Republic of the Philippines
Supreme Court
Manila

SECOND DIVISION

REYNALDO INUTAN,
HELEN CARTE,
NOEL AYSON,
IVY CABARLE,
NOEL JAMILI,
MARITES HULAR,
ROLITO AZUCENA,
RAYMUNDO TUNOG,
ROGER BERNAL,
AGUSTIN ESTRE,
MARILOU SAGUN, and
ENRIQUE LEDESMA, JR.,
Petitioners,

- versus -

NAPAR CONTRACTING & ALLIED SERVICES,
NORMAN LACSAMANA,[***]
JONAS INTERNATIONAL, INC., and PHILIP YOUNG,
Respondents.

G.R. No. 195654

Present:

VELASCO, JR.,[*]
BRION, *Acting Chairperson,*[**]
DEL CASTILLO,
MENDOZA, *and*
LEONEN, *JJ.*

Promulgated:
25 NOV 2015

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DECISION

DEL CASTILLO, *J*.:

A judicially approved compromise agreement has the effect and authority of *res judicata.*[1] It is final, binding on the parties, and enforceable through a writ of execution. Article 2041 of the Civil Code, however, allows the aggrieved party to rescind the compromise agreement and insist upon his original demand upon failure and refusal of the other party to abide by the compromise agreement.

[*] Per Special Order No. 2282 dated November 13, 2015.
[**] Per Special Order No. 2281 dated November 13, 2015.
[***] Spelled as Laxamana in some parts of the records.
[1] CIVIL CODE, Article 2037.

This Petition for Review on *Certiorari*[2] assails the August 27, 2010 Decision[3] of the Court of Appeals (CA) in CA-G.R. SP No. 106724, which dismissed the Petition for *Certiorari* filed by Reynaldo Inutan (Inutan), Helen Carte (Carte), Noel Ayson (Ayson), Ivy Cabarle (Cabarle), Noel Jamili (Jamili), Maritess Hular (Hular), Rolito Azucena (Azucena), Raymundo Tunog (Tunog), Jenelyn Sancho, Wilmar Bolonias, Roger Bernal (Bernal), Agustin Estre (Estre), Marilou Sagun (Sagun), and Enrique Ledesma, Jr. (Ledesma), against respondents Napar Contracting & Allied Services (Napar), Norman Lacsamana (Lacsamana), Jonas International, Inc. (Jonas), and Philip Young (Young), and affirmed the June 26, 2008 Decision[4] and October 14, 2008 Resolution[5] of the National Labor Relations Commission (NLRC) in NLRC CA No. 041474-04 dismissing the consolidated complaints against respondents for illegal dismissal with money claims on the ground of *res judicata*. Likewise assailed is the CA's February 10, 2011 Resolution[6] which denied the Motion for Reconsideration.

Factual Antecedents

Petitioners Inutan, Carte, Ayson, Cabarle, Jamili, Hular, Azucena, Tunog, Bernal, Estre, Sagun, and Ledesma were employees of respondent Napar, a recruitment agency owned and managed by respondent Lacsamana. Napar assigned petitioners at respondent Jonas, a corporation engaged in the manufacture of various food products with respondent Young as its President, to work as factory workers, machine operator, quality control inspector, selector, mixer, and warehouseman.

Sometime in September of 2002, petitioners and other co-workers (complainants) filed before the Arbitration Branch of the NLRC three separate complaints for wage differentials, 13th month pay, overtime pay, holiday pay, premium pay for holiday and rest day, service incentive leave pay, and unpaid emergency cost of living allowance (ECOLA) against respondents, docketed as NLRC NCR Case Nos. 09-76698-2002, 09-08152-2002, and 09-08046-2002, which complaints were consolidated before Labor Arbiter Jaime M. Reyno (LA Reyno).

On January 13, 2003, complainants and respondents entered into a Joint Compromise Agreement[7] which reads:

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2 *Rollo*, pp. 12-40.
3 CA *rollo*, pp. 299-313; penned by Associate Justice Mariflor P. Punzalan Castillo and concurred in by Associate Justices Josefina Guevara-Salonga and Franchito N. Diamante.
4 Id. at 130-138; penned by Presiding Commissioner Gerardo C. Nograles and concurred in by Commissioners Perlita B. Velasco and Romeo L. Go.
5 Id. at 172-174.
6 Id. at 324-325.
7 Id. at 48-50.

