

FIRST DIVISION

[G.R. No. 213696, December 09, 2015]

QUANTUM FOODS, INC., PETITIONER, VS. MARCELINO ESLOYO AND GLEN MAGSILA, RESPONDENTS.

D E C I S I O N

PERLAS-BERNABE, J.:

Assailed in this petition for review on *certiorari*^[1] are the Decision^[2] dated January 18, 2011 and the Resolution^[3] dated July 4, 2014 of the Court of Appeals, Cebu City (CA) in CA-G.R. CEB-SP No. 04622, which reversed and set aside the Decision^[4] dated February 20, 2009 and the Resolution^[5] dated July 10, 2009 of the National Labor Relations Commission (NLRC) in NLRC VAC No. 08-000526-2008, thereby reinstating the Decision^[6] dated December 27, 2007 of the Labor Arbiter (LA), finding respondents Marcelino Esloyo (Esloyo) and Glen Magsila (Magsila) to have been illegally dismissed.

The Facts

Petitioner Quantum Foods, Inc. (QFI) is a domestic corporation engaged in the distribution and selling of food products nationwide, with principal office located in Brgy. Merville, Parañaque City. It hired Esloyo as Major Accounts Representative on December 14, 1998, whose consistent good performance led to successive promotions, until his promotion to the position of Regional Sales Manager for Visayas and Mindanao in 2004.^[7] On the other hand, it hired Magsila as Key Accounts Representative for the Panay Area on March 1, 2005 on a probationary status and gave him a "permanent" status on August 31, 2005.^[8] In the course of their employment, Esloyo and Magsila were each required to post a cash bond in the amount of P10,000.00 and P7,000.00, respectively.^[9]

In 2006, QFI decided to reorganize its sales force nationwide following a drastic drop in net income in 2005, and Magsila was among those retrenched.^[10] In a letter^[11] dated February 13, 2006, Magsila was informed of his termination effective March 31, 2006, given the option not to report for work beginning February 27, 2006, and advised to turn over his responsibilities and clear his accountabilities to facilitate the release of his final pay. The corresponding Establishment Termination Report^[12] of the retrenched employees was likewise submitted to the Department of Labor and Employment. However, Magsila's final pay and other benefits were not released due to alleged discovery of unauthorized/undocumented deductions, which he purportedly failed to explain.^[13]

Meanwhile, in response to several anonymous complaints against Esloyo for alleged misbehavior and violations of various company rules and regulations, such as sexual

harassment, misappropriation of company funds/ property, falsification/padding of reports and serious misconduct, QFI's auditor, Vilma A. Almendrala, conducted an audit/investigation in Iloilo City on March 13 to 18, 2006,^[14] and submitted an Audit Report^[15] dated March 23, 2006 detailing her findings. A Show Cause Memorandum^[16] dated March 24, 2006 (March 24, 2006 Show Cause Memorandum) was thereafter issued by QFI Human Resources (HR) Manager Rogelio Ma. J. dela Cruz (dela Cruz), directing Esloyo to explain.

Esloyo submitted his written explanation denying the charges,^[17] which QFI found to be unsatisfactory.^[18] Consequently, in a letter^[19] dated March 31, 2006, Esloyo was informed of his termination from work effective April 3, 2006 on the ground of loss of trust and confidence due to his numerous violations of the company rules and regulations.

Aggrieved, Esloyo and Magsila (respondents) filed separate complaints for illegal dismissal with money claims against QFI, its President/General Manager, Robert N. Suarez, and its HR Manager, De la Cruz, before the NLRC, docketed as SRAB VI, Case Nos. 04-50116-2006 and 07-50239-2006, respectively, which were subsequently consolidated.^[20] They also impleaded Dole Philippines, Inc. (Dole) as party to the case, claiming that said company required them to perform additional tasks that were necessary and desirable for its operations, and that Dole, as well as its Executive personnel had created and organized QFI, and thus, should be held jointly and solidarily liable with QFI for respondents' claims.^[21]

