



Republic of the Philippines
Supreme Court
Manila

FIRST DIVISION

NOTICE

Sirs/Mesdames:

*Please take notice that the Court, First Division, issued a Resolution dated **December 2, 2020** which reads as follows:*

“G.R. No. 241985 – EMPLOYEES UNION rep. by MARILOU DABANDAN, ET AL., petitioner, versus E.S. UNICA CORPORATION and CARLOS R. SAMBRANO, respondents.

Before the Court is a Petition for Review on *Certiorari*¹ (Petition) under Rule 45 of the Rules of Court assailing the Decision² dated January 26, 2018 and Resolution³ dated September 10, 2018 of the Court of Appeals (CA) in CA-G.R. SP No. 143485, which affirmed the rulings of the National Labor Relations Commission (NLRC) holding the respondents liable for unfair labor practice and illegal dismissal with modification to remove respondent Carlos R. Sambrano’s (Sambrano) solidary liability with E.S. Unica Corporation and to dismiss the complaint against him.

After a judicious review of the records, the Court grants the Petition.

Contrary to the CA rulings, Sambrano should be held solidarily liable with the corporation because, as correctly found by the NLRC,⁴ he had assented to the patently unlawful acts thereof.

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¹ *Rollo*, pp. 9-32.

² *Id.* at 54-70. Penned by Associate Justice Marie Christine Azcarraga-Jacob and concurred in by Associate Justices Samuel H. Gaerlan (now a Member of this Court) and Socorro B. Inting.

³ *Id.* at 33-34. Penned by Associate Justice Marie Christine Azcarraga-Jacob and concurred in by Associate Justices Samuel H. Gaerlan (now a Member of this Court) and Ma. Luisa C. Quijano-Padilla.

⁴ *Id.* at 199.

Article 31 of the Corporation Code of the Philippines⁵ enumerates the instances when a corporate officer shall be held solidarily liable with the corporation, *viz.*:

SECTION 31. *Liability of Directors, Trustees or Officers.*
— Directors or trustees who **willfully and knowingly vote for or assent to patently unlawful acts of the corporation or who are guilty of gross negligence or bad faith in directing the affairs of the corporation or acquire any personal or pecuniary interest in conflict with their duty as such directors, or trustees** shall be liable jointly and severally for all damages resulting therefrom suffered by the corporation, its stockholders or members and other persons.

When a director, trustee or officer attempts to acquire or acquires, in violation of his duty, any interest adverse to the corporation in respect of any matter which has been reposed in him in confidence, as to which equity imposes a disability upon him to deal in his own behalf, he shall be liable as a trustee for the corporation and must account for the profits which otherwise would have accrued to the corporation. (n) (Emphasis supplied)

In the case of *Kho, Sr. v. Magbanua, et al.*,⁶ the Court discussed the rules on holding corporate officers liable:

It is settled that a corporation is a juridical entity with legal personality separate and distinct from those acting for and in its behalf and, in general, from the people comprising it. As a juridical entity, a corporation may act only through its directors, officers, and employees. As such, obligations incurred by the corporation, acting through its directors, officers, and employees, are its sole liabilities, and these persons should not be held jointly and solidarily liable with the corporation. However, being a mere fiction of law, this corporate veil can be pierced when such corporate fiction is used: (a) to defeat public convenience or as a vehicle for the evasion of an existing obligation; (b) to justify wrong, protect or perpetuate fraud, defend crime, or as a shield to confuse legitimate issues; or (c) as a mere alter ego or business conduit of a person, or is so organized and controlled and its affairs are so conducted as to make it merely an instrumentality, agency, conduit, or adjunct of another corporation.

Fundamental in the realm of labor law that corporate directors, trustees, or officers can be held solidarily liable with the corporation when they assent to a patently unlawful act of the corporation, or when they are guilty of bad faith or gross negligence in directing its affairs, or when there is a conflict of interest resulting in damages to the corporation, its stockholders, or

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⁵ Batas Pambansa Blg. 68, May 1, 1980.

