Republic of the Philippines
Supreme Court
Manila

THIRD DIVISION

BENIGNO M. VIGILLA, ALFONSO M. BONGOT, ROBERTO CALLESA, LINDA C. CALLO, NILO B. CAMARA, ADELIA T. CAMARA, ADOLFO G. PINON, JOHN A. FERNANDEZ, FEDERICO A. CALLO, MAXIMA P. ARELLANO, JULITO B. COSTALES, SAMSON F. BACHAR, EDWIN P. DAMO, RENATO E. FERNANDEZ, GENARO F. CALLO, JIMMY C. ALETA, and EUGENIO SALINAS,
Petitioners,

- versus -

PHILIPPINE COLLEGE OF CRIMINOLOGY INC. and/or GREGORY ALAN F. BAUTISTA,
Respondents.

G.R. No. 200094

Present:

VELASCO, JR., *J., Chairperson.*
PERALTA,
ABAD,
MENDOZA, and
LEONEN, *JJ.*

Promulgated:

JUN 10 2013

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DECISION

MENDOZA, *J.*:

This is a petition for review on *certiorari* under Rule 45 of the Rules of Court assailing the September 16, 2011 Decision[1] of the Court of Appeals *(CA)*, in CA-G.R. SP No. 120225, which affirmed the February 11, 2011 Resolution[2] and the April 28, 2011[3] Resolution of the National Labor

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[1] *Rollo*, pp. 8-22, penned by Associate Justice Amy C. Lazaro-Javier and concurred in by Associate Justices Rebecca De Guia-Salvador and Sesinando E. Villon of the Fourth Division, Manila.
[2] Id. at 241-260.
[3] Id. at 287-290.

Relations Commission *(NLRC).* The two NLRC resolutions affirmed with modifications the July 30, 2010 Decision[4] of the Labor Arbiter *(LA)* finding that (a) Metropolitan Building Services, Inc. *(MBMSI)* was a labor-only contractor; (b) respondent Philippine College of Criminology Inc. *(PCCr)* was the petitioners' real principal employer; and (c) PCCr acted in bad faith in dismissing the petitioners. The NLRC, however, declared that the claims of the petitioners were settled amicably because of the releases, waivers and quitclaims they had executed.

The Antecedents

PCCr is a non-stock educational institution, while the petitioners were janitors, janitresses and supervisor in the Maintenance Department of PCCr under the supervision and control of Atty. Florante A. Seril *(Atty. Seril)*, PCCr's Senior Vice President for Administration. The petitioners, however, were made to understand, upon application with respondent school, that they were under MBMSI, a corporation engaged in providing janitorial services to clients. Atty. Seril is also the President and General Manager of MBMSI.

Sometime in 2008, PCCr discovered that the Certificate of Incorporation of MBMSI had been revoked as of July 2, 2003. On March 16, 2009, PCCr, through its President, respondent Gregory Alan F. Bautista *(Bautista),* citing the revocation, terminated the school's relationship with MBMSI, resulting in the dismissal of the employees or maintenance personnel under MBMSI, except Alfonso Bongot *(Bongot)* who was retired.

In September, 2009, the dismissed employees, led by their supervisor, Benigno Vigilla *(Vigilla)*, filed their respective complaints for illegal dismissal, reinstatement, back wages, separation pay (for Bongot), underpayment of salaries, overtime pay, holiday pay, service incentive leave, and 13th month pay against MBMSI, Atty. Seril, PCCr, and Bautista.

In their complaints, they alleged that it was the school, not MBMSI, which was their real employer because (a) MBMSI's certification had been revoked; (b) PCCr had direct control over MBMSI's operations; (c) there was no contract between MBMSI and PCCr; and (d) the selection and hiring of employees were undertaken by PCCr.

On the other hand, PCCr and Bautista contended that (a) PCCr could not have illegally dismissed the complainants because it was not their direct employer; (b) MBMSI was the one who had complete and direct control over the complainants; and (c) PCCr had a contractual agreement with MBMSI, thus, making the latter their direct employer.

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[4] Id. at 178-201.

