

FIRST DIVISION

[G.R. NO. 161110, March 30, 2006]

**PAL EMPLOYEES SAVINGS AND LOAN ASSOCIATION, INC.,
PETITIONER, VS. PHILIPPINE AIRLINES, INC., AVELINO L.
ZAPANTA AND ANDREW L. HUANG, RESPONDENTS.**

DECISION

PANGANIBAN, CJ:

It is axiomatic that, by their nature, interlocutory orders never become *final and executory* in the same manner that final judgments do. These orders do not become final, because something more needs to be done by the adjudging court, relative to the merits of the case. Neither do they become executory, because the Rules do not provide periods for their "appeal."

The Case

Before us is a Petition for Review ^[1] under Rule 45 of the Rules of Court, seeking to reverse the February 24, 2003 Decision ^[2] of the Court of Appeals (CA) in CA-GR SP No. 74581, as well as its December 2, 2003 Resolution ^[3] denying petitioner's Motion for Reconsideration. The decretal portion of the CA Decision states:

"WHEREFORE, upon the premises, the petition is **GRANTED**. The Order dated 10 December 2002, the Writ of Execution [P]ending Appeal dated 11 December 2002 and the Notices of Garnishment issued pursuant to said Writ are NULLIFIED and **SET ASIDE**.

"Respondent judge is hereby ordered to act with dispatch and resolve [respondents'] Notice of Appeal and Motion to Fix Bond without delay."
^[4]

The Facts

The factual antecedents are narrated by the CA as follows:

"[Petitioner] PAL Employees Savings and Loan Association, Inc. (PESALA) is a savings and loan association whose members are employees of petitioner Philippine Airlines, Inc. (PAL). PESALA accepts deposits and contributions from its members and lends money to them, payment of which is effected through PAL's payroll deductions. Aside from PESALA and other government agencies and insurance companies, various employee unions and associations in PAL also collect dues and other charges from their members through salary deductions x x x.

"Due to numerous deductions requested by the aforementioned entities,

a 'zero-net' situation often occurred where some PAL employees went home empty-handed. To remedy the situation, PAL decided in July 1997 to limit salary deductions to not more than forty percent (40%) of the employees' pay effective August 1, 1997. PESALA objected to the 40% percent limit on salary deductions. Thus, on August 7, 1997, it filed the herein complaint for Specific Performance, Damages or Declaratory Relief with a Prayer for Temporary Restraining Order and Injunction against PAL and Jose C. Blanco, Officer-in-[C]harge of PAL Labor Affairs Department, with the Regional Trial Court, Pasay City, Branch 118, docketed as Civil Case No. 97-1026.

"On September 3, 1997, the then Presiding Judge of RTC, Pasay City, Branch 118 issued an Order 'enjoining PAL and Jose Blanco and all other persons or officials acting under them from implementing the 40% limitation on salary deductions 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's posting of a credible injunction bond in the amount of One Million (P1,000,000.00) Pesos."

"On October 24, 1997, PESALA filed a Manifestation and Motion x x x. [It] prayed that an Order [be] issue[d] directing the [respondents] to immediately remit to PESALA the total undeducted amount of P12,262,719.02 and to enforce full deduction in the succeeding pay periods in accordance with the deduction advice of the latter.

"On December 18, 1997, PESALA filed a similar Manifestation and Motion. On February 19, 1998, it filed a Second Supplemental Manifestation and Motion alleging that for the pay period September 1-15, 1997 up to February 1-15, 1998, it was deprived of its rightful remittances from [respondents] in the total amount of P44,488,760.41 corresponding to the loan repayments, capital contributions and deposits of its members. It prayed that an Order [be] issue[d] directing [respondents] to immediately remit to PESALA the now total undeducted amount of P44,488,760.41.

"On March 11, 1998, Presiding Judge Nelson B. Bayot issued an Order directing PAL and Jose Blanco to remit to PESALA the total undeducted amount of P44,488,716.41 x x x, and to cause the deductions in full in the succeeding pay periods x x x. PESALA then filed a Motion for Execution of the aforesaid Order dated 11 March 1998. In an Order dated 2 July 1998, Judge Bayot denied PESALA's Motion for Execution x x x [for being interlocutory].

x x x

x x x

x x x

"Meanwhile, [respondent] filed a petition for certiorari before [the CA] x x x assailing the Order dated 11 March 1998 on [the] ground of grave abuse of discretion. However, the petition was dismissed in a Resolution dated 14 May 1999 because the certification against forum-shopping was not signed by [respondent] but by [respondent's] counsel, and true

copies of pertinent pleadings and papers were not attached to the petition. The said Resolution became final and executory on June 17, 1999 per [CA's] Entry of Judgment.

x x x

x x x

x x x

"On January 10, 2000, PESALA filed [a] Petition for Indirect Contempt against Jose C. Blanco, Avelino L. Zapanta and Andrew A. Huang docketed as Civil Case No. 00-0016, alleging that the latter deliberately disobeyed the lawful orders of RTC, Pasay City, Branch 118. Answering the contempt charge, [respondents] Zapanta and Huang argued that they were in no position to comply with the Order dated 11 March 1998 since they were not even parties in Civil Case No. 97-1026; that they were not yet the President and Chief Financial Officer of PAL at that time; and that PAL is under receivership and the Securities and Exchange Commission had issued orders declaring all claims for payment against PAL suspended, and prohibited PAL from paying any amounts in respect of liabilities it incurred prior to the 23rd day of June 1998 without approval of the Commission.

"Sometime in August 2001, Judge Nelson B. Bayot retired from service thus Civil Case Nos. 97-1026 and 00-0016 were transferred to [the] pairing court of Branch 118 Branch 119, presided over by x x x Judge Pedro De Leon Gutierrez.

After trial, x x x Judge Gutierrez issued a Consolidated Decision dated 6 November 2002, the dispositive portion of which reads:

"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 P259,000.00;

'd. Declaring the herein respondents Jose C. Blanco, Avelino L. Zapanta in his capacity as

President of the Philippine Airlines and Andrew L. Huang, in his capacity as Senior Vice President and Chief Financial Officer of the Philippine Airlines, Inc., as guilty of indirect contempt for their contemptuous refusal and failure to comply with the lawful Orders dated March 11, 199 [8] which have already become final and executory as the petition for certiorari of defendants on the Order of this Court dated March 11, 199 [8] had been denied by the Court of Appeals per its entry of Judgment in CA-GR SP 48654 dated May 14, 1999. Hence, respondents are hereby ordered to remit/turn over to plaintiff/petitioner the amount of P44,480,716.41 within three (3) days from receipt hereof otherwise, their arrest and detention shall be ordered immediately.

'e. Ordering the defendants/respondents to pay the cost of this suit.'

"On November 8, 2002, [respondents] filed a Notice of Appeal and paid the appeal docket fees. On November 11, 2002, they filed a Motion to Fix Bond praying that the amount of the bond to stay the execution of the decision, insofar as the Indirect Contempt is concerned, be fixed and that the enforcement of paragraph (d) of the said decision be held in abeyance.

"On November 13, 2002, PESALA filed a Motion for Execution Pending Appeal alleging that the RTC Order dated 11 March 199 [8] and CA Resolution dated 4 December 1998 had already become final and executory.

"On December 10, 2002, [RTC] judge issued the first of the assailed Orders granting the motion for execution x x x.

x x x x x x x x x

"On December 11, 2002, [RTC] judge issued the assailed Writ of Execution pending appeal. Pursuant to said writ, x x x Deputy Sheriff Severino D.C. Balubar, Jr. issued Notices of Garnishment addressed to the depository banks of PAL x x x. On December 13, [respondents] filed an Urgent Motion for Reconsideration, To Quash Writ of Execution Pending Appeal and to Lift Notices of Garnishment setting the motions for hearing on December 17, 2002.

"On December 16, 2002, [the trial court] sheriff issued an Order of Delivery of Money addressed to the Allied Banking Corporation requesting the latter to deliver to him the sum of P44,480,716.41 for the satisfaction of the writ of execution pending appeal. On December 17, 2002, [respondents'] counsel Atty. Nelson M. Reyes allegedly went to the court and learned that the motions were not calendared for hearing; that [RTC]

judge wanted to talk to him; that when asked as to when the PAL motions would be resolved, [the] judge answered that he would study the same; and that [the] judge wanted them to settle the case for the sum of P20,000,000.00. On December 18, 2002, PAL, through its General Counsel Eduardo R. Ceniza, wrote [the] Sheriff requesting him to lift the notices of garnishment served on the other banks considering that PAL has an account with the Allied Banking Corporation sufficient to cover the amount stated in the garnishment. [The lower court] [s]heriff did not lift the other Notices of Garnishment.

"Hence, [respondents filed a] petition [with the CA].

x x x

x x x

x x x

"On January 14, 2003, [the CA] issued a Temporary Restraining Order restraining [RTC] Judge Pedro De Leon Gutierrez and x x x Deputy Sheriff Severino D.C. Balubar, Jr. and PESALA, and all other persons acting in their behalf or under their instructions, from enforcing or implementing the Order dated 10 December 2002, the Writ of Execution pending Appeal dated 11 December 2002 and the notices of garnishment issued pursuant to said writ."^[5]

Ruling of the Court of Appeals

The CA ruled that respondents were justified in filing the Special Civil Action for Certiorari despite the pendency of their Motions ^[6] with the Regional Trial Court (RTC). The appellate court held that certiorari prospered even without the prior filing of a motion for reconsideration, for the following reasons: 1) the questions raised in the certiorari proceeding had been duly raised and passed upon by the lower court; 2) there was an urgent necessity for a resolution of the question, and any delay would have prejudiced the interests of the government or of petitioner; 3) a motion for reconsideration would have been useless; 4) petitioner had been deprived of due process; and 5) there was an extreme urgency for relief. ^[7]

The CA asserted that the trial court judge had shown no interest in speedily resolving respondents' claim despite its urgency. In fact, the Notice of Appeal of the Consolidated Decision had not even run its course because of the judge's failure to act on it. Hence, the CA opined that respondents had no other speedy and adequate remedy to protect their rights.

The appellate court cleared respondents of forum shopping, a procedural defect that exists only when there are two or more cases pending. But the certiorari proceeding should not be deemed a separate case, as it merely sought to nullify the RTC's Writ of Execution Pending Appeal.

The CA found that grave abuse of discretion had attended the trial court's grant of execution pending appeal. The RTC should not have based its grant of execution on its Order dated March 11, 1998, which was merely interlocutory. Also, found inapplicable by the CA was the rule that judgments in actions for injunction should not be stayed by appeal. It pointed out that the actions involved in the decision sought to be executed in this case were not for injunction, but for specific