JOINT COMPROMISE AGREEMENT

COMPLAINANTS and the RESPONDENTS, through their respective counsel, respectfully submit the following Compromise Agreement.

WHEREAS, the parties (except Susana Larga) deciding to finally write "finis" to the instant case, have agreed to settle the instant case and to enter into a Compromise Agreement.

NOW THEREFORE, for and in consideration of the terms and conditions herein below stipulated, the parties do hereby agree:

1. That the complainants should be considered regular employees of Napar Contracting and Allied Services reckoned from their date of hire and are entitled to all the benefits under the law due to regular employees;

2. That the complainants shall be re-assigned by Napar Contracting and Allied Services and shall ensure that they will be given work within forty five days (45) or until February 26, 2002;

3. That in case Napar Contracting and Allied Services failed to re-assign or provide them work, complainants shall be reinstated in their payroll or be given their salary equivalent to the existing minimum wage x x x ;

4. That the complainants shall each receive the amount of SEVEN THOUSAND PESOS as payment for their monetary claims and which amount shall be considered in any future litigation;

5. That upon signing of this agreement and compliance with the stipulations herein provided, the cases shall be deemed and considered fully and completely satisfied and the complainants hereby release, remiss and forever discharge the herein respondents, from any and all claims arising from the above cases;

6. The parties herein respectfully pray unto this Honorable Commission to approve this Compromise Agreement and thereafter an Order be issued declaring the judgment in the above-entitled cases fully and completely satisfied.

IN WITNESS WHEREFORE, the parties have hereunto set their hands this 13th day of January 2003.[8]

In an Order[9] dated January 16, 2003, LA Reyno approved the Joint Compromise Agreement, enjoined the parties to fully comply with its terms and dismissed the case without prejudice.

In accordance with the Joint Compromise Agreement, complainants, on several instances, reported to Napar. They were paid ₱7,000.00 each as part of the

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8 Id.

9 Id. at 51.

agreement but were required by Napar: (1) to submit their respective bio-data/resume and several documents such as Police Clearance, NBI Clearance, *Barangay* Clearance, Mayor's Permit, Health Certificate, drug test results, community tax certificate, eye test results and medical/physical examination results; (2) to attend orientation seminars; (3) to undergo series of interviews; and (4) to take and pass qualifying examinations, before they could be posted to their new assignments. These requirements, according to Napar, are needed to properly assess complainants' skills for new placement with the agency's other clients.

Complainants failed to fully comply, hence they were not given new assignments.

Proceedings before the Labor Arbiter

Sensing Napar's insincerity in discharging its obligation in reassigning them, complainants filed anew before the Arbitration Branch of the NLRC four separate Complaints[10] for illegal dismissal, non-payment of 13th month pay, wage differentials, overtime pay, service incentive leave pay, holiday pay, premium pay for holiday and rest day, and moral and exemplary damages against respondents, docketed as NLRC NCR Case Nos. 00-0505557-2003, 00-05-06187-2003, 00-05-06605-2003,[11] and 00-07-07792-2003. These complaints were consolidated.

In their Position Paper,[12] complainants averred that Napar's failure to reinstate or provide them work without any condition, in consonance with the terms of the Joint Compromise Agreement, constitutes illegal constructive dismissal. They prayed for backwages plus separation pay in lieu of reinstatement.

Respondents, in their Position Paper,[13] claimed that they have fulfilled their obligation under the agreement when Napar required complainants to report for work, to submit documentary requirements, to undergo seminars and training, and to pass qualifying exams. They contended that complainants were the ones who violated the agreement when they refused to comply with the foregoing requirements in order to assess their working capabilities and skills for their next posting. As such, they were deemed to have waived their right to be reassigned. They argued that complainants should not have filed new complaints but should have instead moved for the execution of the Joint Compromise Agreement. They then argued that the Labor Arbiter who approved the said Joint Compromise Agreement or LA Reyno has exclusive jurisdiction to act on the complaints.

