medical report[10] dated February 8, 2002, Dr. Abesamis stated that respondent can still go back to sea duty but recurrence of the same psychotic breakdown is possible. According to Dr. Abesamis, respondent denied that he had a psychotic breakdown in 1996.

Respondent sued the petitioners for disability benefits, moral and exemplary damages, and attorney's fees. He claimed that while he was told that he is already fit to work as seaman, the doctor refused to issue a medical certificate on the ground that he has yet to fully recover from his illness. When he sought re-employment, petitioners rejected him because of his illness. His claim for disability benefits under the CBA was also denied. Then, petitioners advised him to claim disability benefits from the Social Security System (SSS) and gave him the SSS Forms/Medical Certificates[11] duly signed by Dr. Abesamis.

For their part, petitioners argued that respondent is not entitled to disability benefits because he concealed his pre-existing psychotic illness. According to them, respondent concealed that he was repatriated in 1996 and 1997 for psychotic episodes. They claimed that respondent is already fit to work, citing the result of his psychological examination after his repatriation. They also claimed that the CBA is not applicable because it covers disability caused by accident and that respondent is not entitled to damages and attorney's fees because they have showed good faith in dealing with him.

The Labor Arbiter ruled in favor of respondent and ordered petitioners to pay him disability benefits, sickness allowance and attorney's fees. The Labor Arbiter noted that respondent suffered a psychotic disorder during the term of his employment contract. Since his illness is recurrent, his ability to work has been impaired for life and he is no longer fit to work. The Labor Arbiter also noted that Dr. Abesamis even referred respondent to the SSS to claim his disability benefits.

The NLRC reversed the Labor Arbiter's ruling but ordered petitioners to pay respondent sickness allowance. It ruled that respondent is not entitled to disability benefits since he concealed his psychotic features in his application form when he sought employment with petitioners. It noted Dr. Constantine D. Della's certification dated April 29, 1997 that respondent's history revealed psychotic features in the past. Respondent also admitted to Dr. Reyes that he is suffering from a pre-existing illness and that he was sent home in 1996 after experiencing a similar psychotic breakdown. The NLRC said that the POEA-SEC disqualifies a seaman from any compensation and benefit if he conceals a past medical condition, disability and history in the pre-employment medical examination.

The CA reversed the NLRC's ruling and reinstated the Labor Arbiter's award of disability benefits and attorney's fees to respondent. The CA no longer considered

the issue of sickness allowance since it was already decided by another CA Division in a separate case.[12] The *fallo* of the assailed CA Decision reads:

> **WHEREFORE**, premises considered, the instant Petition is **GRANTED**. The assailed Resolutions dated 15 December 2005 and 17 March 2006, respectively, of the National Labor Relations Commission (NLRC) First Division in NLRC CA No. 041980-04 and NLRC NCR-OFW Case No. (M) 02-01-00030-00 insofar as it denied the grant of disability benefits and attorney's fees, are hereby **REVERSED** and **SET ASIDE**. Accordingly, the Decision dated 21 September 2004 of Labor Arbiter Patricio P. Libo-on awarding [respondent] disability benefits in the amount of US$125,000 and attorney's fees in the amount of 10% of the monetary award, is hereby **REINSTATED**.
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> **SO ORDERED**.[13]

The CA ruled that respondent is no longer fit to work and his disability is permanent and total, citing Dr. Abesamis's finding that recurrence of the same psychotic disorder is possible if respondent is placed in the same situation. It considered as an admission of respondent's disability on petitioners' part when they issued to him SSS Forms/Medical Certificates duly signed by Dr. Abesamis for him to be able to claim his disability benefits from the SSS.

The CA held that respondent is not guilty of concealment since Dr. Della merely stated that respondent's history revealed psychotic features and did not confirm that he was suffering from psychotic or mood disturbance. On respondent's admission of a similar psychotic breakdown in 1996, the CA noted respondent's denial as stated in Dr. Abesamis's affidavit.

In awarding US$125,000 as disability benefits, the CA applied Section 21(a) of the CBA which reads:

> DISABILITY
> SECTION 21
>
> (a) A Seafarer who suffers an injury as a result of an accident from any cause whatsoever whilst in the employment of the Managers/Owners, including accidents occurring whilst travelling to or from the ship or as a result of marine or other similar peril, and whose ability to work is reduced as a result thereof, shall receive from the Managers/Owners in addition to her/his sick pay (Art. 16 and 17 above), a compensation as stated below:
>
Compensation:	1) Masters and Officers (& ratings above AB)	- US$250,000
	2) All Ratings (AB & below)	-US$125,000

> Loss of profession caused by disability (accident) shall be secured by 100% of the compensation.[14]

The CA opined that respondent's psychotic disorder is an injury as a result of an accident from any cause whatsoever and developed while he was working under abusive German superiors. Respondent was also awarded attorney's fees considering that he was constrained to sue and hire a lawyer to enforce his rights.

The assailed CA Resolution denied petitioners' motion for reconsideration.

Hence, this petition which raised the following issues:

1. Whether or not the CBA or the POEA SEC is applicable for purposes of determining if x x x respondent is entitled to disability benefits;

2. Whether or not x x x respondent is disqualified from any compensation and benefits for willfully and deliberately concealing his pre-existing medical condition[;]

3. Whether or not x x x respondent is entitled to full disability [benefits] despite the "fit to work" declaration of the company-designated physician[;]

4. Whether or not x x x respondent is entitled to an award of attorney's fees despite the fact that the denial of x x x [r]espondent's claim was done in good faith and based on just and valid grounds[.][15]

The issue is: is respondent entitled to US$125,000 as disability benefits and 10% thereof as attorney's fees?

Petitioners claim that the disability provision of the CBA is not applicable since respondent suffered a mental illness and not an injury caused by an accident. They add that under Section 20(E) of the POEA-SEC respondent is disqualified from any compensation and benefit for wilfully and deliberately concealing his pre-existing medical condition. Thus, if respondent is not so disqualified, respondent is not entitled to disability benefits because he was declared fit to work by the company-designated physician. Respondent is likewise not entitled to attorney's fees because their denial of respondent's claim was done in good faith.

In his comment, respondent maintains that the CA did not commit any serious error in arriving at its Decision.

We find the petition partly meritorious and rule that respondent is entitled to US$60,000 as permanent and total disability benefits in accordance with the 1996 POEA-SEC. We disagree with the CA that respondent is entitled to the higher amount of US$125,000 under the CBA. The award of attorney's fees is also proper.

The parties agreed in their May 22, 2000 employment contract that they will comply