

THIRD DIVISION

[G.R. No. 112139, January 31, 2000]

**LAPANDAY AGRICULTURAL DEVELOPMENT CORPORATION,
PETITIONER, VS. THE HONORABLE COURT OF APPEALS (FORMER
EIGHTH DIVISION) AND COMMANDO SECURITY SERVICE
AGENCY, INC., RESPONDENTS.**

DECISION

GONZAGA-REYES, J.:

Before us is a Petition for Review on Certiorari of the decision^[1] of the Court of Appeals^[2] in CA-G.R. CV No. 33893 entitled COMMANDO SECURITY SERVICE AGENCY, INCORPORATED vs. LAPANDAY AGRICULTURAL DEVELOPMENT CORPORATION which affirmed the decision^[3] of the Regional Trial Court, 11th Judicial Region, Branch 9, Davao City in Civil Case No. 19203-88.

The pertinent facts as found by the Court of Appeals are as follows:

"The evidence shows that in June 1986, plaintiff Commando Security Service Agency, Inc., and defendant Lapanday Agricultural Development Corporation entered into a Guard Service Contract. Plaintiff provided security guards in defendant's banana plantation. The contract called for the payment to a guard of ₱754.28 on a daily 8-hour basis and an additional ₱565.72 for a four hour overtime while the shift-in-charge was to be paid ₱811.40 on a daily 8-hour basis and ₱808.60 for the 4-hour overtime.

Wage Orders increasing the minimum wage in 1983 were complied with by the defendant. On June 16, 1984, Wage Order No. 5 was promulgated directing an increase of ₱3.00 per day on the minimum wage of workers in the private sector and a ₱5.00 increase on the ECOLA. This was followed on November 1, 1984 by Wage Order No. 6 which further increased said minimum wage by ₱3.00 on the ECOLA. Both Wage Orders contain the following provision:

"In the case of contract for construction projects and for security, janitorial and similar services, the increase in the minimum wage and allowances rates of the workers shall be borne by the principal or client of the construction/service contractor and the contracts shall be deemed amended accordingly, subject to the provisions of Sec. 3 (b) of this order" (Sec. 6 and Sec. 9, Wage Orders No. 5 and 6, respectively)."

Plaintiff demanded that its Guard Service Contract with defendant be upgraded in compliance with Wage Order Nos. 5 and 6. Defendant

refused. Their Contract expired on June 6, 1986 without the rate adjustment called for Wage Order Nos. 5 and 6 being implemented. By the time of the filing of plaintiff's Complaint, the rate adjustment payable by defendant amounted to P462,346.25. Defendant opposed the Complaint by raising the following defenses: (1) the rate adjustment is the obligation of the plaintiff as employer of the security guards; (2) assuming its liability, the sum it should pay is less in amount; and (3) the Wage Orders violate the impairment clause of the Constitution.

The trial court decided in favor of the plaintiff. It held:

x x x

"However, in order for the security agency to pay the security guards, the Wage Orders made specific provisions to amend existing contracts for security services by allowing the adjustment of the consideration paid by the principal to the security agency concerned. (Eagle Security Agency, Inc. vs. NLRC, Phil. Tuberculosis Society, Inc. vs. NLRC, et al., May 18, 1989).

The Wage Orders require the amendment of the contract as to the consideration to cover the service contractor's payment of the increases mandated. However, in the case at bar, the contract for security services had earlier been terminated without the corresponding amendment. Plaintiff now demands adjustment in the contract price as the same was deemed amended by Wage Order Nos. 5 and 6.

Before the plaintiff could pay the minimum wage as mandated by law, adjustments must be paid by the principal to the security agency concerned.

"Given these circumstances, if PTS pays the security guards, it cannot claim reimbursements from Eagle. But if its Eagle that pays them, the latter can claim reimbursement from PTS in lieu of an adjustment, considering that the contract had expired and had not been renewed. (Eagle Security Agency vs. NLRC and Phil. Tuberculosis Society, Inc. vs. NLRC, et al., 18 May 1989).

"As to the issue that Wage Orders Nos. 5 and 6 constitute impairments of contracts in violation of constitutional guarantees, the High Court ruled" The Supreme Court has rejected the impairment of contract argument in sustaining the validity and constitutionality of labor and social legislation like the Blue Sunday Law, compulsory coverage of private sector employees in the Social Security System, and the abolition of share tenancy enacted pursuant to the police power of the state (Eagle Security Agency, Inc. vs. National Labor Relation Commission and Phil. Tuberculosis Society, Inc. vs. NLRC, et al., May 18, 1989)."

