



Republic of the Philippines  
 Supreme Court  
 Manila

SUPREME COURT OF THE PHILIPPINES  
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**THIRD DIVISION**

**PHILIPPINE BANK OF COMMUNICATIONS EMPLOYEES ASSOCIATION (PBCEA),** **OF G.R. No. 250839**  
**Present:**

*Petitioner,* CAGUIOA, J., *Chairperson,*  
 INTING,  
 GAERLAN,  
 DIMAAMPAO, and  
 SINGH, JJ.

- versus -

**PHILIPPINE BANK OF COMMUNICATIONS,** **OF Promulgated:**  
*Respondent.* September 14, 2022

X----- *Misdebat* ----- X

**DECISION**

**INTING, J.:**

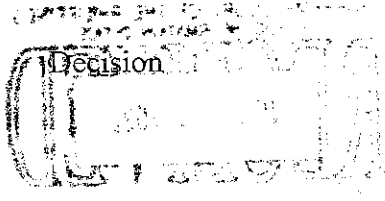
This resolves the Petition for Review on *Certiorari*<sup>1</sup> under Rule 45 of the Rules of Court which seeks to annul and set aside the Decision<sup>2</sup> dated October 18, 2019 of the Court of Appeals (CA) in CA-G.R. SP No. 155585. The CA modified the Decision<sup>3</sup> dated April 20, 2018 of the Office of the Voluntary Arbitrator (OVA) in that it declared valid the new policy which herein respondent Philippine Bank of Communications (PBCom) unilaterally imposed relative to the granting of multi-purpose loans (loan program) to its employees.

<sup>1</sup> *Rollo*, pp. 3-14.

<sup>2</sup> Id. at 24-43; penned by Associate Justice Walter S. Ong and concurred in by Associate Justices Ricardo R. Rosario (now a Member of the Court) and Zenaida T. Galapate-Laguilles.

<sup>3</sup> A copy of the Decision dated April 20, 2018 was not appended to the *rollo*.

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*The Antecedents*

*The Multi-Purpose Loan Program*

Sometime in the 1980s, PBCom adopted a policy on its loan program which allowed their qualified employees to avail themselves of simultaneous loans subject to a debt service ratio, such that the overall debt servicing for all types of loans should not be more than 35% of the employee's net pay.<sup>4</sup> The aim of the loan program was to help qualified employees meet certain difficulties and emergencies and improve their quality of life.<sup>5</sup> Under the policy, employees could use their mid-year and year-end bonuses to pay for their loan amortizations.<sup>6</sup> The Primer on PBCom Multi-Purpose Loan Programs for Officers and Staff expressly states:

REPAYMENT

Fixed monthly amortization (principal plus interest) via semi-monthly payroll [sic] deduction. Repayment through pledges/deduction/s from Mid-year/Year-end bonuses shall be allowed. x x x.<sup>7</sup>

Since 2003, the loan program was incorporated in Section 2 of Article XVI of the Collective Bargaining Agreement (CBA) between PBCom and herein petitioner Philippine Bank of Communications Employees Association (PBCEA).<sup>8</sup> The provision reads:

Section 2. The BANK shall maintain its *existing* loan program, i.e. Multi-Purpose Loan Program for employees.<sup>9</sup> (Italics supplied)

The same provision was carried over into the parties' succeeding CBAs and still remains in the present CBA.<sup>10</sup>

<sup>4</sup> Net pay is defined as gross monthly compensation (basic plus cost of living allowance) less standard deduction (e.g. withholding tax, Social Security System premium, Medicare, Pag-IBIG contributions) and loan amortizations of external loans secured from the Pag-IBIG Fund, the Social Security System, and the National Home Mortgage Finance Corporation. *Rollo*, p. 26.

<sup>5</sup> *Rollo*, pp. 25-26.

<sup>6</sup> *Id.* at 26.

<sup>7</sup> *Id.*

<sup>8</sup> *Id.*

<sup>9</sup> *Id.*

<sup>10</sup> *Id.*

In 2007, PBCom was placed under a new management. The new management created a new set of guidelines known as the Policies and Procedures Manual which amended the existing guidelines. The amendment reads:

13. Repayment through pledges/deductions from Mid-year/Year-end bonuses **may** be allowed. x x x<sup>11</sup> (Emphasis supplied)

In effect, the amendment gave PBCom the discretion whether to allow its employees to use their mid-year or year-end bonuses to pay for their loans. PBCEA opposed the amendment. Consequently, PBCom deferred the implementation of the new policy. However, despite several meetings and conferences between the parties, the issue remained unresolved. Hence, the new policy remained suspended.<sup>12</sup>