On September 11, 2009, PCCr submitted several documents before LA Ronaldo Hernandez, including releases, waivers and quitclaims in favor of MBMSI executed by the complainants to prove that they were employees of MBMSI and not PCCr.[5] The said documents appeared to have been notarized by one Atty. Ramil Gabao. A portion of the releases, waivers and quitclaims uniformly reads:

> For and in consideration of the total amount of _____, as and by way of separation pay due to the closure of the Company brought about by serious financial losses, receipt of the total amount is hereby acknowledged, I _____, x x x forever release and discharge x x x METROPOLITAN BUILDING MAINTENANCE SERVICES, INC., of and from any and all claims, demands, causes of actions, damages, costs, expenses, attorney's fees, and obligations of any nature whatsoever, known or unknown, in law or in equity, which the undersigned has, or may hereafter have against the METROPOLITAN BUILDING MAINTENANCE SERVICES, INC., whether administrative, civil or criminal, and whether or not arising out of or in relation to my employment with the above company or third persons.[6]

Ruling of the Labor Arbiter

After due proceedings, the LA handed down his decision, finding that (a) PCCr was the real principal employer of the complainants ; (b) MBMSI was a mere adjunct or alter ego/labor-only contractor; (c) the complainants were regular employees of PCCr; and (d) PCCr/Bautista were in bad faith in dismissing the complainants.

The LA ordered the respondents (a) to reinstate petitioners except Bongot who was deemed separated/retired; (b) to pay their full back wages from the date of their illegal dismissal until actual reinstatement (totaling ₱2,963,584.25); (c) to pay Bongot's separation or retirement pay benefit under the Labor Code (amounting to ₱254,010.00); (d) to pay their 3-year Service Incentive Leave Pay (₱4,245.60 each) except Vigilla (₱5,141.40); (e) to pay all the petitioners moral and exemplary damages in the combined amount of ₱150,000.00; and finally (f) to pay 10% of the total computable award as Attorney's Fees.

The LA explained that PCCr was actually the one which exercised control over the means and methods of the work of the petitioners, thru Atty. Seril, who was acting, throughout the time in his capacity as Senior Vice

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[5] Id. at 189-190.
[6] Id. at 49.

President for Administration of PCCr, not in any way or time as the supposed employer/general manager or president of MBMSI.

Despite the presentation by the respondents of the releases, waivers and quitclaims executed by petitioners in favor of MBMSI, the LA did not touch on the validity and authenticity of the same. Neither did he discuss the effects of such releases, waivers and quitclaims on petitioners' claims.

Ruling of the NLRC

Not satisfied, the respondents filed an appeal before the NLRC. In its Resolution, dated February 11, 2011, the NLRC affirmed the LA's findings. Nevertheless, the respondents were excused from their liability by virtue of the releases, waivers and quitclaims executed by the petitioners. Specifically, the NLRC pointed out:

> As Respondent MBMSI and Atty. Seril, together are found to be labor only contractor, they are solidarily [liable] with Respondent PCCr and Gregory Alan F. Bautista for the valid claims of Complainants pursuant to Article 109 of the Labor Code on the [solidary] liability of the employer and indirect employer. This liability, however, is effectively expunged by the acts of the 17 Complainants of executing Release, Waiver, and Quitclaims (pp. 170-184, Records) in favor of Respondent MBMSI. The liability being joined, the release of one redounds to the benefit of the others, pursuant to Art. 1217 of the Civil Code, which provides that "[P]ayment made by one of the solidary debtors extinguishes the obligation. x x x."[7]

In their motion for reconsideration, petitioners attached as annexes their affidavits denying that they had signed the releases, waivers, and quitclaims. They prayed for the reinstatement *in toto* of the July 30, 2010 Decision of the LA.[8] MBMSI/Atty. Seril also filed a motion for reconsideration[9] questioning the declaration of the NLRC that he was solidarily liable with PCCr.

On April 28, 2011, NLRC modified its February 11, 2011 Resolution by affirming the July 30, 2010 Decision[10] of the LA only in so far as complainants Ernesto B. Ayento and Eduardo B. Salonga were concerned. As for the other 17 complainants, the NLRC ruled that their awards had been superseded by their respective releases, waivers and quitclaims.

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[7] Id. at. 259.
[8] Id. at 275.
[9] Id. at 278-284.
[10] Id. at 178-201.

The seventeen (17) complainants filed with the CA a petition for *certiorari* under Rule 65 faulting the NLRC with grave abuse of discretion for absolving the respondents from their liability by virtue of their respective releases, waivers and quitclaims.

