



Republic of the Philippines
Supreme Court
Manila

SECOND DIVISION

MON C. ANUAT,
Petitioner,

G.R. No. 220898

Present:

- versus -

CARPIO, J., Chairperson,
PERALTA,
PERLAS-BERNABE,
CAGUIOA, and
REYES, JR., JJ.

PACIFIC OCEAN MANNING, INC./
TRANS STAR SHIPPING AGENCY
CORPORATION, MASSOEL
MERIDIAN LTD. and/or
HERNANDO S. EUSEBIO,
Respondents.

Promulgated:

23 JUL 2018

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DECISION

CARPIO, J.:

The Case

Before the Court is a petition for review on certiorari¹ assailing the 10 March 2015 Decision² and the 6 October 2015 Resolution³ of the Court of Appeals in CA-G.R. SP No. 130102.

The Facts

Respondent Pacific Ocean Manning, Inc. (Pacific) is a corporation organized and existing under Philippine law which is licensed to engage in the recruitment and deployment of Filipino seafarers for vessels traveling through international waters.⁴ On 7 February 2011, petitioner Mon C. Anuat (Anuat) was hired by Pacific as an able seaman on board the vessel M/V Satigny for a period of nine (9) months with a basic monthly salary of

¹ *Rollo*, pp. 27-62. Under Rule 45 of the Rules of Court.

² Id. at 8-21. Penned by Associate Justice Samuel H. Gaerlan, with Associate Justices Normandie B. Pizarro and Myra V. Garcia-Fernandez concurring.

³ Id. at 22-23. Penned by Associate Justice Samuel H. Gaerlan, with Associate Justices Normandie B. Pizarro and Myra V. Garcia-Fernandez concurring.

⁴ Id. at 28.

US\$662.00.⁵ Pacific and Anuat entered into a Philippine Overseas Employment Administration (POEA) standard employment contract on the same date.⁶ Prior to his deployment as an able seaman, Anuat was subjected to a pre-employment medical examination by Pacific's company-designated physician and was declared by the physician as "Fit for Sea Duty."⁷ On 10 February 2011, Anuat departed from the Philippines to join M/V Satigny in Norfolk, United States.⁸

On 19 May 2011, Anuat had an accident during unloading operations in the port of Cabello, Venezuela.⁹ Anuat fell down the vessel's deck while he was connecting the crane hook to the vessel's grab which was located at a high position. Anuat suffered injuries on his neck, back and knee.¹⁰ Anuat was brought by an ambulance to a hospital in Venezuela where he was diagnosed to have sustained head injury, whiplash injury, and trauma in his left knee. Anuat was confined in the hospital until 21 May 2011 and was advised by the hospital physician to continue treatment in the Philippines. Anuat was declared by the hospital physician as unfit to resume his work as a seaman.¹¹ Thus, Anuat was medically repatriated to the Philippines on 22 May 2011.¹²

Upon Anuat's arrival on 24 May 2011, Anuat was referred to Dr. Nicomedes Cruz (Dr. Cruz), Pacific's company-designated physician, at NGC Medical Specialist Clinic.¹³ In a medical report dated 15 July and 22 July 2011, Dr. Cruz recommended that Anuat undergo a Magnetic Resonance Imaging (MRI) on his spine and left knee.¹⁴ On 1 August 2011, Anuat's MRI examination results showed that Anuat's lumbosacral spine still suffered from "disc dessication and mild loss of height at L5-S1 with associated annular tear/fissure."¹⁵ Anuat's MRI examination on 2 August 2011 also showed that his left knee still suffered from an "[i]nferior surface tear involving the body and posterior horn of the medial meniscus."¹⁶ In a medical report¹⁷ dated 22 September 2011, Dr. Cruz found that Anuat still suffered from a blunt traumatic injury in his back, muscular spasm of the cervical muscle, swelling and medial meniscus tear in his left knee. Dr. Cruz recommended that Anuat undergo surgery to repair his left knee and was advised to come back on 30 September 2011. However, Anuat did not return for his doctor's visit on 30 September 2011.

⁵ Id. at 84.

⁶ Id.

⁷ Id. at 149.

⁸ Id. at 29.

⁹ Id. at 65.

¹⁰ Id.

¹¹ Id.

¹² Id. at 67.

¹³ Id. at 390.

¹⁴ Id. at 224-225.

¹⁵ Id. at 155.

¹⁶ Id. at 156.

¹⁷ Id. at 229.



