503 Phil. 917

THIRD DIVISION

[G.R. NO. 157279, August 09, 2005]

PHILIPPINE NATIONAL BANK, PETITIONER, VS. GIOVANNI PALMA ET AL.,* RESPONDENTS.

DECISION

PANGANIBAN, J.:

During these tough economic times, this Court understands, and in fact sympathizes with, the plight of ordinary government employees. Whenever legally possible, it has bent over backwards to protect labor and favor it with additional economic advantages. In the present case, however, the Salary Standardization Law clearly provides that the claimed benefits shall continue to be granted only to employees who were "incumbents" as of July 1, 1989. Hence, much to its regret, the Court has no authority to reinvent or modify the law to extend those benefits even to employees hired *after* that date.

The Case

Before us is a Petition for Review on Certiorari[1] under Rule 45 of the Rules of Court, challenging the June 25, 2002 Decision[2] and the February 11, 2003 Resolution[3] of the Court of Appeals (CA) in CA-GR SP No. 63506. The assailed Decision disposed as follows:

> "WHEREFORE, in view of the foregoing, the instant petition is hereby *DENIED* for lack of merit."[4]

Petitioner's Motion for Reconsideration was denied by the CA in its February 27, 2003 Resolution.

The Facts

The antecedents were summarized by the appellate court as follows:

> "Republic Act No. 6758 (R.A. 6758), otherwise known as 'An Act Prescribing a Revised Compensation and Position Classification System in the Government and For Other Purposes,' took effect on 1 July 1989. Section 12 thereof provides for the consolidation of allowances and additional compensation into standardized salary rates, but certain additional compensation were exempted from consolidation.
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> "Section 12 of R.A. 6758 provides that:
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> > 'Section 12. - Consolidation of Allowance and Compensation. All allowances, except for representation and transportation

> allowances[;] clothing and laundry allowances[;] subsistence allowance of marine officers and crew on board government vessels and hospital personnel stationed abroad[;] and such other additional compensation not otherwise specified herein as may be determined by the DBM, shall be deemed included in the standardized salary rates herein prescribed. Such other additional compensation, whether in cash or in kind, being received by incumbents as of July 1, 1989 not integrated into the standardized salary rates shall continue to be authorized."

"The Department of Budget and Management (DBM) issued Corporate Compensation Circular No. 10 (DBM-CCC No. 10) to implement R.A. 6758. Section 5.5 of DBM-CCC No. 10 enumerated the other allowances/fringe benefits which are not likewise integrated into the basic salary rates prescribed under R.A. 6758, but were allowed to be continued only for incumbents as of 30 June 1989.

> "Sec. 5.5 of DBM-CCC No. 10 states:
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> "5.5 Other allowances/fringe benefits not likewise integrated into the basic salary and allowed to be continued only for incumbents as of June 30, 1989 subject to the condition that the grant of the same is with appropriate authorization either from the DBM, Office of the President or legislative issuances are as follows:
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> 5.5.1 Rice Subsidy;
> 5.5.2 Sugar Subsidy;
> 5.5.3 Death Benefits other than those granted by the GSIS;
> 5.5.4 Medical/Dental/Optical allowances/ Benefits;
> 5.5.5 Children's Allowances;
> 5.5.6 Special Duty Pay/Allowance;
> 5.5.7 Meal Subsidy;
> 5.5.8 Longevity Pay; and
> 5.5.9 Teller's allowances.'

"Paragraph 5.6 of DBM-CCC No. 10 provides:

> 'Payment of other allowances/fringe benefits and all other forms of compensation granted on top of basic salary, whether in cash or in kind ' shall be discontinued effective November 1, 1989. Payment made for such allowances/fringe benefits after said date shall be considered as illegal disbursement of public funds.'

"On 12 August 1998, the Supreme Court[,] in the case of Rodolfo S. de Jesus, Edelwina de Parungao, Venus M. Dozon and other similarly situated personnel of the Local Water Utilities Administration (LWUA) -versus- Commission on Audit and Leonardo L. Jannoralin held that DBM-CCC No. 10 was ineffective due to its non-publication in the Official

Gazette or in a newspaper of general circulation. Under Art. 2 of the New Civil Code of the Philippines, as amended by E.O. 200:

> 'Art. 2. Laws shall take effect after fifteen days following the completion of their publication either in the Official Gazette, or in a newspaper of general circulation in the Philippines, unless it is otherwise provided. This Code shall take effect one year after such publication.'

"In view of the declaration made by the Supreme Court in the above-mentioned case, a petition for mandamus was filed by [respondents] on 20 December 1999. [Respondents] alleged, among other things, that they are employees hired by PNB on various dates after 30 June 1989; that from the dates of their respective appointments until 1 January 1997 they were unjustly deprived and denied of the following allowances being enjoyed by other employees of the PNB:

1. Meal Allowance;
2. Rice Subsidy;
3. Sugar Subsidy;
4. Children's Allowance;
5. Dental/Optical/Outpatient Benefits;
6. Consolidated Medical Plan for Dependents;
7. Commutation of Basic Hospitalization Benefit;
8. Benefits under the revised PNB Medical and Hospitalization Plan; and
9. Death Benefits.