Sometime in 2014, a new group of investors took over the management of PBCom and redefined the loan program. The new management then issued the latest Primer on Bank and Provident Funded Multi-Purpose Loan Programs for Officers and Staff which reads in part:

Repayment through pledges/deductions from Mid-year/ Year-end Bonuses shall be allowed, provided the employee has rendered five [5] years of continuous service with the Bank and the loan amortization cannot be accommodated by his Net Take Home Pay.<sup>13</sup>

Under the latest policy, employees whose net take home pay can accommodate the value of their loan amortization are not allowed to use their mid-year and year-end bonuses to pay for their loans.<sup>14</sup>

PBCEA opposed the change in the loan program. However, despite its opposition, PBCom unilaterally enforced the latest policy which prevented several employees to use their mid-year and year-end bonuses to pay for their loans and discouraged others from availing themselves of additional loan.<sup>15</sup>

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<sup>11</sup> Id. at 27.

<sup>12</sup> Id.

<sup>13</sup> Id.

<sup>14</sup> Id.

<sup>15</sup> Id. at 28.

This prompted PBCEA to refer the controversy to the Grievance Machinery for possible settlement but to no avail.<sup>16</sup>

### *Service Award Policy*

Since January 1, 1998, it had been the policy of PBCom to grant, during its anniversary every fourth of September, a Service Award to its employees who have rendered at least ten (10) years of service and to those of them who continue to serve the company every five (5) years thereafter.<sup>17</sup>

Under Section II of the policy on Service Award, employees who either retired under the mandatory retirement policy of PBCom or resigned prior to the date of PBCom's anniversary are eligible to receive the award. The policy was formalized in the parties' CBA in Section 2, Article XII thereof.<sup>18</sup>

On September 18, 2015, the new management, however, modified the policy on service awards by requiring the employee to be "*on board as of [the] release date or September 4 of each year*" to be entitled to the award.<sup>19</sup> Because of the new policy, at least three employees who were otherwise eligible did not receive their Service Award as they were not "on board" as of the release date.<sup>20</sup>

PBCEA opposed the new policy and asked PBCom for its immediate recall, but the latter denied it. Hence, PBCEA referred the controversy to the Grievance Machinery and eventually to the OVA.<sup>21</sup>

<sup>16</sup> Id.

<sup>17</sup> Id.

<sup>18</sup> Section 2. The BANK shall improve the existing Service Awards, as follows:

LENGTH OF SERVICE	SERVICE AWARD
10 years	P 6,250.00
15 years	P 9,875.00
20 years	P 13,500.00
25 years	P 18,375.00
30 years	P 22,250.00
35 years	P 26,125.00
40 years	P 30,000.00

<sup>19</sup> Id.

<sup>20</sup> Id. at 29-30.

<sup>21</sup> Id. at 30.


*The Ruling of the OVA*

In the Decision dated April 20, 2018, the OVA ruled in favor of PBCEA by declaring that the new policies violated the CBA. The pertinent portions of the Decision read:

The material and relevant facts of the instant case are too clear to be missed. It is undisputed that the subject Bank policies involved in the two (2) issues at bench had been incorporated in the parties' CBA. As such, this Office agrees with [PBCEA] that the same cannot be changed, altered or modified without the consent of both contracting parties. To rule otherwise would be to encourage the parties to violate their duty to bargaining [*sic*] collectively, [as] expressly provided under Article 53 [*sic*] of the Labor Code, as amended, to wit:

“ART. 253 *Duty to bargain collectively when there exists a collective bargaining agreement.* - When there is a collective bargaining agreement, the duty [*sic*] to bargain collectively shall also mean that neither party shall terminate nor modify such agreement during its lifetime. However, either party can serve a written notice to terminate or modify the agreement at least sixty (60) days prior to its expiration date. It shall be the duty of both parties to keep the status quo and to continue in full force and effect the terms and conditions of the existing agreement during the 60-day period and/or until a new agreement is reached by the parties.[”]

In the [*sic*] light of the foregoing, [PBCom's] argument that it did not violate the CBA when it validly exercised its management prerogative of disallowing the pledge of bonus as payment of the employees' provident-funded [*sic*] loans, is not meritorious. Neither can [PBCom] validly assert that, in the exercise of its management prerogative, it may set specific requirements should it allow the pledge of bonus as payment of the employees' provident-funded [*sic*] loans; nor amend the *Service Award Policy* to limit the recipients to qualified employees actually on board during the awarding ceremony every September 4 of every year, as a valid exercise of management prerogative, as the same will operate as an amendment to the existing CBA provisions without the consent of the other party, which is violative of the principle of [the] duty to bargaining [*sic*] collectively. For sure, [PBCom] is not precluded from proposing the same in the next CBA negotiations of the parties.