Ruling of the Court of Appeals

On September 16, 2011, the CA denied the petition and affirmed the two Resolutions of the NLRC, dated February 11, 2011 and April 28, 2011. The CA pointed out that based on the principle of solidary liability and Article 1217[11] of the New Civil Code, petitioners' respective releases, waivers and quitclaims in favor of MBMSI and Atty. Seril redounded to the benefit of the respondents. The CA also upheld the factual findings of the NLRC as to the authenticity and due execution of the individual releases, waivers and quitclaims because of the failure of petitioners to substantiate their claim of forgery and to overcome the presumption of regularity of a notarized document. Petitioners' motion for reconsideration was likewise denied by the CA in its January 4, 2012 Resolution.

Hence, this petition under Rule 45 challenging the CA Decision anchored on the following

GROUNDS

The Hon. Court of Appeals COMMITTED REVERSIBLE ERRORS when:

A. IT CONSIDERED RESPONDENT METROPOLITAN BUILDING MAINTENANCE SERVICES, INC.'S LIABILITY AS SOLIDARY TO RESPONDENT PHILIPPINE COLLEGE OF CRIMINOLOGY, INC., WHEN IN FACT THERE IS NO LEGAL BASIS TO THAT EFFECT.

B. IT DID NOT AFFIRM THE DECISION OF THE HON. LABOR ARBITER, DATED JULY 30, 2010, AS TO 17 PETITIONERS IN THIS CASE, DISREGARDING THE CORPORATION LAW AND JURISPRUDENCE OF THE HON. SUPREME COURT IN SO FAR AS QUITLCLAIMS, RELEASE AND WAIVERS ARE CONCERNED IN LABOR CASES.

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[11] Art. 1217. **Payment made by one of the solidary debtors extinguishes the obligation**. If two or more solidary debtors offer to pay, the creditor may choose which offer to accept.

He who made the payment may claim from his co-debtors only the share which corresponds to each, with the interest for the payment already made. If the payment is made before the debt is due, no interest for the intervening period may be demanded.

When one of the solidary debtors cannot, because of his insolvency, reimburse his share to the debtor paying the obligation, such share shall be borne by all his co-debtors, in proportion to the debt of each. (Emphasis ours.)

C. IT AFFIRMED THE DECISION OF THE HON. NATIONAL LABOR RELATIONS COMMISSION, THAT THE 17 COMPLAINANTS HAVE SETTLED THEIR CLAIMS BY VIRTUE OF ALLEGED RELEASES, WAIVERS AND QUITCLAIMS SIGNED BY THE COMPLAINANTS IN FAVOR OF METROPOLITAN BUILDING MAINTENANCE, INC.

D. IT DID NOT TAKE INTO CONSIDERATION SUBSTANTIAL EVIDENCE OF PETITIONERS/COMPLAINANTS DISPUTING THE ALLEGED WAIVERS, RELEASES AND QUITCLAIMS, INCLUDING THE ALLEGED NOTARIZATION THEREOF.[12]

The petition fails.

The grounds cited by the petitioners boil down to this basic issue: whether or not their claims against the respondents were amicably settled by virtue of the releases, waivers and quitclaims which they had executed in favor of MBMSI.

In resolving this case, the Court must consider three (3) important sub-issues, to wit:

(a) whether or not petitioners executed the said releases, waivers and quitclaims;

(b) whether or not a dissolved corporation can enter into an agreement such as releases, waivers and quitclaims beyond the 3-year winding up period under Section 122 of the Corporation Code; and

(c) whether or not a labor-only contractor is solidarily liable with the employer.

The Releases, Waivers and Quitclaims are Valid

Petitioners vehemently deny having executed any release, waiver or quitclaim in favor of MBMSI. They insist that PCCr forged the documents just to evade their legal obligations to them, alleging that the contents of the

[12] *Rollo,* pp. 41-42.

documents were written by one person, whom they identified as Reynaldo Chavez, an employee of PCCr, whose handwriting they were familiar with.[13]

To begin with, their posture was just an afterthought. Petitioners had several opportunities to question the authenticity of the said documents but did not do so. The records disclose that during the proceedings before the LA, PCCr submitted several documents, including the subject releases, waivers and quitclaims executed on September 11, 2009 in favor of MBMSI,[14] but petitioners never put their genuineness and due execution at issue. These were brought up again by the respondents in their Memorandum of Appeal,[15] but again petitioners did not bother to dispute them.

