

EN BANC

[G.R. No. 138381, November 10, 2004]

**GOVERNMENT SERVICE INSURANCE SYSTEM, PETITIONER, VS.
COMMISSION ON AUDIT, RESPONDENT.**

[G.R. NO. 141625]

**GOVERNMENT SERVICE INSURANCE SYSTEM, PETITIONER, VS.
ALFREDO D. PINEDA, DANIEL GO, FELINO BULANDUS, FELICIMO
J. FERRARIS, JR., BEN HUR PORLUCAS, LUIS HIPONIA, MARIA
LUISA A. FERNANDEZ, VICTORINA JOVEN, CORAZON S.
ALIWANAG, SILVER L. MARTINES, SR., RENATO PEREZ, LOLITA
CAYLAN, DOUGLAS VALLEJO AND LETICIA ALMAZAN, ON THEIR
OWN BEHALF AND ON BEHALF OF ALL GSIS RETIREES WITH ALL
OF WHOM THEY SHARE A COMMON AND GENERAL INTEREST,
RESPONDENTS.**

R E S O L U T I O N

YNARES-SATIAGO, J.:

On April 16, 2002, the Court promulgated a decision on these two consolidated cases partially granting the petition in G.R. No. 138381 ("first petition") thereby reversing the Commission on Audit's (COA) disallowance of certain fringe benefits granted to GSIS employees. As a result, the Court ordered the refund of amounts representing fringe benefits corresponding to those allowed in the first petition in favor of the respondents in G.R. No. 141625 ("second petition").

The benefits which the Court ordered to be refunded included increases in longevity pay, children's allowance and management contribution to the Provident Fund as well as premiums for group personal accident insurance. On the other hand, the Court affirmed the COA disallowance of loyalty and service cash award as well as housing allowance in excess of that approved by the COA. Amounts corresponding to these benefits were previously deducted by GSIS from respondents' retirement benefits in view of the COA disallowance in the first petition. COA did not seek reconsideration of the judgment ordering said refund, which thus became final and executory.

On August 7, 2002, the respondents in the second petition, all GSIS retirees, filed a motion for amendatory and clarificatory judgment ("amendatory motion").^[1] They averred that we did not categorically resolve the issue raised in the second petition, namely: whether or not the GSIS may lawfully deduct any amount from their retirement benefits in light of Section 39 of Republic Act No. 8291.

According to respondents, said provision of law clearly states that no amount whatsoever could be legally deducted from retirement benefits, even those amounts

representing COA disallowances. They posit that we should have ordered refund not only of benefits allowed in the first petition, but *all* amounts claimed, regardless of whether or not these were allowed by the COA. These include items which were correctly disallowed by the COA in the first petition, as well as disallowed benefits under the second petition. The latter consists of initial payment of productivity bonus, accelerated implementation of the new salary schedule effective August 1, 1995, 1995 mid-year financial assistance and increase in clothing, rice and meal allowances. Respondents further insist that we should have awarded damages in their favor, citing the GSIS' alleged bad faith in making the deductions.

GSIS filed a comment^[2] to respondents' amendatory motion, as directed by the Court in a resolution dated September 3, 2002. GSIS posited that the other benefits not passed upon in the main judgment should be understood by respondents as having been impliedly denied by this Court. It also sought clarification of our decision insofar as it declared that there was no identity of subject matter between the COA proceedings, from which the first petition stemmed, and respondents' claim under the second petition, which emanated from an order of the GSIS Board of Trustees ("Board"). As for the damages claimed by respondents, GSIS insists that it made the deductions in good faith for these were done in accordance with COA directives.

Respondents filed a reply^[3] to the comment of GSIS on September 9, 2002.

Meanwhile, respondents filed a second motion, this time for leave to file a motion for discretionary and partial execution^[4] ("motion for execution"). They prayed that GSIS be ordered to effect the refund, as finally adjudged in our decision, pending resolution of their amendatory motion as to the other deducted amounts. We granted the motion for execution on September 3, 2002.