In a Decision[14] dated July 29, 2004, Labor Arbiter Pablo C. Espiritu, Jr. (LA Espiritu) held that the conditions of the Joint Compromise Agreement

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10 *Rollo*, pp. 67-72.
11 Also indicated as 00-05-06205-2003 in some parts of the records.
12 CA *rollo*, pp. 23-42.
13 Id. at 43-47.
14 Id at 63-86; penned by Labor Arbiter Pablo C. Espiritu, Jr.

particularly regarding reinstatement/reassignment of complainants were violated thereby justifying rescission of the Joint Compromise Agreement. LA Espiritu noted that complainants were correct in re-filing the complaints as this was an available remedy under the NLRC Rules of Procedure when their previous complaints were dismissed without prejudice. He struck down respondents' contention that a motion for execution of the compromise agreement was the proper remedy, ratiocinating that the dismissal of the cases was approved without prejudice and therefore cannot be the subject of an execution.

LA Espiritu then ruled that complainants were constructively dismissed as they were placed on temporary off-detail without any work for more than six months despite being regular employees of Napar. Doubting respondents' intention of reinstating complainants, LA Espiritu observed that the submission of requirements and compliance with the procedures for rehiring should not be imposed on complainants who are not newly-hired employees. Thus, Napar and Lacsamana were held jointly and severally liable to pay complainants their separation pay in lieu of reinstatement due to the already strained relations of the parties.

Respondents Jonas/Young, as indirect employers of complainants, were held jointly and severally liable with Napar/Lacsamana for wage differentials, 13th month pay differentials, service incentive leave pay, unpaid ECOLA, and holiday pay to some complainants, less the ₱7,000.00 already received from respondents. The claims for premium pay for holiday, rest day, overtime pay, and moral and exemplary damages were denied for lack of merit.

Proceedings before the National Labor Relations Commission

All parties appealed to the NLRC.

Complainants filed a partial appeal, arguing that LA Espiritu erred in not awarding backwages as well as wage and 13th month pay differentials to nine of them.

Respondents, for their part, argued that LA Espiritu erred in failing to recognize the final and binding effect of the Joint Compromise Agreement, contending that complainants are barred from rescinding the agreement for having received ₱7,000.00 each as partial compliance and refusing to comply with the requirements for their reassignment. Respondents Napar and Lacsamana, in their Memorandum on Appeal,[15] vehemently denied having illegally dismissed complainants and averred that they have the prerogative to impose certain requirements in order to determine their working skills *vis-à-vis* their new postings. And since they refused to comply, they have waived their right to be reassigned. Respondents Jonas/Young, meanwhile, in its Notice of Appeal with

[15] Id. at 100-113.

Memorandum of Appeal,[16] asserted that they cannot be held solidarily liable with respondents Napar and Lacsamana since only Napar is obligated to reassign complainants under the Joint Compromise Agreement.

In a Decision[17] dated June 26, 2008, the NLRC granted respondents' appeal. It ruled that the approval of the Joint Compromise Agreement by LA Reyno operates as *res judicata* between the parties and renders it unappealable and immediately executory. It held that complainants had no cause of action when they re-filed their complaints for being barred by *res judicata.* The NLRC, in disposing of the case, ordered the issuance of a writ of execution to enforce the Joint Compromise Agreement, thus:

> WHEREFORE, premises considered, the appeal of respondents is GRANTED, while that of the complainants is DISMISSED for lack of merit. The Decision of Labor Arbiter Pablo C. Espiritu, Jr. dated July 29, 2004 is REVERSED and SET ASIDE, and a new one is rendered DISMISSING the above-entitled complaints for having been barred by res judicata. The Order of Labor Arbiter Jaime Reyno dated January 16, 2003 finding the Compromise Agreement entered into by the parties on January 13, 2003 to be in order and not contrary to law and approving the same, stands valid, effective and should be enforced. Let the records of this case be forwarded to the Labor Arbiter for the issuance of a writ of execution to enforce the said Compromise Agreement.
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> SO ORDERED.[18]

Complainants filed a Motion for Reconsideration,[19] averring that the NLRC gravely erred in ordering the issuance of a writ of execution despite the absence of a final judgment or a judgment on the merits. They stand on their right to rescind the Joint Compromise Agreement and to insist on their original demands when respondents violated the compromise agreement and on their right to re-file their cases as sanctioned by the rules in cases of provisional dismissal of cases.