It was *only after* the NLRC's declaration in its February 11, 2011 Resolution that the claims of petitioners had been settled amicably by virtue of the releases, waivers and quitclaims, that petitioners, in their motion for reconsideration,[16] denied having executed any of these instruments. This passiveness and inconsistency of petitioners will not pass the scrutiny of this Court.

At any rate, it is quite apparent that this petition raises questions of fact inasmuch as this Court is being asked to revisit and assess anew the factual findings of the CA and the NLRC regarding the validity, authenticity and due execution of the subject releases, waivers and quitclaims.

Well-settled is the rule that this Court is not a trier of facts and this doctrine applies with greater force in labor cases. Questions of fact are for the labor tribunals to resolve.[17] Only errors of law are generally reviewed in petitions for review on certiorari criticizing decisions of the CA. Moreover, findings of fact of quasi-judicial bodies like the NLRC, as affirmed by the CA, are generally conclusive on this Court.[18] Hence, as correctly declared by the CA, the following NLRC factual findings are binding and conclusive on this Court:

> We noted that the individual quitclaims, waivers and releases executed by the complainants showing that they received their separation pay from MBMSI were duly notarized by a Notary Public. Such notarization gives prima facie evidence of their due execution. Further, said releases, waivers, and quitclaims were not

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[13] Id. at 415.
[14] Id. at 189-190.
[15] Id. at 202-221.
[16] Id. at 262-275.
[17] *Alfaro v. CA*, 416 Phil 310, 318 (2001).
[18] *Acevedo v. Advanstar Company, Inc.*, 511 Phil. 279, 287 (2005).

> refuted nor disputed by complainants herein, thus, we have no recourse but to uphold their due execution.[19]

Even if the Court relaxes the foregoing rule, there is still no reason to reverse the factual findings of the NLRC and the CA. What is on record is only the self-serving allegation of petitioners that the releases, waivers and quitclaims were mere forgeries. Petitioners failed to substantiate this allegation. As correctly found by the CA: "petitioners have not offered concrete proof to substantiate their claim of forgery. Allegations are not evidence."[20]

On the contrary, the records confirm that petitioners were really paid their separation pay and had executed releases, waivers and quitclaims in return. In his motion for reconsideration of the February 11, 2011 Resolution of the NLRC, Atty. Seril, President and General Manager of MBMSI, stated that the amount of ₱2,000,000.00 "was coursed by PCCr to me, to be handed to the complainants, through its employee, Rey Chavez."[21]

Petitioners requested the Court to take a look at such releases, waivers and quitclaims, particularly their contents and the handwriting, but they failed to attach to the records copies of the said documents which they claimed to have been forged. The petition is dismissible on this ground alone. The Rules of Court require the petition to be accompanied by such material portions of the record as would support the petition.[22] Failure to comply with the requirements regarding "the contents of and the documents which should accompany the petition" is a ground for the dismissal of the appeal.[23]

Moreover, mere unsubstantiated allegations of lack of voluntariness in executing the documents will not suffice to overcome the presumption of authenticity and due execution of a duly notarized document. As correctly held by the NLRC, "such notarization gives prima facie evidence of their due execution."[24]

Petitioners contend that the alleged notarization of the releases, waivers and quitclaims by one Atty. Ramil Gabao did not take place, because there were no records of such documents in the Notary Section of Manila. Thus, the prima facie evidence thereof has been disputed.

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[19] *Rollo*, p. 259.
[20] Id. at 70.
[21] Id. at 283.
[22] RULES OF COURT, Rule 45, Sec. 4.(d).
[23] Id. Rule 56, Sec. 5, par. (d).
[24] *Rollo*, p. 259.

The Court is not moved. Respondents should not be penalized for the failure of the notary public to submit his Notarial Report. In *Destreza v. Rinoza-Plazo,*[25] this Court stated that "the notarized deed of sale should be admitted as evidence despite the failure of the Notary Public in submitting his notarial report to the notarial section of the RTC Manila." The Court expounded:

> It is the swearing of a person before the Notary Public and the latter's act of signing and affixing his seal on the deed that is material and not the submission of the notarial report. Parties who appear before a notary public to have their documents notarized should not be expected to follow up on the submission of the notarial reports. They should not be made to suffer the consequences of the negligence of the Notary Public in following the procedures prescribed by the Notarial Law.[26]

It would have been different if the notary public was not a lawyer or was not commissioned as such. In this regard, however, petitioners offered no proof.

