

## THIRD DIVISION

[ G.R. No. 197492, January 18, 2017 ]

**CHATEAU ROYALE SPORTS AND COUNTRY CLUB, INC.,  
PETITIONER, VS. RACHELLE G. BALBA AND MARINEL N.  
CONSTANTE, RESPONDENTS.**

### DECISION

**BERSAMIN, J.:**

The petitioner appeals the decision promulgated on January 10, 2011,<sup>[1]</sup> whereby the Court of Appeals (CA) annulled and set aside the December 14, 2009 decision<sup>[2]</sup> and February 26, 2010 resolution<sup>[3]</sup> of the National Labor Relations Commission (NLRC) dismissing the respondents' complaint for constructive dismissal.

#### Antecedents

On August 28, 2004, the petitioner, a domestic corporation operating a resort complex in Nasugbu, Batangas, hired the respondents as Account Executives on probationary status.<sup>[4]</sup> On June 28, 2005, the respondents were promoted to Account Managers effective July 1, 2005, with the monthly salary rate of P9,000.00 plus allowances totaling to P5,500.<sup>[5]</sup> As part of their duties as Account Managers, they were instructed by the Director of Sales and Marketing to forward all proposals, event orders and contracts for an orderly and systematic bookings in the operation of the petitioner's business. However, they failed to comply with the directive. Accordingly, a notice to explain was served on them,<sup>[6]</sup> to which they promptly responded.<sup>[7]</sup>

On October 4, 2005, the management served notices of administrative hearing<sup>[8]</sup> on the respondents. Thereupon, they sent a letter of said date asking for a postponement of the hearing.<sup>[9]</sup> Their request was, however, denied by the letter dated October 7, 2005, and at the same time informed them that the petitioner's Corporate Infractions Committee had found them to have committed acts of insubordination, and that they were being suspended for seven days from October 10 to 17, 2005, inclusive.<sup>[10]</sup>

The suspension order was lifted even before its implementation on October 10, 2005.<sup>[11]</sup>

On October 10, 2005, the respondents filed a complaint for illegal suspension and non-payment of allowances and commissions.<sup>[12]</sup>

On December 1, 2005, the respondents amended their complaint to include constructive dismissal as one of their causes of action based on their information

from the Chief Financial Officer of the petitioner on the latter's plan to transfer them to the Manila Office.<sup>[13]</sup> The proposed transfer was prompted by the shortage of personnel at the Manila Office as a result of the resignation of three account managers and the director of sales and marketing. Despite attempts to convince them to accept the transfer to Manila, they declined because their families were living in Nasugbu, Batangas.

The respondents received the notice of transfer<sup>[14]</sup> dated December 13, 2005 on December 28, 2005<sup>[15]</sup> directing them to report to work at the Manila Office effective January 9, 2006. They responded by letter addressed to Mr. Rowell David, the Human Resource Consultant of the petitioner,<sup>[16]</sup> explaining their reasons for declining the order of transfer. Consequently, another request for incident report<sup>[17]</sup> was served on them regarding their failure to comply with the directive to report at the Manila office. Following respondents' respective responses,<sup>[18]</sup> the petitioner sent a notice imposing on them the sanction of written reprimand for their failure to abide by the order of transfer.<sup>[19]</sup>

### **Ruling of the Labor Arbiter**

On February 14, 2008, Labor Arbiter Arthur L. Amansec rendered his decision declaring that the respondents had been constructively dismissed, and disposing thusly:<sup>[20]</sup>

WHEREFORE, judgment is hereby made finding respondent Chateau Royale Sports and Country Club, Inc. to have constructively dismissed the complainants Rachelle G. Balba and Marinel N. Constante from employment Concomitantly, the respondent company is hereby ordered to pay each complainant one (1) year backwages plus a separation pay, computed at a full month's pay for every year of service.

The respondent company is also ordered to pay each complainant P50,000.00 moral damages and P10,000.00 exemplary damages.

Ten (10%) attorney's fees are also awarded.

Other claims are dismissed for lack of merit.

SO ORDERED.<sup>[21]</sup>

Labor Arbiter Amansec opined that the respondents' transfer to Manila would not only be physically and financially inconvenient, but would also deprive them of the psychological comfort that their families provided; that being the top sales performers in Nasugbu, they should not be punished with the transfer; and that their earnings would considerably diminish inasmuch as sales in Manila were not as lively as those in Nasugbu.<sup>[22]</sup>

### **Ruling of the NLRC**

On appeal,<sup>[23]</sup> the NLRC reversed the ruling of the Labor Arbiter, and dismissed the complaint for lack of merit, to wit:

**WHEREFORE**, the appeal of respondents Chateau Royale Sports and Country Club, Inc. is Granted. Accordingly, the assailed February 14, 2008 decision is Set-Aside dismissing the complaint for lack of merit

**SO ORDERED.**<sup>[24]</sup>

The NLRC found that the respondents had been informed through their respective letters of appointment of the possibility of transfer in the exigency of the service; that the transfer was justified due to the shortage of personnel at the Manila office; that the transfer of the respondents, being bereft of improper motive, was a valid exercise of management prerogative; and that they could not as employees validly decline a lawful transfer order on the ground of parental obligations, additional expenses, and the anxiety of being away from his family.

