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Wilfredo V. Lapitan
WILFREDO V. LAPITAN
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Third Division

FEB 19 2016



Republic of the Philippines
Supreme Court
Manila

THIRD DIVISION

PHILIPPINE AIRLINES, INC.
Petitioner,

G.R. No. 201073

Present:

PERALTA,* J.,
Acting Chairperson,
DEL CASTILLO,**
PEREZ,
REYES, and
JARDELEZA, JJ.

-versus-

PAL EMPLOYEES SAVINGS & LOAN
ASSOCIATION, INC.,
Respondent.

Promulgated:

February 10, 2016

Wilfredo V. Lapitan

X

DECISION

PEREZ, J.:

Assailed in the present Petition for Review on *Certiorari* is the Decision dated September 13, 2011¹ and the Resolution dated March 13, 2012² of the Court of Appeals (CA) in CA-G.R. CV No. 82098, CA-G.R. CR No. 28341, and CA-G.R. CR No. 28655, which affirmed with modification the Consolidated Decision dated November 6, 2002³ of the

* Designated as Acting Chairperson in lieu of Associate Justice Presbitero J. Velasco, Jr. per Raffle dated February 10, 2016.

** Designated as Additional Member in lieu of Associate Justice Presbitero J. Velasco, Jr. per Raffle dated February 10, 2016.

¹ *Rollo*, pp. 48-77; penned by Associate Justice Ramon A. Cruz, and concurred in by Associate Justices Jose C. Reyes, Jr. and Antonio L. Villamor.

² Id. at 78-80.

³ Id. at 96-114; penned by Pairing Judge Pedro De Leon Gutierrez.

PL

Regional Trial Court (RTC), Branch 118, Pasay City in Civil Case Nos. 97-1026 and 00-0016.

Factual Background

Respondent Philippine Airlines (PAL) Employees Savings and Loan Association, Inc. (PESALA) is a private non-stock corporation, the principal purposes of which are “(t)o promote and cultivate the habit of thrift and saving among its members; and to that end, to receive moneys on deposits from said members; (t)o loan said deposits to members when in need.”⁴

With the enactment of Republic Act (R.A.) No. 3779 (*Savings and Loan Association Law*), PESALA submitted the necessary requirements to the Bangko Sentral ng Pilipinas (BSP) so that PESALA will be authorized to operate as a savings and loan association. Among the documents required by and submitted to the BSP was a Certification dated June 20, 1969 issued by Mr. Claro C. Gloria, then Vice President for Industrial Relations of PAL, to the effect that PAL sanctions and supports the systems and operations of the PESALA; and that it “allows and implements an arrangement whereby the PESALA collects loan repayments, capital contributions, and deposits from its members by payroll deduction through the facilities of PAL. The said Certification reads:⁵

This is to certify that the Philippine Air Lines, Inc.:

1. Sanctions and supports the systems and operations of the PAL Employees Savings and Loan Association, Inc. (PESALA);
2. Allows and implements an arrangement whereby the PAL Employees Savings and Loan Association collects loan repayments, capital contributions, and deposits from its members by payroll deduction through the facilities of PAL;
3. Has loaned to the PESALA specific office space to enable it to carry on its normal business until such time as it will have already acquired its own office; and
4. Authorizes the Association to conduct business within the PAL office space loaned to the Association, Monday through Friday, from 8:00 A.M. to 1:00 P.M., and 2:00 P.M. to 4:30 P.M.

On January 28, 1972, the BSP issued to PESALA Certificate of Authority No. C-062.⁶ Since then and until the filing of the present case before the trial court, PAL religiously complied with its arrangement with

⁴ Id. at 154-155; Articles of Incorporation of PAL Employees Savings and Loan Association (PESALA).

⁵ Id. at 183.

⁶ Id. at 185.



PESALA to carry-out the payroll deductions of the loan repayments, capital contributions, and deposits of PESALA members.⁷

The controversy began on July 11, 1997, when PESALA received from Atty. Jose C. Blanco (Blanco), then PAL Labor Affairs Officer-in-Charge, a Letter⁸ informing it that PAL shall implement a maximum 40% salary deduction on all its Philippine-based employees effective August 1, 1997. The Letter stated that, as all present Philippine-based collective bargaining agreements (CBAs) contain this maximum 40% salary deduction provision and to prevent “zero net pay” situations, PAL was going to strictly enforce said provision.

Foreseeing difficulties, PESALA estimated that if the 40% ceiling will be implemented, “then only around 8% (P19,200,000.00) of the total monthly payroll of P240,000,000.00 due to PESALA will be collected by PAL. The balance of around P48,000,000.00 will have to be collected directly by plaintiff PESALA from its members who number around 13,000 and who have different offices nationwide.”⁹ PESALA claimed that this scenario is highly possible as PESALA was only ninth in the priority order of payroll deductions.¹⁰ In the obtaining circumstances, PESALA’s computation showed that “(t)here will remain an uncollected amount of P38,400,000.00 monthly for which plaintiff will suffer loss of interest income of around P3,840,000.00 monthly.”¹¹

⁷ Id. at 123; Complaint.

⁸ Id. at 188.

⁹ Id. at 128; Complaint.

¹⁰ Id. at 189. Priority Order of the Payroll Deductions:

1. Legal or Mandatory Deductions
2. Personal Loans with SSS
3. Company Accounts
4. Employee Share of Group Insurance
5. Additional Government Deduction (optional)
6. Union Dues/Membership Fees
7. Other Personal Loans with Government Agencies
8. PDMP Accounts
9. Personal Accounts with Concessionaires
 - a. PESALA (Philippine Airlines Employees Savings and Loan Association)
 - b. PECCU (Philippine Airlines Credit Cooperative Union)
 - c. PIFCO (Pilots Integrated Funding Corporation)
 - d. ALPAP-CCU (ALPAP Credit Cooperative Union)
 - e. PAEMBA (Philippine Airlines Employees Mutual Aid and Benefits Association)
 - f. PALEACCI (PALEA Credit Cooperative, Inc.)
10. Personal Insurances
 - a. Insular Life
 - b. Phil-am Life
 - c. National Life
 - d. Lincoln Life
 - e. Manila Bankers

¹¹ Id. at 129; Complaint.

Antecedent Proceedings

On August 6, 1997, PESALA filed a Complaint¹² for Specific Performance, Damages or Declaratory Relief with a Prayer for Temporary Restraining Order and Injunction before the RTC of Pasay City, and which was docketed as Civil Case No. 97-1026. The Complaint prayed for the following:¹³

WHEREFORE, premises considered, plaintiff most respectfully prays that:

1. Upon the filing of this Complaint, a temporary restraining order be issued prohibiting defendants or any of their representatives from implementing the 40% limitation on the salary deductions as stated in the Jose C. Blanco's letter dated July 11, 1997 on the deductions pertaining to the loan repayments, capital contributions and deposits authorized by the PESALA members which will be remitted to PESALA and to order defendants to maintain status quo ante litem and to strictly enforce the aforesaid payroll deductions in favor of PESALA;
2. After notice and hearing, a writ of preliminary injunction be issued against the defendants preventing the latter from committing the aforesaid acts under the preceding paragraph upon such bond as this Honorable Court may equitably and reasonably fix and to strictly enforce the payroll deductions in favor of PESALA during the pendency of the case;
3. After trial and hearing, judgment be rendered as follows:
 - a. Making the preliminary injunction permanent with respect to the acts stated in paragraph 1 of the prayer; and
 - b. Ordering defendants to pay to PESALA the amount of ₱3,840,000.00 monthly as damages reckoned from the time PAL starts applying the 40% maximum deductions on the PESALA deductions; and
 - c. Ordering the defendants jointly and severally to pay plaintiff the sum of ₱250,000.00 as attorney's fees and ₱5,000.00 as appearance fee per appearance as well as the costs of litigation.

Other reliefs just and equitable in the premises are likewise prayed.

In the Order dated August 11, 1997, the RTC issued a Temporary Restraining Order (TRO) prohibiting PAL and its representatives from implementing the maximum 40% salary deduction, to wit:¹⁴

¹² Id. at 115-150.

¹³ Id. at 148-150.

¹⁴ Id. at 98; as stated in the RTC Decision dated November 6, 2002.



In order to preserve the status quo between the parties pending resolution on the prayer for the issuance of a writ of preliminary injunction included in the complaint, a Temporary Restraining Order is hereby issued enjoining/prohibiting defendants or any of their representatives from enforcing/implementing the maximum 40% salary deduction on the Philippine based PAL employees as stated in the letter of defendant Jose C. Blanco dated July 11, 1997, on the deductions pertaining to the loan repayments, capital contributions and deposits authorized by the PESALA members which will be remitted to PESALA.

PAL, however, was not able to comply with the TRO for the August 1-15, 1997 payroll as it allegedly received a copy of the said TRO after the corresponding payroll was already prepared. As the TRO was not complied with, only ₱3,672,051.52 was remitted by PAL to PESALA instead of the usual ₱28,500,000.00.¹⁵

After a finding that the alleged CBA provision on the maximum 40% deduction was applicable only to union dues, and as the PESALA deductions were duly authorized by the member-employees, the RTC granted the injunctive writ prayed for by PESALA, enjoining PAL, Blanco, and all other persons or officials acting under them from implementing the maximum 40% limitation on salary deductions, and ordering PAL to strictly enforce the payroll deductions in favor of PESALA until further orders from the court. The Order dated September 3, 1997 states:¹⁶

In view of all the foregoing, finding merit in the herein injunctive prayer, the same is GRANTED. Let therefore, a Writ of Preliminary Injunction be issued, enjoining the defendants Philippine Airlines and Jose Blanco, and all other persons or officials acting under them from implementing the 40% limitation on the salary deductions as stated in the letter of defendant Jose C. Blanco dated July 11, 1997, pertaining to the loan repayments, capital contributions and deposits authorized by the PESALA members which will be remitted to PESALA and to maintain the status *quo ante litem* and to strictly enforce the payroll deductions in favor of plaintiff PESALA until further order from this Court, upon plaintiff's posting of a credible injunction bond in the amount of One Million (₱1,000,000.00) Pesos.

SO ORDERED.

PAL failed to comply with the terms of the Order dated September 3, 1997. For the pay period of September 1-15, 1997, the deduction advice given by PESALA was for ₱31,870,194.45 but only ₱27,209,088.24 was

¹⁵ Id. at 202; as stated in the Order dated September 3, 1997.

¹⁶ Id. at 204.



deducted, leaving a balance of ₱4,661,106.21. For the pay period of September 16-30, 1997, the deduction advice was for ₱31,678,265.85 but only ₱27,755,336.75 was deducted, leaving a balance of ₱3,922,929.10. For the pay period of October 1-15, 1997, the deduction advice was for ₱31,366,866.24 but only ₱27,668,179.53 was deducted, leaving a balance of ₱3,698,686.71. For the pay period of October 16-31, 1997, the deduction advice was for ₱31,074,983.79 but only ₱27,887,935.13 was deducted, leaving a balance of ₱3,187,048.66. For the pay period of November 1-15, 1997, the deduction advice was for ₱31,062,541.02 but only ₱27,897,703.61 was deducted, leaving a balance of ₱3,164,837.41. For the pay period of November 16-30, 1997, the deduction advice was for ₱31,306,925.06 but only ₱28,476,282.37 was deducted, leaving a balance of ₱2,830,642.69. For the pay period of December 1-15, 1997, the deduction advice was for ₱31,468,236.78 but only ₱28,363,695.00 was deducted, leaving a balance of ₱3,104,541.78. For the pay period of December 16-31, 1997, the deduction advice was for ₱31,258,380.50 but only ₱27,387,361.59 was deducted, leaving a balance of ₱3,871,018.91. For the pay period of January 1-15, 1998, the deduction advice was for ₱31,304,373.14 but only ₱25,382,534.85 was deducted, leaving a balance of ₱5,921,838.29. For the pay period of January 16-30, 1998, the deduction advice was for ₱31,687,242.52 but only ₱27,190,730.72 was deducted, leaving a balance of ₱4,496,511.80. For the pay period of February 1-15, 1998, the deduction advice was for ₱31,919,262.26 but only ₱26,269,660.41 was deducted, leaving a balance of ₱5,649,601.85.¹⁷ Thus, from September 1, 1997 to February 15, 1998, a balance of ₱44,488,760.41¹⁸ was incurred.¹⁹

In an Order dated March 11, 1998, the RTC ordered PAL to remit to PESALA the amount of ₱44,488,716.41, to wit:²⁰

WHEREFORE, and based on the foregoing considerations, finding the motion of the plaintiff to be meritorious, the same is hereby GRANTED. Defendants are hereby ordered to remit to the plaintiff PESALA the total undeducted amount of ₱44,488,716.41 which corresponds to pay periods from September 1997 to February 15, 1998, and to cause the deductions in full in the succeeding pay periods in accordance with the deduction advice of the plaintiff.

SO ORDERED.

In the meantime, PAL was placed under receivership on June 23, 1998. Thus, in the Order dated July 1, 1998, the Securities and Exchange

¹⁷ Id. at 213-214.

¹⁸ Actual computation yields the sum of ₱44,508,763.41.

¹⁹ *Rollo*, pp. 210-211; Second Supplemental Manifestation and Motion.

²⁰ Id. at 232.



Commission (SEC) prohibited PAL from paying any amounts in respect of any liabilities incurred prior to June 23, 1998 and declared all claims for payment against PAL suspended.²¹

In defense, PAL claimed that PESALA never filed any claims with the Rehabilitation Receiver of PAL nor with the SEC that is why it was unable to comply with the RTC's Order dated March 11, 1998.²²

During the hearing held on December 4, 1998, however, then PAL's counsel, Atty. Emmanuel Pena, and Blanco assured the Court that: (1) PAL will regularly remit to PESALA the full amount per pay period that is due to the latter, and (2) PAL will pay PESALA the balance of ₱44,488.716.41 by January 1999. These assurances were embodied in the Order dated December 4, 1998.²³

²¹ "Considering that the interests of PAL's investors and creditors are the paramount concern of this Commission, and to afford a fair opportunity, as well, for the implementation of a Rehabilitation Plan should one be approved by this Commission, this Hearing Panel finds it necessary to amplify its Order of June 23, 1998 and, by way of supplement, hereby orders that:

- (1) Petitioner shall not sell, transfer or assign whether on credit, privately or otherwise, or lease or mortgage the assets or any part thereof out of the ordinary course of its business, without the approval of this Commission in respect of any transaction exceeding Three Million Pesos (₱3,000,000.00) in Philippine Currency;
- (2) Petitioner shall not pay any amounts owing in respect to liabilities it incurred prior to the 23rd day of June 1998 without the approval of this Commission;
- (3) In the light of the Order of the Commission appointing an Interim Receiver all claims for payment against PAL are deemed suspended. Further, in order that the operations of PAL shall not be hampered in the meantime that the Interim Receiver is still formulating the Rehabilitation Plan, the Interim Receiver is hereby given the authority to pay for the utilities or services, inclusive of goods and services requested by, supplied to, provided to and received by the petitioner subsequent to 23 June 1998. Considering thus, all persons, firms and corporations are hereby directed to honor all commitments with PAL, neither terminating nor cancelling any agreements, or disturbing or interfering with the utility services, including, but not limited to the furnishing of fuel, gas, oil, heat, electricity, water, telephone or any other utility of like kind, furnished up to the present date to the petitioner, unless with prior notice to the petitioner or upon order of this Commission.
- (4) All persons, firms and corporations are urged to continue performing and observing any terms, conditions and provisions contained in any agreement with the petitioner subject to the obligations of the petitioner to pay for any goods and services requested by and supplied to the petitioner for the period commencing with the date of this Order. Finally, all persons, firms and corporations are likewise directed to honor the occupation by the petitioner of any asset leased by the petitioner, subject to the obligation of the petitioner to pay occupation rent, as the case may be, for the period commencing the 23rd day of June, but not arrears, at the rent presently payable by the petitioner."

²² *Rollo*, p. 57; CA Decision.

²³ *Id.* at 111; as stated in the RTC Decision.



Despite said assurances, PAL still failed to make good its word. On January 17, 2000, PESALA filed a Petition for Indirect Contempt against Blanco, Mr. Avelino L. Zapanta (then PAL President), and Mr. Andrew L. Huang (then PAL Senior Vice President-Finance and Chief Financial Officer) before the Regional Trial Court of Pasay City, docketed as Civil Case No. 00-0016, and consolidated with Civil Case No. 97-1026.

In the Decision dated November 6, 2002, the RTC made the writ of preliminary injunction earlier issued as permanent, thus ordering PAL and its officials to strictly comply with and implement the arrangement between the parties whereby PAL deducts from the salaries of PESALA members through payroll deductions the loan repayments, capital contributions and deposits of said members, and to remit the same to PESALA. The RTC also declared Blanco, Zapanta, and Huang guilty of indirect contempt and ordered them to remit or turn-over to PESALA the amount of ₱44,488,716.41 within three days from receipt of the Decision, otherwise their arrest and detention shall be ordered immediately. The dispositive of the said Decision reads:²⁴

WHEREFORE, the foregoing premises considered, judgment is hereby rendered in favor of the plaintiff/petitioner and against defendants/respondents:

- a. Ordering the defendants and all other officials, persons or agents acting under them to strictly comply with and implement the arrangement between the parties whereby defendants deduct from the salaries of the members of PESALA through payroll deductions the loan repayments, capital contributions and deposits of said members and to remit the same to plaintiff immediately giving full priority to plaintiff's deduction as contained in the Clarificatory Order dated May 19, 2000;
- b. Making the writ of preliminary injunction earlier issued as permanent;
- c. Ordering the defendants to pay the plaintiff attorney's fees of ₱250,000.00;
- d. Declaring the herein respondents Jose C. Blanco, Avelino L. Zapanta in his capacity as President of the Philippine Airlines and Andrew L. Huang, in his capacity as Senior Vice President-Finance and Chief Financial Officer of the Philippine Airlines, Inc., as guilty of indirect contempt for their contemptuous refusal and failure to comply with the lawful Orders dated March 11, 1998 and December 4, 1998 which have already become final and executory as the Petition for Certiorari of defendants on the Order of this Court dated March 11, 1998 had been denied by the Court of Appeals per its Entry of Judgment in CA-G.R. SP 48654 dated May 14, 1999. Hence, respondents are hereby

²⁴

Id. at 112-114.



ordered to remit/turn over to plaintiff/petitioner the amount of ₱44,480,716.41 within three (3) days from receipt hereof otherwise, their arrest and detention shall be ordered immediately.

- e. Ordering the defendants/respondents to pay the cost of this suit.

SO ORDERED.

On November 11, 2002, PAL, Blanco, Zapanta, and Huang appealed the RTC Decision. The appeal of Civil Case No. 97-1026 was docketed as CA-G.R. CV No. 82098, while the appeal of Criminal Case No. 00-0016 was docketed as CA-G.R. CR No. 28341 and CA-G.R. CR No. 28655. These appeals were consolidated.

While the appeals were pending before the Court of Appeals, PESALA moved for the execution of the RTC Order dated March 11, 1998. The RTC issued a Writ of Execution pending appeal and the consequent Notices of Garnishment. Upon appeal, the Court of the Appeals, as sustained by the Supreme Court, nullified the Writ of Execution and Notices of Garnishment.²⁵

Going back to the case at bar, in the Decision dated September 13, 2011, the Court of Appeals dismissed the appeal in CA-G.R. CV No. 82098, but granted the appeals in CA-G.R. CR Nos. 28341 and 28655. It affirmed with modification the RTC Decision in that it upheld the agreement between the parties whereby PAL deducts from the salaries of PESALA members through payroll deductions the loan repayments, capital contributions and deposits of said members, as well as the RTC Order directing the remittance of ₱44,488,716.41²⁶ to PESALA, but it declared Blanco, Zapanta, and Huang not guilty of indirect contempt. Thus, the Court of Appeals ruled:²⁷

WHEREFORE, premises considered, the appeal in CA-G.R. CV No. 82098 is **DISMISSED** while the appeal in CA-G.R. CR. Nos. 28341 and 28655 is **GRANTED**. The Decision of the Regional Trial Court dated November 6, 2002 is **AFFIRMED with MODIFICATION** that **respondents-appellants Jose C. Blanco, Avelino L. Zapanta and Andrew L. Huang are held not guilty of indirect contempt**. The order for them “to remit/turn over to plaintiff/petitioner the amount of ₱44,480,716.41 within three (3) days from receipt” of the November 6, 2002 Decision “otherwise, their arrest and detention shall be ordered immediately” is **REVERSED**.

²⁵ See G.R. No. 161110, September 13, 2011.

²⁶ The CA referred to this amount as ₱44,480,716.41.

²⁷ *Rollo*, p. 74.

Costs against the Defendants-Appellants.

SO ORDERED.

Issues

In the present petition, petitioner raises the following issues:²⁸

I.

The Court of Appeals ruled in a manner contrary to law and the Honorable Court's rulings in *De Ysasi v Arceo* and *Lazo vs. Republic Surety & Insurance Co.* when it sustained the lower court's adjudication of matters that are beyond the issues presented in Civil Case No. 97-1026.

II.

The Court of Appeals ruled in a manner contrary to Article 2055 of the Civil Code and the Honorable Court's rulings when it effectively declared a contract of guaranty between PAL and the members-debtors of PESALA.

III.

The Court of Appeals ruled in a manner contrary to law when it sustained the imposition of terms, conditions and standards not provided for by Republic Act No. 8367.

In raising these issues, PAL is essentially contesting the order directing it to pay PESALA the amount of P44,488,716.41, representing the balance between the deduction advice and the actual deducted amount.

Our Ruling

We deny the petition.

PAL contends that its right to due process was violated when the Court of Appeals sustained the RTC ruling for it to remit to PESALA the amount of P44,488,716.41, which amount was not specifically prayed for in the Complaint.²⁹ PAL claims that "(t)he only amount prayed for by PESALA in its complaint was the alleged damages of 'P3,840,000.00 monthly xxx reckoned from the time PAL starts applying the 40% maximum deductions on the PESALA deductions,' which is totally different from the

²⁸ Id. at 25.

²⁹ Id. at 26; Petition.



amount of P44,480,716.41³⁰ that the lower court was ordering PAL to pay PESALA. The said amount asked for by PESALA in its complaint was supposedly for “damages,” and **not** the undeducted amount insisted upon by both the lower court and the Court of Appeals.”³¹

Indeed, a perusal of the prayer in the Complaint shows that PESALA did not specifically pray for the amount of P44,488,716.41 or for any undeducted amount. But this is understandable because, at the time the Complaint was filed, PAL had yet to effect the maximum 40% deduction policy and as such, there were yet no undeducted amounts.

The records of the case show, on the other hand, that the undeducted amount of P44,488,716.41 came about because PAL failed to comply with the TRO and the injunctive writ issued by the RTC. As discussed earlier, the Complaint was filed on August 7, 1997 and as early as August 11, 1997, the RTC already issued a TRO enjoining PAL from implementing the maximum 40% deduction policy. PAL, however, failed to comply with the TRO. On September 3, 1997, the RTC issued a Writ of Preliminary Injunction (WPI) further enjoining PAL from implementing the maximum 40% deduction policy. Yet again, PAL failed to comply with the RTC’s directive.

PAL cannot hope to gain anything beneficial from its deliberate refusal to comply with the orders and directives of the court. PAL’s obstinate disobedience to the RTC’s TRO and WPI led to the disruption of the *status quo* and to the exposure of PESALA to deficits and losses, for which it should be liable.

In *United Coconut Planters Bank v. United Alloy Phils. Corp.*,³² the Court, quoting *Capitol Medical Center v. Court of Appeals*, explained that “(t)he sole object of a preliminary injunction, whether prohibitory or mandatory, is to preserve the *status quo* until the merits of the case can be heard.” In *Buyco v. Baraquia*,³³ we further clarified that a preliminary injunction “is usually granted when it is made to appear that there is a substantial controversy between the parties and one of them is committing an act or threatening the immediate commission of an act that will cause irreparable injury or destroy the *status quo* of the controversy **before a full hearing can be had on the merits of the case.**”

³⁰ Should be P44,488,716.41.

³¹ *Rollo*, p. 28; Petition.

³² 490 Phil. 353, 363 (2005).

³³ 623 Phil. 596, 601 (2009).

Indeed, an injunction is granted by a court in order to prevent an injury or to stop the furtherance of an injury until the merits of the case can be fully adjudged. In the case at bar, PAL's defiance of the TRO and the WPI caused PESALA to incur a shortfall in the amount of ₱44,488,716.41. This shortfall could have been precluded if only PAL complied with the TRO and the WPI and preserved the *status quo*. Since such loss was brought about by PAL's non-compliance with the directives of the RTC, then fair play dictates that PAL should be held liable for its insolence.

In directing PAL to remit to PESALA the amount of ₱44,488,716.41, PAL additionally argues that the Court of Appeals unilaterally appointed PAL as a guarantor of the debts of PESALA's members³⁴ because the amount of ₱44,488,716.41 had not yet been deducted from the salaries of the PESALA members.³⁵

Contrary to PAL's erroneous argument, however, it is liable, not because it is being made a guarantor of the debts of PESALA's members, but because of its failure to comply with the RTC's directives. Indeed the amount of ₱44,488,716.41 has not yet been deducted from the salaries of the PESALA members and, precisely, the reason why such amount has not been deducted is because PAL contravened the RTC's TRO and WPI. PAL is therefore liable, not because it is being made a guarantor of the debts of PESALA's members, but because its own actions brought forth the loss in the case at bar.

PAL also claims that the RTC erred in granting PESALA a relief not prayed for in the Complaint. It maintains that PESALA cannot be awarded the amount of ₱44,488,716.41 as it is not in the nature of damages, which is the only fiscal relief specifically prayed for in the Complaint.

Verily, it is a settled rule that a court cannot grant a relief not prayed for in the pleadings or in excess of that being sought. In *Bucal v. Bucal*,³⁶ the Court, reiterating the ruling in *DBP v. Teston*, explained:

Due process considerations justify this requirement. It is improper to enter an order which exceeds the scope of relief sought by the pleadings, **absent notice which affords the opposing party an opportunity to be heard with respect to the proposed relief.** The fundamental purpose of the requirement that allegations of a complaint must provide the measure of recovery is **to prevent surprise** to the defendant. (Emphasis supplied.)

³⁴ *Rollo*, p. 31; Petition.

³⁵ *Id.* at 30; *id.*

³⁶ G.R. No. 206957, June 17, 2015.



In the case at bar, the records show that PAL was afforded due notice and an opportunity to be heard with regard to PESALA's claim of ₱44,488,716.41. In fact, in explaining the foregoing balance, PAL adverted to the "zero net pay" status of their employees' respective accounts, thus concluding that "there is simply no legal or equitable basis in PESALA's demand for the remittance of the amount claimed to be undeducted."³⁷

Moreover, the prayer in the Complaint did state that "(o)ther reliefs just and equitable in the premises are likewise prayed."³⁸ In *Sps. Gutierrez v. Sps. Valiente, et al.*,³⁹ the Court, echoing the ruling in *BPI Family Bank v. Buenaventura*, held that:

(T)he general prayer is broad enough to "justify extension of a remedy different from or together with the specific remedy sought."

Even without the prayer for a specific remedy, proper relief may be granted by the court if the facts alleged in the complaint and the evidence introduced so warrant. **The court shall grant relief warranted by the allegations and the proof even if no such relief is prayed for.** The prayer in the complaint for other reliefs equitable and just in the premises justifies the grant of a relief not otherwise specifically prayed for. (Emphasis supplied.)

Undeniably, PESALA's claim of ₱44,488,716.41 is a necessary consequence of the action it filed against PAL. As said claim was duly heard and proven during trial, with PAL being afforded the opportunity to contest it, the RTC and the Court of Appeals did not err in granting such claim.

It is also worth mentioning that PAL, through its then counsel Atty. Emmanuel Pena and then Labor Affairs OIC Atty. Jose C. Blanco, acknowledged its liability to PESALA in the amount of ₱44,488,716.41. In open court, during the hearing held on December 4, 1998, Atty. Pena and Atty. Blanco assured that: (1) PAL will regularly remit to PESALA the full amount per pay period that is due to the latter; and (2) PAL will likewise pay PESALA the balance of the previously undeducted amount of ₱44,488,716.41 by January 1999. These assurances are transcribed in the Order dated December 4, 1998 of the RTC.⁴⁰

Even if viewed as an offer of compromise, which is generally inadmissible in evidence against the offeror in civil cases, PAL's acknowledgment of its liability to PESALA in the amount of

³⁷ *Rollo*, pp. 230-231; Order dated March 11, 1998.

³⁸ *Id.* at 150; Complaint.

³⁹ 579 Phil. 486, 500 (2008).

⁴⁰ *Rollo*, p. 111; RTC Decision.

₱44,488,716.41 falls under one of the exceptions to the rule of exclusion of compromise negotiations.

In *Tan v. Rodil*,⁴¹ the Court, citing the case of *Varadero de Manila v. Insular Lumber Co.*, held that if there is neither an expressed nor implied denial of liability, but during the course of negotiations the defendant expressed a willingness to pay the plaintiff, then such offer of the defendant can be taken in evidence against him.

In the case at bar, PAL admitted the amount of ₱44,488,716.41 without an expressed nor implied denial of liability. This admission, coupled with an assurance of payment, binds PAL.