On the Revocation of MBMSI's Certificate of Incorporation

Petitioners further argue that MBMSI had no legal personality to incur civil liabilities as it did not exist as a corporation on account of the fact that its Certificate of Incorporation had been revoked on July 2, 2003. Petitioners ask this Court to exempt MBMSI from its liabilities because it is no longer existing as a corporation.

The Court cannot accommodate the prayer of petitioners.

The executed releases, waivers and quitclaims are valid and binding notwithstanding the revocation of MBMSI's Certificate of Incorporation. The revocation does not result in the termination of its liabilities. Section

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[25] G.R. No. 176863, October 30, 2009, 604 SCRA 775.
[26] Id. at 783-784.

122[27] of the Corporation Code provides for a three-year winding up period for a corporation whose charter is annulled by forfeiture or otherwise to continue as a body corporate for the purpose, among others, of settling and closing its affairs.

Even if said documents were executed in 2009, six (6) years after MBMSI's dissolution in 2003, the same are still valid and binding upon the parties and the dissolution will not terminate the liabilities incurred by the dissolved corporation pursuant to Sections 122 and 145[28] of the Corporation Code. In the case of *Premiere Development Bank v. Flores,*[29] the Court held that a corporation is allowed to settle and close its affairs even after the winding up period of three (3) years. The Court wrote:

> As early as 1939, this Court held that, although the time during which the corporation, through its own officers, may conduct the liquidation of its assets and sue and be sued as a corporation is limited to three years from the time the period of dissolution commences, there is **no time limit** within which the trustees must complete a liquidation placed in their hands. What is provided in Section 122 of the Corporation Code is that the conveyance to the trustees must be made within the three-year period. But it may be found impossible to complete the work of liquidation within the three-year period or to reduce disputed claims to judgment. The trustees to whom the corporate assets have been conveyed pursuant to the authority of Section 122 may sue and be sued as such in all matters connected with the liquidation.

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[27] Sec. 122. Corporate liquidation. - Every corporation whose charter expires by its own limitation or is annulled by forfeiture or otherwise, or whose corporate existence for other purposes is terminated in any other manner, shall nevertheless be **continued as a body corporate for three (3) years after the time when it would have been so dissolved, for the purpose of prosecuting and defending suits by or against it and enabling it to settle and close its affairs, to dispose of and convey its property and to distribute its assets**, but not for the purpose of continuing the business for which it was established.

At any time during said three (3) years, the corporation is authorized and empowered to convey all of its property to trustees for the benefit of stockholders, members, creditors, and other persons in interest. From and after any such conveyance by the corporation of its property in trust for the benefit of its stockholders, members, creditors and others in interest, all interest which the corporation had in the property terminates, the legal interest vests in the trustees, and the beneficial interest in the stockholders, members, creditors or other persons in interest.

Upon the winding up of the corporate affairs, any asset distributable to any creditor or stockholder or member who is unknown or cannot be found shall be escheated to the city or municipality where such assets are located.

Except by decrease of capital stock and as otherwise allowed by this Code, no corporation shall distribute any of its assets or property except upon lawful dissolution and after payment of all its debts and liabilities. (Emphasis ours.)

[28] Sec. 145. Amendment or repeal. - No right or remedy in favor of or against any corporation, its stockholders, members, directors, trustees, or officers, **nor any liability incurred by any such corporation**, stockholders, members, directors, trustees, or officers, **shall be removed or impaired** either **by the subsequent dissolution of said corporation** or by any subsequent amendment or repeal of this Code or of any part thereof. [Emphases supplied].

[29] G.R. No. 175339, December 16, 2008, 574 SCRA 66.

