

Republic of the Philippines
Supreme Court
Manila

SECOND DIVISION

LEO A. ABAD, ROMEO ABELLA, MARNIE AGAPAY, FELECIANO S. BAHAN, RUEL R. BAHAN, ANGELITO CABAÑAS, JOVILITO G. MAESTRADO, JR., represented by his mother, NENITA MAESTRADO, TONY L. MONTANTE, ALVIN D. PAL, VENJIE PLASQUITA, FRANKIE L. SABIO, and MARIJUL O. UNDA, Petitioners,

G.R. No. 255368

Present:
LEONEN, S.A.J., Chairperson,
LAZARO-JAVIER,
LOPEZ, M.,
LOPEZ, J., and
KHO, JR., JJ.

- versus -

SAN ROQUE METALS, INC.,
Respondent.

Promulgated:

MAY 29 2024

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DECISION

KHO, JR., J.:

Before the Court is a Petition for Review on *Certiorari*¹ under Rule 45 of the Rules of Court assailing the Decision² and the Resolution³ of the Court

¹ *Rollo*, pp. 3–89.

² *Id.* at 636–665. Penned by Associate Justice Walter S. Ong and concurred in by Associate Justices Edgardo A. Camello and Florencio M. Mamauag, Jr. of the Twenty-First Division, Court of Appeals, Cagayan De Oro City. April 30, 2019.

³ *Id.* at 682–686. Penned by Associate Justice Edgardo A. Camello and concurred in by Associate Justices Evalyn M. Arellano-Morales and Angelene Mary W. Quimpo-Sale of the Twenty- First Division, Court of Appeals, Cagayan De Oro City. December 22, 2020.

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of Appeals (CA), which partially granted the Resolutions⁴ of the National Labor Relations Commission (NLRC). The NLRC ruling denied the Petition for extraordinary remedies filed by respondent San Roque Metals, Inc. (SRMI), which sought to annul the Order⁵ of the Executive Labor Arbiter (ELA).

The Facts

This case originated from several complaints for illegal dismissal⁶ filed by 35 employees against Prudential Customs Brokerage Services, Inc. (PCBSI) and SRMI. Subsequently, in a Decision⁷ dated April 30, 2012, the ELA ruled that PCBSI and SRMI illegally dismissed the employees, and accordingly, ordered them to pay backwages and separation pay in lieu of reinstatement. PCBSI and SRMI appealed⁸ before the NLRC, which, in a Resolution⁹ dated December 28, 2012, reversed the ELA and held that the employees were employed by PCBSI only and not SRMI, who only contracted PCBSI's services. The NLRC also ordered PCBSI to reinstate the employees without backwages and without loss of seniority rights. The employees moved to reconsider, which the NLRC denied in a Resolution¹⁰ dated April 11, 2013. Consequently, they filed a Petition for *Certiorari* with the CA.¹¹

In a Decision¹² dated July 27, 2015, the CA found grave abuse of discretion on the part of the NLRC and reinstated the ELA's Decision. Both PCBSI and SRMI moved to reconsider the CA's Decision, which the CA denied in its September 16, 2015 and October 9, 2015 Resolutions.¹³ Thus, both PCBSI and SRMI lodged separate Petitions for Review on *Certiorari*¹⁴ with the Court, which were both denied in a Resolution dated March 2, 2016.¹⁵ The Court also denied with finality the PCBSI and SRMI's motions to reconsider through its August 3, 2016 Resolution¹⁶ and ordered that an entry of judgment¹⁷ be issued. As stated earlier, the affirmed ELA Decision held that: (a) the employees were illegally dismissed; (b) the SRMI and PCBSI

⁴ *Id.* at 490–506. Penned by Commissioner Elbert C. Restauro and concurred in by Presiding Commissioner Bario-Rod M. Talon of the Eighth Division, National Labor Relations Commission, Cagayan De Oro City. September 27, 2017 and March 9, 2018.

⁵ *Id.* at 442–453. Issued by Executive Labor Arbiter Exequiel M. Dayot III.

