THIRD DIVISION

SUNACE INTERNATIONAL MANAGEMENT SERVICES, INC. Petitioner,	**G.R. No. 161757** **Present:**
- versus -	QUISUMBING, *J., Chairperson,* CARPIO, CARPIO MORALES, and TINGA, *JJ.*
NATIONAL LABOR RELATIONS COMMISSION, Second Division; HON. ERNESTO S. DINOPOL, in his capacity as Labor Arbiter, NLRC; NCR, Arbitration Branch, Quezon City and DIVINA A. MONTEHERMOZO, Respondents.	**Promulgated:** January 25, 2006

x - x

D E C I S I O N

CARPIO MORALES, *J.*:

Petitioner, Sunace International Management Services (Sunace), a corporation duly organized and existing under the laws of the Philippines, deployed to Taiwan Divina A. Montehermozo (Divina) as a domestic helper under a 12-month contract effectiveFebruary 1, 1997.[1] The deployment was with the assistance of a Taiwanese broker, Edmund Wang, President of Jet Crown International Co., Ltd.

After her 12-month contract expired on February 1, 1998, Divina continued working for her Taiwanese employer, Hang Rui Xiong, for two more years, after which she returned to the Philippines on February 4, 2000.

Shortly after her return or on February 14, 2000, Divina filed a complaint[2] before the National Labor Relations Commission (NLRC) against Sunace, one Adelaide Perez, the Taiwanese broker, and the employer-foreign principal alleging that she was jailed for three months and that she was underpaid.

The following day or on February 15, 2000, Labor Arbitration Associate Regina T. Gavin issued Summons[3] to the Manager of Sunace, furnishing it with a copy of Divina's complaint and directing it to appear for mandatory conference on February 28, 2000.

The scheduled mandatory conference was reset. It appears to have been concluded, however.

On April 6, 2000, Divina filed her Position Paper[4] claiming that under her original one-year contract and the 2-year extended contract which was with the knowledge and consent of Sunace, the following amounts representing income tax and savings were deducted:

Year	Deduction for Income Tax	Deduction for Savings
1997	NT10,450.00	NT23,100.00
1998	NT9,500.00	NT36,000.00
1999	NT13,300.00	NT36,000.00;[5]

and while the amounts deducted in 1997 were refunded to her, those deducted in 1998 and 1999 were not. On even date, Sunace, by its Proprietor/General Manager Maria Luisa Olarte, filed its Verified Answer and Position Paper,[6] claiming as follows, quoted *verbatim*:

COMPLAINANT IS NOT ENTITLED FOR THE REFUND OF HER 24 MONTHS SAVINGS

3. Complainant could not anymore claim nor entitled for the refund of her 24 months savings as she already took back her saving already last year and the employer did not deduct any money from her salary, in accordance with a **Fascimile Message** from the respondent SUNACE's employer, Jet Crown

International Co. Ltd., a xerographic copy of which is herewith attached as **ANNEX "2"** hereof;

COMPLAINANT IS NOT ENTITLED
TO REFUND OF HER 14 MONTHS TAX
AND PAYMENT OF ATTORNEY'S FEES

4. There is no basis for the grant of tax refund to the complainant as the she finished her **one year contract** and hence, was not illegally dismissed by her employer. She could only lay claim over the tax refund or much more be awarded of damages such as attorney's fees as said reliefs are available only when the dismissal of a migrant worker is without just valid or lawful cause as defined by law or contract.

The rationales behind the award of tax refund and payment of attorney's fees is not to enrich the complainant but to compensate him for actual injury suffered. Complainant did not suffer injury, hence, does not deserve to be compensated for whatever kind of damages.

Hence, the complainant has NO cause of action against respondent SUNACE for monetary claims, considering that she has been totally paid of all the monetary benefits due her under her Employment Contract to her full satisfaction.

6. Furthermore, the tax deducted from her salary is in compliance with the Taiwanese law, which respondent SUNACE has no control and complainant has to obey and this Honorable Office has no authority/jurisdiction to intervene because the power to tax is a sovereign power which the Taiwanese Government is supreme in its own territory. The sovereign power of taxation of a state is recognized under international law and among sovereign states.

7. That respondent SUNACE respectfully reserves the right to file supplemental Verified Answer and/or Position Paper to substantiate its prayer for the dismissal of the above case against the herein respondent. AND BY WAY OF -

x x x x (Emphasis and underscoring supplied)

Reacting to Divina's Position Paper, Sunace filed on April 25, 2000 an ". . . ANSWER TO COMPLAINANT'S POSITION PAPER"[7] alleging that Divina's 2-year extension of her contract was without its knowledge and consent, hence, it had no liability attaching to any claim arising therefrom, and Divina in fact executed a

Waiver/Quitclaim and Release of Responsibility and an Affidavit of Desistance, copy of each document was annexed to said ". . . ANSWER TO COMPLAINANT'S POSITION PAPER."

