

## SECOND DIVISION

[ G.R. No. 187032, October 18, 2010 ]

**EDGARDO M. PANGANIBAN, PETITIONER, VS. TARA TRADING  
SHIPMANAGEMENT INC. AND SHINLINE SDN BHD,  
RESPONDENTS.**

### D E C I S I O N

**MENDOZA, J.:**

*While it is true that labor contracts are impressed with public interest and the provisions of the POEA Standard Employment Contract must be construed logically and liberally in favor of Filipino seamen in the pursuit of their employment on board ocean-going vessels, absent substantial evidence from which reasonable basis for the grant of benefits prayed for can be drawn, We are left with no choice but to deny the claims of the employee, lest We cause injustice to the employer. We must always remember that justice is in every case for the deserving, to be dispensed with in the light of established facts, the applicable law, and existing jurisprudence.*<sup>[1]</sup>

This is a petition for review under Rule 45 of the Rules of Court challenging the October 29, 2008 Decision<sup>[2]</sup> of the Court of Appeals (CA), and its March 4, 2009 Resolution,<sup>[3]</sup> in CA-G.R. SP No. 104343, *reversing* the March 25, 2008 Decision<sup>[4]</sup> and April 30, 2008 Resolution<sup>[5]</sup> of the National Labor Relations Commission (NLRC) which affirmed the decision of the Labor Arbiter (LA) favoring the petitioner.

#### **THE FACTS:**

In November 2005, petitioner was hired by respondent Tara Trading Shipmanagement, Inc. (*Tara*), in behalf of its foreign principal, respondent Shinline SDN BHD (*Shinline*) to work as an Oiler on board MV "Thailine 5"<sup>[6]</sup> with a monthly salary of US\$409.00.

Sometime in April 2006, petitioner began exhibiting signs of mental instability. He was repatriated on May 24, 2006 for further medical evaluation and management.<sup>[7]</sup>

Petitioner was referred by respondents to the Metropolitan Medical Center where he was diagnosed to be suffering from "brief psychotic disorder."<sup>[8]</sup>

Despite his supposed total and permanent disability and despite repeated demands for payment of disability compensation, respondents allegedly failed and refused to comply with their contractual obligations.<sup>[9]</sup>

Hence, petitioner filed a Complaint against respondents praying for the payment of US\$60,000.00 as total and permanent disability benefits, reimbursement of medical and hospital expenses, moral and exemplary damages, and attorney's fees equivalent to 10% of total claims.<sup>[10]</sup>

Respondents, on the other hand, maintained that petitioner requested for an early repatriation and arrived at the point of hire on May 24, 2006; that while on board the vessel, he confided to a co-worker, Henry Santos, that his eating and sleeping disorders were due to some family problems; that Capt. Zhao, the master of the vessel, even asked him if he wanted to see a doctor; that he initially declined; that on May 22, 2006, petitioner approached Capt. Zhao and requested for a vacation and early repatriation; that the said request was granted; that upon arrival, petitioner was subjected to a thorough psychiatric evaluation; and that after a series of check-ups, it was concluded that his illness did not appear to be work-related. Respondents argued that petitioner was not entitled to full and permanent disability benefits under the Philippine Overseas Employment Administration Standard Employment Contract (*POEA SEC*) because there was no declaration from the company-designated physician that he was permanently and totally disabled and that the claim for damages was without basis as no bad faith can be attributed to them.<sup>[11]</sup>

On September 17, 2007, the **LA** ruled in favor of the petitioner.<sup>[12]</sup> Specifically, the LA held that:

The claim for total and permanent disability benefits is resolved in favor of complainant. Respondents have stated that the cause of complainant's illness, brief psychotic disorder, is largely unknown. This being the case, it is not therefore right to bluntly claim that the same is not work-related because it is also possible that the illness may be caused by or aggravated by his employment. As alleged by respondents, there are certain factors which may bring about brief psychotic disorder such as "*biological or psychological vulnerability toward the development of psychotic symptoms.*" Complainant, and all seamen for that matter, are subjected to stress because of the rigorous and strenuous demands of being at sea for prolonged periods of time, causing sensory deprivation and continuous isolation, to borrow the words of complainant's attending psychiatrist. As correctly argued by complainant, while all seamen may be subjected to the same or greater degree of stress, their respective abilities to cope with these factors are different. There is therefore the risk that seamen, not only complainant, are prone to contract brief psychotic disorder since they are most of the time at sea and away from their loved ones.

As early as 27 June 2006, respondents' designated physicians have declared that complainant's condition does not appear to be work-related. With this declaration, respondents are bound to deny complainant's claim for disability benefits. He cannot therefore be faulted for filing the instant case in October 2006 without waiting for the evaluation of his disability impediment by the company designated doctors. Moreover, the 120 days period lapsed without the latter having

declared the degree of complainant's disability, if any.

Complainant is thus considered to be totally and permanently disabled as he is no longer capable of earning wages in the same kind of work, or work of similar nature that he was trained for or accustomed to perform. He is now incapacitated to work, hence, his earning capacity is impaired. Jurisprudence has declared that disability should not be understood more on its medical significance but on loss of earning capacity.

With the foregoing, complainant is awarded total and permanent disability benefits in the amount of US\$ 60,000.00 or its equivalent in Philippine Currency at the time of payment.

Complainant cannot however be awarded his claim for medical and hospitalization expenses. He did not anymore pursue this charge in his pleadings, hence, the same remained unsubstantiated. The same holds true with his claim for moral and exemplary damages. Complainant failed to prove bad faith or malice on respondents' part in denying his claims.