Likewise, this Office quotes with approval and found to be [*sic*] meritorious [PBCEA's] argument that an employer, as in the instant case, violates his duty to bargain collectively where he unilaterally alters or changes a term or condition of the employment maintained pursuant to an existing collective [*sic*] bargaining agreement.<sup>22</sup>

### *The Ruling of the CA*

In the assailed Decision<sup>23</sup> dated October 18, 2019, the CA partly granted the petition for review of PBCom. The dispositive portion of the assailed Decision reads:

The *Petition for Review* dated 04 May 2018 is PARTLY GRANTED. The assailed *Decision* dated 20 April 2018 is MODIFIED in that the amendment on the payment of loans through pledges/deductions from mid-year/year-end bonuses, subject to an employee's length of service and the amount of his Net Take Home Pay, is DECLARED a valid imposition. The declaration as void, of the requirement that employees should be on board on the date of PBCom's anniversary to be entitled to the Service Award, is SUSTAINED.

IT IS SO ORDERED.<sup>24</sup>

Hence, PBCEA filed the instant petition to partially appeal the CA Decision that upheld the validity of PBCom's latest policy imposing an additional restriction before an employee could avail himself/herself of the multi-purpose loan.

### *The Issue*

The issue to be resolved in the case is whether the latest policy of PBCom on its loan program violates PBCEA's right to collective bargaining.

### *Our Ruling*

The petition is meritorious.

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<sup>22</sup> Id. at 30-31.

<sup>23</sup> Id. at 24-43.

<sup>24</sup> Id. at 42.

It is settled that the Court is not a trier of facts, and it is not the Court's function to examine, review, or evaluate the evidence all over again.<sup>25</sup> In petitions for review under Rule 45, the appellate jurisdiction of the Court is limited only to questions of law<sup>26</sup> "in the absence of any showing that the factual findings complained of are devoid of support in the records or are glaringly erroneous."<sup>27</sup> However, in this case, the following exceptions to the rule are evidently present: (1) the judgment is based on misapprehension of facts; and (2) the findings of the facts are conflicting.<sup>28</sup>

The Court elucidates.

PBCEA maintains that the existing loan program of PBCom was expressly contained in the *Primer on PBCom Multi-Purpose Loan Programs for Officers and Staff*, which provides:

#### REPAYMENT

Fixed monthly amortization (principal plus interest) via semi-monthly payroll deduction. Repayment through pledges/deduction/s from Mid-year/Year-end bonuses shall be allowed. x x x<sup>29</sup>

Further, PBCEA emphasizes that starting 2003, the foregoing loan program was made part of the CBA in Section 2, Article XVI thereof, and that this provision was carried over in the succeeding CBAs up to the present. Therefore, PBCom cannot just unilaterally change the conditions surrounding the loan program to the prejudice of the employees without the consent of the union, lest it would violate the terms of the CBA.<sup>30</sup>

In its Comment,<sup>31</sup> PBCom denies that it violated the CBA when it adopted a new policy on the repayment of provident funded loans through pledges/deductions of mid-year/year-end bonuses. It alleges that

<sup>25</sup> *Land Bank of the Philippines v. Quilit*, G.R. No. 194167, February 10, 2021, citing *Carbonell v. Carbonell-Mendes*, 762 Phil. 529, 536 (2015).

<sup>26</sup> *Id.*

<sup>27</sup> *Bank of the Phil. Islands v. Bank of the Phil. Islands Employees Union-Metro Manila*, 693 Phil. 82, 90 (2012).

<sup>28</sup> See *Republic v. Martinez*, G.R. Nos. 224438-40, September 3, 2020.

<sup>29</sup> *Rollo*, p. 10.

<sup>30</sup> *Id.*

<sup>31</sup> *Id.* at 51-62.

reasonable conditions were introduced pursuant to a valid exercise of its management prerogative.<sup>32</sup>

The Court disagrees.

No less than the 1987 Constitution guarantees the rights of the workers to collective bargaining and negotiations and to participate in policy and decision-making processes affecting their rights and benefits as may be provided by law; thus:

Section 3. The State shall afford full protection to labor, local and overseas, organized and unorganized, and promote full employment and equality of employment opportunities for all.