> Furthermore, Section 145 of the Corporation Code clearly provides that **"no right or remedy in favor of or against any corporation, its stockholders, members, directors, trustees, or officers, nor any liability incurred by any such corporation, stockholders, members, directors, trustees, or officers, shall be removed or impaired either by the subsequent dissolution of said corporation." Even if no trustee is appointed or designated during the three-year period of the liquidation of the corporation, the Court has held that the board of directors may be permitted to complete the corporate liquidation by continuing as "trustees" by legal implication.**[30] [Emphases supplied; citations omitted]

A Labor-only Contractor is Solidarily Liable with the Employer

The issue of whether there is solidary liability between the labor-only contractor and the employer is crucial in this case. If a labor-only contractor is solidarily liable with the employer, then the releases, waivers and quitclaims in favor of MBMSI will redound to the benefit of PCCr. On the other hand, if a labor-only contractor is not solidarily liable with the employer, the latter being directly liable, then the releases, waivers and quitclaims in favor of MBMSI will not extinguish the liability of PCCr.

On this point, petitioners argue that there is no solidary liability to speak of in case of an existence of a labor-only contractor. Petitioners contend that under Article 106[31] of the Labor Code, a labor-only contractor's liability is not solidary as it is the employer who should be directly responsible to the supplied worker. They argue that Article 109[32] of the Labor Code (solidary liability of employer/indirect employer and

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[30] Id. at *75-77*.

[31] Art. 106. Contractor or subcontractor. Whenever an employer enters into a contract with another person for the performance of the former's work, the employees of the contractor and of the latter's subcontractor, if any, shall be paid in accordance with the provisions of this Code.

In the event that the contractor or subcontractor fails to pay the wages of his employees in accordance with this Code, the employer shall be jointly and severally liable with his contractor or subcontractor to such employees to the extent of the work performed under the contract, in the same manner and extent that he is liable to employees directly employed by him.

The Secretary of Labor and Employment may, by appropriate regulations, restrict or prohibit the contracting-out of labor to protect the rights of workers established under this Code. In so prohibiting or restricting, he may make appropriate distinctions between labor-only contracting and job contracting as well as differentiations within these types of contracting and determine who among the parties involved shall be considered the employer for purposes of this Code, to prevent any violation or circumvention of any provision of this Code.

There is "labor-only" contracting where the person supplying workers to an employer does not have substantial capital or investment in the form of tools, equipment, machineries, work premises, among others, and the workers recruited and placed by such person are performing activities which are directly related to the principal business of such employer. In such cases, the person or intermediary shall be considered merely as an agent of the employer who shall be responsible to the workers in the same manner and extent as if the latter were directly employed by him.

[32] Art. 109. Solidary liability. The provisions of existing laws to the contrary notwithstanding, every employer or indirect employer shall be held responsible with his contractor or subcontractor for any violation of any provision of this Code. For purposes of determining the extent of their civil liability under this Chapter, they shall be considered as direct employers.

contractor/subcontractor) and Article 1217 of the New Civil Code (extinguishment of solidary obligation) do not apply in this case. Hence, the said releases, waivers and quitclaims which they purportedly issued in favor of MBMSI and Atty. Seril do not automatically release respondents from their liability.

Again, the Court disagrees.

The NLRC and the CA correctly ruled that the releases, waivers and quitclaims executed by petitioners in favor of MBMSI redounded to the benefit of PCCr pursuant to Article 1217 of the New Civil Code. The reason is that MBMSI is solidarily liable with the respondents for the valid claims of petitioners pursuant to Article 109 of the Labor Code.

As correctly pointed out by the respondents, the basis of the solidary liability of the principal with those engaged in labor-only contracting is the last paragraph of Article 106 of the Labor Code, which in part provides: *"In such cases [labor-only contracting], the person or intermediary shall be considered merely as an agent of the employer who shall be responsible to the workers in the same manner and extent as if the latter were directly employed by him."*

Section 19 of Department Order No. 18-02 issued by the Department of Labor and Employment *(DOLE),* which was still in effect at the time of the promulgation of the subject decision and resolution, interprets Article 106 of the Labor Code in this wise:

> Section 19. Solidary liability. **The principal shall be** deemed as the direct employer of the contractual employees and therefore, **solidarily liable with the contractor or subcontractor for whatever monetary claims the contractual employees may have against the former in the case of violations as provided for in Sections 5 (Labor-Only contracting),** 6 (Prohibitions), 8 (Rights of Contractual Employees) and 16 (Delisting) of these Rules. In addition, the principal shall also be solidarily liable in case the contract between the principal and contractor or subcontractor is preterminated for reasons not attributable to the fault of the contractor or subcontractor. [Emphases supplied].

