



Republic of the Philippines
Supreme Court
Manila

EN BANC

**GOVERNMENT SERVICE
INSURANCE SYSTEM (GSIS),
HERMOGENES D.
CONCEPCION, JR., WINSTON F.
GARCIA, REYNALDO P.
PALMIERY, LEOVIGILDO P.
ARRELLANO, ELMER T.
BAUTISTA, LEONORA V. DE
JESUS, FULGENCIO S.
FACTORAN, FLORINO O.
IBAÑEZ, AIDA C. NOCETE,
AURORA P. MATHAY,
ENRIQUETA DISUANCO,
AMALIO MALLARI, LOURDES
PATAG, RICHARD M.
MARTINEZ, ASUNCION C.
SINDAC, GLORIA D. CAEDO,
ROMEO C. QUILATAN,
ESPERANZA FALLORINA,
LOLITA BACANI, ARNULFO
MADRIAGA, LEOCADIA S.
FAJARDO, BENIGNO
BULAONG, SHIRLEY D.
FLORENTINO, and LEA M.
MENDIOLA,**

Petitioners,

- versus -

**COMMISSION ON AUDIT
(COA), AMORSONIA B.
ESCARDA, MA. CRISTINA D.
DIMAGIBA, and REYNALDO P.
VENTURA,**

Respondents.

G.R. No. 162372

Present:

SERENO, C.J.,
CARPIO,
VELASCO, JR.,
LEONARDO-DE CASTRO,
BRION,
PERALTA,
BERSAMIN,
DEL CASTILLO,
ABAD,
VILLARAMA, JR.,
PEREZ,
MENDOZA,
REYES, and
PERLAS-BERNABE, JJ.

Promulgated:

SEPTEMBER 11, 2012

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RESOLUTION

LEONARDO-DE CASTRO, J.:

Romeo C. Quilatan, in his capacity as one of the petitioners in *GSIS, et al. v. Commission on Audit, et al.*, and in representation of his fellow Government Service Insurance System (GSIS) officers and employees who retired under the GSIS RFP (Retirement/Financial Plan), filed a **Motion for Clarification and Reconsideration** dated November 7, 2011, and a **Manifestation to Supplement the Motion for Clarification and Reconsideration** dated January 20, 2012, of this Court's October 11, 2011 Decision in the said case. On May 17, 2012, Quilatan filed a **Final Memorandum and Summary of Arguments**, which he followed-up on August 28, 2012, with another **Manifestation to Supplement [the] Final Memorandum and Summary of Arguments**.

On November 11, 2011, Federico Pascual, Daniel N. Mijares, Elvira U. Geronimo, Aurora P. Mathay, Manuel P. Bausa, Rustico G. Delos Angeles, Lourdes Delos Angeles, Sonia S. Sindac, Marina Santamaria, the Estate of Lourdes G. Patag represented by Napolen Patag, and Vicente Villegas (Movants Federico Pascual, *et al.*), who are some of the payees named in the decision, filed an **Entry of Appearance with Motion for Leave of Court to Admit the Motion for Clarification** filed on the same day. The Movants Federico Pascual, *et al.* later on furnished Quilatan a copy of this Motion, as per their Compliance/Manifestation dated July 20, 2012, which this Court notes.

On February 22, 2012, Quilatan filed a **Manifestation and Motion to Defer Execution of Judgment**, alleging that GSIS, the main petitioner in the case, which no longer contested this Court's October 11, 2011 Decision, had

started to send out demand letters from the payees, asking them to refund the amounts they had received as retirement benefits under the GSIS RFP.

In his Manifestations, Memorandum, and Motion for Clarification and Reconsideration of this Court's October 11, 2011 Decision, Quilatan raises several grounds, all of which were already addressed in said Decision. Movants Federico Pascual, *et al.*, however, raised in their Motion for Clarification, a new issue, which this Court will address, to wit:

Whether or not the payees should be compelled to return the retirement benefits they had received under the GSIS RFP.

In essence, the Movants Federico Pascual, *et al.* are asking this Court to reconsider our Decision in so far as their liability, as the payees, to return the benefits they had already received, by applying our rulings in *Molen, Jr. v. Commission on Audit*,¹ *De Jesus v. Commission on Audit*,² *Magno v. Commission on Audit*,³ *Baybay Water District v. Commission on Audit*,⁴ *Barbo v. Commission on Audit*,⁵ *Bases Conversion and Development Authority v. Commission on Audit*,⁶ among others, wherein, despite this Court's disapproval of the allowances and/or benefits the payees therein received, for being contrary to the law applicable in those cases, this Court did not require such payees to refund the monies they had received in good faith.

On April 11, 2012, the public respondents, through the Office of the Solicitor General, commented and agreed with the Movants Federico

¹ 493 Phil. 874 (2005).

² 451 Phil. 812 (2003).

³ G.R. No. 149941, August 28, 2007, 531 SCRA 339.

⁴ 425 Phil. 326 (2002).