Petitioner's motion for reconsideration was denied;^[4] hence this petition where petitioner cites the following grounds to support the instant petition for review:

- "1.THE WAGE INCREASES PROVIDED FOR IN THE WAGE ORDERS WERE DUE TO THE GUARDS AND NOT THE SECURITY AGENCY;**
- 2. A SECURITY AGENCY WHO DID NOT PAY WAGE INCREASE TO ITS GUARDS IT HAD ALREADY TERMINATED AND WITHOUT THEIR AUTHORIZATION CANNOT INSTITUTE AN ACTION TO RECOVER SAID WAGE INCREASE FOR ITS BENEFIT;**
- 3. IN THE ABSENCE OF BAD FAITH AND WITHOUT THE TRIAL COURT CORRECTLY ESTABLISHING THE BASIS FOR ATTORNEY'S FEES, THE SAME MAY NOT BE AWARDED.**
- 4. THE NATIONAL LABOR RELATIONS (SIC) IS THE PROPER FORUM THAT HAS THE JURISDICTION TO RESOLVE THE ISSUE OF WHETHER OR NOT THE PETITIONER IS LIABLE TO PAY THE PRIVATE RESPONDENT THE WAGE AND ALLOWANCE INCREASES MANDATED UNDER WAGE ORDER NOS. 5 AND 6." ^[5]**

Reiterating its position below, petitioner asserts that private respondent has no factual and legal basis to collect the benefits under subject Wage Order Nos. 5 and 6 intended for the security guards without the authorization of the security guards concerned. Inasmuch as the services of the forty-two (42) security guards were already terminated at the time the complaint was filed on August 15, 1988, private respondent's complaint partakes of the nature of an action for recovery of what was supposedly due the guards under said Wage Orders, amounts that they claim were never paid by private respondent and therefore not collectible by the latter from the petitioner. Petitioner also assails the award of attorney's fees in the amount of P115,585.31 or 25% of the total adjustment claim of P462,341.25 for lack of basis and for being unconscionable.

Moreover, petitioner submits that it is the National Labor Relations Commission (NLRC) and not the civil courts that has jurisdiction to resolve the issue involved in this case for it refers to the enforcement of wage adjustment and other benefits due to private respondent's security guards mandated under Wage Order Nos. 5 and 6. Considering that the RTC has no jurisdiction, its decision is without force and effect.
^[6]

On the other hand, private respondent contends that the basis of its action against petitioner-appellant is the enforcement of the Guard Service Contract entered into by them, which is deemed amended by Section 6 of Wage Order No. 5 and Section 9 of Wage Order No. 6; that pursuant to their amended Guard Service Contract, the increases/adjustments in wages and ECOLA are due to private respondent and not to the security guards who are not parties to the said contract. It is therefore immaterial whether or not private respondent paid its security guards their wages as adjusted by said Wage Orders and that since the forty-two (42) security guards are

not parties to the Guard Service Contract, there is no need for them to authorize the filing of, or be joined in, this suit.

As regards the award to private respondent of the amount of ₱115,585.31 as attorney's fees, private respondent maintains that there is enough evidence and/or basis for the grant thereof, considering that the adamant attitude of the petitioner (in implementing the questioned Wage Orders) compelled the herein private respondent, to litigate in court. Furthermore, since the legal fee payable by private respondent to its counsel is essentially on contingent basis, the amount of ₱115,583.31 granted by the trial court which is 25% of the total claim is not unconscionable.

As regards the jurisdiction of the RTC, private respondent alleges that the suit filed before the trial court is for the purpose of securing the upgrading of the Guard Service Contract entered into by herein petitioner and private respondent in June 1983. The enforcement of this written contract does not fall under the jurisdiction of the NLRC because the money claims involved therein did not arise from employer-employee relations between the parties and is intrinsically a civil dispute. Thus, jurisdiction lies with the regular courts. Private respondent further contends that petitioner is estopped or barred from raising the question of jurisdiction for the first time before the Supreme Court after having voluntarily submitted to the jurisdiction of the regular courts below and having lost its case therein.^[7]

We resolve to grant the petition.

We resolve first the issue of jurisdiction. We agree with the respondent that the RTC has jurisdiction over the subject matter of the present case. It is well settled in law and jurisprudence that where no employer-employee relationship exists between the parties and no issue is involved which may be resolved by reference to the Labor Code, other labor statutes or any collective bargaining agreement, it is the Regional Trial Court that has jurisdiction.^[8] In its complaint, private respondent is not seeking any relief under the Labor Code but seeks payment of a sum of money and damages on account of petitioner's alleged breach of its obligation under their Guard Service Contract. The action is within the realm of civil law hence jurisdiction over the case belongs to the regular courts.^[9] While the resolution of the issue involves the application of labor laws, reference to the labor code was only for the determination of the solidary liability of the petitioner to the respondent where no employer-employee relation exists. Article 217 of the Labor Code as amended vests upon the labor arbiters exclusive original jurisdiction only over the following:

1. Unfair labor practices;
2. Termination disputes;
3. f accompanied with a claim for reinstatement, those cases that workers may file involving wages, rates of pay, hours of work and other terms and conditions of employment;
4. Claims for actual, moral exemplary and other forms of damages arising from employer-employee relations;