⁶ *Id.* at 91–126. Docketed as NLRC Case No. RAB-13-08-00212-11.

⁷ *Id.* at 202–215. Penned by Executive Labor Arbiter Nicodemus G. Palangan.

⁸ *Id.* at 234–246 and 251–265. Docketed as NLRC No. MAC 06-012619-2012.

⁹ *Id.* at 293–304. Penned by Commissioner Dominador E. Medroso and concurred in by Presiding Commissioner Bario-Rod M. Talon and the dissent of Commissioner Proculo T. Sarmen of the Eighth Division, NLRC, Cagayan de Oro City.

¹⁰ *Id.* at 327–330.

¹¹ Not attached to the *rollo*. Docketed as CA-G.R. SP No. 05604-MIN.

¹² *Rollo*, pp. 331–344. Penned by Associate Justice Maria Filomena D. Singh (now a Member of this Court) and concurred in by Associate Justices Edgardo T. Lloren and Pablito A. Perez of the Special Twenty-Third Division, Court of Appeals, Cagayan De Oro City.

¹³ *Id.* at 343–344.

¹⁴ Not attached to the *rollo*. Docketed as G.R. Nos. 221137 and 220991, respectively.

¹⁵ *Rollo*, pp. 348–349.

¹⁶ *Id.* at 350.

¹⁷ *Id.* at 351–353.

share solidary liability; and (c) the employees were entitled to backwages and separation pay.

After the finality of the judgment, 12 of the original 35 employees entered into separate compromise agreements¹⁸ with PCBSI and SRMI, namely: Leo A. Abad, Romeo Abella, Marnie Agapay, Feleciano S. Bahan, Ruel R. Bahan,¹⁹ Angelito Cabañas, Jovilito G. Maestrado, Jr.²⁰ (represented by his mother, Nenita Maestrado), Tony L. Montante, Alvin D. Pal, Venjie Plasquita, Frankie L. Sabio, and Marijul O. Undap (collectively, petitioners).

In these *similarly worded* compromise agreements, each of the petitioners agreed to receive a settlement amount and employment with SRMI as the “full, complete, and final satisfaction of [their] labor complaint against SRMI and PCBSI.” By signing the compromise agreement each of the petitioners also manifested “that having received in full all [their] claims subject matter of [their labor complaint] against SRMI and PCBSI and any other claims arising from [them], [they have] no further claims, rights, or actions of whatsoever nature, whether past, present or contingent against PCBSI and their stockholders, directors, officers, authorized representatives, or [successors-in-interest].”²¹

Subsequently, all parties attended the pre-execution conference before the ELA. There, petitioners signed the compromise agreements before the ELA, who wrote a note on the final page of each of the compromise agreements stating: “without prejudice to the outcome of the pre-execution conference/proceedings,” the employees submitted to the ELA their motion to admit the computation of the monetary awards due them.²² PCBSI and SRMI then filed their comment²³ to the motion, arguing that: (a) the computation must be set aside and a new one made since petitioners are no longer entitled to monetary awards because they executed compromise agreements; and, (b) SRMI should not be made solidarily liable to pay backwages and separation pay following jurisprudence, which states that if the liability is “with punitive character, such as... backwages and separation pay because of an illegal dismissal of the contractor’s employee, the liability should be solely that of the contractor in the absence of proof that the principal conspired with the contractor in the commission of illegal dismissal.”²⁴

¹⁸ *Id.* at 354–400.

¹⁹ “Ruel S. Bahan” in some parts of the *rollo*.

²⁰ “Jovelito E. Maestrado, Jr.” in some parts of the *rollo*.

²¹ *Rollo*, p 356; 360; 364; 368; 372; 376; 380; 384; 388; 392; and 396. The third page of petitioner Marijul O. Undap’s signed compromise agreement is not attached to the *rollo*.

²² *Id.* at 410–413.

²³ *Id.* at 414–421.

²⁴ *Id.* at 419.