⁵ G.R. No. 157542, October 10, 2008, 568 SCRA 302.

⁶ G.R. No. 178160, February 26, 2009, 580 SCRA 295.

Pascual, *et al.* that it would be an injustice if they were ordered to refund the retirement benefits they had received more than a decade ago.

The Court notes the Comment filed by the GSIS on July 13, 2012, in compliance with our March 13, 2012 Resolution, where GSIS states that since it did not move for the reconsideration of this Court's October 11, 2011 Decision, it was bound by such decision. As far as it was concerned, the said decision became final after the lapse of fifteen days from receipt of said Decision on October 21, 2011. GSIS adds that since it already conceded that it had no power to adopt the GSIS RFP, and decided to accept the notices of disallowance, it had no reason to continue disregarding such notices, the implementation of which was never enjoined.

As for Quilatan, GSIS claims that he has no legal standing to represent the payees as he has no interest in the main controversy, *i.e.*, the power of GSIS to adopt the RFP, and because he was not prejudiced by the decision on the case. Moreover, the GSIS avers, Quilatan had already retired from the GSIS; thus, he cannot represent it and argue its case before this Court.

Anent the payees, some of whom are the Movants now before us, the GSIS posits that they did not timely intervene in this case despite knowledge of its pendency before this Court, which lasted for almost eight years. According to the GSIS, giving due course to the motions would allow a form of intervention by persons who were not parties to the case after the opportunity for them to do so had lapsed.

The Court finds merit in the aforesaid position of the GSIS. Quilatan's Motion for Clarification and Reconsideration and the Movants Federico Pascual, *et al.*'s Motion for Clarification, which in effect seeks a

reconsideration of the Court's Decision dated October 11, 2011, should be denied for lack of the Movants' legal standing to question the said Decision.

Furthermore, even if the substantive issues and arguments raised by the Movants Federico Pascual, *et al.* are considered, there is no justifiable ground to reverse the Court's Decision. While it is true, as claimed by the Movants Federico Pascual, *et al.*, that based on prevailing jurisprudence, disallowed benefits received in good faith need not be refunded, the case before us may be distinguished from all the cases cited by Movants Federico Pascual, *et al.* because the monies involved here are **retirement benefits**.

Retirement benefits belong to a different class of benefits. All the cases cited by the Movants Federico Pascual, *et al.* involved benefits such as cash gifts, representation allowances, rice subsidies, uniform allowances, *per diems*, transportation allowances, and the like. The foregoing allowances or fringe benefits are given **in addition** to one's salary, either to reimburse him for expenses he might have incurred in relation to his work, or as a form of supplementary compensation. On the other hand, retirement benefits are given to one who is separated from employment either voluntarily or compulsorily. Such benefits, subject to certain requisites imposed by law and/or contract, are given to the employee on the assumption that he can no longer work. They are also given as a form of reward⁷ for the services he had rendered. The purpose is not to enrich him but to help him during his non-productive years.

Our Decision dated October 11, 2011 does not preclude Movants Federico Pascual, *et al.* from receiving retirement benefits provided by existing retirement laws. What they are prohibited from getting are the additional benefits under the GSIS RFP, which we found to have emanated

⁷ *Santos v. Court of Appeals*, 399 Phil. 298, 307 (2000).

from a void and illegal board resolution. To allow the payees to retain the disallowed benefits would amount to their unjust enrichment to the prejudice of the GSIS, whose avowed purpose is to maintain its actuarial solvency to finance the retirement, disability, and life insurance benefits of its members.⁸

This Court, elucidating on the concept of unjust enrichment in *University of the Philippines v. PHILAB Industries, Inc.*,⁹ said:

Unjust enrichment is a term used to depict result or effect of failure to make remuneration of or for property or benefits received under circumstances that give rise to legal or equitable obligation to account for them; to be entitled to remuneration, one must confer benefit by mistake, fraud, coercion, or request. Unjust enrichment is not itself a theory of reconvey. Rather, it is a prerequisite for the enforcement of the doctrine of restitution.¹⁰

The statutory basis for unjust enrichment is found in Article 22 of the Civil Code, which provides:

Every person who through an act of performance by another, or any other means, acquires or comes into possession of something at the expense of the latter without just or legal ground, shall return the same to him.

Under the foregoing provision, there is unjust enrichment when:

1. A person is unjustly benefited; and
2. Such benefit is derived at the expense of or with damages to another.¹¹

In *Car Cool Philippines, Inc. v. Ushio Realty and Development Corporation*¹² we said:

⁸ *Government Service Insurance System v. The City Assessor of Iloilo City*, 526 Phil. 145, 149 (2006).

⁹ 482 Phil. 693 (2004).

¹⁰ Id. at 710.

¹¹ *Tamio v. Ticson*, 485 Phil. 434, 443 (2004).

¹² 515 Phil. 376 (2006).

[T]here is unjust enrichment when a person unjustly retains a benefit to the loss of another, or when a person retains money or property of another against the fundamental principles of justice, equity and good conscience. x x x.¹³ (Citation omitted.)