The DOLE recognized anew this solidary liability of the principal employer and the labor-only contractor when it issued Department Order No. 18-A, series of 2011, which is the latest set of rules implementing Articles 106-109 of the Labor Code. Section 27 thereof reads:

> Section 27. Effects of finding of labor-only contracting and/or violation of Sections 7, 8 or 9 of the Rules. **A finding by competent authority of labor-only contracting shall render the principal jointly and severally liable with the contractor to the latter's employees**, in the same manner and extent that the principal is liable to employees directly hired by him/her, as provided in Article 106 of the Labor Code, as amended.
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> A finding of commission of any of the prohibited activities in Section 7, or violation of either Sections 8 or 9 hereof, shall render the principal the direct employer of the employees of the contractor or subcontractor, pursuant to Article 109 of the Labor Code, as amended. (Emphasis supplied.)

These legislative rules and regulations designed to implement a primary legislation have the force and effect of law. A rule is binding on the courts so long as the procedure fixed for its promulgation is followed and its scope is within the statutory authority granted by the legislature.[33]

Jurisprudence is also replete with pronouncements that a job-only contractor is solidarily liable with the employer. One of these is the case of *Philippine Bank of Communications v. NLRC*[34] where this Court explained the legal effects of a job-only contracting, to wit:

> Under the general rule set out in the first and second paragraphs of Article 106, an employer who enters into a contract with a contractor for the performance of work for the employer, does not thereby create an employer-employees relationship between himself and the employees of the contractor. Thus, the employees of the contractor remain the contractor's employees and his alone. Nonetheless when a contractor fails to pay the wages of his employees in accordance with the Labor Code, the employer who contracted out the job to the contractor becomes jointly and severally liable with his contractor to the employees of the latter "to the extent of the work performed under the contract" as such employer were the employer of the contractor's employees. The law itself, in other words, establishes an employer-employee relationship between the employer and the job contractor's employees for a limited purpose, i.e., in order to ensure that the latter get paid the wages due to them.

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[33] *Victorias Milling Company, Inc., v. Social Security Commission*, 14 Phil. 555, 558 (1962).
[34] 230 Phil. 430 (1986).

> A similar situation obtains where there is "labor only" contracting. The "labor-only" contractor-i.e "the person or intermediary" - is considered "merely as an agent of the employer." The employer is made by the statute responsible to the employees of the "labor only" contractor as if such employees had been directly employed by the employer. Thus, where "labor-only" contracting exists in a given case, the statute itself implies or establishes an employer-employee relationship between the employer (the owner of the project) and the employees of the "labor only" contractor, this time for a comprehensive purpose: "employer for purposes of this Code, to prevent any violation or circumvention of any provision of this Code." **The law in effect holds both the employer and the "labor-only" contractor responsible to the latter's employees for the more effective safeguarding of the employees' rights under the Labor Code.**[35] [Emphasis supplied].

The case of *San Miguel Corporation v. MAERC Integrated Services, Inc.*[36] also recognized this solidary liability between a labor-only contractor and the employer. In the said case, this Court gave the distinctions between solidary liability in legitimate job contracting and in labor-only contracting, to wit:

> **In legitimate job contracting**, the law creates an employer-employee relationship for a limited purpose, *i.e.*, to ensure that the employees are paid their wages. The **principal employer becomes jointly and severally liable with the job contractor only for the payment of the employees' wages whenever the contractor fails to pay the same.** Other than that, the principal employer is not responsible for any claim made by the employees.
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> **On the other hand, in labor-only contracting**, the statute creates an employer-employee relationship for a comprehensive purpose: to prevent a circumvention of labor laws. The contractor is considered merely an agent of the principal employer and the latter is responsible to the employees of the labor-only contractor as if such employees had been directly employed by the principal employer. **The principal employer therefore becomes solidarily liable with the labor-only contractor for all the rightful claims of the employees.**[37] [Emphases supplied; Citations omitted]

Recently, this Court reiterated this solidary liability of labor-only contractor in the case of *7K Corporation v. NLRC*[38] where it was ruled that the principal employer is solidarily liable with the labor-only contractor for the rightful claims of the employees.

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[35] Id. at 439-440.
[36] 453 Phil. 543 (2003).
[37] Id. at 566-567.
[38] 537 Phil. 664 (2006).

