

THIRD DIVISION

[G.R. No. 170689, March 17, 2009]

PANTRANCO EMPLOYEES ASSOCIATION (PEA-PTGWO) AND PANTRANCO RETRENCHED EMPLOYEES ASSOCIATION (PANREA), PETITIONERS, VS. NATIONAL LABOR RELATIONS COMMISSION (NLRC), PANTRANCO NORTH EXPRESS, INC. (PNEI), PHILIPPINE NATIONAL BANK (PNB), PHILIPPINE NATIONAL BANK-MANAGEMENT AND DEVELOPMENT CORPORATION (PNB-MADECOR), AND MEGA PRIME REALTY AND HOLDINGS CORPORATION (MEGA PRIME), RESPONDENTS.

G.R. NO. 170705

PHILIPPINE NATIONAL BANK, PETITIONER, VS. PANTRANCO EMPLOYEES ASSOCIATION, INC. (PEA-PTGWO), PANTRANCO RETRENCHED EMPLOYEES ASSOCIATION (PANREA) AND PANTRANCO ASSOCIATION OF CONCERNED EMPLOYEES (PACE), ET AL., PHILIPPINE NATIONAL BANK-MANAGEMENT DEVELOPMENT CORPORATION (PNB-MADECOR), AND MEGA PRIME REALTY HOLDINGS, INC., RESPONDENTS.

DECISION

NACHURA, J.:

Before us are two consolidated petitions assailing the Court of Appeals (CA) Decision^[1] dated June 3, 2005 and its Resolution^[2] dated December 7, 2005 in CA-G.R. SP No. 80599.

In **G.R. No. 170689**, the Pantranco Employees Association (PEA) and Pantranco Retrenched Employees Association (PANREA) pray that the CA decision be set aside and a new one be entered, declaring the Philippine National Bank (PNB) and PNB Management and Development Corporation (PNB-Madecor) jointly and solidarily liable for the P722,727,150.22 National Labor Relations Commission (NLRC) judgment in favor of the Pantranco North Express, Inc. (PNEI) employees;^[3] while in **G.R. No. 170705**, PNB prays that the auction sale of the Pantranco properties be declared null and void.^[4]

The facts of the case, as found by the CA,^[5] and established in *Republic of the Phils. v. NLRC*,^[6] *Pantranco North Express, Inc. v. NLRC*,^[7] and *PNB MADECOR v. Uy*,^[8] follow:

The Gonzales family owned two corporations, namely, the PNEI and Macris Realty Corporation (Macris). PNEI provided transportation services to the public, and had its bus terminal at the corner of Quezon and Roosevelt Avenues in Quezon City. The

terminal stood on four valuable pieces of real estate (known as Pantranco properties) registered under the name of Macris.^[9] The Gonzales family later incurred huge financial losses despite attempts of rehabilitation and loan infusion. In March 1975, their creditors took over the management of PNEI and Macris. By 1978, full ownership was transferred to one of their creditors, the National Investment Development Corporation (NIDC), a subsidiary of the PNB.

Macris was later renamed as the National Realty Development Corporation (Naredeco) and eventually merged with the National Warehousing Corporation (Nawaco) to form the new PNB subsidiary, the PNB-Madecor.

In 1985, NIDC sold PNEI to North Express Transport, Inc. (NETI), a company owned by Gregorio Araneta III. In 1986, PNEI was among the several companies placed under sequestration by the Presidential Commission on Good Government (PCGG) shortly after the historic events in EDSA. In January 1988, PCGG lifted the sequestration order to pave the way for the sale of PNEI back to the private sector through the Asset Privatization Trust (APT). APT thus took over the management of PNEI.

In 1992, PNEI applied with the Securities and Exchange Commission (SEC) for suspension of payments. A management committee was thereafter created which recommended to the SEC the sale of the company through privatization. As a cost-saving measure, the committee likewise suggested the retrenchment of several PNEI employees. Eventually, PNEI ceased its operation. Along with the cessation of business came the various labor claims commenced by the former employees of PNEI where the latter obtained favorable decisions.