To Sunace's ". . . ANSWER TO COMPLAINANT'S POSITION PAPER," Divina filed a 2-page reply,[8] without, however, refuting Sunace's disclaimer of knowledge of the extension of her contract and without saying anything about the Release, Waiver and Quitclaim and Affidavit of Desistance.

The Labor Arbiter, rejected Sunace's claim that the extension of Divina's contract for two more years was without its knowledge and consent in this wise:

> We reject Sunace's submission that it should not be held responsible for the amount withheld because her contract was extended for 2 more years without its knowledge and consent because <u>as Annex "B"</u>[9] <u>shows, Sunace and Edmund Wang have not stopped communicating with each other</u> and yet the matter of the contract's extension and <u>Sunace's alleged non-consent thereto has not been categorically established</u>.
>
> What Sunace should have done was to write to POEA about the extension and its objection thereto, copy furnished the complainant herself, her foreign employer, Hang Rui Xiong and the Taiwanese broker, Edmund Wang.
>
> And because it did not, it is presumed to have consented to the extension and should be liable for anything that resulted thereform (*sic*).[10] (Underscoring supplied)

The Labor Arbiter rejected too Sunace's argument that it is not liable on account of Divina's execution of a Waiver and Quitclaim and an Affidavit of Desistance. Observed the Labor Arbiter:

> Should the parties arrive at any agreement as to the whole or any part of the dispute, the same shall be reduced to writing and signed by the parties and their respective counsel (*sic*), if any, before the Labor Arbiter.
>
> The settlement shall be approved by the Labor Arbiter after being satisfied that it was voluntarily entered into by the parties and after having explained to them the terms and consequences thereof.
>
> A compromise agreement entered into by the parties not in the presence of the Labor Arbiter before whom the case is pending shall be approved by him, if after confronting the parties, particularly the complainants, he is satisfied that they

> understand the terms and conditions of the settlement and that it was entered into freely voluntarily (*sic)* by them and the agreement is not contrary to law, morals, and public policy.
>
> And because no consideration is indicated in the documents, we strike them down as contrary to law, morals, and public policy.[11]

He accordingly decided in favor of Divina, by decision of October 9, 2000,[12] the dispositive portion of which reads:

> Wherefore, judgment is hereby rendered ordering respondents SUNACE INTERNATIONAL SERVICES and its owner ADELAIDA PERGE, <u>both in their personal capacities and as agent of Hang Rui Xiong/Edmund Wang</u> to jointly and severally pay complainant DIVINA A. MONTEHERMOZO the sum of NT91,950.00 in its peso equivalent at the date of payment, as refund for the amounts which she is hereby adjudged entitled to as earlier discussed plus 10% thereof as attorney's fees since compelled to litigate, complainant had to engage the services of counsel.
>
> SO ORDERED.[13] (Underescoring supplied)

On appeal of Sunace, the NLRC, by Resolution of April 30, 2002,[14] affirmed the Labor Arbiter's decision.

Via petition for certiorari,[15] Sunace elevated the case to the Court of Appeals which dismissed it outright by Resolution of November 12, 2002,[16] the full text of which reads:

> The petition for certiorari faces outright dismissal.
>
> The petition failed to allege facts constitutive of grave abuse of discretion on the part of the public respondent amounting to lack of jurisdiction when the NLRC affirmed the Labor Arbiter's finding that petitioner <u>Sunace International Management Services impliedly consented to the extension of the contract of private respondent Divina A. Montehermozo</u>. It is undisputed that <u>petitioner was continually communicating with private respondent's foreign employer</u> (*sic*). <u>As agent of the foreign principal, "petitioner cannot profess ignorance of such extension as obviously,</u> <u>**the act of the principal extending complainant**</u> (*sic*) <u>**employment contract necessarily bound it**</u>." Grave abuse of discretion is not present in the case at bar.

ACCORDINGLY, the petition is hereby **DENIED DUE COURSE** and **DISMISSED**.[17]

SO ORDERED.

(Emphasis on words in capital letters in the original; emphasis on words in small letters and underscoring supplied)

Its Motion for Reconsideration having been denied by the appellate court by Resolution of January 14, 2004,[18] Sunace filed the present petition for review on certiorari.

The Court of Appeals affirmed the Labor Arbiter and NLRC's finding that Sunace knew of and impliedly consented to the extension of Divina's 2-year contract. It went on to state that "It is undisputed that [Sunace] was continually communicating with [Divina's] foreign employer." It thus concluded that "[a]s agent of the foreign principal, 'petitioner cannot profess ignorance of such extension as obviously, the act of the principal extending complainant (*sic*) employment contract necessarily bound it.'"

Contrary to the Court of Appeals finding, the alleged continuous communication was with the Taiwanese broker Wang, not with the foreign employer Xiong.

The February 21, 2000 telefax message from the Taiwanese broker to Sunace, the **only** basis of a finding of continuous communication, reads *verbatim*:

x x x x

Regarding to Divina, she did not say anything about her saving in police station. As we contact with her employer, she took back her saving already last years. And they did not deduct any money from her salary. Or she will call back her employer to check it again. If her employer said yes! we will get it back for her.