Anuat claimed that after surgery and despite a month of physical therapy his condition did not improve and he continued to suffer pain in his left knee. Anuat claimed that due to his injuries he could no longer work as an able seaman. Hence, on 26 October 2011, Anuat filed a Complaint¹⁸ with the Labor Arbiter for total and permanent disability benefits, reimbursement of medical expenses, sickness allowance, damages and attorney's fees against Pacific.¹⁹

In a Position Paper²⁰ dated 12 March 2012, Anuat alleged that the injuries he sustained during his employment contract with Pacific were undoubtedly work-connected. Anuat claimed that since his spinal and knee injuries constantly caused him pain and limited his ability to lift objects and to stand while carrying heavy loads, he was no longer capable of performing his work as an able seaman. Anuat contended that he was entitled to total permanent disability benefits since more than 120 days have already lapsed after he was medically repatriated on 22 May 2011.²¹

In a Position Paper²² dated 19 March 2012, Pacific contended that Anuat's claim for total permanent disability benefits was not supported by law. Pacific claimed that the standard in measuring the disability of a seafarer must depend on the disability grading issued by the company-designated physician. Pacific alleged that Anuat was only entitled to partial permanent disability since the company-designated physician determined that Anuat only suffered from a disability of "Grade 10" and "Grade 11." Pacific alleged that the basis of the "Grade 10" and "Grade 11" rating was a medical report dated 26 October 2011 and Pacific claimed that the medical report was annexed to its Position Paper as "Annex 11."²³ Finally, Pacific contended that Anuat was not entitled to attorney's fees because Pacific was not remiss in fulfilling its obligations with Anuat and did not act in bad faith.²⁴

In a Reply²⁵ dated 10 April 2012, Anuat contended that the "Grade 10" assessment made by the company-designated physician is baseless and arbitrary. Anuat alleged that Pacific falsely claimed that "Annex 11" of Pacific's position paper contained a medical report dated 26 October 2011 which stated the "Grade 10" and "Grade 11" assessment of the company-designated physician.²⁶ Anuat claimed that total and permanent disability does not mean that an employee must be totally paralyzed. What is necessary is that the injury must be such that the employee cannot pursue his

¹⁸ Id. at 81-83.

¹⁹ Id. at 83.

²⁰ Id. at 85-112.

²¹ Id. at 94.

²² Id. at 189-214.

²³ Id. at 193.

²⁴ Id. at 207-208.

²⁵ Id. at 158-178.

²⁶ Id. at 161.

usual work. Moreover, Anuat contended that total disability is permanent if it lasts continuously for more than 120 days.²⁷ Anuat asserted that more than 120 days have already elapsed from the day he was medically repatriated. Hence, he was already entitled to total and permanent disability benefits.

In a Reply²⁸ dated 10 April 2012, Pacific contended that the existence of permanent disability is not determined by the lapse of the number of days but the standard in measuring must depend on the disability grading issued by the company-designated physician. Pacific claimed that the loss of earning capacity alone does not automatically equate to maximum disability benefits under the law.

The Ruling of the Labor Arbiter

In a Decision²⁹ dated 24 September 2012, the Labor Arbiter granted total and permanent disability benefits to Anuat. The Labor Arbiter held that permanent disability refers to the inability of a worker to perform his job for more than 120 days, regardless of whether he loses the use of any part of his body. What determines entitlement to permanent disability is the inability to work for more than 120 days. The fact that Anuat was still undergoing physical rehabilitation and was not able to seek gainful employment after 120 days shows that he suffered a total and permanent disability. The Labor Arbiter ruled that it does not matter whether the company designated-physician assessed Anuat to have suffered a "Grade 10" and "Grade 11" disability rating since it is undisputed that Anuat was unable to work for more than 120 days.

In determining the value of total permanent disability benefits, the Labor Arbiter applied the schedule of disability benefits of the POEA standard employment contract which amounted to US\$60,000.00. The Labor Arbiter held that the provisions of the collective bargaining agreement (CBA) did not apply since there is no substantial evidence that Pacific and Anuat were privy to the CBA.³⁰ The Labor Arbiter denied Anuat's claim for moral and exemplary damages and attorney's fees because the Labor Arbiter found that there was no evidence showing bad faith or malice on the part of Pacific.

The dispositive portion of the Labor Arbiter's Decision reads:

WHEREFORE, premises considered, judgment is hereby rendered ordering Respondents to pay Complainant total and permanent disability grading of "1" or a total of US\$ 60,000.00 pursuant to the POEA Standard Employment Contract.