It shall guarantee the rights of all workers to self-organization, collective bargaining and negotiations, and peaceful concerted activities, including the right to strike in accordance with law. They shall be entitled to security of tenure, humane conditions of work, and a living wage. They shall also participate in policy and decision-making processes affecting their rights and benefits as may be provided by law.

x x x x<sup>33</sup>

Likewise, the Labor Code declares the following policies of the State:

(a) To promote and emphasize the primacy of free collective bargaining and negotiations, including voluntary arbitration, mediation and conciliation, as modes of settling labor or industrial disputes;

x x x x

(d) To promote the enlightenment of workers concerning their rights and obligations as union members and as employees;

x x x x

<sup>32</sup> Id. at 55-60.

<sup>33</sup> Section 3, Article XIII of the 1987 Constitution. See also *Hongkong Bank Independent Labor Union (HBILU) v. Hongkong and Shanghai Banking Corp. Limited*, infra note 49, at 837.



(g) To ensure the participation of workers in decision and policy-making processes affecting their rights, duties and welfare.<sup>34</sup>

Further, Article 267 of the Labor Code, on exclusive bargaining representation and workers' participation in policy and decision-making, states:

ARTICLE 267. [255] *Exclusive Bargaining Representation and Workers' Participation in Policy and Decision-Making.* — x x x

Any provision of law to the contrary notwithstanding, workers shall have the right, subject to such rules and regulations as the Secretary of Labor and Employment may promulgate, to participate in policy and decision-making process of the establishment where they are employed insofar as said processes will directly affect their rights, benefits and welfare. For this purpose, workers and employers may form labor-management councils: *Provided*, That the representatives of the workers in such labor management councils shall be elected by at least the majority of all employees in said establishment.

Notably, a CBA is a product of a constitutionally-guaranteed right to participate and is therefore the law between the parties.<sup>35</sup> Hence, the parties are obliged to comply with its provisions.<sup>36</sup>

To stress, if the terms of the CBA are clear and there is no doubt as to the intention of the contracting parties, then the literal meaning of the CBA's stipulations shall prevail.<sup>37</sup> Otherwise, the CBA must be construed liberally and the courts are mandated to use a practical and realistic construction upon it,<sup>38</sup> so that doubts in the interpretation of its stipulations affecting labor should be resolved in the latter's favor.<sup>39</sup>

Section 2, Article XVI of the CBA states that PBCom "*shall maintain its existing loan program, i.e., the Multi-Purpose Loan Program for employees.*"<sup>40</sup> The term "*existing*" could not refer to any

<sup>34</sup> Article 218 of the Labor Code, as amended. See also *Hongkong Bank Independent Labor Union (HBILU) v. Hongkong and Shanghai Banking Corp. Limited*, infra note 49, at 837.

<sup>35</sup> *Hongkong Bank Independent Labor Union (HBILU) v. Hongkong and Shanghai Banking Corp. Limited*, infra note 49, at 837-838.

<sup>36</sup> *Id.*

<sup>37</sup> *Supreme Steel Corp. v. Nagkakaisang Manggagawa ng Supreme Independent Union (NMS-IND-APL)*, 662 Phil. 66, 86 (2011).

<sup>38</sup> *Id.*

<sup>39</sup> *Id.*

<sup>40</sup> *Rollo*, p. 26.

loan program other than that which had already been in force at the time of the effectivity of the CBA where employees could avail themselves of several loans simultaneously by pledging or utilizing their mid-year and year-end bonuses *regardless* of whether their monthly salary could still accommodate their loan amortizations; *provided*, that the overall debt servicing for all types of loans would not exceed the allowable debt service ratio.<sup>41</sup>

However, with PBCom's new policy, the employees can use their mid-year/year-end bonuses to pay for the loan amortizations provided that their net take home pay is insufficient to cover the value of their loan amortizations.<sup>42</sup>

PBCom asserts that the conditions it introduced are reasonable and imposed pursuant to a valid exercise of management prerogative.

The Court disagrees.

The basic and well entrenched rule is that although jurisprudence recognizes the validity of the employer's exercise of its management prerogative and that courts will not ordinarily interfere with such exercise, this prerogative is not absolute.<sup>43</sup> The valid exercise of management prerogative is subject to limitations imposed by law, the *collective bargaining agreement*, and the general principles of fair play and justice.<sup>44</sup>

Therefore, the provisions of the CBA bind all the parties and must be respected during its lifetime because its terms and conditions constitute the law between them.<sup>45</sup> Unless and until a new CBA is executed between the parties, "they are duty-bound to keep the *status quo* and to continue in full force and effect the terms and conditions of the existing one."<sup>46</sup> Further, nothing is clearer than what Article 264 of the Labor Code provides:

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<sup>41</sup> Id.

<sup>42</sup> Id. at 27.

<sup>43</sup> *Hongkong Bank Independent Labor Union (HBILU) v. Hongkong and Shanghai Banking Corp. Limited*, *infra* note 49, at 838.