⁶ G.R. No. 237246, July 29, 2019.

other persons. However, it bears emphasis that a finding of personal liability against a director, trustee, or a corporate officer requires the concurrence of these two (2) requisites, namely: (a) a clear allegation in the complaint of gross negligence, bad faith or malice, fraud, or any of the enumerated exceptional instances; and (b) clear and convincing proof of said grounds relied upon in the complaint sufficient to overcome the burden of proof borne by the complainant.⁷

In administrative proceedings, such as in the instant case, only substantial evidence is needed, or such relevant evidence as a reasonable mind may accept as adequate to support a conclusion.⁸

Here, the records show that Sambrano had managed the daily operations⁹ of E.S. Unica Corporation, and this fact was admitted by respondents.¹⁰ As pointed out by the NLRC, it would have been far-fetched for him not to have assented to the illegal closure of the corporation and the dismissal of the complainants, especially since he himself signed the Notices of Separation and Establishment Employment Report.¹¹

The close relation of Sambrano's job to the company's daily operations, as shown by the records and the respondents' admission, and Sambrano's overt acts of facilitating the illegal dismissal of employees by signing the Notices of Separation and Establishment Employment Report are relevant evidence that a reasonable mind may accept as adequate to support the conclusion that Sambrano had assented to E.S. Unica Corporation's unlawful acts.

While Sambrano argues in his Comment/Opposition¹² that he did not act in bad faith, there was no attempt to controvert the NLRC's finding and conclusion that he had assented to the corporation's unlawful acts. Instead, he merely made the following allegations in support of his argument that he was not in bad faith: "[a] he did not cause the dire financial strait of the company, it was a *force majeure*, therefore, beyond his will; and, [(b)] only the majority of the board of directors can consent to such act of closing down due to severe business losses."¹³

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⁷ Id. at 6-7.

⁸ *Asian International Manpower Services, Inc. v. Department of Labor and Employment*, G.R. No. 210308, April 6, 2016, 788 SCRA 667, 677.

⁹ *Rollo*, p. 477.

¹⁰ Id. at 219.

¹¹ Id.

¹² Id. at 489-495.

¹³ Id. at 491.

Sambrano's allegations are all based on the premise that the closure of the corporation was caused by severe business losses. However, this factual issue was already resolved by the NLRC and the CA, which had correctly held that the claim of serious business losses was not adequately proven by the evidence on record. Besides, if Sambrano, as the president and director¹⁴ of the corporation, did not assent to the corporation's unlawful acts, the conclusion of the NLRC could have easily been controverted with any evidence showing that he had disagreed with the corporation's unlawful acts despite the fact that he ran the company's day-to-day operations and had signed documents to facilitate the complainants' illegal dismissal. Instead of providing contrary evidence, however, he claims good faith by using already disproven allegations that the company's closure was caused by severe business losses.

All told, the CA erred in ignoring the factual finding of the NLRC, based on substantial evidence, that Sambrano had assented to the corporation's patently unlawful acts. Thus, Sambrano should be held solidarily liable with the corporation.

In light of the foregoing, the Petition is **GRANTED**. The Decision and Resolution of the Court of Appeals dated January 26, 2018 and September 10, 2018, respectively, in CA-G.R. SP No. 143485 are **SET ASIDE**. The Decision dated May 29, 2015 and Resolution dated October 19, 2015 of the National Labor Relations Commission are hereby **REINSTATED** and **AFFIRMED IN TOTO**.

In accordance with prevailing jurisprudence, the total monetary awards in favor of complainants are subject to interest in the amount of

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¹⁴ See CORPORATION CODE, SECTION 25. *Corporate Officers, Quorum*. — Immediately after their election, the directors of a corporation must formally organize by the election of a **president, who shall be a director**, a treasurer who may or may not be a director, a secretary who shall be a resident and citizen of the Philippines, and such other officers as may be provided for in the by-laws. Any two (2) or more positions may be held concurrently by the same person, except that no one shall act as president and secretary or as president and treasurer at the same time.

The directors or trustees and officers to be elected shall perform the duties enjoined on them by law and the by-laws of the corporation. Unless the articles of incorporation or the by-laws provide for a greater majority, a majority of the number of directors or trustees as fixed in the articles of incorporation shall constitute a quorum for the transaction of corporate business, and every decision of at least a majority of the directors or trustees present at a meeting at which there is a quorum shall be valid as a corporate act, except for the election of officers which shall require the vote of a majority of all the members of the board.

Directors or trustees cannot attend or vote by proxy at board meetings. (33a)
(Emphasis and underscoring supplied)

six percent (6%) *per annum* from the finality of the NLRC Decision¹⁵ until full satisfaction.

SO ORDERED.” *Gaerlan, J., took no part; Hernando, J., designated Additional Member per Raffle dated November 18, 2020.*

By authority of the Court:

LIBRADA C. BUENA
Division Clerk of Court *mlm*

by:

mlm
MARIA TERESA B. SIBULO
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¹⁵ *N.B.:* Based on Rule VII, Section 14 vis-à-vis Rule XI, Section 4 of the 2011 NLRC Rules of Procedure, as amended, the NLRC monetary award already became final and executory despite the filing of a petition for *certiorari* with the CA. Thus, the running of the interest imposed should be reckoned from the finality of the NLRC decision.

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