Complainant is entitled to attorney's fees as he sought the assistance of his counsel in pursuing his claims against respondents for his total and permanent disability benefits. He is thus awarded an equivalent of ten percent (10%) of his total claims as and by way of attorney's fees.

WHEREFORE, in view of the foregoing, respondents Tara Trading Shipmanagement, Inc. and/or Shinline SDN. BHD, are hereby ordered to pay complainant Edgardo M. Panganiban his total and permanent disability benefit in the amount of US\$60,000.00 plus US\$6,000.00 attorney's fees, in Philippine Currency, at the prevailing rate of exchange at the time of payment.

All other claims are denied.

**SO ORDERED.**<sup>[13]</sup>

Respondents appealed to the NLRC. On March 25, 2008, the **NLRC affirmed** the decision of the LA.<sup>[14]</sup> The appeal of respondents was dismissed for lack of merit.<sup>[15]</sup> The NLRC reasoned out that "All material averments on appeal are mere rehash or amplification of the substantive allegations propounded in the proceedings below which were already discerned and judiciously passed upon by the Labor Arbiter."<sup>[16]</sup>

Respondents filed a motion for reconsideration but it was denied in a resolution dated April 30, 2008.

Aggrieved, respondents filed a Petition for Certiorari with prayer for the issuance of a writ of preliminary injunction and/or temporary restraining order<sup>[17]</sup> with the CA. In their petition, respondents presented the following grounds:

**A. Public respondent gravely abused its discretion and committed serious error in ruling that the petitioners are liable to private respondent for the payment of disability compensation in the amount of US\$ 60,000.00 considering the facts as borne out by the evidence on record and the applicable laws.**

- 1. Public respondent committed grave abuse of discretion in arriving at the findings of fact which are not substantiated by the evidence on record.**
- 2. Public respondent committed grave abuse of discretion when it failed to consider the evidence which proves the illness is not work related, thereby violating petitioners' right to procedural due process.**
- 3. Public respondent erred in not finding in favor of the expert opinion of the company-designated doctor on the nature of the illness as against that of complainant's doctor in utter disregard of rules on evidence.**

**Without concrete proof that his assessment is biased and self-serving, the medical opinion of the company-designate physician should be accorded probative value and not discarded merely on the basis of unfounded allegation.**

- 4. Public respondent committed grave abuse of discretion when it affirmed the award of attorney's fees.**

**B. Public respondent committed grave abuse of discretion when it affirmed the award of attorney's fees.<sup>[18]</sup>**

On October 29, 2008, the **CA** *reversed* the decision of the NLRC.<sup>[19]</sup> Pertinently, the CA held that:

We find that the NLRC (Sixth Division) committed grave abuse of discretion in affirming the Decision of Labor Arbiter Cellan which awarded US\$60,000.00 total and permanent disability benefits and US\$6,000.00 attorney's fees in favor of private respondent, as the findings of both the Labor Arbiter and the NLRC (Sixth Division) are not anchored on substantial evidence.

It is basic that a contract is the law between the parties. Obligations arising from contracts have the force of law between the contracting parties and should be complied with in good faith. Unless the stipulations in a contract are contrary to law, morals, good customs, public order or public policy, the same are binding as between the parties.

A seafarer is a contractual, not a regular employee, and his employment is contractually fixed for a certain period of time. His employment,

including claims for death or illness compensations, is governed by the contract he signs every time he is hired, and is not rooted from the provisions of the Labor Code.

The Contract of Employment entered into by petitioners and private respondent, and approved by the POEA on 25 October 2005, provides:

"The herein terms and conditions in accordance with Department Order No. 4 and Memorandum Circular No. 09, both Series of 2000, shall be strictly and faithfully observed.

x x x Upon approval, the same shall be deemed an integral part of the: **Standard Terms and Conditions Governing the Employment of Filipino Seafarers On Board Ocean-Going Vessels.**"

Section 20-B of the POEA Amended Standard Terms and Conditions Governing the Employment of Filipino Seafarers on Board Ocean Going Vessels ("POEA-SEC" for brevity) provides that "COMPENSATION AND BENEFITS FOR INJURY OR ILLNESS. The liabilities of the employer when the seafarer suffers work-related injury or illness during the term of his contract: x x x"

Under the Definition of Terms found in the Standard Contract, a work related illness is defined as "any sickness resulting to disability or death as a result of an occupational disease listed under Section 32-A of this contract with the conditions set therein satisfied." In the instant case, the illness "brief psychotic disorder" is not listed as an occupational disease.

In the instant case, it is an undisputed fact that private respondent's illness occurred during the term of his contract. The remaining issue to be determined is whether or not private respondent's illness of "brief psychotic disorder" is work-related.

We find that private respondent's brief psychotic disorder was not contracted as a result of or caused by the seafarer's work as an Oiler on board the vessel M.V. Thailine 5.

A review of the evidence shows that the company-designated physician Dr. Mylene Cruz-Balbon ("Dr. Balbon," for brevity) issued a certification dated 26 June 2006 certifying that private respondent has undergone medical evaluation treatment at Robert D. Lim, M.D. Marine Medical Services, Metropolitan Medical Center from 26 May 2006 up to the date of the certification, due to "Brief Psychotic Disorder." x x x.

x x x x x x x x x x

On the psychological test done on 30 May 2006 on private respondent, Dr. Raymond L. Rosales ("Dr. Rosales," for brevity) Diplomate in Neurology and Psychiatry and Associate Professor of the University of