Napar and Lacsamana, on the other hand, filed a Motion for Partial Reconsideration[20] praying for the modification of the NLRC Decision in that complainants be declared to have waived their right to their claims under the Joint Compromise Agreement for likewise violating the agreement.

Both motions were denied in the NLRC Resolution[21] dated October 14, 2008.

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16 Id. at 114-124.
17 Id. at 130-138.
18 Id. at 137-138.
19 Id. at 140-148.
20 Id. at 149-158.
21 Id. at 172-174.

Proceedings before the Court of Appeals

In their Petition for *Certiorari*[22] filed before the CA, complainants insisted on their right to rescind the Joint Compromise Agreement under Article 2041[23] of the Civil Code and on their right to re-file their complaints under Section 16, Rule V of the NLRC Rules of Procedure.[24]

Napar and Lacsamana filed a Comment[25] on the Petition. Jonas and Young, however, failed to file a comment. As the CA did not acquire jurisdiction over Jonas and Young and on the basis of complainants' manifestation that Jonas and Young had already ceased operation, Jonas and Young were dropped as party respondents by the CA in its Resolution[26] of December 16, 2009.

On August 27, 2010, the CA rendered a Decision[27] affirming the NLRC. The CA considered the January 16, 2003 Order of LA Reyno, which approved the Joint Compromise Agreement, as a judgment on the merits, and held that the second set of complaints was barred by *res judicata.* According to the CA, the complainants, in re-filing their complaints due to respondents' unwarranted refusal to provide them work, were essentially seeking to enforce the compromise agreement and were not insisting on their original demands that do not even include a claim for illegal dismissal. Thus, the CA ruled that complainants should have moved for the execution of the Joint Compromise Agreement instead of filing a separate and independent action for illegal dismissal. The CA dismissed the Petition, *viz.:*

> WHEREFORE, premises considered, the instant petition for certiorari is DISMISSED for lack of merit. Accordingly, the June 26, 2008 Decision and October 14, 2008 Resolution of public respondent National Labor Relations Commission are AFFIRMED.
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> SO ORDERED.[28]

Complainants filed a Motion for Reconsideration[29] but it was likewise denied by the CA in its Resolution[30] dated February 10, 2011.

Twelve of the complainants, herein petitioners, instituted the present Petition for Review on *Certiorari.*

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22 Id. at 2-20.

23 Art. 2041. If one of the parties fails or refuses to abide by the compromise, the other party may either enforce the compromise or regard it as rescinded and insist upon his original demand.

24 Section 16. *Revival And Re-Opening Or Re-Filing Of Dismissed Case*. - A party may file a motion to revive or re-open a case dismissed without prejudice, within ten (10) calendar days from receipt of notice of the order dismissing the same; otherwise, his only remedy shall be to re-file the case in the arbitration branch of origin.

25 CA *rollo,* pp. 183-194.

26 Id. at 214-215.

27 Id. at 299-313.

28 Id. at 313.

29 Id. at 314-321.

30 Id. at 324-325.

Issues

Petitioners presented the following issues:

> I
> WHETHER THE COURT OF APPEALS GRAVELY ERRED IN RULING THAT PETITIONERS' COMPLAINT IS ALREADY BARRED BY *RES JUDICATA*.
>
> II
> WHETHER THE COURT OF APPEALS GRAVELY ERRED IN RULING THAT, IN FILING THE SECOND COMPLAINT, THE PETITIONERS ARE ENFORCING THE JOINT COMPROMISE AGREEMENT AND NOT RESCINDING IT. THUS, THE PETITIONERS SHOULD HAVE MOVED FOR THE ISSUANCE OF A WRIT OF EXECUTION BEFORE THE LABOR ARBITER INSTEAD OF FILING A SECOND COMPLAINT.
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> III
> WHETHER THE PETITIONERS ARE ENTITLED TO SEPARATION PAY IN LIEU OF REINSTATEMENT AND FULL BACKWAGES.[31]

