

FIRST DIVISION

[G.R. NO. 164772, June 08, 2006]

**EQUITABLE BANKING CORPORATION (NOW KNOWN AS
EQUITABLE-PCI BANK), PETITIONER, VS. RICARDO SADAC,
RESPONDENT.**

D E C I S I O N

CHICO-NAZARIO, J.:

Before Us is a Petition for Review on *Certiorari* with Motion to Refer the Petition to the Court *En Banc* filed by Equitable Banking Corporation (now known as Equitable-PCI Bank), seeking to reverse the Decision^[1] and Resolution^[2] of the Court of Appeals, dated 6 April 2004 and 28 July 2004, respectively, as amended by the Supplemental Decision^[3] dated 26 October 2004 in CA-G.R. SP No. 75013, which reversed and set aside the Resolutions of the National Labor Relations Commission (NLRC), dated 28 March 2001 and 24 September 2002 in NLRC-NCR Case No. 00-11-05252-89.

The Antecedents

As culled from the records, respondent Sadac was appointed Vice President of the Legal Department of petitioner Bank effective 1 August 1981, and subsequently General Counsel thereof on 8 December 1981. On 26 June 1989, nine lawyers of petitioner Bank's Legal Department, in a letter-petition to the Chairman of the Board of Directors, accused respondent Sadac of abusive conduct, *inter alia*, and ultimately, petitioned for a change in leadership of the department. On the ground of lack of confidence in respondent Sadac, under the rules of client and lawyer relationship, petitioner Bank instructed respondent Sadac to deliver all materials in his custody in all cases in which the latter was appearing as its counsel of record. In reaction thereto, respondent Sadac requested for a full hearing and formal investigation but the same remained unheeded. On 9 November 1989, respondent Sadac filed a complaint for illegal dismissal with damages against petitioner Bank and individual members of the Board of Directors thereof. After learning of the filing of the complaint, petitioner Bank terminated the services of respondent Sadac. Finally, on 10 August 1989, respondent Sadac was removed from his office and ordered disentitled to any compensation and other benefits.^[4]

In a Decision^[5] dated 2 October 1990, Labor Arbiter Jovencio Ll. Mayor, Jr., dismissed the complaint for lack of merit. On appeal, the NLRC in its Resolution^[6] of 24 September 1991 reversed the Labor Arbiter and declared respondent Sadac's dismissal as illegal. The decretal portion thereof reads, thus:

WHEREFORE, in view of all the foregoing considerations, let the Decision of October 2, 1990 be, as it is hereby, SET ASIDE, and a new one ENTERED declaring the dismissal of the complainant as illegal, and

consequently ordering the respondents jointly and severally to reinstate him to his former position as bank Vice-President and General Counsel without loss of seniority rights and other privileges, and to pay him full backwages and other benefits from the time his compensation was withheld to his actual reinstatement, as well as moral damages of P100,000.00, exemplary damages of P50,000.00, and attorney's fees equivalent to Ten Percent (10%) of the monetary award. Should reinstatement be no longer possible due to strained relations, the respondents are ordered likewise jointly and severally to grant separation pay at one (1) month per year of service in the total sum of P293,650.00 with backwages and other benefits from November 16, 1989 to September 15, 1991 (cut off date, subject to adjustment) computed at P1,055,740.48, plus damages of P100,000.00 (moral damages), P50,000.00 (exemplary damages) and attorney's fees equal to Ten Percent (10%) of all the monetary award, or a grand total of P1,649,329.53.^[7]

Petitioner Bank came to us for the first time via a Special Civil Action for *Certiorari* assailing the NLRC Resolution of 24 September 1991 in *Equitable Banking Corporation v. National Labor Relations Commission*, docketed as G.R. No. 102467.^[8]

In our Decision^[9] of 13 June 1997, we held respondent Sadac's dismissal illegal. We said that the existence of the employer-employee relationship between petitioner Bank and respondent Sadac had been duly established bringing the case within the coverage of the Labor Code, hence, we did not permit petitioner Bank to rely on Sec. 26, Rule 138^[10] of the Rules of Court, claiming that the association between the parties was one of a client-lawyer relationship, and, thus, it could terminate at any time the services of respondent Sadac. Moreover, we did not find that respondent Sadac's dismissal was grounded on any of the causes stated in Article 282 of the Labor Code. We similarly found that petitioner Bank disregarded the procedural requirements in terminating respondent Sadac's employment as so required by Section 2 and Section 5, Rule XIV, Book V of the Implementing Rules of the Labor Code. We decreed:

WHEREFORE, the herein questioned Resolution of the NLRC is AFFIRMED with the following MODIFICATIONS: That private respondent shall be entitled to backwages from termination of employment until turning sixty (60) years of age (in 1995) and, thereupon, to retirement benefits in accordance with law; that private respondent shall be paid an additional amount of P5,000.00; that the award of moral and exemplary damages are *deleted*; and that the liability herein pronounced shall be due from petitioner bank alone, the other petitioners being *absolved* from solidary liability. No costs.^[11]

On 28 July 1997, our Decision in G.R. No. 102467 dated 13 June 1997 became final and executory.^[12]

Pursuant thereto, respondent Sadac filed with the Labor Arbiter a Motion for Execution^[13] thereof. Likewise, petitioner Bank filed a Manifestation and Motion^[14] praying that the award in favor of respondent Sadac be computed and that after

payment is made, petitioner Bank be ordered forever released from liability under said judgment.

Per respondent Sadac's computation, the total amount of the monetary award is P6,030,456.59, representing his backwages and other benefits, including the general increases which he should have earned during the period of his illegal termination. Respondent Sadac theorized that he started with a monthly compensation of P12,500.00 in August 1981, when he was appointed as Vice President of petitioner Bank's Legal Department and later as its General Counsel in December 1981. As of November 1989, when he was dismissed illegally, his monthly compensation amounted to P29,365.00 or more than twice his original compensation. The difference, he posited, can be attributed to the annual salary increases which he received equivalent to 15 percent (15%) of his monthly salary.

Respondent Sadac anchored his claim on Article 279 of the Labor Code of the Philippines, and cited as authority the cases of *East Asiatic Company, Ltd. v. Court of Industrial Relations*,^[15] *St. Louis College of Tuguegarao v. National Labor Relations Commission*,^[16] and *Sigma Personnel Services v. National Labor Relations Commission*.^[17] According to respondent Sadac, the catena of cases uniformly holds that it is the obligation of the employer to pay an illegally dismissed employee the whole amount of the salaries or wages, plus all other benefits and bonuses and general increases to which he would have been normally entitled had he not been dismissed; and therefore, salary increases should be deemed a component in the computation of backwages. Moreover, respondent Sadac contended that his check-up benefit, clothing allowance, and cash conversion of vacation leaves must be included in the computation of his backwages.

Petitioner Bank disputed respondent Sadac's computation. Per its computation, the amount of monetary award due respondent Sadac is P2,981,442.98 only, to the exclusion of the latter's general salary increases and other claimed benefits which, it maintained, were unsubstantiated. The jurisprudential precedent relied upon by petitioner Bank in assailing respondent Sadac's computation is *Evangelista v. National Labor Relations Commission*,^[18] citing *Paramount Vinyl Products Corp. v. National Labor Relations Commission*,^[19] holding that an unqualified award of backwages means that the employee is paid at the wage rate at the time of his dismissal. Furthermore, petitioner Bank argued before the Labor Arbiter that the award of salary differentials is not allowed, the established rule being that upon reinstatement, illegally dismissed employees are to be paid their backwages without deduction and qualification as to any wage increases or other benefits that may have been received by their co-workers who were not dismissed or did not go on strike.

On 2 August 1999, Labor Arbiter Jovencio Ll. Mayor, Jr. rendered an Order^[20] adopting respondent Sadac's computation. In the main, the Labor Arbiter relying on *Millares v. National Labor Relations Commission*^[21] concluded that respondent Sadac is entitled to the general increases as a component in the computation of his backwages. Accordingly, he awarded respondent Sadac the amount of P6,030,456.59 representing his backwages inclusive of allowances and other claimed benefits, namely check-up benefit, clothing allowance, and cash conversion of vacation leave plus 12 percent (12%) interest per annum equivalent to

P1,367,590.89 as of 30 June 1999, or a total of P7,398,047.48. However, considering that respondent Sadac had already received the amount of P1,055,740.48 by virtue of a Writ of Execution^[22] earlier issued on 18 January 1999, the Labor Arbiter directed petitioner Bank to pay respondent Sadac the amount of P6,342,307.00. The Labor Arbiter also granted an award of attorney's fees equivalent to ten percent (10%) of all monetary awards, and imposed a 12 percent (12%) interest per annum reckoned from the finality of the judgment until the satisfaction thereof.

