

## THIRD DIVISION

[ G.R. No. 117232, April 22, 1998 ]

**CO TUAN, SAMUEL ANG, JORGE LIM, AND EDWIN GOTAMCO,  
PETITIONERS, VS. NATIONAL LABOR COMMISSION AND  
CONFEDERATION OF LABOR UNIONS OF THE PHILIPPINES,  
RESPONDENTS.**

### D E C I S I O N

**PURISIMA, J.:**

In this special civil action for *Certiorari* and Prohibition with Preliminary Injunction, petitioners question the authority of respondent National Labor Relations Commission to rule on the validity of the sale of properties between the petitioners and Buda Enterprises, and to determine if fraud vitiated the sale so as to evade payment of respondent Union's claims against the said company.

The pertinent facts are, as follows:

On August 31, 1987, judgment was rendered by Labor Arbiter Dominador M. Cruz for the complainant (now private respondent) Confederation Labor Unions of the Philippines, Buda Enterprises Chapter (CLUP, for short) against respondent Buda Enterprises in a Complaint for unfair labor practice, illegal dismissal and various monetary claims. The Labor Arbiter likewise ordered the respondent company to reinstate the individual complainants and to pay them full backwages from the time of their dismissal to actual reinstatement.

The decision became final and executory and a writ of execution was then issued. Five parcels of land covered by Transfer Certificates of Title Nos. T-154200, T-154201, T-154201, T-154203, and T-154204 allegedly belonging to Buda Enterprises but later found to be registered under the names of the petitioners Co Tuan, Samuel D. Ang, Jorge J. Lim and Edwin Gotamco, were levied upon.

On January 21, 1988, upon learning of such levy, the petitioners filed an Urgent Motion to Quash the Writ of Execution, claiming that they hold valid and lawful title to the said properties by virtue of the "Extra-judicial Settlement and Sale of the Estate of the Deceased Edilberto Soriano" executed as early as August 25, 1987 by the heirs of the deceased Edilberto Soriano, one of whom was Lourdes Soriano, the proprietress and manager of Buda Enterprises. It was also alleged that none of the heirs, except Lourdes Soriano, were parties in the labor case.

The motion was granted and complainants appealed to the National Labor Relations Commission asking that the Labor Arbiter be ordered to implead the movants (herein petitioners) as respondents, and praying that the sale between the movants and the respondent company, Buda Enterprises, be declared void. Petitioners also appealed, praying for the restitution or payment of the value of their properties.

On May 31, 1991, the National Labor Relations Commission directed the Labor Arbiter of origin to implead the movants and to conduct a hearing "...to determine whether the sale was made by the respondents to herein movants-claimants to avoid the payment of their claims and further to determine the legality of other incidents related thereto..."

The case was assigned to Labor Arbiter Numeriano Villena who rendered on June 25, 1992 a decision holding that his Office was incompetent to determine whether fraud tainted the questioned sale.

Complainants again appealed such decision, contending that the Labor Arbiter gravely abused its discretion in ignoring the directives of the Commission to implead the movants and conduct a hearing.

On appeal, the Commission ruled that:

"...the Labor Arbiter erred in not impleading the movants-claimants in view of the allegation x x x that the respondents have promised to pay them their claims out of the proceeds of the sale, implying that the sale was consummated to evade the fulfillment of their promise to pay their lawful claims..."

The decision stated that if such allegation is proven, the next course of action would be to pay the complainants's claims out of the proceeds of the sale and that this could only be done if the claimants/movants were impleaded. The order to implead the movants and to conduct a hearing was reiterated.

Aggrieved, petitioners have come to this Court, attributing grave abuse of discretion to respondent Commission in rendering the said decision and in issuing the aforementioned Order, theorizing that NLRC is incompetent to determine the legality of the sale between the petitioners and the respondent company, the task being judicial in nature.

Petitioners base their stance on the case of Asian Footwear, etc. versus Antonio Soriano, Hon. Benigno L. Vivar, Executive Labor Arbiter, et. al, (G.R. Nos. 711695-703, May 20, 1986) where this Court ruled that if there is suspicion that the sale of properties "...was not in good faith, i.e. was made in fraud of creditors, a government functionary like the respondent labor arbiter is incompetent to make a determination. The task is judicial and the proceedings must be adversary."

Petitioners likewise contend that since there is a third-party claim over subject properties, the NLRC cannot mandate the enforcement of the writ of execution because "...the power of the NLRC to execute its judgment extends only to properties unquestionably belonging to the judgment debtor," citing the case of Hon. Ariel Santos versus Hon. William Bayhon (G.R. No. 88643, July 23, 1991).

The private respondent, CLUP, on the other hand, agrees with the decision of the NLRC, averring that the authority of NLRC proceeds from Section 2, Rule VI of the NLRC Manual of Instructions for Sheriffs which provides:

"Section 2. Proceedings. If property levied upon be claimed by any person other than the losing party or his agent, such person shall make an affidavit of his title thereto or right to the possession thereof, stating the grounds of such right or title and shall file the same with the sheriff and copies thereof served upon the Labor Arbiter or proper officer issuing the writ and upon the prevailing party. Upon receipt of the third-party claim, all proceedings with respect to the execution of the property subject of the third-party claim shall automatically be suspended and the Labor