Thank you and best regards.
(sgd.)
Edmund Wang
President[19]

The finding of the Court of Appeals **solely** on the basis of the above-quoted telefax message, that Sunace continually communicated with the foreign "principal" (*sic*) and therefore was aware of and had consented to the execution of the extension of the contract is misplaced. The message does not provide evidence that Sunace was privy to the new contract executed after the expiration on February 1, 1998 of the original contract. That Sunace and the Taiwanese broker communicated regarding Divina's allegedly withheld savings does not necessarily mean that Sunace ratified the extension of the contract. As Sunace points out in its Reply[20] filed before the Court of Appeals,

> As can be seen from that letter communication, it was just an information given to the petitioner that the private respondent had t[aken] already her savings from her foreign employer and that no deduction was made on her salary. It contains nothing about the extension or the petitioner's consent thereto.[21]

Parenthetically, since the telefax message is dated February 21, 2000, it is safe to assume that it was sent to enlighten Sunace who had been directed, by Summons issued on February 15, 2000, to appear on February 28, 2000 for a mandatory conference following Divina's filing of the complaint on February 14, 2000.

Respecting the Court of Appeals following *dictum*:

> As agent of its foreign principal, [Sunace] cannot profess ignorance of such an extension as obviously, the act of its principal extending [Divina's] employment contract necessarily bound it,[22]

it too is a misapplication, a misapplication of the theory of imputed knowledge.

The theory of imputed knowledge ascribes the knowledge of the agent, Sunace, to the principal, employer Xiong, **not the other way around**.[23] The knowledge of the principal-foreign employer cannot, therefore, be imputed to its agent Sunace.

There being no substantial proof that Sunace knew of and consented to be bound under the 2-year employment contract extension, it cannot be said to be privy thereto. As such, it and its "owner" cannot be held solidarily liable for any of Divina's claims arising from the 2-year employment extension. As the New Civil Code provides,

> Contracts take effect only between the parties, their assigns, and heirs, except in case where the rights and obligations arising from the contract are not transmissible by their nature, or by stipulation or by provision of law.[24]

Furthermore, as Sunace correctly points out, there was an implied revocation of its agency relationship with its foreign principal when, after the termination of the original employment contract, the foreign principal directly negotiated with Divina and entered into a new and separate employment contract in Taiwan. Article 1924 of the New Civil Code reading

> The agency is revoked if the principal directly manages the business entrusted to the agent, dealing directly with third persons.

thus applies.

In light of the foregoing discussions, consideration of the validity of the Waiver and Affidavit of Desistance which Divina executed in favor of Sunace is rendered unnecessary.

WHEREFORE, the petition is **GRANTED**. The challenged resolutions of the Court of Appeals are hereby **REVERSED**and **SET ASIDE**. The complaint of respondent Divina A. Montehermozo against petitioner is **DISMISSED**.

SO ORDERED.

CONCHITA CARPIO MORALES
Associate Justice

WE CONCUR:

LEONARDO A. QUISUMBING
Associate Justice
Chairperson

ANTONIO T. CARPIO
Associate Justice

DANTE O. TINGA
Associate Justice

ATTESTATION

I attest that the conclusions in the above Decision were reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.

LEONARDO A. QUISUMBING
Associate Justice
Chairperson

CERTIFICATION

Pursuant to Article VIII, Section 13 of the Constitution, and the Division Chairman's Attestation, it is hereby certified that the conclusions in the above Decision were reached in consultation before the case was assigned to the writer of the opinion of the Court.

ARTEMIO V. PANGANIBAN
Chief Justice

---

[1] NLRC records, p. 18.
[2] *Id.* at 2.
[3] *Id.* at 5.
[4] *Id.* at 21-26.
[5] *Id.* at 52.
[6] *Id.* at 13-19.
[7] *Id.* at 28-34.
[8] *Id.* at 36-37.
[9] Photocopy of a telefax message of Taiwanese broker Wang to Sunace, NLRC records, p. 26.
[10] NLRC records, pp. 55-56.
[11] *Id.* at 56-57 (citations omitted).
[12] *Id.* at 51-58.
[13] *Id.* at 57-58.
[14] *Id.* at 190-196.
[15] CA *rollo*, pp. 2-113.
[16] Penned by Associate Justice Ruben T. Reyes with Associate Justices Remedios Salazar-Fernando and Edgardo F. Sundiam, concurring.
[17] CA *rollo*, pp. 115-116 (citations omitted).
[18] *Id.* at 154-157.
[19] *Supra* note 9.
[20] CA *rollo*, pp. 146-152.
[21] *Id.* at 148.
[22] *Id.* at 29, 116 and 157.
[23] *Rovels Enterprises*, *Inc. v. Ocampo*, G.R. No. 136821, October 17, 2002, 391 SCRA 176; *vide Air France v. Court of Appeals, et al.,* 211 Phil. 601 (1983).
[24] CIVIL CODE, Article 1311.