

## FIRST DIVISION

[ G.R. NO. 165881, April 19, 2006 ]

**OSCAR VILLAMARIA, JR. PETITIONER, VS. COURT OF APPEALS  
AND JERRY V. BUSTAMANTE, RESPONDENTS.**

### D E C I S I O N

**CALLEJO, SR., J.:**

Before us is a Petition for Review on *Certiorari* under Rule 65 of the Revised Rules of Court assailing the Decision<sup>[1]</sup> and Resolution<sup>[2]</sup> of the Court of Appeals (CA) in CA-G.R. SP No. 78720 which set aside the Resolution<sup>[3]</sup> of the National Labor Relations Commission (NLRC) in NCR-30-08-03247-00, which in turn affirmed the Decision<sup>[4]</sup> of the Labor Arbiter dismissing the complaint filed by respondent Jerry V. Bustamante.

Petitioner Oscar Villamaria, Jr. was the owner of Villamaria Motors, a sole proprietorship engaged in assembling passenger jeepneys with a public utility franchise to operate along the Baclaran-Sucats route. By 1995, Villamaria stopped assembling jeepneys and retained only nine, four of which he operated by employing drivers on a "boundary basis." One of those drivers was respondent Bustamante who drove the jeepney with Plate No. PVU-660. Bustamante remitted P450.00 a day to Villamaria as boundary and kept the residue of his daily earnings as compensation for driving the vehicle. In August 1997, Villamaria verbally agreed to sell the jeepney to Bustamante under the "boundary-*hulog* scheme," where Bustamante would remit to Villamaria P550.00 a day for a period of four years; Bustamante would then become the owner of the vehicle and continue to drive the same under Villamaria's franchise. It was also agreed that Bustamante would make a downpayment of P10,000.00.

On August 7, 1997, Villamaria executed a contract entitled "*Kasunduan ng Bilihan ng Sasakyan sa Pamamagitan ng Boundary-Hulog*"<sup>[5]</sup> over the passenger jeepney with Plate No. PVU-660, Chassis No. EVER95-38168-C and Motor No. SL-26647. The parties agreed that if Bustamante failed to pay the boundary-*hulog* for three days, Villamaria Motors would hold on to the vehicle until Bustamante paid his arrears, including a penalty of P50.00 a day; in case Bustamante failed to remit the daily boundary-*hulog* for a period of one week, the *Kasunduan* would cease to have legal effect and Bustamante would have to return the vehicle to Villamaria Motors.

Under the *Kasunduan*, Bustamante was prohibited from driving the vehicle without prior authority from Villamaria Motors. Thus, Bustamante was authorized to operate the vehicle to transport passengers only and not for other purposes. He was also required to display an identification card in front of the windshield of the vehicle; in case of failure to do so, any fine that may be imposed by government authorities would be charged against his account. Bustamante further obliged himself to pay for the cost of replacing any parts of the vehicle that would be lost or damaged due to

his negligence. In case the vehicle sustained serious damage, Bustamante was obliged to notify Villamaria Motors before commencing repairs. Bustamante was not allowed to wear slippers, short pants or undershirts while driving. He was required to be polite and respectful towards the passengers. He was also obliged to notify Villamaria Motors in case the vehicle was leased for two or more days and was required to attend any meetings which may be called from time to time. Aside from the boundary-*hulog*, Bustamante was also obliged to pay for the annual registration fees of the vehicle and the premium for the vehicle's comprehensive insurance. Bustamante promised to strictly comply with the rules and regulations imposed by Villamaria for the upkeep and maintenance of the jeepney.

Bustamante continued driving the jeepney under the supervision and control of Villamaria. As agreed upon, he made daily remittances of P550.00 in payment of the purchase price of the vehicle. Bustamante failed to pay for the annual registration fees of the vehicle, but Villamaria allowed him to continue driving the jeepney.

In 1999, Bustamante and other drivers who also had the same arrangement with Villamaria Motors failed to pay their respective boundary-*hulog*. This prompted Villamaria to serve a "Paalala,"<sup>[6]</sup> reminding them that under the *Kasunduan*, failure to pay the daily boundary-*hulog* for one week, would mean their respective jeepneys would be returned to him without any complaints. He warned the drivers that the *Kasunduan* would henceforth be strictly enforced and urged them to comply with their obligation to avoid litigation.

On July 24, 2000, Villamaria took back the jeepney driven by Bustamante and barred the latter from driving the vehicle.

