

## THIRD DIVISION

[ G.R. No. 197303, June 04, 2014 ]

**APQ SHIPMANAGEMENT CO., LTD., AND APQ CREW  
MANAGEMENT USA, INC., PETITIONERS, VS. ANGELITO L.  
CASEÑAS, RESPONDENT.**

### D E C I S I O N

**MENDOZA, J.:**

This petition for review on *certiorari* under Rule 45 of the Rules of Court seeks to review, reverse and set aside the January 24, 2011 Decision<sup>[1]</sup> and the June 1, 2011 Resolution<sup>[2]</sup> of the Court of Appeals (CA), in CA-G.R. SP No. 112997, which annulled and set aside the October 14, 2009 Decision of the National Labor Relations Commission (NLRC) in NLRC LAC No. 04-000220-09, where respondent Angelito L. Caseñas (*Caseñas*) was seeking disability and other benefits against petitioner APQ Shipmanagement Co., Ltd. (APQ) and petitioner-principal APQ Crew Management USA, Inc. (*Crew Management*).<sup>[3]</sup>

It appears from the records that in June 2004, Casenas was hired by APQ, acting for and in behalf of its principal, Crew Management, as Chief Mate for vessel MV Perseverance for a period of eight (8) months starting from June 16, 2004 to February 16, 2005, with a basic monthly salary of US\$840.00, for forty-eight (48) hours a week, with US\$329.00 as overtime pay.

In his Position Paper,<sup>[4]</sup> Casenas further alleged that on June 16, 2004, he left Manila to join his assigned vessel in Miami, Florida, USA, though the vessel could not leave the Florida port because of its incomplete documents for operation; that consequently, he was transferred to another vessel, MV HAITIEN PRIDE, which was in Haiti, although again because of incomplete documents, the vessel could not leave the port and remained at Cap Haitien; that together with the rest of the vessel's officers and crew, he was left to fend for himself; that they were not provided food and water and had to fish for their own food and were not paid their salaries; that he suffered extreme stress and anxiety because of the uncertainty of the situation; that his employment contract was extended by APQ from the original eight (8) months to twenty-six (26) months; that the vessel eventually left for Bahamas; that he felt he became weaker and got tired easily; that despite his unpaid wages and weakened condition, he performed his duties as Chief Mate diligently; that in August 2006, he began to suffer shortness of breath, headache and chest pains; that he was then brought to the Grand Bahamas Health Services and was diagnosed with *hypertension* and was given medicines; that he was then repatriated due to his condition and he arrived in the Philippines on August 30, 2006; that within three (3) days thereafter, he reported to APQ for post-employment medical examination where the company-designated physician later diagnosed him with *Ischemic Heart Disease*; that a certain Dr. Ariel G. Domingo likewise examined him, confirming and certifying that he was suffering from Essential Hypertension

and Ischemic Heart Disease; that he was declared "unfit for sea service"; that as a result, he was not able to work for more than 120 days from his repatriation; that another medical examination was conducted by Dr. Lina R. Cero, showing that he was suffering from Essential Hypertension with Cardiomegally Ischemic Heart Disease and Indirect Inguinal Hernia Right; that he was then advised to take his maintenance medications for life; that APQ refused to provide him further medical attention, thus, he incurred medical expenses in the amount of P6,390.00 by November 2006; that he demanded payment of permanent total disability benefits, sickness allowance and medical expenses to which he was entitled under the POEA Standard Employment Contract (*POEA-SEC*), but APQ refused to pay; that he, together with other crew members, sent a series of letters and e-mails to the representatives of the shipowners regarding their unpaid wages, but despite efforts, APQ still refused to pay their salaries; that demands for payment were also made to the president of APQ, but the same were refused; and that ultimately, he was compelled to seek redress and filed a complaint for permanent total disability benefits, reimbursement of medical expenses, sickness allowance, non-payment of salaries representing the extended portion of the employment contract, damages, and attorney's fees.