Esloyo asserted that his dismissal was illegal, claiming that: (a) the charges were all fabricated; (b) no formal investigation was conducted; and (c) he was not given the opportunity to confront his accusers; adding too that prior to the March 24, 2006 Show Cause Memorandum, he received an e-mail memorandum directing him to report to the head office for re-assignment but was, instead, placed on floating status.^[22] Magsila, on the other hand, averred that there was no valid retrenchment as the losses claimed by QFI were unsubstantiated and that he was merely replaced.^[23]

For its part, QFI maintained that respondents' dismissals were valid, hence, it is not liable for their money claims.^[24] On the other hand, Dole denied any employer-employee relationship with respondents.^[25]

The LA Ruling

In a Decision^[26] dated December 27, 2007, the LA found respondents to have been illegally dismissed, and ordered QFI to pay them their respective backwages, 13th month pay, unpaid salaries, separation pay in lieu of reinstatement equivalent to one (1) month pay for every year of service, and refund of their cash bonds, or a total monetary judgment of P1,817,856.71,^[27] plus 10% attorney's fees.

The LA held that Esloyo's dismissal was tainted with malice and bad faith, finding that: (a) he was not given the opportunity to refute the charges leveled against him, as instead of conducting an administrative investigation, QFI ordered his re-assignment and thereafter placed him on "floating status"; and (b) the audit report

submitted was based on unverified statements. The LA likewise found no substantial evidence to support the charges against Esloyo, and thus, ruled that the claim of loss of trust and confidence was without basis.^[28]

In the same vein, the LA declared Magsila's dismissal to be illegal, holding that there could be no valid retrenchment since a replacement was hired even before the effectivity of the latter's dismissal, noting too, that the dismissal was effected only after he had acted as witness for Esloyo in the sexual harassment charge.^[29]

On the other hand, Dole was deleted as party to the case, upon a finding that it has no employer-employee relationship with respondents; while the impleaded QFI officials were absolved from personal liability.^[30]

Dissatisfied, QFI filed its Notice of Appeal and Memorandum of Appeal^[31] before the NLRC on February 8, 2008, accompanied by:

(a) a Motion to Reduce Bond^[32] averring that it was encountering difficulty raising the amount of the bond and finding an insurance company that can cover said amount during the short period of time allotted for an appeal; and (b) a cash bond in the amount of P400,000.00 (partial bond).^[33]

Respondents filed a motion to dismiss the appeal for QFI's failure: (a) to attach a Verification and Certification of Non-Forum Shopping as required by the New Rules and Procedure of the NLRC; and (b) to post a bond in an amount equivalent to the monetary judgment as mandated by law.^[34]

QFI thereafter moved to admit its Verification/Certification for Non-Forum Shopping and related documents, explaining that the failure to attach said documents was due to the inadvertence of its counsel who was just recovering from the open cholecystectomy performed on him, and that the appeal was based on meritorious grounds. Subsequently, but before the NLRC could act on the Motion to Reduce Bond, it posted a surety bond from an accredited insurance company fully covering the monetary judgment, which respondents vehemently opposed.^[35]

The NLRC Ruling

In a Decision^[36] dated February 20, 2009, the NLRC denied respondents' motion to dismiss and gave due course to QFI's appeal, holding that: (a) the lack of verification was a formal defect that could be cured by requiring an oath;^[37] (b) the belated filing of the certificate of non-forum shopping may be allowed under exceptional circumstances as technical rules of procedure should be used to promote, not frustrate justice;^[38] and (c) there was substantial compliance with the bond requirement, and merit in QFI's appeal that would justify a liberal application of the requirement on the timely filing of the appeal bond.^[39]

Contrary to the LA's ruling, the NLRC held that respondents were not illegally dismissed.^[40] It gave credence to the audit report which showed the various infractions committed by Esloyo in violation of the company rules and regulations, and in breach of the confidence reposed on him, warranting his dismissal.^[41] It also

found substantial evidence to support the losses suffered by QFI, and thus, declared Magsila's dismissal to prevent losses as a valid exercise of the management's prerogative.^[42]