On August 15, 2000, Bustamante filed a Complaint<sup>[7]</sup> for Illegal Dismissal against Villamaria and his wife Teresita. In his Position Paper,<sup>[8]</sup> Bustamante alleged that he was employed by Villamaria in July 1996 under the boundary system, where he was required to remit P450.00 a day. After one year of continuously working for them, the spouses Villamaria presented the *Kasunduan* for his signature, with the assurance that he (Bustamante) would own the jeepney by March 2001 after paying P550.00 in daily installments and that he would thereafter continue driving the vehicle along the same route under the same franchise. He further narrated that in July 2000, he informed the Villamaria spouses that the surplus engine of the jeepney needed to be replaced, and was assured that it would be done. However, he was later arrested and his driver's license was confiscated because apparently, the replacement engine that was installed was taken from a stolen vehicle. Due to negotiations with the apprehending authorities, the jeepney was not impounded. The Villamaria spouses took the jeepney from him on July 24, 2000, and he was no longer allowed to drive the vehicle since then unless he paid them P70,000.00.

Bustamante prayed that judgment be rendered in his favor, thus:

WHEREFORE, in the light of the foregoing, it is most respectfully prayed that judgment be rendered ordering the respondents, jointly and severally, the following:

1. Reinstate complainant to his former position without loss of seniority rights and execute a Deed of Sale in favor of the

complainant relative to the PUJ with Plate No. PVU-660;

2. Ordering the respondents to pay backwages in the amount of P400.00 a day and other benefits computed from July 24, 2000 up to the time of his actual reinstatement;
3. Ordering respondents to return the amount of P10,000.00 and P180,000.00 for the expenses incurred by the complainant in the repair and maintenance of the subject jeep;
4. Ordering the respondents to refund the amount of One Hundred (P100.00) Pesos per day counted from August 7, 1997 up to June 2000 or a total of P91,200.00;
5. To pay moral and exemplary damages of not less than P200,000.00;
6. Attorney's fee[s] of not less than 10% of the monetary award.

Other just and equitable reliefs under the premises are also being prayed for.<sup>[9]</sup>

In their Position Paper,<sup>[10]</sup> the spouses Villamaria admitted the existence of the *Kasunduan*, but alleged that Bustamante failed to pay the P10,000.00 downpayment and the vehicle's annual registration fees. They further alleged that Bustamante eventually failed to remit the requisite boundary-*hulog* of P550.00 a day, which prompted them to issue the *Paalaala*. Instead of complying with his obligations, Bustamante stopped making his remittances despite his daily trips and even brought the jeepney to the province without permission. Worse, the jeepney figured in an accident and its license plate was confiscated; Bustamante even abandoned the vehicle in a gasoline station in Sucat, Parañaque City for two weeks. When the security guard at the gasoline station requested that the vehicle be retrieved and Teresita Villamaria asked Bustamante for the keys, Bustamante told her: "*Di kunin ninyo*." When the vehicle was finally retrieved, the tires were worn, the alternator was gone, and the battery was no longer working.

Citing the cases of *Cathedral School of Technology v. NLRC*<sup>[11]</sup> and *Canlubang Security Agency Corporation v. NLRC*,<sup>[12]</sup> the spouses Villamaria argued that Bustamante was not illegally dismissed since the *Kasunduan* executed on August 7, 1997 transformed the employer-employee relationship into that of vendor-vendee. Hence, the spouses concluded, there was no legal basis to hold them liable for illegal dismissal. They prayed that the case be dismissed for lack of jurisdiction and patent lack of merit.

In his Reply,<sup>[13]</sup> Bustamante claimed that Villamaria exercised control and supervision over the conduct of his employment. He maintained that the rulings of the Court in *National Labor Union v. Dinglasan*,<sup>[14]</sup> *Magboo v. Bernardo*,<sup>[15]</sup> and *Citizen's League of Free Workers v. Abbas*<sup>[16]</sup> are germane to the issue as they define the nature of the owner/operator-driver relationship under the boundary system. He further reiterated that it was the Villamaria spouses who presented the *Kasunduan* to him and that he conformed thereto only upon their representation

that he would own the vehicle after four years. Moreover, it appeared that the *Paalala* was duly received by him, as he, together with other drivers, was made to affix his signature on a blank piece of paper purporting to be an "attendance sheet."

On March 15, 2002, the Labor Arbiter rendered judgment<sup>[17]</sup> in favor of the spouses Villamaria and ordered the complaint dismissed on the following ratiocination:

Respondents presented the contract of Boundary-*Hulog*, as well as the *PAALALA*, to prove their claim that complainant violated the terms of their contract and afterwards abandoned the vehicle assigned to him. As against the foregoing, [the] complaint's (sic) mere allegations to the contrary cannot prevail.

Not having been illegally dismissed, complainant is not entitled to damages and attorney's fees.<sup>[18]</sup>

Bustamante appealed the decision to the NLRC,<sup>[19]</sup> insisting that the *Kasunduan* did not extinguish the employer-employee relationship between him and Villamaria. While he did not receive fixed wages, he kept only the excess of the boundary-*hulog* which he was required to remit daily to Villamaria under the agreement. Bustamante maintained that he remained an employee because he was engaged to perform activities which were necessary or desirable to Villamaria's trade or business.

The NLRC rendered judgment<sup>[20]</sup> dismissing the appeal for lack of merit, thus:

WHEREFORE, premises considered, complainant's appeal is hereby DISMISSED for reasons not stated in the Labor Arbiter's decision but mainly on a jurisdictional issue, there being none over the subject matter of the controversy.<sup>[21]</sup>

The NLRC ruled that under the *Kasunduan*, the juridical relationship between Bustamante and Villamaria was that of vendor and vendee, hence, the Labor Arbiter had no jurisdiction over the complaint. Bustamante filed a Motion for Reconsideration, which the NLRC resolved to deny on May 30, 2003.<sup>[22]</sup>

Bustamante elevated the matter to the CA via Petition for *Certiorari*, alleging that the NLRC erred

## I

IN DISMISSING PETITIONER'S APPEAL "FOR REASON NOT STATED IN THE LABOR ARBITER'S DECISION, BUT MAINLY ON JURISDICTIONAL ISSUE;"

## II

IN DISREGARDING THE LAW AND PREVAILING JURISPRUDENCE WHEN IT DECLARED THAT THE RELATIONSHIP WHICH WAS ESTABLISHED BETWEEN PETITIONER AND THE PRIVATE RESPONDENT WAS DEFINITELY A MATTER WHICH IS BEYOND THE PROTECTIVE MANTLE OF OUR LABOR LAWS.<sup>[23]</sup>

Bustamante insisted that despite the *Kasunduan*, the relationship between him and Villamaria continued to be that of employer-employee and as such, the Labor Arbiter had jurisdiction over his complaint. He further alleged that it is common knowledge that operators of passenger jeepneys (including taxis) pay their drivers not on a regular monthly basis but on commission or boundary basis, or even the boundary-*hulog* system. Bustamante asserted that he was dismissed from employment without any lawful or just cause and without due notice.

For his part, Villamaria averred that Bustamante failed to adduce proof of their employer-employee relationship. He further pointed out that the *Dinglasan* case pertains to the boundary system and not the boundary-hulog system, hence inapplicable in the instant case. He argued that upon the execution of the *Kasunduan*, the juridical tie between him and Bustamante was transformed into a vendor-vendee relationship. Noting that he was engaged in the manufacture and sale of jeepneys and not in the business of transporting passengers for consideration, Villamaria contended that the daily fees which Bustamante paid were actually periodic installments for the vehicle and were not the same fees as understood in the boundary system. He added that the boundary-*hulog* plan was basically a scheme to help the driver-buyer earn money and eventually pay for the unit in full, and for the owner to profit not from the daily earnings of the driver-buyer but from the purchase price of the unit sold. Villamaria further asserted that the apparently restrictive conditions in the *Kasunduan* did not mean that the means and method of driver-buyer's conduct was controlled, but were mere ways to preserve the vehicle for the benefit of both parties: Villamaria would be able to collect the agreed purchase price, while Bustamante would be assured that the vehicle would still be in good running condition even after four years. Moreover, the right of vendor to impose certain conditions on the buyer should be respected until full ownership of the property is vested on the latter. Villamaria insisted that the parallel circumstances obtaining in *Singer Sewing Machine Company v. Drilon*<sup>[24]</sup> has analogous application to the instant issue.

In its Decision<sup>[25]</sup> dated August 30, 2004, the CA reversed and set aside the NLRC decision. The fallo of the decision reads:

**UPON THE VIEW WE TAKE IN THIS CASE, THUS,** the impugned resolutions of the NLRC must be, as they are hereby are, **REVERSED AND SET ASIDE**, and judgment entered in favor of petitioner:

1. Sentencing private respondent Oscar Villamaria, Jr. to pay petitioner Jerry Bustamante separation pay computed from the time of his employment up to the time of termination based on the prevailing minimum wage at the time of termination; and,
2. Condemning private respondent Oscar Villamaria, Jr. to pay petitioner Jerry Bustamante back wages computed from the time of his dismissal up to March 2001 based on the prevailing minimum wage at the time of his dismissal.

Without Costs.

SO ORDERED.<sup>[26]</sup>