Conclusion

Considering that MBMSI, as the labor-only contractor, is solidarily liable with the respondents, as the principal employer, then the NLRC and the CA correctly held that the respondents' solidary liability was already expunged by virtue of the releases, waivers and quitclaims executed by each of the petitioners in favor of MBMSI pursuant to Article 1217 of the Civil Code which provides that *"payment made by one of the solidary debtors extinguishes the obligation."*

This Court has constantly applied the Civil Code provisions on solidary liability, specifically Articles 1217 and 1222,[39] to labor cases. In *Varorient Shipping Co., Inc. v. NLRC,*[40] this Court held:

> The POEA Rules holds her, as a corporate officer, solidarily liable with the local licensed manning agency. Her liability is inseparable from those of Varorient and Lagoa. If anyone of them is held liable then all of them would be liable for the same obligation. **Each of the solidary debtors, insofar as the creditor/s is/are concerned, is the debtor of the entire amount; it is only with respect to his co-debtors that he/she is liable to the extent of his/her share in the obligation. Such being the case, the Civil Code allows each solidary debtor, in actions filed by the creditor/s, to avail himself of all defenses which are derived from the nature of the obligation and of those which are personal to him, or pertaining to his share [citing Section 1222 of the Civil Code].** He may also avail of those defenses personally belonging to his co-debtors, but only to the extent of their share in the debt. Thus, Varorient may set up all the defenses pertaining to Colarina and Lagoa; whereas Colarina and Lagoa are liable only to the extent to which Varorient may be found liable by the court.
>
> x x x x
>
> **If Varorient were to be found liable and made to pay pursuant thereto, the entire obligation would already be extinguished [citing Article 1217 of the Civil Code]** even if no attempt was made to enforce the judgment against Colarina. Because there existed a common cause of action against the three solidary obligors, as the acts and omissions imputed against them are one and the same, an ultimate finding that Varorient was not liable would, under these circumstances, logically imply a similar exoneration from liability

[39] Art. 1222. A solidary debtor may, in actions filed by the creditor, avail himself of all defenses which are derived from the nature of the obligation and of those which are personal to him, or pertain to his own share. With respect to those which personally belong to the others, he may avail himself thereof only as regards that part of the debt for which the latter are responsible.

[40] 564 Phil. 119 (2007).

> for Colarina and Lagoa, whether or not they interposed any defense.[41] [Emphases supplied]

In light of these conclusions, the Court holds that the releases, waivers and quitclaims executed by petitioners in favor of MBMSI redounded to the respondents' benefit. The liabilities of the respondents to petitioners are now deemed extinguished. The Court cannot allow petitioners to reap the benefits given to them by MBMSI in exchange for the releases, waivers and quitclaims and, again, claim the same benefits from PCCr.

While it is the duty of the courts to prevent the exploitation of employees, it also behooves the courts to protect the sanctity of contracts that do not contravene the law.[42] The law in protecting the rights of the laborer authorizes neither oppression nor self-destruction of the employer. While the Constitution is committed to the policy of social justice and the protection of the working class, it should not be supposed that every labor dispute will be automatically decided in favor of labor. Management also has its own rights, which, as such, are entitled to respect and enforcement in the interest of simple fair play. Out of its concern for those with less privileges in life, the Court has inclined more often than not toward the worker and upheld his cause in his conflicts with the employer. Such favoritism, however, has not blinded the Court to the rule that justice is in every case for the deserving, to be dispensed in the light of the established facts and applicable law and doctrine.[43]

WHEREFORE, the petition is **DENIED.**

SO ORDERED.

JOSE CATRAL MENDOZA
Associate Justice

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[41] Id. At 128-130.
[42] *Asian Alcohol Corporation v. NLRC*, 364 Phil. 912, 933 (1999).
[43] *Mercury Drug Corporation v. NLRC*, 258 Phil 384, 391 (1989).

WE CONCUR:

PRESBITERO J. VELASCO, JR.
Associate Justice
Chairperson

DIOSDADO M. PERALTA
Associate Justice

ROBERTO A. ABAD
Associate Justice

MARVIC MARIO VICTOR F. LEONEN
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.

PRESBITERO J. VELASCO, JR.
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.

MARIA LOURDES P. A. SERENO
Chief Justice