²⁷ Id. at 159.

²⁸ Id. at 231-250.

²⁹ Id. at 333-346. Penned by Labor Arbiter Jonalyn M. Gutierrez.

³⁰ Id. at 342.



Other claims for damages and attorney's fees are dismissed for lack of merit.

SO ORDERED.³¹

On 22 October 2012, Anuat filed a Memorandum of Partial Appeal³² with the National Labor Relations Commission (NLRC). Anuat claimed that the CBA should apply in the determination of the amount of total and permanent disability and that attorney's fees should likewise be awarded because he was compelled to litigate and incur expenses for litigation.³³

On 22 October 2012, Pacific filed its Memorandum of Appeal³⁴ with the NLRC. However, Pacific paid the required appeal fees only on 27 November 2012.

The Ruling of the NLRC

In a Resolution³⁵ dated 31 January 2013, the NLRC granted Anuat's Memorandum of Partial Appeal and modified the Labor Arbiter's Decision. The NLRC held that the CBA applies in the determination of Anuat's total and permanent disability benefits. The NLRC held that both Pacific and Anuat acknowledged in their position papers and reply the existence of the CBA and its application to Anuat's disability claim. The NLRC ruled that total and permanent disability benefits shall be awarded to an employee if the temporary total disability lasts for more than 120 days. The 120-day period may only be extended to 240 days when there is a finding by the company-designated physician within 120 days that such injury or sickness still requires medical treatment beyond 120 days.³⁶ The NLRC held that there was no declaration by Pacific's company-designated physician within 120 days that Anuat's injury required further medical treatment to justify another extension of 120 days, a total of 240 days.³⁷

The NLRC considered Pacific's appeal filed on 22 October 2012 as not perfected since Pacific paid the required appeal fees only on 27 November 2012 which is more than 10 days beyond the reglementary period of appeal, counted from 11 October 2012, the date Pacific received the decision of the Labor Arbiter. The NLRC held that the rules provide that a notice of appeal filed without the required appeal fees does not stop the running of the period for perfecting an appeal.

³¹ Id. at 346.

³² Id. at 347-361.

³³ Id. at 359.

³⁴ Id. at 362-386.

³⁵ Id. at 388-410. Penned by Commissioner Teresita D. Castellon-Lora, with Presiding Commissioner Raul T. Aquino and Commissioner Erlinda T. Agus concurring.

³⁶ Id. at 406.

³⁷ Id. at 408.



The dispositive portion of the NLRC Resolution states:

WHEREFORE, the herein appeal of the complainant is hereby declared with merit, while that of the [r]espondents is hereby DISMISSED as NOT PERFECTED or for lack of merit. The assailed Decision of Labor Arbiter Jonalyn M. Gutierrez dated September 24, 2012 is hereby MODIFIED in that [r]espondents are hereby ordered to pay [c]omplainant:

- | | | |
|------------------------|---|-----------------|
| 1. Disability benefits | - | US\$89,000.00 |
| 2. 10% attorney's fees | - | <u>8,900.00</u> |
| | | US\$97,900.00 |

payable in Philippine currency at the rate of exchange prevailing at the time of payment.

The rest of the decision, STANDS.

SO ORDERED.³⁸

Pacific filed a motion for reconsideration on 27 February 2013³⁹ which was denied by the NLRC on 20 March 2013.⁴⁰ On 24 May 2013, Pacific filed a Petition for Certiorari⁴¹ with the Court of Appeals (CA). Anuat filed his Comment⁴² with the CA on 12 August 2013.

The Ruling of the CA

In a Decision⁴³ dated 10 March 2015, the CA granted Pacific's petition for certiorari. The CA ruled that Anuat prematurely filed his claim for total and permanent disability benefits. The CA held that a seaman may pursue an action for total and permanent disability benefits if: (a) the company-designated physician failed to issue a declaration as to the employee's fitness to engage in sea duty or disability even after the lapse of the 120-day period and there is no indication that further medical treatment would address his temporary total disability; hence, justify an extension of the period to 240 days; or (b) 240 days had lapsed without any certification being issued by the company-designated physician.

The CA held that Anuat's cause of action for total and permanent disability had not yet accrued. The CA ruled that *C.F. Sharp Crew Management, Inc. v. Taok*⁴⁴ applies in the case at bar. The CA held that although 123 days had already lapsed from the day Anuat was medically repatriated on 22 May 2011 to Anuat's last medical examination by Pacific's company-designated physician on 22 September 2011, the 120-day period

³⁸ Id. at 409-410.