The respondents filed their motion for reconsideration,<sup>[25]</sup> but the NLRC denied their motion on February 26, 2010.<sup>[26]</sup>

### **Decision of the CA**

On January 10, 2011, the CA promulgated its decision granting the respondents' petition for *certiorari*, and setting aside the decision of the NLRC, *viz.*:

**WHEREFORE**, premises considered, the assailed Decision dated December 14, 2009 and Resolution dated February 26, 2010 of the NLRC, Second Division in NLRC LAC No. 07-002551-08 (NLRC-RA8-IV Case No. 10-21558-058) (NLRC-RAB-IV Case No. 02-22153-068) are hereby **REVERSED** and **SET ASIDE**. Private respondent Chateau Royale is hereby ordered to **REINSTATE** petitioners Balba and Constante to their former positions without loss of seniority rights and other privileges, and to pay said petitioners full **BACKWAGES** inclusive of allowances and other benefits from the time their employment was severed up to the time of actual reinstatement.

**SO ORDERED.**<sup>[27]</sup>

The CA ruled that the transfer of the respondents from the office in Nasugbu, Batangas to the Manila office was not a legitimate exercise of management prerogative and constituted constructive dismissal; that the transfer to the Manila office was not crucial as to cause serious disruption in the operation of the business if the respondents were not transferred thereat; that the directive failed to indicate that the transfer was merely temporary; that the directive did not mention the shortage of personnel that would necessitate such transfer; and that the transfer would be inconvenient and prejudicial to the respondents.<sup>[28]</sup>

On June 22, 2011,<sup>[29]</sup> the CA denied the petitioner's motion for reconsideration.

### **Issues**

Hence, this appeal by the petitioner via petition for review on *certiorari*,<sup>[30]</sup> citing the following grounds:

THE HONORABLE COURT OF APPEALS GRIEVOUSLY ERRED IN CONCLUDING THAT THE SHORTAGE OF PERSONNEL IN THE MANILA OFFICE IS A MERE SUBTERFUGE RATHER THAN AN EXIGENCY IN THE BUSINESS THEREBY TREATING THE TRANSFER OF RESPONDENTS AS UNREASONABLE

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THE HONORABLE COURT OF APPEALS GRIEVOUSLY ERRED IN CONCLUDING THAT THE INTENDED TRANSFER OF THE RESPONDENTS FROM NASUGBU, BATANGAS TO MANILA OFFICE CONSTITUTES CONSTRUCTIVE DISMISSAL.<sup>[31]</sup>

The petitioner argues that the resignations of the Account Managers and the Director of Sales and Marketing caused serious disruptions in the operations of the Manila office, thereby making the immediate transfer of the respondents crucial and indispensable; that through their respective letters of appointment, the possibility of their transfer to the Manila office had been made known to them even prior to their regularization; that if its intention had been to expel them from the company, it would not have rehired them as regular employees after the expiration of their probationary contract and even promoted them as Account Managers; that there was no diminution of income and benefits as a result of the transfer; and that their immediate rejection of the transfer directive prevented the parties from negotiating for additional allowances beyond their regular salaries.

The respondents counter that there was no valid cause for their transfer; that they were forced to transfer to the Manila office without consideration of the proximity of the place and without improvements in the employment package; that the alleged shortage of personnel in the Manila office due to the resignation of the account managers was merely used to conceal the petitioner's illegal acts; and that notwithstanding their negative response upon being informed of their impending transfer to Manila by Chief Finance Officer Marquez, the petitioner still issued the transfer order directing them to report to the Manila office effective January 9, 2006.

The sole issue for resolution is whether or not the respondents were constructively dismissed.

**Ruling of the Court**

We find merit in the appeal.

In the resolution of whether the transfer of the respondents from one area of operation to another was valid, finding a balance between the scope and limitation of the exercise of management prerogative and the employees' right to security of tenure is necessary.<sup>[32]</sup> We have to weigh and consider, on the one hand, that management has a wide discretion to regulate all aspects of employment, including the transfer and re-assignment of employees according to the exigencies of the business;<sup>[33]</sup> and, on the other, that the transfer constitutes constructive dismissal when it is unreasonable, inconvenient or prejudicial to the employee, or involves a