In the same case, we added that “[t]here is no unjust enrichment when the person who will benefit has a valid claim to such benefit.”¹⁴ Because the GSIS RFP, which we repeat, is contrary to law, thus void and of no effect, the enrichment of the payees is without just or legal ground. Therefore, the payees have no valid claim to the benefits they received under the GSIS RFP.

The payees received the disallowed benefits with the mistaken belief that they were entitled to the same under the GSIS RFP. Article 1456 of the Civil Code, which is applicable in this case, reads:

If property is acquired through mistake or fraud, the person obtaining it is, by force of law, considered a trustee of an implied trust for the benefit of the person from whom the property comes.

Construing the above provision, this Court, in *Aznar Brothers Realty Company v. Aying*,¹⁵ quoted established jurisprudence as follows:

A deeper analysis of Article 1456 reveals that it is not a trust in the technical sense for in a typical trust, confidence is reposed in one person who is named a trustee for the benefit of another who is called the *cestui que trust*, respecting property which is held by the trustee for the benefit of the *cestui que trust*. A constructive trust, unlike an express trust, does not emanate from, or generate a fiduciary relation. While in an express trust, a beneficiary and a trustee are linked by confidential or fiduciary relations, in a constructive trust, there is neither a promise nor any fiduciary relation to speak of and the so-called trustee neither accepts any trust nor intends holding the property for the beneficiary.

x x x x

¹³ Id. at 384.

¹⁴ Id.

¹⁵ 497 Phil. 788 (2005).

x x x [I]mplied trusts are those which, without being expressed, are deducible from the nature of the transaction as matters of intent or which are superinduced on the transaction by operation of law as matters of equity, independently of the particular intention of the parties. x x x¹⁶

*Policarpio v. Court of Appeals*¹⁷ expounded on the doctrine of implied trust in relation to another provision of the Civil Code. We ruled in the said case that a constructive trust is substantially an appropriate remedy against unjust enrichment, as follows:

And specifically applicable to the case at bar is the doctrine that [a] constructive trust is substantially an appropriate remedy against unjust enrichment. It is raised by equity in respect of property, which has been acquired by fraud, or where although acquired originally without fraud, it is against equity that it should be retained by the person holding it.¹⁸

Thus, the payees, who acquired the retirement benefits under the GSIS RFP, are considered as trustees of the disallowed amounts, as although they committed no fraud in obtaining these benefits, it is against equity and good conscience for them to continue holding on to them.

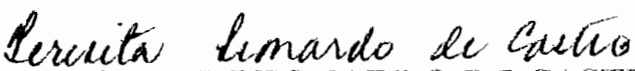
WHEREFORE, premises considered, the Motion for Clarification and Reconsideration and Manifestation to Supplement the Motion for Clarification and Reconsideration filed by Romeo C. Quilatan and the Motion for Clarification (which we treat as a Motion for Reconsideration) filed by Federico Pascual, Daniel N. Mijares, Elvira U. Geronimo, Aurora P. Mathay, Manuel P. Bausa, Rustico G. Delos Angeles, Lourdes Delos Angeles, Sonia S. Sindac, Marina Santamaria, the Estate of Lourdes G. Patag represented by Napolen Patag, and Vicente Villegas are **DENIED**.

¹⁶ Id. at 799-800.

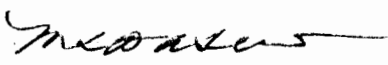
¹⁷ 336 Phil. 329 (1997).


¹⁸ Id. at 342.


SO ORDERED.



TERESITA J. LEONARDO-DE CASTRO
Associate Justice

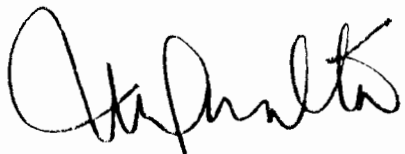
WE CONCUR:


MARIA LOURDES P. A. SERENO
Chief Justice


ANTONIO T. CARPIO
Associate Justice

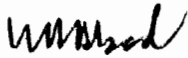

PRESBITERO J. VELASCO, JR.
Associate Justice


ARTURO D. BRION
Associate Justice


DIOSDADO M. PERALTA
Associate Justice


LUCAS P. BERSAMIN
Associate Justice


MARIANO C. DEL CASTILLO
Associate Justice



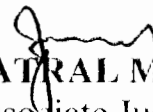
ROBERTO A. ABAD
Associate Justice



MARTIN S. VILLARAMA, JR.
Associate Justice



JOSE PORTUGAL PEREZ
Associate Justice



JOSE CATRAL MENDOZA
Associate Justice



BIENVENIDO L. REYES
Associate Justice



ESTELA M. BERLAS-BERNABE
Associate Justice

CERTIFICATION

Pursuant to Article VIII, Section 13 of the Constitution, I certify that the conclusions in the above Resolution had been reached in consultation before the case was assigned to the writer of the opinion of the Court.



MARIA LOURDES P. A. SERENO
Chief Justice