³⁹ Id. at 34.

⁴⁰ Id. at 412-413. Penned by Commissioner Teresita D. Castillon-Lora with Presiding Commissioner Raul T. Aquino and Commissioner Erlinda T. Agus concurring.

⁴¹ Id. at 415-443.

⁴² Id. at 444-468.

⁴³ Supra note 2.

⁴⁴ 691 Phil. 521 (2012).

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may still be extended. The CA ruled that the extension of another 120 days is justified since Anuat was required by Pacific's company-designated physician to have further treatment on 30 September 2011, but Anuat decided to file his disability claim instead on 26 October 2011.

The dispositive portion of the CA Decision states:

WHEREFORE, premises considered, the instant petition is GRANTED. The 31 January 2013 and 20 March 2013 respective Resolutions of the NLRC in NLRC LAC No. 11-000967-12 are hereby VACATED. Accordingly, the complaint filed by the private respondent against the petitioners is DISMISSED.

SO ORDERED.⁴⁵

Anuat filed a Motion for Reconsideration⁴⁶ on 1 April 2015 which the CA denied on 6 October 2015.⁴⁷

The Issues

- (1) Whether Anuat is entitled to total and permanent disability benefits under the Labor Code; and
- (2) Whether Anuat is entitled to attorney's fees.

The Decision of this Court

We affirm the decision of the CA and deny Anuat's claim for total and permanent disability benefits. Instead, this Court resolves to grant partial and permanent disability benefits of "Grade 10" and "Grade 11" to Anuat in accordance with the CBA.

Anuat's cause of action for total and permanent disability benefits has not yet accrued.

Presidential Decree No. 442, also known as the "Labor Code of the Philippines" (Labor Code), contains the requirements when an employee can claim for total and permanent disability benefits. The pertinent provision states:

ART. 192. Permanent total disability. - (a) Under such regulations as the Commission may approve, any employee under this Title who contracts sickness or sustains an injury resulting in his permanent total disability shall, for each month until his death, be paid by the System during such a disability, an amount equivalent to the monthly income benefit, plus ten percent thereof for each dependent child, but not exceeding five,

⁴⁵ *Rollo*, p. 20.

⁴⁶ *Id.* at 469-499.

⁴⁷ *Id.* at 22-23.



beginning with the youngest and without substitution: Provided, That the monthly income benefit shall be the new amount of the monthly benefit for all covered pensioners, effective upon approval of this Decree.

x x x x

(c) The following disabilities shall be deemed total and permanent:

- (1) Temporary total disability lasting continuously for more than one hundred twenty days, except as otherwise provided for in the Rules; (Emphasis supplied)**

Section 1, Rule XI of the Amended Rules on Employee Compensation provides:

Sec. 1. Conditions of entitlement – x x x.

x x x x

(b) The following total disabilities shall be considered permanent:

- (1) Temporary total disability lasting continuously for more than 120 days, except as otherwise provided in Rule X hereof; (Emphasis supplied)**

In *Valenzona v. Fair Shipping Corporation*,⁴⁸ this Court held that permanent disability refers to the inability of a worker to perform his job for more than 120 days, regardless of whether he loses the use of any part of his body.⁴⁹ What determines petitioner's entitlement to permanent disability benefits is his inability to work for more than 120 days. On the other hand, in *Remigio v. NLRC*,⁵⁰ this Court ruled that "[p]ermanent total disability means disablement of an employee to earn wages in the same kind of work, or work of similar nature that he was trained for or accustomed to perform, or any kind of work which a person of his mentality and attainment could do. It does not mean absolute helplessness."⁵¹ Likewise, in *Oriental Shipmanagement Co., Inc. v. Bastol*,⁵² this Court ruled that total disability does not mean absolute helplessness. In disability compensation, it is not the injury which is compensated, but rather the incapacity to work resulting in the impairment of one's earning capacity.⁵³ Thus, as a general rule, permanent disability is the inability of a worker to perform his job for more than 120 days, regardless of whether or not he loses the use of any part of his body.

⁴⁸ 675 Phil. 713 (2011).

⁴⁹ Id. at 726.

⁵⁰ 521 Phil. 330 (2006).

⁵¹ Id. at 347.

⁵² 636 Phil. 358 (2010).

⁵³ Id. at 392.