On July 5, 2002, the Labor Arbiter issued the Sixth Alias Writ of Execution^[10] commanding the NLRC Sheriffs to levy on the assets of PNEI in order to satisfy the P722,727,150.22 due its former employees, as full and final satisfaction of the judgment awards in the labor cases. The sheriffs were likewise instructed to proceed against PNB, PNB-Madecor and Mega Prime.^[11] In implementing the writ, the sheriffs levied upon the four valuable pieces of real estate located at the corner of Quezon and Roosevelt Avenues, on which the former Pantranco Bus Terminal stood. These properties were covered by Transfer Certificate of Title (TCT) Nos. 87881-87884, registered under the name of PNB-Madecor.^[12] Subsequently, Notice of Sale of the foregoing real properties was published in the newspaper and the sale was set on July 31, 2002. Having been notified of the auction sale, motions to quash the writ were separately filed by PNB-Madecor and Mega Prime, and PNB. They likewise filed their Third-Party Claims.^[13] PNB-Madecor anchored its motion on its right as the registered owner of the Pantranco properties, and Mega Prime as the successor-in-interest. For its part, PNB sought the nullification of the writ on the ground that it was not a party to the labor case.^[14] In its Third-Party Claim, PNB alleged that PNB-Madecor was indebted to the former and that the Pantranco properties would answer for such debt. As such, the scheduled auction sale of the aforesaid properties was not legally in order.^[15]

On September 10, 2002, the Labor Arbiter declared that the subject Pantranco properties were owned by PNB-Madecor. It being a corporation with a distinct and separate personality, its assets could not answer for the liabilities of PNEI.

Considering, however, that PNB-Madecor executed a promissory note in favor of PNEI for P7,884,000.00, the writ of execution to the extent of the said amount was concerned was considered valid.^[16]

PNB's third-party claim - to nullify the writ on the ground that it has an interest in the Pantranco properties being a creditor of PNB-Madecor, - on the other hand, was denied because it only had an inchoate interest in the properties.^[17]

The dispositive portion of the Labor Arbiter's September 10, 2002 Resolution is quoted hereunder:

WHEREFORE, the Third Party Claim of PNB Madecor and/or Mega Prime Holdings, Inc. is hereby GRANTED and concomitantly the levies made by the sheriffs of the NLRC on the properties of PNB Madecor should be as it (sic) is hereby LIFTED subject to the payment by PNB Madecor to the complainants the amount of P7,884,000.00.

The Motion to Quash and Third Party Claim of PNB is hereby DENIED.

The Motion to Quash of PNB Madecor and Mega Prime Holdings, Inc. is hereby PARTIALLY GRANTED insofar as the amount of the writ exceeds P7,884,000.00.

The Motion for Recomputation and Examination of Judgment Awards is hereby DENIED for want of merit.

The Motion to Expunge from the Records claimants/complainants Opposition dated August 3, 2002 is hereby DENIED for lack of merit.

SO ORDERED.^[18]

On appeal to the NLRC, the same was denied and the Labor Arbiter's disposition was affirmed.^[19] Specifically, the NLRC concluded as follows:

(1) PNB-Madecor and Mega Prime contended that it would be impossible for them to comply with the requirement of the labor arbiter to pay to the PNEI employees the amount of P7.8 million as a condition to the lifting of the levy on the properties, since the credit was already garnished by Gerardo Uy and other creditors of PNEI. The NLRC found no evidence that Uy had satisfied his judgment from the promissory note, and opined that even if the credit was in *custodia legis*, the claim of the PNEI employees should enjoy preference under the Labor Code.

(2) The PNEI employees contested the finding that PNB-Madecor was indebted to the PNEI for only P7.8 million without considering the accrual of interest. But the NLRC said that there was no evidence that demand was made as a basis for reckoning interest.

(3) The PNEI employees further argued that the labor arbiter may not properly conclude from a decision of Judge Demetrio Macapagal Jr. of the RTC of Quezon City that PNB-Madecor was the owner of the properties as his decision was reconsidered by the next presiding judge, nor from a

decision of the Supreme Court that PNEI was a mere lessee of the properties, the fact being that the transfer of the properties to PNB-Madecor was done to avoid satisfaction of the claims of the employees with the NLRC and that as a result of a civil case filed by Mega Prime, the subsequent sale of the properties by PNB to Mega Prime was rescinded. The NLRC pointed out that while the Macapagal decision was set aside by Judge Bruselas and hence, his findings could not be invoked by the labor arbiter, the titles of PNB-Madecor are conclusive and there is no evidence that PNEI had ever been an owner. The Supreme Court had observed in its decision that PNEI owed back rentals of P8.7 million to PNB-Madecor.

(4) The PNEI employees faulted the labor arbiter for not finding that PNEI, PNB, PNB-Madecor and Mega Prime were all jointly and severally liable for their claims. The NLRC underscored the fact that PNEI and Macris were subsidiaries of NIDC and had passed through and were under the Asset Privatization Trust (APT) when the labor claims accrued. The labor arbiter was correct in not granting PNB's third-party claim because at the time the causes of action accrued, the PNEI was managed by a management committee appointed by the PNB as the new owner of PNRI (sic) and Macris through a deed of assignment or transfer of ownership. The NLRC says at length that the same is not true with PNB-Madecor which is now the registered owner of the properties.^[20]

The parties' separate motions for reconsideration were likewise denied.^[21] Thereafter, the matter was elevated to the CA by PANREA, PEA-PTGWO and the Pantranco Association of Concerned Employees. The latter group, however, later withdrew its petition. The former employees' petition was docketed as CA-G.R. SP No. 80599.