Petitioners argue that the CA, in ordering the execution of the Joint Compromise Agreement, has deprived them of their right of rescission under Article 2041 of the Civil Code. They posit that due to the blatant violation by the respondents of the provisions of the Joint Compromise Agreement, they only exercised the option accorded to them by law of rescinding the agreement and of insisting upon their original demands by filing anew their Complaints. The inclusion of illegal dismissal in their causes of action is, for petitioners, a necessary consequence of their subsequent dismissal and the blatant omission of respondents' commitment to reinstate them. Petitioners thus pray for the payment of separation pay in lieu of reinstatement and full backwages as a consequence of their illegal dismissal.

Napar and Lacsamana on the other hand, aver that petitioners' sole remedy was to move for the execution of the Joint Compromise Agreement. They aver that petitioners cannot be allowed to rescind the agreement after having violated the same and having already enjoyed its benefits. After all, the Joint Compromise Agreement is final, binding and constitutes as *res judicata* between them.

Our Ruling

The Petition has merit. Petitioners' right to rescind the Joint Compromise Agreement and right to re-file their complaints must prevail.

Petitioners validly exercised the option of rescinding the Joint Compromise

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[31] *Rollo*, pp. 346-347.

Agreement under Article 2041 of the Civil Code

Article 2028 of the Civil Code defines a compromise agreement as a contract whereby the parties make reciprocal concessions in order to avoid litigation or put an end to one already commenced. If judicially approved, it becomes more than a binding contract; it is a determination of a controversy and has the force and effect of a judgment.[32] Article 227 of the Labor Code provides that any compromise settlement voluntarily agreed upon by the parties with the assistance of the Bureau of Labor Relations or the regional office of the Department of Labor and Employment shall be final and binding upon the parties. Compromise agreements between employers and workers have often been upheld as valid and accepted as a desirable means of settling disputes.[33]

Thus, a compromise agreement, once approved, has the effect of *res judicata* between the parties and should not be disturbed except for vices of consent, forgery, fraud, misrepresentation, and coercion.[34] A judgment upon compromise is therefore not appealable, immediately executory, and can be enforced by a writ of execution.[35] However, this broad precept enunciated under Article 2037[36] of the Civil Code has been qualified by Article 2041 of the same Code which recognizes the right of an aggrieved party to either (1) enforce the compromise by a writ of execution, or (2) regard it as rescinded and insist upon his original demand, upon the other party's failure or refusal to abide by the compromise. In a plethora of cases,[37] the Court has recognized the option of rescinding a compromise agreement due to non-compliance with its terms. We explained in *Chavez v. Court of Appeals:*[38]

> A compromise has upon the parties the effect and authority of *res judicata*; but there shall be no execution except in compliance with a judicial compromise.
>
> Thus, we have held that a compromise agreement which is not contrary to law, public order, public policy, morals or good customs is a valid contract which is the law between the parties themselves. It has upon them the effect and authority of *res judicata* even if not judicially approved, and cannot be lightly set aside or disturbed except for vices of consent and forgery.

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32 *Magbanua v. Uy,* 497 Phil. 511, 519 (2005).

33 *Galicia v. National Labor Relations Commission,* 342 Phil. 342, 348 (1997).

34 *Cornista-Domingo v. National Labor Relations Commission*, 535 Phil. 643, 661 (2006).

35 *United Housing Corporation v. Hon. Dayrit,* 260 Phil. 301, 310 (1990).

36 Art. 2037. A compromise has upon the parties the effect and authority of *res judicata*; but there shall be no execution except in compliance with a judicial compromise.

37 *Catedrilla v. Lauron,* G.R. No. 179011, April 15, 2013, 696 SCRA 341; *Miguel v. Montanez,* G.R. No. 191336, January 25, 2012, 664 SCRA 345; *Iloilo Traders Finance Inc. v. Heirs of Sps. Soriano, Jr.,* 452 Phil. 82 (2003); *Ramnani v. Court of Appeals,* 413 Phil. 195 (2001); and *Morales v. National Labor Relations Commission,*, 311 Phil. 121 (1995).