However, **the Rules provide that the period of 120 days may be extended to 240 days when further medical treatment is required.** Sections 2 and 3(1), Rule X of the Amended Rules on Employees' Compensation state:

Sec. 2. Period of Entitlement — (a) The income benefit shall be paid beginning on the first day of such disability. If caused by an injury or sickness it shall not be paid longer than 120 consecutive days **except where such injury or sickness still requires medical attendance beyond 120 days but not to exceed 240 days from onset of disability** in which case benefit for temporary total disability shall be paid. However, the System may declare the total and permanent status at any time after 120 days of continuous temporary total disability as may be warranted by the degree of actual loss or impairment of physical or mental functions as determined by the System. (Emphasis supplied)

x x x x


Sec 3. Amount of Benefit — Any employee entitled to benefit for temporary total disability shall be paid an income benefit equivalent to 90 percent of his average daily salary credit, subject to the following conditions:

- (1) The daily income benefit shall not be less than ₱10.00 nor more than ₱90.00 nor paid longer than 120 days for the same disability, **unless the injury or sickness requires more extensive treatment that lasts beyond 120 days, but not to exceed 240 days from onset of disability**, in which case he shall be paid benefit for temporary total disability during the extended period. (Emphasis supplied)

In *Gomez v. Crossworld Marine Services, Inc.*,⁵⁴ this Court held that temporary total disability only becomes permanent when so declared by the company-designated physician within the periods he/she is allowed to do so, or upon the expiration of the maximum 240-day medical treatment period provided by the Rules without a declaration of either fitness to work or the existence of a permanent disability. Hence, if the company-designated physician requires the employee to undergo further medical treatment beyond the initial 120 days, temporary total disability **only becomes permanent if the 240 days lapse without a prior declaration on the part of the company-designated physician of the fitness of the employee to resume his or her duties or when the company-designated physician finds that permanent disability exists during the 240-day period.**

In the present case, Anuat sustained the injury on 19 May 2011 during unloading operations in a foreign port while discharging his duties as Pacific's able seaman. Upon Anuat's medical repatriation on 22 May 2011, Anuat was referred to Pacific's company-designated physician and was subjected to treatment. Anuat was initially diagnosed by the company-

⁵⁴ G.R. No. 220002, 2 August 2017.



designated physician as having sustained a blunt traumatic back and head whiplash injury. Anuat also started his physical therapy to rehabilitate his injuries. In a medical report dated 15 July and 22 July 2011, Pacific's company-designated physician recommended that Anuat undergo an MRI on his spine and left knee.⁵⁵ The MRI revealed that Anuat also suffered "disc dessication and mild loss of height at L5-S1 with associated annular tear/fissure."⁵⁶ Anuat's left knee also suffered from an "[i]nferior surface tear involving the body and posterior horn of the medial meniscus."⁵⁷

In a medical report dated 26 August 2011,⁵⁸ Pacific's company-designated physician found that Anuat was still experiencing moderate pain on both the lumbosacral region and his left knee. The report also stated that Anuat's physical therapy was still on-going. On 22 September 2011, Pacific's company-designated physician once again examined Anuat and issued a medical report recommending that Anuat undergo further surgery to medically repair the existing tear in his left knee. Lastly, Anuat was advised by the company-designated physician to come back on 30 September 2011. The pertinent portion of the 22 September 2011 medical report states:

Diagnosis:

Blunt traumatic injury back
Muscular spasm of the cervical muscles, craniocerebral injury
Medial meniscus tear, left knee
S/P Arthroscopy, medial menisectomy and debridement

x x x x

He is advised to come back on September 30, 2011.⁵⁹
(Emphasis supplied)

Anuat no longer went back to Pacific's company-designated physician on 30 September 2011. Instead, Anuat filed a claim against Pacific for total and permanent disability benefits on 26 October 2011 or **160 days from the onset of his work-connected injury.**

This Court rules that Anuat prematurely filed his total and permanent disability claim. When Anuat filed his disability claim he was still under medical treatment by Pacific's company-designated physician. In fact, he was advised by Pacific's company-designated physician to return on 30 September 2011 for a medical examination and he chose not to do so. **Notably, the 240-day extended period of medical treatment provided by Sections 2 and 3(1), Rule X of the Amended Rules on Employees' Compensation had not yet lapsed.** Pacific was still addressing Anuat's

⁵⁵ *Rollo*, pp. 224-225.

⁵⁶ *Id.* at 155.

⁵⁷ *Id.* at 156.

⁵⁸ *Id.* at 228.