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The ELA Order

In an Order²⁵ dated June 19, 2017, the ELA ruled that the amounts stated in the compromise agreements cannot be considered as full payments to petitioners. Rather, they are advances on whatever monetary awards is due them by virtue of the final judgment. It also held that he only acknowledged the compromise agreements and expressly informed the petitioners that the amounts they would receive based on these agreements are without prejudice to the computation to be submitted by the employees. The ELA also held that SRMI's solidary liability for backwages and separation pay was already ruled on by the CA in the final judgment and may no longer be resolved anew.²⁶ Finally, taking into consideration the compromise agreements and its own computation of the awards, it held that PCBSI and SRMI are liable to pay PHP 20,160,503.00²⁷ and issued a writ of execution to that effect.

Aggrieved, SRMI filed a Petition for Extraordinary Remedies²⁸ with the NLRC, insisting on its earlier arguments before the ELA. It also argued that the ELA's handwritten note stating that the amounts were "without prejudice to the outcome of the pre-execution conference/proceedings," was not signed by the parties and had no legal effect. It also filed a supplement,²⁹ stating that it had ceased its stevedoring and arrastre agreement with PCBSI as of October 15, 2011; thus, its liability for backwages and separation pay cannot run beyond that date.

The NLRC Ruling

In a Resolution³⁰ dated September 27, 2017, the NLRC denied SRMI's petition. It ruled that: (1) the compromise agreements were *invalid* because petitioners did not fully understand the import of the agreements; (2) at the very least, the ELA's note created an ambiguity in petitioners' understanding of the compromise agreements; (3) the amounts agreed on, ranging from 5.20% to 23.42% of the monetary awards they were entitled to receive based on the computation, were not reasonable; (4) SRMI's solidary liability was already resolved with finality and may no longer be altered; and (5) the issue raised in the supplement may no longer be raised since SRMI could have presented the proof it presented earlier.

²⁵ *Rollo*, pp. 442-453.

²⁶ *Id.* at 448-451.

²⁷ *Id.* at 452-453.

²⁸ *Id.* at 454-483.

²⁹ *Id.* at 484-489.

³⁰ *Id.* at 490-506.

SRMI moved to reconsider, but was denied by the NLRC in its March 9, 2018 Resolution.³¹ Subsequently, it filed a Petition for *Certiorari* with the CA.³²

The CA Ruling

In a Decision³³ dated April 30, 2019, the CA partly granted the Petition. It rejected SRMI's argument regarding its solidary liability, holding that the issue had been finally settled and may no longer be relitigated during the execution stage. However, it found grave abuse of discretion on the part of the NLRC in invalidating the compromise agreements. Accordingly, it deleted the award of backwages and separation pay to petitioners and considered the amounts in the compromise as *full payment*. Finally, it also ordered the imposition of legal interest on the monetary awards.

The CA held that each of the petitioners voluntarily signed the compromise agreements and acknowledged that they understood the import of the document they signed. It faulted the NLRC for its conclusion that the ELA's note created an ambiguity in the compromise agreement that vitiated petitioners' consent, stating that the conclusion was speculative since petitioners did not even assert that their consent was vitiated. Further, in noting the disparity in the individual settlement amounts, the CA concluded that coupled with petitioners' continued employment with SRMI, the amounts received by each of them are reasonable.

Petitioners then filed a Partial Motion for Reconsideration³⁴ on the deletion of the monetary awards, which the CA denied in a Resolution³⁵ dated December 22, 2020. Hence, this petition.

The Issue Before the Court

The Court resolves whether the CA erred in finding grave abuse of discretion on the part of the NLRC when it denied SRMI's Petition for Extraordinary Remedies.

Petitioners claim that the CA reversibly erred in ruling that the compromise agreements were valid. They argue that they need not allege vitiation of consent since the ELA was very clear in *not* approving the compromise agreement and in explaining to petitioners that the settlement amounts would be treated as partial payment of the amounts due them in the final judgment. Further, they echo the NLRC's finding that the amounts stated in the individual agreements were unconscionable.

³¹ *Id.* at 525–532.

³² *Id.* at 52–532 (including annexes).

³³ *Id.* at 637–665.

³⁴ *Id.* at 666–681 (including an annex).