PNB-Madecor and Mega Prime likewise filed their separate petition before the CA which was docketed as CA-G.R. SP No. 80737, but the same was dismissed.^[22]

In view of the P7,884,000.00 debt of PNB-Madecor to PNEI, on June 23, 2004, an auction sale was conducted over the Pantranco properties to satisfy the claim of the PNEI employees, wherein CPAR Realty was adjudged as the highest bidder.^[23]

On June 3, 2005, the CA rendered the assailed decision affirming the NLRC resolutions.

The appellate court pointed out that PNB, PNB-Madecor and Mega Prime are corporations with personalities separate and distinct from PNEI. As such, there being no cogent reason to pierce the veil of corporate fiction, the separate personalities of the above corporations should be maintained. The CA added that the Pantranco properties were never owned by PNEI; rather, their titles were registered under the name of PNB-Madecor. If PNB and PNB-Madecor could not answer for the liabilities of PNEI, with more reason should Mega Prime not be held liable being a mere successor-in-interest of PNB-Madecor.

Unsatisfied, PEA-PTGWO and PANREA filed their motion for reconsideration;^[24] while PNB filed its Partial Motion for Reconsideration.^[25] PNB pointed out that PNB-Madecor was made to answer for P7,884,000.00 to the PNEI employees by virtue of

the promissory note it (PNB-Madecor) earlier executed in favor of PNEI. PNB, however, questioned the June 23, 2004 auction sale as the P7.8 million debt had already been satisfied pursuant to this Court's decision in *PNB MADECOR v. Uy*.^[26]

Both motions were denied by the appellate court.^[27]

In two separate petitions, PNB and the former PNEI employees come up to this Court assailing the CA decision and resolution. The former PNEI employees raise the lone error, thus:

The Honorable Court of Appeals palpably departed from the established rules and jurisprudence in ruling that private respondents Pantranco North Express, Inc. (PNEI), Philippine National Bank (PNB), Philippine National Bank Management and Development Corporation (PNB-MADECOR), Mega Prime Realty and Holdings, Inc. (Mega Prime) are not jointly and severally answerable to the P722,727,150.22 Million NLRC money judgment awards in favor of the 4,000 individual members of the Petitioners.^[28]

They claim that PNB, through PNB-Madecor, directly benefited from the operation of PNEI and had complete control over the funds of PNEI. Hence, they are solidarily answerable with PNEI for the unpaid money claims of the employees.^[29] Citing *A.C. Ransom Labor Union-CCLU v. NLRC*,^[30] the employees insist that where the employer corporation ceases to exist and is no longer able to satisfy the judgment awards in favor of its employees, the owner of the employer corporation should be made jointly and severally liable.^[31] They added that malice or bad faith need not be proven to make the owners liable.

On the other hand, PNB anchors its petition on this sole assignment of error, viz.:

THE AUCTION SALE OF THE PROPERTY COVERED BY TCT NO. 87884 INTENDED TO PARTIALLY SATISFY THE CLAIMS OF FORMER WORKERS OF PNEI IN THE AMOUNT OF P7,884,000.00 (THE AMOUNT OF PNB-MADECOR'S PROMISSORY NOTE IN FAVOR OF PNEI) IS NOT IN ORDER AS THE SAID PROPERTY IS NOT OWNED BY PNEI. FURTHER, THE SAID PROMISSORY NOTE HAD ALREADY BEEN GARNISHED IN FAVOR OF GERARDO C. UY WHICH LED TO THREE (3) PROPERTIES UNDER THE NAME OF PNB-MADECOR, NAMELY TCT NOS. 87881, 87882 AND 87883, BEING LEVIED AND SOLD ON EXECUTION IN THE "PNB-MADECOR VS. UY" CASE (363 SCRA 128 [2001]) AND "GERARDO C. UY VS. PNEI" (CIVIL CASE NO. 95-72685, RTC MANILA, BRANCH 38).^[32]

PNB insists that the Pantranco properties could no longer be levied upon because the promissory note for which the Labor Arbiter held PNB-Madecor liable to PNEI, and in turn to the latter's former employees, had already been satisfied in favor of Gerardo C. Uy. It added that the properties were in fact awarded to the highest bidder. Besides, says PNB, the subject properties were not owned by PNEI, hence, the execution sale thereof was not validly effected.^[33]

Both petitions must fail.