⁵⁹ *Id.* at 229.

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medical condition and the company-designated physician was still in the process of determining whether Anuat was permanently disabled or fit to resume his duties as an able seaman. Following *Gomez v. Crossworld Marine Services, Inc.*,⁶⁰ Anuat's temporary total disability had not yet become permanent since the 240-day extended period for Anuat's medical treatment had not yet lapsed when he filed his claim.

In denying Anuat's total and permanent disability claim and reversing both the Labor Arbiter and NLRC, the CA applied the ruling of this Court in *C.F. Sharp Crew Management, Inc. v. Taok*.⁶¹ The CA ruled that, following the ruling in *C.F. Sharp Crew Management, Inc.*,⁶² Anuat had not acquired a cause of action for his total and permanent disability claim.

The CA is correct.

The ruling of this Court in *C.F. Sharp Crew Management, Inc. v. Taok*⁶³ applies in the present case. In *C.F. Sharp Crew Management, Inc.*,⁶⁴ the CA ruled that Taok, the seaman who filed the total and permanent disability claim, had not acquired a cause of action over his total and permanent disability claim because he filed his disability claim before the lapse of the 240-day period under the law. The pertinent part of the Decision reads:

Based on this Court's pronouncements in Vergara, it is easily discernible that the 120-day or 240-day period and the obligations the law imposed on the employer are determinative of when a seafarer's cause of action for total and permanent disability may be considered to have arisen. Thus, a seafarer may pursue an action for total and permanent disability benefits if: x x x **240 days had lapsed without any certification being issued by the company-designated physician;** x x x.

As the facts of this case show, Taok filed a complaint for total and permanent disability benefits while he was still considered to be temporarily and totally disabled; while the petitioners were still attempting to address his medical condition which the law considers as temporary; and while the company-designated doctors were still in the process of determining whether he is permanently disabled or still capable of performing his usual sea duties.⁶⁵ (Boldfacing and underscoring supplied)

In *C.F. Sharp Crew Management, Inc.*,⁶⁶ Taok, the seaman, filed his total and permanent disability claim before the expiry of the 240-day period. Likewise, in the present case, Anuat filed his total and permanent disability claim on 26 October 2011 or **160 days from the onset of his work-**

⁶⁰ Supra note 54.

⁶¹ Supra note 44.

⁶² Supra note 44.

⁶³ Supra note 44.

⁶⁴ Supra note 44.

⁶⁵ Supra note 44, at 538-539.

⁶⁶ Supra note 44.

connected injury, 80 days before the lapse of the 240-day period of extended medical treatment provided for by law. Since the 240 days have not lapsed from the onset of Anuat's injury and since Pacific's company-designated physician was still treating Anuat and was in the process of determining whether Anuat was permanently disabled or fit to resume his duties as an able seaman, the CA did not err in ruling that Anuat's disability claim had not ripened into a cause of action for total and permanent disability.

Anuat is still entitled to partial and permanent disability benefits of "Grade 10" and "Grade 11" in accordance with the collective bargaining agreement.

It is a fundamental doctrine in labor law that the CBA is the contract between both the employer and the employees. An executed CBA, thus, is a valid and binding contract between the parties with the force and effect of law. In *Goya, Inc. v. Goya, Inc. Employees Union-FFW*,⁶⁷ this Court ruled that the CBA is the law between the employer and the employees. In *Goya, Inc.*, this Court recognized a CBA's binding effects, to wit:

A collective bargaining agreement or CBA refers to the negotiated contract between a legitimate labor organization and the employer concerning wages, hours of work and all other terms and conditions of employment in a bargaining unit. As in all contracts, the parties in a CBA may establish such stipulations, clauses, terms and conditions as they may deem convenient provided these are not contrary to law, morals, good customs, public order or public policy. **Thus, where the CBA is clear and unambiguous, it becomes the law between the parties and compliance therewith is mandated by the express policy of the law.**⁶⁸ (Emphasis supplied)

The NLRC is correct in ruling that both Pacific and Anuat acknowledged in their position papers and reply the existence of the CBA and its application to Anuat's disability claim. The records reveal that Pacific admitted that Anuat, in fact, suffered a partial and permanent disability. In its Position Paper dated 19 March 2012, Pacific alleged that Anuat had indeed sustained a work-connected injury of "Grade 10" and "Grade 11" amounting to partial and permanent disability. The pertinent portion of Pacific's Position Paper states:

After the extensive treatment and rehabilitation under the care and supervision of the company-designated physician, the said doctor issued a disability report stating that complainant is suffering from a partial permanent disability of **Grade 11 – slight rigidity or 1/3 loss of motion or lifting power of the trunk and Grade 10 – stretching of ligaments of a knee resulting to instability of the joint** [See medical report dated 26 October 2011 attached as ANNEX "11"].⁶⁹ (Emphasis supplied)

⁶⁷ 701 Phil. 645 (2013).