Subsequently, on December 26, 2002, counsel for respondents, Atty. Agustin Sundiam, filed a motion for entry and enforcement of attorney's lien^[5] ("motion for charging lien") and a supplement^[6] to this motion on January 10, 2003. He sought entry of a charging lien in the records of this case pursuant to Section 37 of Rule 138. He prayed for an order directing the GSIS to deduct, as his professional fees, 15% from respondents' refund vouchers since the GSIS was already in the process of releasing his clients' checks in compliance with our judgment in the first petition. The payment scheme was allegedly authorized by the Board of Directors of his clients, the GSIS Retirees Association, Inc. (GRIA), through a board resolution^[7] that he has attached to the motion.

Atty. Sundiam's motion for charging lien was opposed by petitioner GSIS on the ground that it was through its efforts, and not Atty. Sundiam's, that the retirees were able to obtain a refund.^[8] Meanwhile, the GRIA confirmed the payment scheme it adopted with Atty. Sundiam and prayed for its approval.^[9]

Thereafter, on January 10, 2003, respondents filed another manifestation and motion as well as supplement thereto, claiming that GSIS was deducting new and unspecified sums from the amount it was refunding to respondents. These new deductions purportedly pertain to another set of COA disallowances.^[10]

On January 21, 2003, respondents again filed a motion^[11] praying for the inclusion in the refundable amount of dividends on the management contribution to the Provident Fund ("motion for payment of dividends"). Respondents claimed that the contribution, which amounted to Fifty Million Pesos (P50M), was retained by GSIS for more than five years and thus earned a considerable sum of income while under its control. GSIS declared and paid dividends on said contribution to incumbent officials and employees, but refused to extend the same benefits to respondents/retirees.

On March 6, 2003, GSIS filed a joint comment^[12] to respondents' two foregoing motions contending that the new deductions are legitimate. The deductions pertain to car loan arrearages, disallowed employees' compensation claims and the like. As for the dividends on the Provident Fund contributions, respondents are not entitled to the same because while the first petition was pending, the contributions were not actually remitted to the fund but were withheld by COA pursuant to its earlier disallowance.

On October 2, 2003, respondents filed another motion^[13] for an order to compel the GSIS to pay dividends on the Provident Fund contributions pending resolution of their other motions. They also sought refund of Permanent Partial Disability (PPD) benefits that GSIS supposedly paid to some of the respondents, but once again arbitrarily deducted from the amount which the Court ordered to be refunded.

In a minute resolution^[14] dated November 11, 2003, we denied the last motion for lack of merit. We likewise denied with finality respondents' motion for reconsideration from the denial of said motion.^[15]

We now resolve the matters raised by the parties.

On the amendatory motion, it must be clarified that the question raised before this Court in the second petition was the issue of the Board's *jurisdiction* to resolve respondents' claim for refund of amounts representing deductions from their retirement benefits. What was assailed in the second petition was the appellate court's ruling that the Board had jurisdiction over respondents' claim since there was no identity of subject matter between the proceedings then pending before the COA and the petition brought by respondents before the Board. The Court of Appeals did not rule on the main controversy of whether COA disallowances could be deducted from retirement benefits because the Board ordered the dismissal of respondents' claim for alleged lack of jurisdiction, before it could even decide on the principal issue.

Consequently, the only matter that was properly elevated to this Court was the issue of whether or not the Board had jurisdiction over respondents' demands. We did not resolve the issue of whether or not the deductions were valid under Section 39 of RA 8291, for the simple reason that the Board, as well as the appellate court, did not tackle the issue. The doctrine of primary jurisdiction^[16] would ordinarily preclude us from resolving the matter, which calls for a ruling to be first made by the Board. It is the latter that is vested by law with exclusive and original jurisdiction to settle any dispute arising under RA 8291, as well as other matters related thereto.^[17]

However, both the GSIS and respondents have extensively discussed the merits of the case in their respective pleadings and did not confine their arguments to the issue of jurisdiction. Respondents, in fact, submit that we should resolve the main issue on the ground that it is a purely legal question. Respondents further state that a remand of the case to the Board would merely result in unnecessary delay and needless expense for the parties. They thus urge the Court to decide the main question in order to finally put an end to the controversy.

Indeed, the principal issue pending before the Board does not involve any factual question, as it concerns only the correct application of the last paragraph of Section 39, RA 8291. The parties agreed that the lone issue is whether COA disallowances could be legally deducted from retirement benefits on the ground that these were respondents' monetary liabilities to the GSIS under the said provision. There is no dispute that the amounts deducted by GSIS represented COA disallowances. Thus, the only question left for the Board to decide is whether the deductions are allowed under RA 8291.