³⁵ *Id.* at 682–686.

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SRMI filed a Comment,³⁶ insisting that petitioners voluntarily entered the compromise and that the amounts they received should be considered as the full satisfaction of their claims. According to SRMI, it was an error for the ELA, and the NLRC for affirming it, to change the tenor of the compromise agreements by informing petitioners that they are still entitled to other amounts from the execution of the final judgment.

The Court's Ruling

The Petition has merit.

When the Court reviews a decision of the CA in a Petition for *Certiorari* assailing a ruling of the NLRC, its scope of review is limited to the *correctness* of the CA's finding of grave abuse of discretion.³⁷ In labor cases, the NLRC gravely abuses its discretion when "its findings and conclusions are not supported by substantial evidence, which refers to that amount of relevant evidence that a reasonable mind might accept as adequate to justify a conclusion," or when its ruling finds no basis in the evidence and applicable statutes and case law.³⁸

As will be explained below, the CA erred in ascribing grave abuse of discretion in the NLRC ruling, considering that the latter is supported by substantial evidence and applicable case law.

To recall, the NLRC's invalidation of the compromise agreements is grounded on the following: (1) that the consideration of the compromise agreements is unconscionably low; and (2) that the ELA's notation created an ambiguity in the contracts, which made it doubtful that petitioners signed them with full understanding of their terms and conditions.

The NLRC held that the compromise agreements must be closely scrutinized because they are also quitclaims, which the law looks upon with disfavor. This is correct. As a rule, quitclaims executed by employees are frowned upon for being contrary to public policy,³⁹ and "are largely

³⁶ *Id.*, unpaginated.

³⁷ *Reuyan v. INC Navigation Co. Phils., Inc.*, G.R. No. 250203, December 7, 2022 [Per J. Kho, Jr., Second Division], citing *Pelagio v. Phillippine Transmarine Carriers, Inc.*, 848 Phil. 808 (2019), 895 SCRA 546, 554–555 [Per J. Perlas-Bernabe, Second Division], citing *University of Santo Tomas (UST) v. Samahang Manggagawa ng UST*, 809 Phil. 212, 219–220 (2017) [Per J. Perlas-Bernabe, First Division].

³⁸ *Id.*, citing *Paiton v. Armscor Global Defense, Inc.*, April 25, 2022 [Per J. Kho, Jr., Third Division], citing *Jolo's Kiddie Carts v. Caballa, University of Santo Tomas (UST) v. Samahang Manggagawa ng UST*, 809 Phil. 212, 219–220 (2017) [Per J. Perlas-Bernabe, First Division].

³⁹ *Castillon v. Magsaysay Mitsui Osk Marine, Inc.*, 872 Phil. 92 (2020) [Per J. Leonen, Third Division].

ineffective to bar recovery of the full measure of a worker's rights, and the acceptance of benefits therefrom does not amount to estoppel."⁴⁰

Thus, to determine whether a quitclaim is valid, the Court has held that the following must be present: (1) the employee executes a deed of quitclaim voluntarily; (2) there is no fraud or deceit on the part of any of the parties; (3) the consideration of the quitclaim is credible and reasonable; and (4) the contract is not contrary to law, public order, public policy, morals or good customs, or prejudicial to a third person with a right recognized by law.⁴¹ Absent these elements, a quitclaim may be invalidated. Consequently, an invalidated quitclaim does not have the effect of *res judicata* between the parties.

The NLRC is correct that the considerations for these compromise agreements, *even when coupled with petitioners' continued employment by SRMI*, are not reasonable. As tabulated⁴² by the NLRC, the amounts stated in the compromise agreements represent a small portion—ranging from 5.20% to 23.42%—of what petitioners stand to receive under the final judgment:

PETITIONER	AMOUNT ALREADY RECEIVED – SETTLEMENT AMOUNT + 10% (IN PHP)	AWARD, PER FINAL COMPUTATION BY THE ELA (IN PHP, LESS ATTORNEY'S FEES)	PERCENTAGE
Leo Abad	88,000.00	384,251.25	20.82
Romeo P. Abella	99,000.00	506,335.00	17.77
Marnie D. Agapay	88,000.00 ⁴³	384,251.25	20.82
Feleciano S. Bahan	99,000.00	384,251.25	23.42
Ruel R. Bahan	88,000.00	384,251.25	20.82
Angelito Cabañas	88,000.00	1,152,753.75	6.94
Jovelito Maestrado, Jr.	88,000.00	384,251.25	20.82
Tony L. Montante	88,000.00	379,751.25	21.07
Alvin D. Pal	88,000.00	896,586.25	8.90
Venjie Plasquita	88,000.00	384,251.25	20.82
Frankie L. Sabio	88,000.00	379,751.25	21.07

⁴⁰ *Inter-Orient Maritime Incorporated v. Candava*, 712 Phil. 628 (2013) [Per J. Perlas-Bernabe, Second Division].

⁴¹ *Id.*, citing *Goodrich Manufacturing v. Ativo*, 625 Phil. 102 (2010) [Per J. Villarama, Jr., First Division].

⁴² *Rollo*, p. 500.

⁴³ Erroneously written as "P80,0007" in the NLRC Decision, *id.* at 500. *See id.* at 364 for the correct amount.

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Marijul O. Undap	22,000.00	384,251.25	5.20
TOTAL AMOUNT	1,012,000.00	6,004,936.25	16.85

There is no exact percentage that determines the reasonableness of a monetary consideration in quitclaims and compromise agreements. In several cases, the Court has deemed settlement amounts of varying percentages to be unreasonable, which shows that the reasonableness of a settlement amount is determined on a case-to-case basis rather than through a mathematical precision. In *Cadalin vs. CA*,⁴⁴ the Court ruled as unreasonable a settlement amount of USD 500.00, 6.25% of what the employee was legally entitled to. In *Galicia vs. NLRC*,⁴⁵ a settlement amount that is 11.17% of what the employees were legally entitled to was likewise held unreasonable. The same conclusion was reached in *Castillon vs. Magsaysay Mitsui Osk Marine, Inc.*⁴⁶ and *R&E Transport vs. Latag*,⁴⁷ where the employees received 30.76% and 37%, respectively, of what they were legally entitled to.

The Court agrees with the NLRC that the amounts stated in the compromise agreements are **not reasonable**. On this score, the Court notes that an earlier resolution in *Yu vs. SRMI*⁴⁸ rejected the employees' argument that the settlement amounts were unreasonable. The Court held in that case, that the claim of PHP 300,000.00 in backwages was *not supported by evidence as it lacked a specific computation for each of the employees involved*. Hence, the Court could not determine with certainty the reasonableness of the settlement. This is not the case here, as the ELA attached to his Order a tabulated computation⁴⁹ of the amounts to which the employees are entitled. From this, and as can be seen from the table above, it is immediately clear that the settlement amounts are startlingly lower than what petitioners are legally entitled to. The NLRC, therefore, did not commit grave abuse of discretion in denying the petition for extraordinary remedies and invalidating the compromise agreements.

On whether the ELA's notation created an ambiguity that affected petitioners' full understanding of the terms and conditions of the compromise, the Court, considering that the compromise agreements are invalid for having unreasonable considerations, sees no further reason in ruling on the issue.

As stated earlier, the NLRC did not gravely abuse its discretion in invalidating the compromise agreements, as its findings are supported by substantial evidence. Notably, in its computation⁵⁰ of the monetary awards,

⁴⁴ 593 Phil. 170 (2008), [Per J. Nachura, Third Division].

⁴⁵ 342 Phil. 342 (1997) [Per J. Romero, Second Division].

⁴⁶ 872 Phil. 92 (2020) [Per J. Leonen, Third Division].

⁴⁷ 467 Phil. 355 (2004), [Per J. Panganiban, First Division].

⁴⁸ G.R. No. 214249, October 17, 2018 [Special Second Division].

⁴⁹ *Rollo*, pp. 452-453.

⁵⁰ *Id.* at 452-453.

