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SECOND DIVISION

[G.R. No. 182331, April 18, 2012]

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D E C I S I O N

REYES, J.:

Nature of the Case

Before this Court is a Petition for Review on *Certiorari* under Rule 45 of the Rules of Court wherein the petitioners assail the Resolutions dated November 7, 2007[1] and March 26, 2008,[2] respectively, of the Court of Appeals (CA) in CA-G.R. SP No. 101065.

Antecedent Facts

The petitioners were regular employees of the Philippine Banking Corporation (Philbank), each with at least ten years of service in the company.[3] Pursuant to its Memorandum dated August 28, 1970, Philbank established a Gratuity Pay Plan (Old Plan) for its employees. The Old Plan provided:

> 1. Any employee who has reached the compulsory retirement age of 60 years, or who wishes to retire or resign prior to the attainment of such age or who is separated from service by reason of death, sickness or other causes beyond his/her control shall for himself or thru his/her heirs file with the personnel office an application for the payment of benefits under the plan[.][4]

Section 1 laid down the benefits to which the employee would be entitled, to wit:

> **Section 1**
>
> **Benefits**
>
> 1.1 The gratuity pay of an employee shall be an amount equivalent to one-month salary for every year of credited service, computed on the basis of last salary received.
>
> 1.2 An employee with credited service of 10 years or more, shall be entitled to and paid the full amount of the gratuity pay, but in no case shall the gratuity pay exceed the equivalent of 24 months, or two years, salary.[5]

On March 8, 1991, Philbank implemented a new Gratuity Pay Plan (New Gratuity Plan).[6] In particular, the New Gratuity Plan stated thus:

> x x x An Employee who is involuntarily separated from the service by reason of death, sickness or physical disability, or for any authorized cause under the law such as redundancy, or other causes not due to his own fault, misconduct or voluntary resignation, shall be entitled to either one hundred percent (100%) of his accrued gratuity benefit or the actual benefit due him under the Plan, whichever is greater.[7]

In February 2000, Philbank merged with Global Business Bank, Inc. (Globalbank), with the former as the surviving corporation and the latter as the absorbed corporation, but the bank operated under the name Global Business Bank, Inc. As a result of the merger, complainants' respective positions became redundant. A Special Separation Program (SSP) was implemented and the petitioners were granted a separation package equivalent to one and a half month's pay (or 150% of one month's salary) for every year of service based on their current salary. Before the petitioners could avail of this program, they were required to sign two documents, namely, an Acceptance Letter and a Release, Waiver, Quitclaim (quitclaim).[8]

As their positions were included in the redundancy declaration, the petitioners availed of the SSP, signed acceptance letters and executed quitclaims in Globalbank's favor[9] in consideration of their receipt of separation pay equivalent to 150% of their monthly salaries for every year of service.

In August 2002, respondent Metropolitan Bank and Trust Company (Metrobank) acquired the assets and liabilities of Globalbank through a Deed of Assignment of Assets and Assumption of Liabilities.[10]

Subsequently, the petitioners filed separate complaints for non-payment of separation pay with prayer for damages and attorney's fees before the National

Labor Relations Commission (NLRC).[11]

The petitioners asserted that, under the Old Plan, they were entitled to an additional 50% of their gratuity pay on top of 150% of one month's salary for every year of service they had already received. They insisted that 100% of the 150% rightfully belongs to them as their separation pay. Thus, the remaining 50% was only half of the gratuity pay that they are entitled to under the Old Plan. They argued that even if the New Gratuity Plan were to be followed, the computation would be the same, since Section 10.1 of the New Gratuity Plan provided that:

> 10.1 Employees who have attained a regular status as of March 8, 1991 who are covered by the Old Gratuity Plan and are now covered by this Plan shall be entitled to which is the higher benefit between the two Plans. Double recovery from both plans is not allowed.[12]

The petitioners further argued that the quitclaims they signed should not bar them from claiming their full entitlement under the law. They also claimed that they were defrauded into signing the same without full knowledge of its legal implications.[13]

On the other hand, Globalbank asserted that the SSP should prevail and the petitioners were no longer entitled to the additional 50% gratuity pay which was already paid, the same having been included in the computation of their separation pay. It maintained further that the waivers executed by the petitioners should be held binding, since these were executed in good faith and with the latter's full knowledge and understanding.[14]

Meanwhile, Metrobank denied any liability, citing the absence of an employment relationship with the petitioners. It argued that its acquisition of the assets and liabilities of Globalbank did not include the latter's obligation to its employees. Moreover, Metrobank pointed out that the petitioners' employment with Globalbank had already been severed before it took over the latter's banking operations.[15]

The Labor Arbiter's Decision

On August 30, 2004, the Labor Arbiter (LA) promulgated a decision[16] dismissing the complaint.[17] The LA ruled that the petitioners were not entitled to the additional 50% in gratuity pay that they were asking for.[18]

The LA held that the 150% rate used by Globalbank could legally cover both the separation pay and the gratuity pay of complainants. The LA upheld the right of the employer to enact a new gratuity plan after finding that its enactment was not attended by bad faith or any design to defraud complainants. Thus, the New Gratuity Plan must be deemed to have superseded the Old Plan.[19] The LA also ruled that the minimum amount due to the petitioners under the New Gratuity Plan, in relation to Article 283 of the Labor Code was one month's pay for every year of service. Thus, anything over that amount was discretionary.

As to the validity of the quitclaim, the LA held that the issue has been rendered moot. Nonetheless, the LA upheld the petitioners' undertaking under their respective

quitclaims, considering the amount involved is not unconscionable, and that their supposed lack of complete understanding did not mean that they were coerced or deceived into executing the same.[20]

The LA also absolved Metrobank from liability. The LA found that the petitioners had already been separated from Globalbank when Metrobank took over the former's banking operations. Moreover, the liabilities that Metrobank assumed were limited to those arising from banking operations and excluded those pertaining to Globalbank's employees or to claims of previous employees.[21]

The NLRC's Decision

Aggrieved, the petitioners appealed to the NLRC. In a decision[22] dated August 15, 2007, the NLRC dismissed the appeal and affirmed the LA's decision.

The NLRC held that the petitioners did not acquire a vested right to Philbank's gratuity plans since, at the outset, it was made clear that these plans would not perpetuate into eternity. It also noted that, under the SSP, the employee to be separated due to redundancy would be receiving more than the rate in the old plan and higher than the legal rate for the separated employees.

The petitioners elevated the case to the CA *via* a Petition for *Certiorari* under Rule 65.

The CA's Decision

In the first of the assailed CA resolutions, the CA ruled that the petition was dismissible outright for failure of the petitioners to file a motion for reconsideration of the decision under review before resorting to *certiorari.* Further, the CA held that the case did not fall under any of the recognized exceptions to the rule on motions for reconsideration.[23]

The petitioners then moved for the reconsideration, which was denied in the second assailed Resolution, noting the absence of an explanation for their failure to file a motion for reconsideration of the assailed NLRC decision in their petition for *certiorari.*[24]

The Issues

The petitioners are now before this Court raising the following errors supposedly committed by the CA:

> 1. In dismissing the petition for failure to file a motion for reconsideration before filing a petition under Rule 65 as it blatantly ignored the application of the recent jurisprudence on labor law.
>
> 2. In dismissing the petition without taking into consideration the meritorious grounds laid down by [the] petitioners by categorically outlining the grave abuse of discretion amounting to lack or excess of jurisdiction committed by [the] NLRC in affirming the decision of the