Under certain exceptional circumstances, we have taken cognizance of questions of law even in the absence of an initial determination by a lower court or administrative body. In *China Banking Corporation v. Court of Appeals*,^[18] the Court held:

At the outset, the Court's attention is drawn to the fact that since the filing of this suit before the trial court, none of the substantial issues have been resolved. To avoid and gloss over the issues raised by the parties, as what the trial court and respondent Court of Appeals did, would unduly prolong this litigation involving a rather simple case of foreclosure of mortgage. Undoubtedly, this will run counter to the avowed purpose of the rules, i.e., to assist the parties in obtaining just, speedy and inexpensive determination of every action or proceeding. The Court, therefore, feels that the central issues of the case, albeit unresolved by the courts below, should now be settled specially as they involved pure questions of law. Furthermore, the pleadings of the respective parties on file have amply ventilated their various positions and arguments on the matter necessitating prompt adjudication.

In *Roman Catholic Archbishop of Manila v. Court of Appeals*,^[19] the Court likewise held that the remand of a case is not necessary where the court is in a position to resolve the dispute based on the records before it. The Court will decide actions on the merits in order to expedite the settlement of a controversy and if the ends of justice would not be subserved by a remand of the case.

Here, the primary issue calls for an application of a specific provision of RA 8291 as well as relevant jurisprudence on the matter. No useful purpose will indeed be served if we remand the matter to the Board, only for its decision to be elevated again to the Court of Appeals and subsequently to this Court. Hence, we deem it sound to rule on the merits of the controversy rather than to remand the case for further proceedings.

The last paragraph of Section 39, RA 8291 specifically provides:

SEC. 39. Exemption from Tax, Legal Process and Lien.-

x x x

x x x

x x x

The funds and/or the properties referred to herein as well as the benefits, sums or monies corresponding to the benefits under this Act shall be **exempt** from attachment, garnishment, execution, levy or other processes issued by the courts, quasi-judicial agencies or administrative bodies **including Commission on Audit (COA) disallowances** and from all financial obligations of the members, including his pecuniary accountability arising from or caused or occasioned by his exercise or performance of his official functions or duties, or incurred relative to or in connection with his position or work **except when his monetary liability, contractual or otherwise, is in favor of the GSIS.**

It is clear from the above provision that COA disallowances cannot be deducted from benefits under RA 8291, as the same are explicitly made exempt by law from such deductions. Retirement benefits cannot be diminished by COA disallowances in view of the clear mandate of the foregoing provision. It is a basic rule in statutory construction that if a statute is clear, plain and free from ambiguity, it must be given its literal meaning and applied without interpretation. This is what is known as plain-meaning rule or *verba legis*.^[20]

Accordingly, the GSIS' interpretation of Section 39 that COA disallowances have become monetary liabilities of respondents to the GSIS and therefore fall under the exception stated in the law is wrong. No interpretation of the said provision is necessary given the clear language of the statute. A meaning that does not appear nor is intended or reflected in the very language of the statute cannot be placed therein by construction.^[21]

Moreover, if we are to accept the GSIS' interpretation, then it would be unnecessary to single out COA disallowances as among those from which benefits under RA 8291 are exempt. In such a case, the inclusion of COA disallowances in the enumeration of exemptions would be a mere surplusage since the GSIS could simply consider COA disallowances as monetary liabilities in its favor. Such a construction would empower the GSIS to withdraw, at its option, an exemption expressly granted by law. This could not have been the intention of the statute.

That retirement pay accruing to a public officer may not be withheld and applied to his indebtedness to the government has been settled in several cases. In *Cruz v. Tantuico, Jr.*,^[22] the Court, citing *Hunt v. Hernandez*,^[23] explained the reason for such policy thus:

x x x we are of the opinion that the exemption should be liberally construed in favor of the pensioner. Pension in this case is a bounty flowing from the graciousness of the Government intended to reward past services and, at the same time, to provide the pensioner with the means with which to support himself and his family. Unless otherwise clearly provided, the pension should inure wholly to the benefit of the pensioner. It is true that the withholding and application of the amount involved was had under section 624 of the Administrative Code and not by any judicial process, but if the gratuity could not be attached or levied