Consequently, the NLRC deleted the awards of backwages, 13th month pay, and attorney's fees in favor of respondents for lack of basis, but sustained: (a) the award of separation pay in favor of Magsila who was dismissed for an authorized cause; and (b) the refund of respondents' cash bonds in the absence of proof that the same had been returned by QFI.^[43]

Respondents filed a motion for reconsideration,^[44] which was denied in a Resolution^[45] dated July 10, 2009, prompting them to elevate the matter on *certiorari* before the CA.^[46]

The CA Ruling

In a Decision^[47] dated January 18, 2011, the CA reversed and set aside the NLRC's ruling and reinstated the LA's Decision. It ruled that QFI's failure to post the required bond in an amount equivalent to the monetary judgment impeded the perfection of its appeal, and rendered the LA's Decision final and executory.^[48] Thus, the NLRC was bereft of jurisdiction and abused its discretion in entertaining the appeal.^[49] It also held that the posting of the partial bond together with the Motion to Reduce Bond did not stop the running of the period to perfect the appeal, considering that: (a) the grounds relied upon by QFI are not meritorious; and (b) the partial bond posted was not reasonable in relation to the monetary judgment.^[50]

The CA further observed that the appeal filed on February 8, 2008 was plagued with several infirmities that effectively prevented its perfection, noting that: (a) there was no showing that de la Cruz, who filed/signed the petition, was authorized to represent QFI and sign the verification; and (b) it was unaccompanied by a certificate of non-forum shopping. Accordingly, it found no compelling reason to justify the relaxation of the rules.^[51]

Undeterred, QFI filed a motion for reconsideration^[52] which was denied in a Resolution^[53] dated July 4, 2014; hence, this petition.

The Issue Before the Court

The central issue for the Court's resolution is whether or not the CA erred in ascribing grave abuse of discretion on the part of the NLRC in giving due course to QFI's appeal.

The Court's Ruling

There is merit in the petition.

In labor cases, the law governing appeals from the LA's ruling to the NLRC is Article 229^[54] of the Labor Code which provides:

ART. 229. **Appeal.** - Decisions, awards, or orders of the Labor Arbiter are final and executory unless appealed to the Commission by any or both parties within ten (10) calendar days from receipt of such decisions, awards, or orders. Such appeal may be entertained only on any of the following grounds:

(a) If there is a *prima facie* evidence of abuse of discretion on the part of the Labor Arbiter;

(b) If the decision, order or award was secured through fraud or coercion, including graft and corruption;

(c) If made purely on questions of law; and

(d) If serious errors in the findings of facts are raised which would cause grave or irreparable damage or injury to the appellant.

In case of a judgment involving a monetary award, an appeal by the employer may be perfected only upon the posting of a cash or surety bond issued by a reputable bonding company duly accredited by the Commission in the amount equivalent to the monetary award in the judgment appealed from.

x x x x (Emphasis and underscoring supplied)

In this relation, Section 4, Rule VI of the 2005 Revised Rules of Procedure of the NLRC^[55] (the Rules) enumerates the requisites for the perfection of appeal, viz.:

Section 4. *Requisites For Perfection Of Appeal.* - a) The appeal shall be:

1) filed within the reglementary period provided in Section 1 of this Rule;

2) **verified by the appellant himself** in accordance with Section 4, Rule 7 of the Rules of Court, as amended; 3) in the form of a memorandum of appeal which shall state the grounds relied upon and the arguments in support thereof, the relief prayed for, and with a statement of the date the appellant received the appealed decision, resolution or order; 4) in three (3) legibly typewritten or printed copies; and 5) **accompanied by** i) proof of payment of the required appeal fee; ii) **posting of a cash or surety bond** as provided in Section 6 of this Rule; iii) **a certificate of non-forum shopping**; and iv) proof of service upon the other parties.

b) **A mere notice of appeal without complying with the other requisites aforestated shall not stop the running of the period for perfecting an appeal.**

x x x x (Emphases supplied)

Notably, while QFI timely filed its Notice of Appeal and Memorandum of Appeal, it was only accompanied by a partial bond with a Motion to Reduce Bond, and not a bond in an amount equivalent to the monetary judgment, the effects of which will