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the ELA subtracted the amounts already received by petitioners and *ruled that they are entitled to the following amounts:*

PETITIONER	AMOUNT ALREADY RECEIVED UNDER THE COMPROMISE (IN PHP, PLUS 10% ATTORNEY'S FEES)	MONETARY AWARD, MINUS AMOUNTS ALREADY RECEIVED (IN PHP)	10% ATTORNEY'S FEES	TOTAL AMOUNT
Leo Abad	88,000.00	296,251.25	29,625.13	325,876.38
Romeo P. Abella	99,000.00	407,335.00	40,733.50	448,068.50
Marnie D. Agapay	88,000.00	296,251.25	29,625.13	325,876.38
Feleciano S. Bahan	99,000.00	285,251.25	28,525.13	313,776.38
Ruel R. Bahan	88,000.00	296,251.25	29,625.13	325,876.38
Angelito Cabañas	88,000.00	1,064,753.75	106,475.38	1,171,229.13
Jovelito Maestrado, Jr.	88,000.00	296,251.25	29,625.13	325,876.38
Tony L. Montante	88,000.00	291,751.25	29,175.13	320,926.38
Alvin D. Pal	88,000.00	808,586.25	80,858.63	889,444.88
Venjie Plasquita	88,000.00	296,251.25	29,625.13	325,876.38
Frankie L. Sabio	88,000.00	291,751.25	29,175.13	320,926.38
Marijul O. Undap	22,000.00	362,251.25	36,225.13	398,476.38
TOTAL AMOUNT	1,012,000.00	4,992,936.25	499,293.68	5,492,229.93

ACCORDINGLY, the Petition is **GRANTED**. The Decision dated April 30, 2019 and Resolution dated December 22, 2020 of the Court of Appeals in CA-G.R. SP No. 08742-MIN are **REVERSED** and **SET ASIDE**.

The Resolutions dated September 27, 2017 and March 9, 2018 of the National Labor Relations Commission in NLRC No. MER 07-015027-2017 are **AFFIRMED**.

Respondent San Roque Metals, Inc. is held solidarily liable with Prudential Customs Brokerage Services, Inc. to **PAY** petitioners Leo A. Abad, Romeo Abella, Marnie Agapay, Feleciano S. Bahan, Ruel R. Bahan, Angelito Cabañas, Jovilito G. Maestrado, Jr., represented by his mother, Nenita Maestrado, Tony L. Montante, Alvin D. Pal, Venjie Plasquita, Frankie L. Sabio, and Marijul O. Undap their monetary awards by virtue of the final judgment in NLRC Case No. RAB-13-08-00212-2011, minus the amounts already received by them. Moreover, the total monetary awards shall bear legal interest at the rate of 6% per annum from finality of this Decision until full payment.⁵¹

SO ORDERED.



ANTONIO T. KHO, JR.

Associate Justice

WE CONCUR:

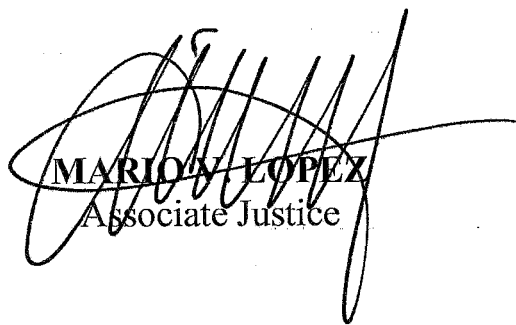


MARVIC M.V.F. LEONEN

Senior Associate Justice
Division Chairperson



AMY C. LAZARO-JAVIER
Associate Justice



MARIO V. LOPEZ
Associate Justice



JHOSEP V. LOPEZ
Associate Justice

⁵¹ *Nacar v. Gallery Frames*, 716 Phil. 267 (2013), [Per J. Peralta, *En Banc*].

ATTESTATION

I attest that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.



MARVIC M.V.F. LEONEN

Senior Associate Justice
Chairperson, Second Division

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution, and the Division Chairperson's Attestation, I certify that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.



ALEXANDER G. GESMUNDO

Chief Justice

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