APQ, on the other hand, alleged in its Position Paper<sup>[5]</sup> that upon expiration of the contract, Caseñas refused to return to the Philippines until he finally did on August 30, 2006;<sup>[6]</sup> that thereafter, Caseñas demanded payment of his wages, overtime and vacation pay for the alleged extended portion of the contract; that it could not be held liable for claims pertaining to the extended portion of the contract for it did not consent to it; that, in fact, as early as January 2005, it had been making arrangements, through American Airlines/American Eagle, for Caseñas' repatriation at the end of his contract in February 2005; that Caseñas was fully paid of his wages and other benefits for the duration of his 8-month contract; and that Caseñas suffered illness after the expiration of the contract, hence, it could not be made liable to pay him any benefits for his injury/illness.<sup>[7]</sup>

Caseñas, however, disputed the position of APQ, claiming that his contract of employment was duly extended.<sup>[8]</sup> He denied that APQ had been making arrangements for his repatriation as early as January 2005. To prove that his contract was extended, he submitted the following documents:

1. Deck Logbook, dated 14 August 2006;
2. Report of Mr. Steve Mastroropolous, dated 16 May 2006;
3. Letter, dated 24 April 2006 of Mr. Alex P. Quillope, President of the respondent APQ to OWWA, admitting that there was no food and water for the crew of MV "HAITIEN PRIDE."<sup>[9]</sup>

APQ countered that the abovementioned documents did not prove mutual consent of the parties as provided in Caseñas' employment contract. His contract expired on August 1, 2005 and, thus, he had no legal basis to claim any salary after the said period.<sup>[10]</sup> Caseñas became ill in August 2006 or more than one (1) year after the expiration of his employment contract.<sup>[11]</sup>

On November 20, 2008, the Labor Arbiter (LA) rendered the Decision<sup>[12]</sup> dismissing Caseñas' complaint. He was of the view that the employment contract was not extended pursuant to the terms and conditions of the contract. Caseñas failed to prove mutual consent of the parties to the extension of the contract. He rendered services on MV Haitien Pride from August 1, 2005 to April 30, 2006, after the expiration of his contract with APQ on board the vessel MV Perseverance on February 15, 2005.

The LA pointed out that the illness/disease suffered by Caseñas was sustained while serving on board MV Cap Haitien Pride, which was outside the period of his contractual employment. Thus, Caseñas' claims could not be awarded.

#### *NLRC Resolution*

On June 22, 2009, the NLRC resolved the appeal by *reversing* and *setting aside* the LA decision. Based on the records, it found that the employment contract was extended. The illness, Essential Hypertension, suffered by Caseñas was a compensable disease under Section 32-A, No. 20 of the POEA-SEC. Hence, NLRC ruled that Caseñas was entitled to his claims because the illness was sustained within the duration of his employment contract.

On October 14, 2009, the NLRC, acting on the motion for reconsideration filed by APQ, *reconsidered and set aside* the June 22, 2009 NLRC Resolution. It explained that the documentary evidence presented only proved the extension of contract but not the consent given to it by APQ. Caseñas failed to present the new contract duly signed by APQ or Crew Management, or any proof that they consented to the extension. The NLRC explained that Caseñas directly dealt with the shipowner to the exclusion of APQ and Crew Management, hence, his recourse was against the shipowner. Thus, APQ could not be held liable for the unpaid salaries, as well as the permanent disability benefits, because these were claims that accrued after the expiration of the employment contract.

Caseñas moved for a reconsideration, but the NLRC denied his motion in its Resolution, dated November 27, 2009.

#### *CA Decision*

Caseñas filed a petition for *certiorari* under Rule 65 before the CA, assailing the October 14, 2009 decision and the November 27, 2009 resolution of the NLRC. On January 24, 2011, the CA granted the petition and nullified and set aside the questioned NLRC decision and resolution. The CA *reinstated* the earlier June 22, 2009 NLRC Resolution. In so ruling, the CA cited the case of *Placewell International Services Corporation v. Camote*,<sup>[13]</sup> where it was written:

xxx a subsequently executed side agreement of an overseas contract worker with the foreign employer is void, simply because it is against our existing laws, morals and public policy. The subsequent agreement cannot supersede the terms of the standard employment contract approved by the POEA. Assuming arguendo that petitioner entered into an agreement with the foreign principal for an extension of his contract of

employment, sans approval by the POEA, the contract that governs petitioner's employment is still the POEA-SEC until his repatriation. As far as Philippine law is concerned, petitioner's contract of employment with respondents was concluded only at the time of his repatriation on August 30, 2006.

Further, the CA explained that a declaration from the company-designated physician as to the fitness or unfitness of a seafarer to continue his sea-duties is sanctioned by Section 20(B)(3) of the POEA-SEC. There being no declaration made by the company-designated physician within the 120-day period as to the fitness of Caseñas, the CA opined that he was undoubtedly entitled to disability benefits.