38 493 Phil. 945, 952-953 (2005).

> However, in *Heirs of Zari, et al. v. Santos*, we clarified that the broad precept enunciated in Art. 2037 is qualified by Art. 2041 of the same Code, which provides:
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> > If one of the parties fails or refuses to abide by the compromise, the other party may either enforce the compromise or regard it as rescinded and insist upon his original demand.
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> We explained, *viz.:*
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> > [B]efore the onset of the new Civil Code, there was no right to rescind compromise agreements. Where a party violated the terms of a compromise agreement, the only recourse open to the other party was to enforce the terms thereof.
> >
> > When the new Civil Code came into being, its Article 2041 x x x created *for the first time* the right of rescission. That provision gives to the aggrieved party the right to "either enforce the compromise or regard it as rescinded and insist upon his original demand." *Article 2041 should obviously be deemed to qualify the broad precept enunciated in Article 2037 that "[a] compromise has upon the parties the effect and authority of res judicata.*
>
> In exercising the second option under Art. 2041, the aggrieved party may, if he chooses, bring the suit contemplated or involved in his original demand, as if there had never been any compromise agreement, without bringing an action for rescission. This is because he may regard the compromise as already rescinded by the breach thereof of the other party.

To reiterate, Article 2041 confers upon the party concerned the authority, not only to regard the compromise agreement as rescinded but also, to insist upon his original demand. We find that petitioners validly exercised this option as there was breach and non-compliance of the Joint Compromise Agreement by respondents.

It is undisputed that Napar failed to reassign and provide work to petitioners. Napar, however, puts the blame on petitioners for their alleged deliberate refusal to comply with the requirements for reassignment to other clients. Napar claims that the imposition of these so-called "reassessment procedures" will efficiently guide them on where to assign petitioners; it likewise posits that it is a valid exercise of its management prerogative to assign workers to their principal employer.

At the outset, it must be emphasized that there was no indication that petitioners deliberately refused to comply with the procedures prior to their purported reassignment. Petitioners alleged that they reported to Napar several times waiting for their assignment and that Napar was giving them a run-around even as they tried to comply with the requirements. These matters were not disputed by respondents. Thus, we cannot agree with respondents that petitioners

were the ones who violated the compromise agreement. Moreover, we are not persuaded by Napar's assertion that petitioners' reassignment cannot be effected without compliance with the requirements set by it. Petitioners are regular employees of Napar; thus, their reassignment should not involve any reduction in rank, status or salary.[39] As aptly noted by LA Espiritu, petitioners are not newly-hired employees. Considering further that they are ordinary factory workers, they do not need special training or any skills assessment procedures for proper placement. While we consider Napar's decision to require petitioners to submit documents and employment clearances, to attend seminars and interviews and take examinations, which according to Napar is imperative in order for it to effectively carry out its business objective, as falling within the ambit of management prerogative, this undertaking should not, however, deny petitioners their constitutional right of tenure. Besides, there is no evidence nor any allegation proffered that Napar has no available clients where petitioners can be assigned to work in the same position they previously occupied. Plainly, Napar's scheme of requiring petitioners to comply with reassessment procedures only seeks to prevent petitioners' immediate reassignment.

"We have held that management is free to regulate, according to its own discretion and judgment, all aspects of employment, including hiring, work assignments, working methods, time, place and manner of work, processes to be followed, supervision of workers, working regulations, transfer of employees, work supervision, lay off of workers and discipline, dismissal and recall of workers. The exercise of management prerogative, however, is not absolute as it must be exercised in good faith and with due regard to the rights of labor."[40] Such "cannot be used as a subterfuge by the employer to rid himself of an undesirable worker."[41]

Respondents' non-compliance with the strict terms of the Joint Compromise Agreement of reassigning petitioners and ensuring that they will be given work within the required time constitutes repudiation of the agreement. As such, the agreement is considered rescinded in accordance with Article 2041 of the Civil Code. Petitioners properly chose to rescind the compromise agreement and exercised the option of filing anew their complaints, pursuant to Art. 2041. It was error on the part of the CA to deny petitioners the right of rescission.

Still, respondents insist that petitioners cannot seek rescission for they have already enjoyed the benefits of the Joint Compromise Agreement. According to respondents, petitioners' acceptance of the amount of ₱7,000.00 each bars them from repudiating and rescinding the agreement.

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39 *Republic v. Pacheo,* G.R. No. 178021, January 31, 2012, 664 SCRA 497, 511.

40 *Julie's Bakeshop v. Arnaiz,* G.R. No. 173882, February 15, 2012, 666 SCRA 101, 115.

41 *Homeowners Savings and Loan Association v. National labor Relations Commission,* 330 Phil. 797, 998 (1996).

The contention lacks merit for the following reasons. First, petitioners never accepted the meager amount of ₱7,000.00 as full satisfaction of their claims as they also expected to be reassigned and reinstated in their jobs. In other words, their acceptance of the amount of ₱7,000.00 each should not be interpreted as full satisfaction of all their claims, which included reinstatement in their jobs. The amount of ₱7,000.00 is measly compared to the amount of monetary award granted by LA Espiritu and therefore makes the agreement unconscionable and against public policy.[42] At this point, it is worth noting that even quitclaims are ineffective in barring recovery for the full measure of the worker's rights and that acceptance of benefits therefrom does not amount to estoppel.[43] Lastly, it must be emphasized that the Joint Compromise Agreement expressly provided that each of the complainants shall receive ₱7,000.00 as payment for their monetary claims and "which amount shall be considered in *any future litigation.*"[44] By virtue of this stipulation, the parties in entering into the agreement did not rule out the possibility of any future claims in the event of non-compliance. As correctly ruled by LA Espiritu, this proviso showed that petitioners were not barred from raising their money claims in the future.

Section 16 of Rule V of the NLRC Rules of Procedure allows petitioners to re-file their complaints which were previously dismissed without prejudice

The Court also takes into account the circumstance that petitioners' previous complaints were dismissed without prejudice. "A dismissal *without prejudice* does not operate as a judgment on the merits."[45] As contrasted from a dismissal with prejudice which disallows and bars the filing of a complaint, a dismissal without prejudice "does not bar another action involving the same parties, on the same subject matter and theory."[46] The NLRC Rules of Procedure, specifically Section 16 of Rule V thereof, provides the remedy of filing for a revival or re-opening of a case which was dismissed without prejudice within 10 days from receipt of notice of the order of dismissal and of re-filing the case after the lapse of the 10-day period. Petitioners are thus not barred from re-filing their Complaints.

In choosing to rescind the Joint Compromise Agreement and re-file their complaints, petitioners can rightfully include their claim of illegal dismissal. The CA took off from the wrong premise that petitioners, in re-filing their case, cannot be said to have opted to rescind the compromise agreement since they were not insisting on their original claim. It must be noted that when petitioners initially filed their first set of complaints for wage differentials, 13th month pay, overtime

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42 *Malinao v. National Labor Relations Commission,* 377 Phil. 68, 77-79, citing *PEFTOK Integrated Services, Inc. v. National Labor Relations Commission,* 355 Phil. 247 (1998).

43 Id.

44 CA *rollo*, p. 49.

45 *Positos v. Chua,* 623 Phil. 803, 809 (2009).

46 *Hasegawa v. Kitamura,* 563 Phil. 572, 581 (2007).

pay, holiday pay, premium pay for holiday and rest day, service incentive leave pay, and unpaid ECOLA (that does not include the claim of illegal dismissal), subsequent events transpired which brought about their unceremonious suspension and dismissal from work. This then led to the parties entering into the Joint Compromise Agreement whereby respondents undertook to reinstate petitioners and pay them the sum of ₱7,000.00 in partial satisfaction of their claims. The compromise agreement evinces and shows that petitioners' reinstatement was part of their original demands. Besides, respondents acknowledged that the first and second sets of Complaints filed by petitioners are similar in nature. Respondents even admitted that the issues raised in the first set of Complaints were similar to the issues raised by petitioners when they filed anew their Complaints. Nevertheless, the filing of a separate action for illegal dismissal shall only go against the rule on multiplicity of suits. It is settled that a plaintiff may join several distinct demands, controversies or rights of action in one declaration, complaint or petition.[47] This is to avert duplicity and multiplicity of suits that would further delay the disposition of the case.

In view of the foregoing, we find that both the NLRC and CA gravely erred in dismissing petitioners' Complaints on the ground of *res judicata.* LA Espiritu correctly assumed jurisdiction and properly took cognizance of petitioners' consolidated complaints for illegal dismissal and other monetary claims.

Petitioners are entitled to separation pay and full backwages as well as to the other monetary awards granted by the Labor Arbiter

We, likewise, subscribe to LA Espiritu's ruling that petitioners, as regular employees, are deemed to have been constructively and illegally dismissed by respondents. Being on floating status and off-detailed for more than six months, not having been reinstated and reassigned by respondents, petitioners are considered to have been constructively dismissed.[48] Settled is the rule that an employee who is unjustly dismissed from work shall be entitled to reinstatement, or separation pay if reinstatement is no longer viable, and to his full backwages.[49]

LA Espiritu awarded petitioners separation pay in lieu of reinstatement. The Court agrees that the award of separation pay is warranted due to the already strained relations between the parties.[50] However, aside from separation pay, petitioners, for having been illegally dismissed, should also be awarded full backwages, inclusive of allowances and their other benefits or their monetary equivalent computed from November 9, 2002 (the date of their last work

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47 *Ada v. Baylon,* G.R. No. 182435, August 13, 2012, 678 SCRA 293, 303-304.
48 *Nippon Housing Phil., Inc. v. Leynes,* G.R. No. 177816, August 3, 2011, 655 SCRA 77, 88.
49 *Reyes v. RP Guardians Security Agency, Inc.* G.R. No. 193756, April 10, 2013, 695 SCRA 620, 625-626.
50 *Dreamland Hotel Resort v. Johnson*, G.R. No. 191455, March 12, 2014, 719 SCRA 29, 48.

assignment or from the time compensation was withheld from them) up to the date of finality of this Decision.

While petitioners failed to raise the matter of entitlement to backwages before the CA, this does not prevent the Court from considering their entitlement to the same. The Court has discretionary authority to take up new issues on appeal if it finds that their consideration is necessary in arriving at a just decision.[51]

Anent the other monetary claims in petitioners' complaints, the awards granted to them by LA Espiritu stand undisturbed for petitioners' failure to question the same on appeal before the CA and even before this Court. Hence, we sustain the award of wage differentials, 13th month pay differentials, service incentive leave pay, unpaid ECOLA, and holiday pay less the ₱7,000.00 already received by them.

WHEREFORE, the Petition is **GRANTED**. The August 27, 2010 Decision and February 10, 2011 Resolution of the Court of Appeals in CA-G.R. SP No. 106724 are **REVERSED** and **SET ASIDE**. The July 29, 2004 Decision of the Labor Arbiter Pablo C. Espiritu, Jr. in NLRC NCR Case Nos. 00-05-05557-2003, 00-05-06187-2003, 00-05-06605-2003 and 00-07-07792-2003 is **REINSTATED**. In addition, respondents Napar Contracting & Allied Services and Norman Lacsamana are held jointly and severally liable to pay petitioners Reynaldo Inutan, Helen Carte, Noel Ayson, Ivy Cabarle, Noel Jamili, Maritess Hular, Rolito Azucena, Raymundo Tunog, Roger Bernal, Agustin Estre, Marilou Sagun, and Enrique Ledesma, Jr. full backwages, inclusive of allowances and their other benefits or their monetary equivalent computed from November 9, 2002 up to the date of finality of this Decision.

SO ORDERED.

MARIANO C. DEL CASTILLO
Associate Justice

WE CONCUR:

PRESBITERO J. VELASCO, JR.
Associate Justice

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51 *Abra Valley College, Inc. v. Judge Aquino,* 245 Phil. 83, 92 (1988).

ARTURO D. BRION
Associate Justice

JOSE CATRAL MENDOZA
Associate Justice

MARVIC M.V. 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.

ARTURO D. BRION
Associate Justice
Acting Chairperson

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