"According to [respondents], the declaration that DBM-CCC No. 10 was ineffective paved the way to their entitlement to the foregoing allowances/fringe benefits. The withholding of their entitlement to the same benefits is an unfair discrimination and a violation of [respondents'] rights to [the] equal protection clause of the Constitution since incumbents or employees of PNB who were already in the service as of 1 July 1989 received the above-enumerated benefits and allowances. PNB erroneously interpreted Sec. 12 of R.A. No. 6758 to mean that employees appointed after 30 June 1989 are not entitled to the above-enumerated allowances and fringe benefits, whereas those who were already in the service as of 1 July 1989 and were receiving the same continue to be entitled thereto. [Respondents] contend that the word "only" under Sec.12 of R.A. [No.] 6758 which states that "[s]uch additional compensation, whether in cash or in kind, being received by incumbents only as of July 1, 1989 not integrated into the standardized salary rates shall continue to be authorized" does not refer to incumbents, but refers to the additional compensation that an employee can continue to receive.

"To rectify the injustice against [respondents], PNB passed Board Resolution No. 79 dated 19 June 1996, and issued General Circular No. 1-312/97 dated 14 March 1997, extending the above-enumerated benefits to [respondents] effective 1 January 1997. [Respondents] contend that extending to them the allowances/fringe benefits meant that they are entitled to the payment of the same and, hence, they

should be given their allowances and benefits reckoned not only from 1 January 1997 but from the date of [respondents'] respective appointment or from 30 June 1989.

"[Petitioner] PNB, in [its] answer, denied the material allegations of [respondents'] complaint. PNB admitted that it was formerly a government owned and controlled corporation but on 26 May 1996, it was already privatized and incorporated as a private commercial bank and registered with the Securities and Exchange Commission. PNB, however, contends that [respondents] were never entitled to the said benefits and allowances under R.A. 6758. Under Sec. 12 of [R.A. No.] 6758, the DBM was expressly empowered to determine what other additional compensation, "being received by incumbents only as of July 1, 1989", shall not be integrated into the standardized salary rates and shall continue to be authorized. [Petitioner] alleged that in the case of Philippine Ports Authority vs. Commission on Audit and MIAA vs. Commission on Audit, the Supreme Court construed Sec. 12 of R.A. 6758 to mean that for purposes of determining who shall be entitled to such additional compensation, "the date July 1, 1989 becomes crucial only to determine that as of said date, the officer was an incumbent and was receiving the RATA, for purposes of entitling him to its continued grant." Following the jurisprudence on the matter, [respondents] not being incumbents as of 1 July 1989, were clearly not entitled to such other additional compensation provided under Section 5.5 of DBM-CCC No. 10.

"[Petitioner] further contends that since [respondents'] right (if any) to the allowances/benefits under Sec. 5.5 of DBM-CCC No. 10 is still debatable, mandamus is not the proper remedy. For the latter to be issued, it is essential that [respondents'] legal right to the thing demanded must be clear, well-defined and certain; that since the petition was filed only on 20 December 1999 the same was filed four (4) years and thirteen (13) days late, for mandamus must be filed within one (1) year from the accrual of the cause of action. In the case of [respondents], the date of the accrual of their cause of action was from the date of employment of the [respondent] who was hired last by PNB; and that the constitutional right to equal protection is a safeguard against the acts of the state and not against the individual such as [petitioner] PNB, a private entity.

"On 29 September 2000, the trial court rendered the herein-assailed decision. The dispositive portion of the said decision states:

> "WHEREFORE, and in view of the foregoing, the Petition is hereby GRANTED.
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> "Respondent PNB, its President and Board of Directors are hereby directed to immediately settle the claims of petitioners whose names were listed on pages one (1) to four (4) of the Petition filed on December 22, 1999, including the other [claimants] who belong to the different offices and branches of respondent bank (PNB) nationwide and whose names were also listed in the Manifestation of Petitioners, through their

counsel, dated 18 April 2000 and filed in court on April 27, 2000. The aforesaid lists are appended to this Decision forming as an integral part hereof.

"Accordingly, respondent bank is hereby ordered as follows:

[To pay (respondents) and other employees similarly situated and whose names are listed in the Petition and Manifestation referred to above, the following fringe benefits and allowances:][5]

a. Meal allowance;
b. Rice subsidy;
c. Sugar subsidy;
d. Children's allowance;
e. Dental/optical/outpatients benefits;
f. Consolidated Medical Plans for dependents;
g. Commutation of Basic Hospitalization Benefits;
h. Benefits under the Revised PNB Medical Plan;
i. Death Benefits other than those granted under GSIS.

"2. To pay directly to petitioner's (sic) counsel attorney's fees equivalent to twenty (20%) percent of the total amount of the differentials due and payable to petitioners and the other employees similarly situated whose names are in the lists referred to above.'"[6]

Subsequently, petitioner elevated the matter to the CA.

Ruling of the Court of Appeals

Denying the appeal, the appellate court ruled that respondents were entitled to the questioned benefits. The phrase "only as of July 1, 1989" in the last sentence of Section 12 of RA 6758 was interpreted by the CA as a reference to "other additional compensation," not to "incumbents." Thus, even employees hired after that date were deemed entitled to the same allowances or fringe benefits.[7] The CA relied heavily on *Cruz v. COA*,[8] which held that the date of hiring was not a reasonable or substantial distinction that would determine whether an employee was entitled to certain allowances or fringe benefits.[9] It added that to rule otherwise would result in an absurd classification, in which employees would be paid less than the others for the same amount of work rendered.[10]

The appellate court further held that since respondents' cause of action arose from the Court's declaration in *De Jesus v. COA*[11] that the implementing rules (DBM-CCC No. 10) were ineffective for lack of publication, the prescriptive period for filing the present case should, therefore, be reckoned from the promulgation of *De Jesus*.[12]

The CA explained that the action constituted a class suit, because all the elements of that kind of litigation were availing in the present controversy.[13] It brushed aside the remaining argument for utter lack of merit, but ruled that the order to pay