The Labor Arbiter decreed, thus:

WHEREFORE, in view of al (sic) the foregoing, let an "ALIAS" Writ of Execution be issued commanding the Sheriff, this Branch, to collect from respondent Bank the amount of Ph6,342,307.00 representing the backwages with 12% interest per annum due complainant.^[23]

Petitioner Bank interposed an appeal with the NLRC, which reversed the Labor Arbiter in a Resolution,^[24] promulgated on 28 March 2001. It ratiocinated that the doctrine on general increases as component in computing backwages in *Sigma Personnel Services* and *St. Louis* was merely *obiter dictum*. The NLRC found *East Asiatic Co., Ltd.* inapplicable on the ground that the original circumstances therein are not only peculiar to the said case but also completely strange to the case of respondent Sadac. Further, the NLRC disallowed respondent Sadac's claim to check-up benefit ratiocinating that there was no clear and substantial proof that the same was being granted and enjoyed by other employees of petitioner Bank. The award of attorney's fees was similarly deleted.

The dispositive portion of the Resolution states:

WHEREFORE, the instant appeal is considered meritorious and accordingly, the computation prepared by respondent Equitable Banking Corporation on the award of backwages in favor of complainant Ricardo Sadac under the decision promulgated by the Supreme Court on June 13, 1997 in G.R. No. 102476 in the aggregate amount of P2,981,442.98 is hereby ordered.^[25]

Respondent Sadac's Motion for Reconsideration thereon was denied by the NLRC in its Resolution,^[26] promulgated on 24 September 2002.

Aggrieved, respondent Sadac filed before the Court of Appeals a Petition for *Certiorari* seeking nullification of the twin resolutions of the NLRC, dated 28 March 2001 and 24 September 2002, as well as praying for the reinstatement of the 2 August 1999 Order of the Labor Arbiter.

For the resolution of the Court of Appeals were the following issues, *viz.*:

- (1) Whether periodic general increases in basic salary, check-up benefit, clothing allowance, and cash conversion of vacation leave are included in the computation of full backwages for illegally dismissed employees;
- (2) Whether respondent is entitled to attorney's fees; and

(3) Whether respondent is entitled to twelve percent (12%) per annum as interest on all accounts outstanding until full payment thereof.

Finding for respondent Sadac (therein petitioner), the Court of Appeals rendered a Decision on 6 April 2004, the dispositive portion of which is quoted hereunder:

WHEREFORE, premises considered, the March 28, 2001 and the September 24, 2002 Resolutions of the National Labor Relations Commissions (sic) are REVERSED and SET ASIDE and the August 2, 1999 Order of the Labor Arbiter is REVIVED to the effect that private respondent is DIRECTED TO PAY petitioner the sum of Php6,342,307.00, representing full back wages (sic) which sum includes annual general increases in basic salary, check-up benefit, clothing allowance, cash conversion of vacation leave and other sundry benefits plus 12% per annum interest on outstanding balance from July 28, 1997 until full payment.

Costs against private respondent.^[27]

The Court of Appeals, citing *East Asiatic* held that respondent Sadac's general increases should be added as part of his backwages. According to the appellate court, respondent Sadac's entitlement to the annual general increases has been duly proven by substantial evidence that the latter, in fact, enjoyed an annual increase of more or less 15 percent (15%). Respondent Sadac's check-up benefit, clothing allowance, and cash conversion of vacation leave were similarly ordered added in the computation of respondent Sadac's basic wage.

Anent the matter of attorney's fees, the Court of Appeals sustained the NLRC. It ruled that our Decision^[28] of 13 June 1997 did not award attorney's fees in respondent Sadac's favor as there was nothing in the aforesaid Decision, either in the dispositive portion or the body thereof that supported the grant of attorney's fees. Resolving the final issue, the Court of Appeals imposed a 12 percent (12%) interest per annum on the total monetary award to be computed from 28 July 1997 or the date our judgment in G.R. No. 102467 became final and executory until fully paid at which time the quantification of the amount may be deemed to have been reasonably ascertained.

On 7 May 2004, respondent Sadac filed a Partial Motion for Reconsideration^[29] of the 6 April 2004 Court of Appeals Decision insofar as the appellate court did not award him attorney's fees. Similarly, petitioner Bank filed a Motion for Partial Reconsideration thereon. Following an exchange of pleadings between the parties, the Court of Appeals rendered a Resolution,^[30] dated 28 July 2004, denying petitioner Bank's Motion for Partial Reconsideration for lack of merit.

Assignment of Errors

Hence, the instant Petition for Review by petitioner Bank on the following assignment of errors, to wit: