



Republic of the Philippines
Supreme Court
Manila

FIRST DIVISION

PATRICIA ZAMORA RIINGEN,
 Petitioner,

G.R. No. 252716

Present:

PERALTA, C.J.,
Chairperson,
CAGUIOA,
CARANDANG,
ZALAMEDA, and
GAERLAN, JJ.

- versus -

**WESTERN UNION FINANCIAL
 SERVICES (HONG KONG)
 LIMITED, PHILIPPINES
 REPRESENTATIVE OFFICE,**
 Respondent.

Promulgated:

MAR 03 2021

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DECISION

CARANDANG, J.:

This Petition for Review on *Certiorari*¹ under Rule 45 of the Rules of Court assails the Decision² dated July 11, 2019 and the Resolution³ dated June 9, 2020 of the Court of Appeals in CA-G.R. SP No. 153585 which overturned the rulings of the Labor Arbiter (LA) and the National Labor Relations Commission (NLRC) and held that the monetary claim of petitioner Patricia Zamora Riingen (Riingen) is without basis.

¹ *Rollo*, pp. 37-40.

² Penned by Associate Justice Tita Marilyn B. Payoyo-Villordon, with the concurrence of Associate Justices Mario V. Lopez (now a Member of this Court) and Zenaida T. Galapate: *id.* at 11-30.

³ Penned by Associate Justice Tita Marilyn B. Payoyo-Villordon, with the concurrence of Associate Justices Zenaida T. Galapate-Laguilles and Louis P. Acosta; *id.* at 8-9.

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Facts of the Case

This case involves a monetary claim for withholding tax deducted from the early retirement benefit of Riingen, former Senior Regional Vice-President for South East Asia and Oceania of respondent Western Union Financial Services Limited, Philippines Representative Office (Western Union).⁴

In its Position Paper,⁵ Riingen alleged that she joined Western Union as Marketing Director in 2005. She retired from Western Union on August 31, 2016. On June 24, 2016, Riingen informally expressed her interest in availing of the early retirement package under the Employees' Retirement Plan through an e-mail sent to Jocelyn Flordeliza (Flordeliza), Western Union's Manager for Human Relations in the Philippines. According to the Employees' Retirement Plan, the employees of Western Union are given the option to retire upon reaching the age of 50 with at least 10 years of service.⁶

On August 5, 2016, Flordeliza replied to Riingen's query and forwarded a computation of the latter's retirement benefits prepared by Laura Manganotti (Manganotti), Western Union's Senior Manager for Compensation and Benefits. In the said reply, Flordeliza confirmed that the retirement benefits of Riingen is free from tax.⁷ Through another email dated August 8, 2016, Riingen formalized her intent to retire by August 31, 2016. On August 11, 2016, Flordeliza sent to Riingen a revised computation of the latter's retirement package reiterating that "As the age [of Riingen] is not more than 50, the lump sum is not taxable." However, on August 24, 2016, Manganotti informed Riingen that her retirement benefits are not tax-free. Manganotti explained that Western Union's Retirement Plan does not match certain requirements that would grant the tax exemption to qualified retirees.⁸ On the day of her retirement, Western Union's external auditor informed Riingen that Western Union failed to register its Employees' Retirement Plan in accordance with the requirements of the Bureau of Internal Revenue (BIR). Further, in an e-mail dated September 1, 2016, Tim Cinalli, Western Union's Vice President for Global Benefits, Payroll, and Mobility, insisted that the Employees' Retirement Plan was never intended for registration because registration is time-consuming and complicated. Western Union withheld from Riingen the amount of ₱4,243,191.80 as tax liability.⁹

According to Riingen, the employees of Western Union are entitled to a tax-free retirement package and the failure of Western Union to register the Plan shall not deprive them of the benefits promised to them.¹⁰ Riingen

⁴ Id. at 99.

⁵ Id. at 361-371.

⁶ Id. at 361-362.

⁷ Id. at 363.

⁸ Id.

⁹ Id. at 364.

¹⁰ Id. at 365.

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likewise insisted that assuming Western Union intentionally failed to register the Plan with the BIR, Western Union misled its employees by not informing them of its failure to register. Riingen claimed that such failure reeks of bad faith.¹¹ Hence, Riingen prayed that the amount withheld by Western Union corresponding to the tax should be returned to her. In addition, she asked the LA to award moral damages, exemplary damages, and attorney's fees.¹²

For its part, Western Union countered that Riingen's early retirement benefit is subject to withholding tax in accordance with the provisions of the National Internal Revenue Code since the Employees' Retirement Plan did not meet the requirements for tax exemption under Revenue Regulations (RR) No. 1-68, as amended.¹³ Western Union insisted that it was not even obliged by law to put up a retirement plan. There is also nothing under the Labor Code that requires Western Union to register its Employees' Retirement Plan to the BIR.¹⁴

Upon submission of the parties' other pleadings, the case was submitted for decision.

Ruling of the Labor Arbiter

On February 28, 2017, the LA rendered its Decision¹⁵ ordering Western Union to pay to Riingen the following: ₱4,243,292.85 representing the tax withheld from her; ₱500,000.00 as moral damages; ₱250,000.00 as exemplary damages; 6% legal interest in the amount of ₱254,597.57; and ₱524,789.04 as 10% attorney's fees.¹⁶

The LA based its decision to grant the monetary claims of Riingen on the doctrine of abuse of rights. According to the LA, Western Union has the option to register its Employees' Retirement Plan. Western Union's failure to register the Retirement Plan, which could have made the retirement benefits of its retirees non-taxable, is its exclusive fault.¹⁷ The LA ruled that Western Union's acts violated the rights of Riingen under Articles 19, 20, and 21 of the Civil Code.¹⁸

Aggrieved, Western Union elevated the case to the NLRC.¹⁹

¹¹ Id. at 368.

¹² Id. at 369.

¹³ Id. at 253.

¹⁴ Id. at 255-256.

¹⁵ Penned by Labor Arbiter Benedict G. Kato; id. at 99-112.

¹⁶ Id. at 111.

¹⁷ Id. at 107-108.

¹⁸ Id. at 109-110.

¹⁹ Id. at 114.

Ruling of the National Labor Relations Commission

On June 29, 2017, the NLRC issued its Decision²⁰ affirming the ruling of the LA. However, the Commission deleted the award of moral and exemplary damages.²¹

The NLRC disagreed with the LA that Western Union abused its rights in not registering its Employees' Retirement Plan to the BIR. The NLRC is not convinced that Western Union acted in bad faith.²² The NLRC acknowledged that Western Union's avoidance of large administrative costs and continuous funding of the Plan if registered, is a valid management prerogative.²³

Be that as it may, the NLRC found Western Union accountable pursuant to promissory estoppel brought by its negligence.²⁴ The NLRC discussed that the requisites of promissory estoppel, such as: (1) a promise reasonably expected to induce action or forbearance; (2) such promise did in fact induce such action or forbearance; and (3) the party suffered detriment as a result, are present in this case.²⁵ According to the NLRC, Western Union's conduct made Riingen expect and believe that she shall receive her retirement benefits free of tax. Western Union failed to inform Riingen or any of its employees that the early retirement plan is taxable. The NLRC likewise noted Western Union's representatives' apparent lack of knowledge of the taxability of retirement benefits as shown by the initial e-mail of Flordeliza and Manganotti informing Riingen that the benefits she would receive are tax-free.²⁶ The NLRC concluded that notwithstanding Western Union's prerogative to register its Retirement Plan, the fact remains that Riingen was led to believe Western Union's earlier representations and her reliance thereon caused her prejudice.²⁷

On the issue of moral and exemplary damages, the NLRC held that the same has no legal basis because Western Union did not act in bad faith.²⁸ Western Union's breach consequent to a promissory estoppel renders it liable only to an amount equivalent to the portion that was withheld as tax payment, legal interest, and attorney's fees.²⁹

²⁰ Penned by Presiding Commissioner Gerardo C. Nograles, with the concurrence of Commissioners Gina F. Cenit-Escoto and Romeo I. Go; *id.* at 114-130.

²¹ *Id.* at 129.

²² *Id.* at 121.

²³ *Id.* at 122.

²⁴ *Id.* at 124.

²⁵ *Id.* at 125.

²⁶ *Id.*

²⁷ *Id.* at 126.

²⁸ *Id.* at 126-127.

²⁹ *Id.* at 128.



Western Union moved for reconsideration which was denied in a Resolution³⁰ dated September 19, 2017. Thereafter, Western Union filed a Petition for *Certiorari*³¹ to the CA.

Ruling of the Court of Appeals

In a Decision³² dated July 11, 2019, the CA granted the petition filed by Western Union and held that there was no basis for the grant of ₱4,243,292.85 representing the withheld taxes of Riingen's retirement benefit.³³

The CA held that Riingen cannot feign ignorance of the retirement benefits being taxable because the provisions of the Employees' Retirement Plan itself, which Riingen signed, provided that the payment of retirement benefit shall be "net of all legally required or permitted deductions and withholdings."³⁴ The CA discussed that employers and employees are free to stipulate on retirement benefits for as long as they comply with the minimum requirements provided by the Labor Code. In this case, the matter of choosing whether to register the Retirement Plan with the BIR is a legitimate act of management that is not contrary to law, morals, public policy, and public order.³⁵ Further, the CA noted that a tax-free retirement benefit remains to the exception rather than the general rule.³⁶

The CA disagreed with the NLRC that the doctrine of promissory estoppel is applicable in this case. It was not shown that Western Union or any of its representatives promised its employees a tax-free retirement benefit. While the initial e-mails of Flordeliza and Manganotti contained erroneous information about the non-taxability of the retirement benefit, these miscommunications cannot be considered a promise on behalf of Western Union.³⁷

This time aggrieved, Riingen moved for reconsideration which was denied in a Resolution³⁸ dated June 9, 2020. Riingen then filed this Petition for Review on *Certiorari*.³⁹ Riingen agrees with the NLRC that Western Union led its employees to believe that the benefits under the Employees' Retirement Plan are tax free.⁴⁰ Riingen stresses that Flordeliza and Manganotti, both senior and high-level officials of Western Union confirmed through an e-mail dated August 5, 2016 that her retirement benefit is tax-free. It was only after receiving such confirmation that Riingen

³⁰ Penned by Presiding Commissioner Gerardo C. Nograles, with the concurrence of Commissioners Gina F. Cenit-Escoto and Romeo L. Go; id. at 140-143.

³¹ Id. at 144-184.

³² Supra note 2.

³³ *Rollo*, p. 29.

³⁴ Id. at 20.

³⁵ Id. at 23.

³⁶ Id. at 25.

³⁷ Id. at 28.

³⁸ Supra note 3.

³⁹ *Rollo*, pp. 34-70.

⁴⁰ Id. at 44-45.

formalized her intention to avail of the early retirement option under the Employees' Retirement Plan through an e-mail dated August 8, 2016. In fact, on August 11, 2016, Flordeliza and Manganotti reiterated their earlier response that indeed, the lump sum retirement benefit of Riingen is tax-free.⁴¹ Riingen presented the affidavits of former employees and officers of Western Union who swore that they too, believed that the early retirement benefit under the Employees' Retirement Plan is not taxable.⁴² Further, Riingen asserts that had she been duly informed in a timely manner that the early retirement benefit is subject to tax, she could have exercised other options including: (a) the negotiation for a termination through involuntary separation which grants a higher benefit than the early retirement benefit; (b) the choice of leaving much earlier considering that the early retirement benefit was not as lucrative as presented; or (c) Riingen could have stayed with Western Union instead of availing of early retirement.⁴³ Lastly, Riingen faults the CA in reversing the decision of the NLRC despite being supported by substantial evidence and absent grave abuse of discretion amounting to lack or excess of jurisdiction.⁴⁴

In its Comment,⁴⁵ Western Union insists that it has never misled its employees into believing that the retirement benefits under the Employees' Retirement Plan are tax-free because the Plan itself states that the benefits to be received by the retirees are net of taxes.⁴⁶ Western Union negates Riingen's claim that her basis to retire early was her expectation that her early retirement benefit is tax-free. According to Western Union, Riingen really intended to retire early and the tax consequence of the same is not a consideration for her.⁴⁷ Lastly, Western Union invoked its management prerogative in deciding not to register the Plan to the BIR.⁴⁸

Issue

Whether Western Union should refund to Riingen the amount of taxes withheld from her retirement pay.

Ruling of the Court

The petition is meritorious.

At the onset, the Court must emphasize that the decisions of the NLRC are reviewable by the CA only through a special civil action for *certiorari* under Rule 65 of the Rules of Court on the ground of grave abuse of discretion amounting to lack or excess of jurisdiction. When the CA reviews an NLRC decision, it is necessarily limited to the question of

⁴¹ Id. at 48.
⁴² Id. at 50.
⁴³ Id. at 53.
⁴⁴ Id. at 63.
⁴⁵ Id. at 694-739.
⁴⁶ Id. at 706.
⁴⁷ Id. at 714.
⁴⁸ Id. at 717.

whether the NLRC acted arbitrarily, whimsically, or capriciously. It does not entail looking into the correctness of the judgment of the NLRC on the merits. Necessarily, when the CA decision is brought to the Court through a petition for review on *certiorari* under Rule 45, the question of law presented to the Court is whether the CA correctly found that the NLRC acted with grave abuse of discretion in rendering its judgment.⁴⁹

Here, when Western Union elevated the case to the CA on *certiorari*, it questioned the ruling of the NLRC in ordering it to shoulder the tax due on Riingen as well as in awarding 6% interest per annum on the amount of tax withheld and attorney's fees. Western Union's pleading, in truth, seeks a review of the merits of the case. This cannot be done in a *certiorari* petition. On the contrary, the Court finds that the decision of the NLRC was based on substantial evidence and rooted in law and jurisprudence. Hence, it was an error for the CA to reverse the same, absent grave abuse of discretion amounting to lack or excess of jurisdiction.

The NLRC based its decision in favor of Riingen on the existence of promissory estoppel. Promissory estoppel may arise from the making of a promise, even though without consideration, if it was intended that the promise should be relied upon, as in fact it was relied upon, and if a refusal to enforce it would virtually sanction the perpetration of fraud or would result in other injustice. Promissory estoppel presupposes the existence of a promise on the part of one against whom estoppel is claimed. The promise must be plain and unambiguous and sufficiently specific so that the court can understand the obligation assumed and enforce the promise according to its terms. To make out a claim of promissory estoppel, a party bears the burden of establishing the following elements: (1) a promise was reasonably expected to induce action or forbearance; (2) such promise did, in fact, induce such action or forbearance; and (3) the party suffered detriment as a result.⁵⁰

According to Article 1431 of the Civil Code, "through estoppel, an admission or representation is rendered conclusive upon the person making it, and cannot be denied or disproved as against the person relying thereon". There are three kinds of estoppels, to wit: (1) estoppel in *pais*; (2) estoppel by deed; and (3) estoppel by laches. Under estoppel in *pais*, a person is considered in estoppel if by his **conduct, representations, admissions or silence when he ought to speak out**, whether intentionally or through culpable negligence, "**causes another to believe certain facts to exist** and such other **rightfully relies and acts on such belief**, as a consequence of which he would be prejudiced if the former is permitted to deny the existence of such facts."⁵¹

In this case, although Western Union, in the strict sense, did not make any promise to Riingen and the other employees that the early retirement

⁴⁹ *Philippine National Bank v. Gregorio*, 818 Phil. 321, 333 (2017).

⁵⁰ *Accessories Specialist Inc. v. Alabanza*, 581 Phil. 517, 526 (2008).

⁵¹ *Go v. Bangko Sentral ng Pilipinas*, 763 Phil. 480, 489 (2015). Emphasis supplied.

benefit under the Employees' Retirement Plan is tax-free so as to fall under the doctrine of promissory estoppel, nevertheless, the conduct, representations, and silence of Western Union and its responsible officers, before, during, and subsequent to Riingen's application to avail of the early retirement option under the Plan led her to believe that the benefit she will receive under the Plan is free of tax.

A perusal of the record of the case reveals that as early as June 24, 2016, Riingen already signified her intention to retire by August 31, 2016. More than a month thereafter, Flordeliza, Western Union's most Senior Human Relations Manager in the Philippines, and Manganotti, the senior manager for compensation and benefits, informed Riingen that her retirement package is tax-free. This was reiterated in another e-mail dated August 11, 2016 where Flordeliza stated that, "As the age [of Riingen] is not more than 50, the lump sum is not taxable."⁵² Pursuant to these e-mail exchanges, Riingen formalized her application to avail of the early retirement option under the Employees' Retirement Plan. Western Union cannot distance itself from the statements of the two of its highest officers. At the very least, Flordeliza and Manganotti's declarations regarding the non-taxability of the benefits under the Plan reinforces Riingen's claim that the officers and employees of Western Union indeed shared the same belief that the retirement package under the Employees' Retirement Plan is tax-free. Moreover, Riingen presented the sworn statements of Western Union's former employees saying that they too, thought that the retirement benefits are free of tax.

Further, since 2005 when the Employees' Retirement Plan took effect,⁵³ Western Union never clarified with its officers and employees that the retirement benefits set forth therein are taxable. It is only when Riingen decided to avail of the option to retire early that Western Union backtracked and said that the benefits are actually subject to tax. Based on these representations, statements, and conduct of Western Union and its officers, Riingen was led to believe that her retirement benefit is not taxable.

Lastly, it should be noted that Riingen will be prejudiced if Western Union can deny the non-taxability of the retirement benefits under the Plan. Due to Riingen's belief, reinforced by Western Union's conduct and representations that her early retirement benefit is tax-free, she chose to avail of the early retirement option under the Plan. Western Union's belated confirmation that the early retirement package is taxable precluded Riingen from exercising her options. As pointed out by Riingen, had Western Union made known to her and the employees that the Plan is taxable, she could either have negotiated for a termination through involuntary separation which grants a higher benefit than the early retirement benefit, or she could have left much earlier considering that the early retirement benefit was not as lucrative as presented, or she could have stayed with Western Union

⁵² *Rollo*, pp. 363, 376

⁵³ *Id.* at 267.



instead of availing of early retirement. In belatedly informing Riingen of the taxability of her early retirement benefit, she was not able to exercise an informed choice. The other options for her could have been more beneficial than retiring early, had she known that the early retirement benefit that she can receive is taxable.

Considering the foregoing, the Court is convinced that the NLRC committed no grave abuse of discretion in rendering its judgment in favor of Riingen that would justify the reversal of its decision by the CA through a *certiorari* petition.

WHEREFORE, the Petition for Review on *Certiorari* is **GRANTED**. The Decision dated June 29, 2017 and the Resolution dated September 19, 2017 of the National Labor Relations Commission are **REINSTATED**.

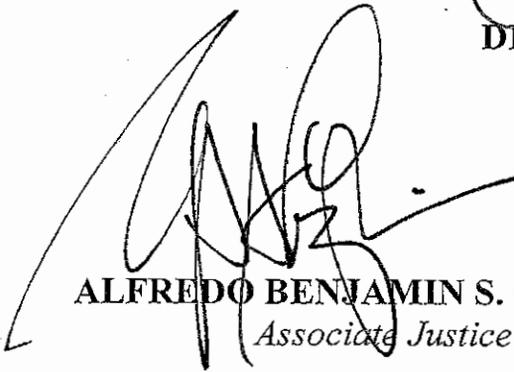
SO ORDERED.


ROSMARI D. CARANDANG
Associate Justice

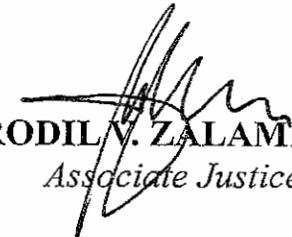
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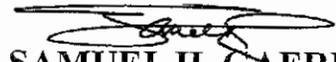
DIOSDADO M. PERALTA
Chief Justice



ALFREDO BENJAMIN S. CAGUIOA
Associate Justice



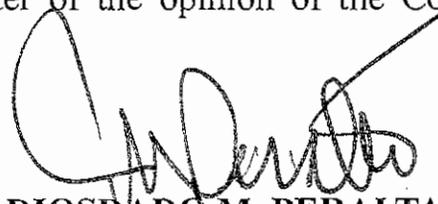
RODIL V. ZALAMEDA
Associate Justice



SAMUEL H. GAERLAN
Associate Justice

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution, 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.



DIOSDADO M. PERALTA
Chief Justice