⁶⁸ Id. at 659-660, citing *Honda Phils., Inc. v. Samahan ng Malayang Manggagawa sa Honda* (citations omitted).

⁶⁹ *Rollo*, p. 193.

The CBA, which was mutually executed by Pacific and Anuat, provides for the obligation⁷⁰ of Pacific to compensate its seafarers for any work-related injury while serving on board including accidents and work-related illness occurring while traveling to or from the ship, to wit:

20.1.3 COMPENSATION FOR DISABILITY

20.1.3.1 A Seafarer who suffers permanent disability as a result of work related illness or from an injury as a result of an accident, regardless of fault but excluding injuries caused by a seafarer's willful act, whilst serving on board, including accidents and work related illness occurring whilst traveling to or from the ship, and whose ability to work is reduced as a result thereof, shall in addition to sick pay, **be entitled to compensation according to the provisions of this Agreement.** In determining work related illness, reference shall be made to the Philippine Employees Compensation Law and or Social Security Law.⁷¹ (Emphasis supplied)

Moreover, the CBA also states that the disability grade determined by Pacific's company-designated physician shall be the primary basis of Pacific's liability to its seafarer who suffers a work-connected injury, to wit:

20.1.3.2 **The degree of disability which the employer, subject to this Agreement, is liable to pay shall be determined by a doctor appointed by the Employer. x x x.**

20.1.3.3 **The aforesaid medical report should determine the degree of disability as defined in the schedule of disability x x x and the Company shall pay the Seafarer disability compensation based on the degree of disability as stated below.** This compensation however shall not exceed US\$148,500.00 for senior officers, US\$118,800.00 for junior officers and US\$89,100.00 for ratings (effective January 1, 2008).⁷² (Boldfacing and underscoring supplied)

Article 20.1.3.4 of the CBA provides for the applicable disability compensation with the corresponding impediment grade and rate of compensation, to wit:

Disability Compensation Effective 01 January 2008

Impediment Grade	Ratings (in \$)
1	89,100
2	79,130
3	69,819
4	61,176
5	52,533
6	44,550
7	37,244
8	29,929

⁷⁰ Pacific admitted in its pleadings the fulfillment of its obligations under the POEA contract and the applicable CBA.

⁷¹ *Rollo*, p. 130.

⁷² *Id.*

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9	23,273
10	17,954
11	13,303
12	9,311 ⁷³ (Boldfacing and underscoring supplied)

In the present case, Pacific admitted in its Position Paper that the company-designated physician issued a medical report stating that Anuat **had sustained two major injuries because of his fall from the vessel's grab to the vessel's deck** which resulted to "Grade 10" disability on Anuat's left knee and "Grade 11" disability on Anuat's back. In *Alfelor v. Halasan*,⁷⁴ this Court held that admissions contained in a pleading are conclusive against the pleader, to wit:

[A]n admission made in the pleadings cannot be controverted by the party making such admission and [is] conclusive as to such party, and all proofs to the contrary or inconsistent therewith should be ignored, whether objection is interposed by the party or not. The allegations, statements or admissions contained in a pleading are conclusive as against the pleader. **A party cannot subsequently take a position contrary [to] or inconsistent with what was pleaded.** (Emphasis supplied)

Thus, following the obligatory effects of the CBA and Pacific's admission⁷⁵ that the company-designated physician issued a disability rating of "Grade 10" on Anuat's injured left knee and "Grade 11" on Anuat's injured back, Pacific is liable to Anuat for the applicable disability compensation equivalent to both "Grade 10" and "Grade 11" in the CBA. Consequently, Anuat is entitled to US\$17,954.00 representing "Grade 10" disability compensation for Anuat's left knee injury and US\$13,303.00 representing "Grade 11" disability compensation for Anuat's back injury. Consequently, Pacific is liable to Anuat for a total amount of US\$31,257.00 as disability compensation.

Anuat is not entitled to attorney's fees.

In *Development Bank of the Philippines v. Traverse Development Corp.*,⁷⁶ this Court held that a claim for attorney's fees must be supported by evidence of bad faith. The mere fact that a party was compelled to litigate is insufficient to justify an award of attorney's fees. The pertinent part of the decision states:

The general rule is that attorney's fees cannot be recovered as part of damages because of the policy that no premium should be placed on the right to litigate. They are not to be awarded every time a party wins a suit. The power of the court to award attorney's fees under Article 2208 demands factual, legal, and equitable justification. Even when a claimant

⁷³ Id.

⁷⁴ 520 Phil. 982, 991 (2006).

⁷⁵ Section 26 of Rule 130 of the Rules of Court states: "The act, declaration or omission of a party as to a relevant fact may be given in evidence against him."

⁷⁶ 674 Phil. 405 (2011).

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is compelled to litigate with third persons or to incur expenses to protect his rights, still attorney's fees may not be awarded where no sufficient showing of bad faith could be reflected in a party's persistence in a case other than an erroneous conviction of the righteousness of his cause.⁷⁷ (Emphasis supplied)

Similarly, in *Abante v. KJGS Fleet Management Manila*,⁷⁸ this Court held that attorney's fees are recoverable only when the "**defendant's act or omission has compelled the plaintiff to incur expenses to protect his interest.**"⁷⁹ In the present case, Anuat did not present sufficient evidence that Pacific acted in bad faith. As discussed, Anuat was still legally under extended medical treatment when he prematurely filed his total and permanent disability claim on 26 October 2011. Pacific is not guilty of any act or omission constituting bad faith since Pacific's company-designated physician continued giving Anuat medical care and even advised Anuat to return on 30 September 2011, and it was Anuat who chose not to return and instead filed his disability claim. Hence, Anuat's claim for attorney's fees must be denied.

WHEREFORE, we **AFFIRM** the Decision dated 10 March 2015 and the Resolution dated 6 October 2015 of the Court of Appeals in CA-G.R. SP No. 130102 **in so far as the denial of Anuat's claim for total and permanent disability benefits is concerned.** We resolve to **GRANT** partial and permanent disability benefits of "Grade 10" and "Grade 11" in favor of petitioner Mon C. Anuat in accordance with the collective bargaining agreement and the admission of respondent Pacific Ocean Manning, Inc. Pacific is ordered to pay Anuat US\$31,257.00 representing partial and permanent disability benefits under the collective bargaining agreement for "Grade 10" disability for knee injury and "Grade 11" disability for back injury, in Philippine currency prevailing at the time of actual payment, broken down as follows:

1. Grade 10 disability compensation for knee injury - US\$17,954.00
2. Grade 11 disability compensation for back injury - US\$13,303.00
- TOTAL - US\$31,257.00**

SO ORDERED.



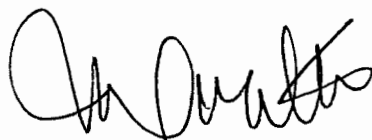
ANTONIO T. CAPIO
Senior Associate Justice

⁷⁷ Id. at 415.

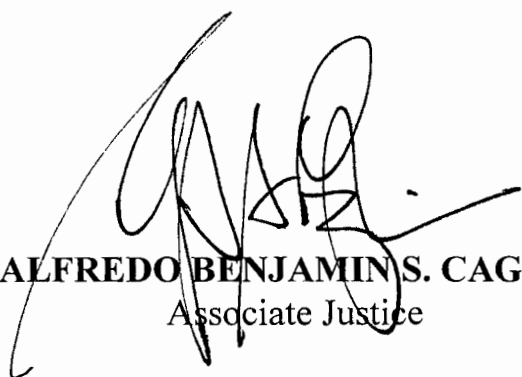
⁷⁸ 622 Phil. 761 (2009).

⁷⁹ Id. at 771.

WE CONCUR:



DIOSDADO M. PERALTA
Associate Justice



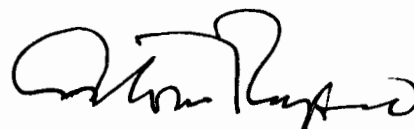
Ms. Bernabe
ESTELA M. PERLAS-BERNABE
Associate Justice

ALFREDO BENJAMINS S. CAGUIOA
Associate Justice

Reyes
ANDRES B. REYES, JR.
Associate Justice

CERTIFICATION

I certify that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.



ANTONIO T. CARPIO
Senior Associate Justice
(Per Section 12, R.A. 296,
The Judiciary Act of 1948, as amended)