<sup>44</sup> Id.

<sup>45</sup> *Hongkong Bank Independent Labor Union (HBILU) v. Hongkong and Shanghai Banking Corp. Limited*, *infra* note 49, at 838-839.

<sup>46</sup> *Hongkong Bank Independent Labor Union (HBILU) v. Hongkong and Shanghai Banking Corp. Limited*, *infra* note 49, at 839.

ARTICLE 264. [253] *Duty to Bargain Collectively When There Exists a Collective Bargaining Agreement.* — When there is a collective bargaining agreement, the duty to bargain collectively shall also mean that neither party shall terminate nor modify such agreement during its lifetime. x x x It shall be the duty of both parties to keep the *status quo* and to continue in full force and effect the terms and conditions of the existing agreement during the 60-day period and/or until a new agreement is reached by the parties.

All told, PBCom's implementation of the latest policy on its loan program is a blatant disregard or circumvention of Article 264 of the Labor Code.<sup>47</sup> Also, to uphold PBCom's defense that the new policy is a valid exercise of its management prerogative might set a precedent in giving the banks a license to unduly add, modify, or restrict the grant of loans beyond the terms of the CBA under the defense that such act is nothing more than imposing reasonable conditions affecting only the mode of payment of loans.

In sum, issues relating to the interpretation of the CBA must be resolved by upholding the intentions of both parties as embodied in the CBA itself or based on their negotiations.<sup>48</sup> As the Court ratiocinated in *Hongkong Bank Independent Labor Union v. Hongkong and Shanghai Banking Corp. Limited*:<sup>49</sup>

[I]n resolving issues concerning CBAs, We must not forget that the foremost consideration therein is upholding the intention of both parties as stated in the agreement itself, or based on their negotiations. Should it appear that a proposition or provision has clearly been rejected by one party, and said provision was ultimately not included in the signed CBA, then We should not simply disregard this fact. We are duty-bound to resolve the question presented, albeit on a different ground, so long as it is consistent with law and jurisprudence and, more importantly, does not ignore the intention of both parties. Otherwise, We would be substituting Our judgment in place of the will of the parties to the CBA.<sup>50</sup>

To emphasize, the terms and conditions of the CBA constitute the law between the parties. Hence, the parties are bound by it, provided that it is not contrary to law, morals, public order, or public policy.

<sup>47</sup> Id.

<sup>48</sup> *Hongkong Bank Independent Labor Union (HBILU) v. Hongkong and Shanghai Banking Corp. Limited*, supra at 849.

<sup>49</sup> 826 Phil. 816 (2018).

<sup>50</sup> Id. at 849-850.

**WHEREFORE**, the petition is **GRANTED**. The Decision dated October 18, 2019 of the Court of Appeals in CA-G.R. SP No. 155585 is **MODIFIED** in that the new policy of respondent Philippine Bank of Communications unilaterally imposing additional conditions on its employees regarding the allowance of repayment of their loans through pledges/deductions from their mid-year/year-end bonuses and enforcing the same under Section 2, Article XVI of the Collective Bargaining Agreement of the parties is declared ineffective and invalid for being in contravention of Article 264 of the Labor Code.

**SO ORDERED.**



**HENRI JEAN PAUL B. INTING**  
*Associate Justice*

WE CONCUR:



**ALFREDO BENJAMIN S. CAGUIOA**  
*Associate Justice*  
*Chairperson*



**SAMUEL H. GAERLAN**  
*Associate Justice*



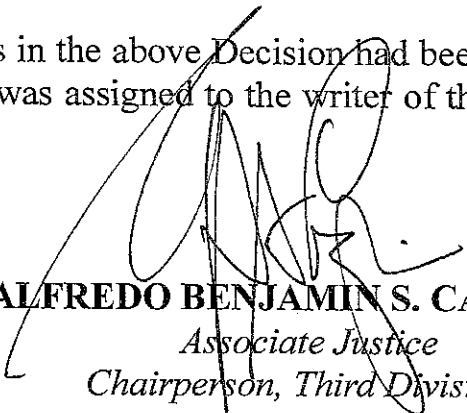
**JAPAR B. DIMAAMPAO**  
*Associate Justice*



**MARIA FILOMENA D. SINGH**  
*Associate Justice*

**ATTESTATION**

I attest 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.



**ALFREDO BENJAMIN S. CAGUIOA**  
*Associate Justice*  
*Chairperson, Third Division*

**CERTIFICATION**

Pursuant to Section 13, Article VIII of the Constitution and the Division Chairperson's Attestation, 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.



**ALEXANDER G. GESMUNDO**  
*Chief Justice*