In addition, the Court finds that an award of interest is in order. In *Nacar v. Gallery Frames*,⁴² the Court clarified that:

When an obligation, not constituting a loan or forbearance of money, is breached, an interest on the amount of damages awarded may be imposed at the *discretion of the court* at the rate of 6% *per annum*. No interest, however, shall be adjudged on unliquidated claims or damages, except when or until the demand can be established with reasonable certainty. Accordingly, where the demand is established with reasonable certainty, the interest shall begin to run from the time the claim is made judicially or extrajudicially (Art. 1169, Civil Code), but when such certainty cannot be so reasonably established at the time the demand is made, the interest shall begin to run only from the date the judgment of the court is made (at which time the quantification of damages may be deemed to have been reasonably ascertained). The actual base for the computation of legal interest shall, in any case, be on the amount finally adjudged.

As further elucidated by the Court in *Nacar*, when the judgment of the court awarding a sum of money becomes final and executory, a legal interest at the rate of 6% per annum shall be imposed, counted from the time of finality until full satisfaction of the judgment, as this interim period is deemed an equivalent to a forbearance of credit.

On a last note, we herein clarify that the Court's directive for PAL to remit to PESALA the amount of ₱44,488,716.41 does not preclude PAL from seeking due reimbursement from the members of PESALA whose accounts were not accordingly deducted. As explained earlier, the Court is not holding PAL as a guarantor of the debts of these PESALA members;

⁴¹ 540 Phil. 183, 203-204 (2006).

⁴² G.R. No. 189871, August 13, 2013, 703 SCRA 439, 454.



thus, PAL can rightfully claim the principal amount of ₱44,488,716.41 from these concerned PESALA members.

This clarification is in consonance with the principle against unjust enrichment. In *Grandteq Industrial Steel Products, Inc., et al. v. Margallo*,⁴³ we defined unjust enrichment as follows:

As can be gleaned from the foregoing, there is unjust enrichment when (1) a person is unjustly benefitted, and (2) such benefit is derived at the expense of or with damages to another. **The main objective of the principle of unjust enrichment is to prevent one from enriching oneself at the expense of another.** It is commonly accepted that this doctrine simply means that a person shall not be allowed to profit or enrich himself inequitably at another's expense. One condition for invoking this principle is that the aggrieved party has no other action based on a contract, quasi-contract, crime, quasi-delict, or any other provision of law. (Emphasis supplied.)

As the amount of ₱44,488,716.41 is actually comprised of loans of certain PESALA members which were not duly deducted from their respective salaries, then fair play dictates that these PESALA members should pay the remaining balances of their loans and reimburse PAL. The interests herein adjudged by the Court, however, are for the account of PAL, as it was PAL's disobedience of the RTC's directives that brought forth the said principal amount.

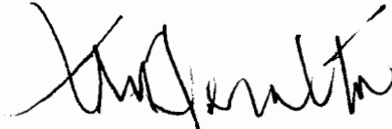
WHEREFORE, premises considered, the present petition is hereby **DENIED**. Petitioner Philippine Airlines, Inc. (PAL) is ordered to **REMIT** to PAL Employees Savings and Loan Association, Inc. (PESALA) the principal amount of ₱44,488,716.41, with interest at the rate of 6% per annum computed from March 11, 1998 until fully remitted, without prejudice to the right of PAL to be reimbursed the principal amount by the concerned PESALA members.

SO ORDERED.


JOSE PORTUGAL PEREZ
Associate Justice

⁴³ 611 Phil. 613, 627 (2009).

WE CONCUR:




DIOSDADO M. PERALTA
Associate Justice
Acting Chairperson, Third Division



MARIANO C. DEL CASTILLO
Associate Justice



BIENVENIDO L. REYES
Associate Justice



FRANCIS H. JARDELEZA
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.



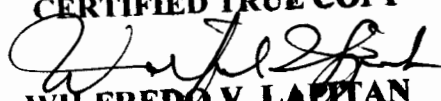
DIOSDADO M. PERALTA
Associate Justice
Acting Chairperson, Third Division

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution and the Division Acting 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.



MARIA LOURDES P. A. SERENO
Chief Justice

CERTIFIED TRUE COPY

WILFREDO V. LAPID
Division Clerk of Court
Third Division
FEB 19 2016