APQ filed a motion for reconsideration, while Caseñas filed his Comment/Opposition. On June 1, 2011, the CA denied the motion for lack of merit.

Hence, this petition.

## **GROUND**

**THE HONORABLE COURT OF APPEALS ERRED IN REVERSING AND SETTING ASIDE THE DECISION AND RESOLUTION OF THE NLRC DATED 14 OCTOBER 2009 AND 27 NOVEMBER 2009, AND REINSTATING THE NLRC'S RESOLUTION DATED 22 JUNE 2009, CONSIDERING THAT:**

**A. PRIVATE RESPONDENT'S CONTRACT OF EMPLOYMENT WAS NEVER EXTENDED BY THE COMPANY NOR BY THE PRINCIPAL**

**B. PRIVATE RESPONDENT'S CLAIM FOR DISABILITY BENEFITS, SICKNESS ALLOWANCE AND UNPAID WAGES ALL ACCRUED AFTER THE EXPIRATION OF THE CONTRACT OF EMPLOYMENT<sup>[14]</sup>**

The pivotal issue for resolution is whether or not the employment contract of Caseñas was extended with the consent of APQ/Crew Management.

The Court rules in the affirmative.

At the outset, it is to be emphasized that the Court is not a trier of facts and, thus, its jurisdiction is limited only to reviewing errors of law. The rule, however, admits of certain exceptions, one of which is where the findings of fact of the lower tribunals and the appellate court are contradictory. Such is the case here. Thus, the Court is constrained to review and resolve the factual issue in order to settle the controversy.

Employment contracts of seafarers on board foreign ocean-going vessels are not ordinary contracts. They are regulated and an imprimatur by the State is necessary. While the seafarer and his employer are governed by their mutual agreement, the POEA Rules and Regulations require that the POEA-SEC be integrated in every seafarer's contract.<sup>[15]</sup> In this case, there is no dispute that Caseñas' employment

contract was duly approved by the POEA and that it incorporated the provisions of the POEA-SEC.

As earlier stated, the controversy started when Caseñas claimed sickness and disability benefits as well as unpaid wages from the petitioners upon his return to the Philippines. The petitioners, on the other hand, refused to pay, arguing that Caseñas' sickness was contracted after his employment contract expired.

Regarding the issue of extension and its corresponding consequences, two cases were cited by the parties in their pleadings. The first was *Sunace International Management Services, Inc. v. NLRC*<sup>[16]</sup> (Sunace) and the second was *Placewell International Services Corporation v. Camote*<sup>[17]</sup> (Placewell).

In *Sunace*, the Court ruled that the theory of imputed knowledge ascribed the knowledge of the agent to the principal, not the other way around. The knowledge of the principal-foreign employer could not, therefore, be imputed to its agent. As there was no substantial proof that Sunace knew of, and consented to be bound under, the 2-year employment contract extension, it could not be said to be privy thereto. As such, it and its owner were not held solidarily liable for any of the complainant's claims arising from the 2-year employment extension.<sup>[18]</sup>

In *Placewell*, the Court concluded that the original POEA-approved employment contract subsisted and, thus, the solidary liability of the agent with the principal continued. It ruled that:

R.A. No. 8042 explicitly prohibits the substitution or alteration to the prejudice of the worker, of employment contracts already approved and verified by the Department of Labor and Employment (DOLE) from the time of actual signing thereof by the parties up to and including the period of the expiration of the same without the approval of the DOLE. Thus, we held in *Chavez v. Bonto-Perez*,<sup>[19]</sup> that the subsequently executed side agreement of an overseas contract worker with her foreign employer which reduced her salary below the amount approved by the POEA is void because it is against our existing laws, morals and public policy. The said side agreement cannot supersede her standard employment contract approved by the POEA.

x x x

Moreover, we find that there was no proper dismissal of respondent by SAAD; the "termination" of respondent was clearly a ploy to pressure him to agree to a lower wage rate for continued employment. Thus, the original POEA-approved employment contract of respondent subsists despite the so-called new agreement with SAAD. Consequently, the solidary liability of petitioner with SAAD for respondent's money claims continues in accordance with Section 10 of R.A. 8042.<sup>[20]</sup>

APQ's primary argument revolves around the fact of expiration of Caseñas' employment contract, which it claims was not extended as it was without its