Republic of the Philippines
Supreme Court
Manila

FIRST DIVISION

HOME CREDIT MUTUAL BUILDING AND LOAN ASSOCIATION and/or RONNIE B. ALCANTARA, Petitioners,	**G.R. No. 200010** Present: PERALTA, *CJ.*, *Chairperson,* CAGUIOA, HERNANDO,* LAZARO-JAVIER, and LOPEZ, *JJ.*
-versus-	
MA. ROLLETTE G. PRUDENTE, Respondent.	Promulgated: AUG 27 2020

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D E C I S I O N

LOPEZ, *J.*:

There is no greater crime than desire.
There is no greater disaster than discontent.
There is no greater misfortune than greed.

Therefore:

To have enough of enough is always enough.

- Tao Te Ching, Chapter 46

Whether an employer violated the rule on non-diminution of benefits when it adopted a cost sharing scheme in its car plan for employees is the core issue in this Petition for Review on *Certiorari* under Rule 45 of the Rules of Court assailing the Court of Appeal's (CA) Decision[1] dated August 31, 2011 in CA-G.R. SP No. 117332, which reversed the findings of the National Labor Relations Commission (NLRC).

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* Designated additional Member per Raffle dated June 29, 2020.

[1] *Rollo*, pp. 51-68; penned by Associate Justice Ramon A. Cruz, with the concurrence of Associate Justices Jose C. Reyes, Jr. (now a Member of this Court) and Antonio L. Villamor.

ANTECEDENTS

In 1997, Home Credit Mutual Building and Loan Association gave its employee Rollette Prudente her first service vehicle. Later, Rollete purchased the vehicle from Home Credit at its depreciated value. In 2003, Home Credit granted Rollete's request for a second service vehicle. However, Home Credit required Rollete to pay for additional equity in excess of the maximum limit of ₱660,000.00. In 2008, Rollete again purchased the vehicle at its depreciated value.

In 2009, Rollette applied for a third service vehicle. This time, Home Credit informed Rollette that she must pay the equity more than ₱550,000.00. Home Credit likewise adopted a cost sharing scheme where Rollette must shoulder 40% of the acquisition price. Aggrieved, Rollette filed a complaint against Home Credit for violation of Article 100 of the Labor Code on non-diminution of benefits before the Labor Arbiter (LA).

On October 30, 2009, the LA dismissed Rollette's complaint and held that Home Credit's new 60%-40% cost sharing scheme on the acquisition of service vehicle did not constitute diminution of benefit.[2] The LA explained that what ripened into a company practice is the employer's act of granting transportation facility to its employees. However, as to the specific details of the grant, *i.e.*, the covered employees, period of depreciation, car model, company share or participation, may vary as these call for the exercise of management prerogative.[3] In its Decision dated August 5, 2010, the NLRC affirmed the LA's findings, thus:

> WHEREFORE, absent grave abuse of discretion or serious error in the resolution of the issues raised in this case, We SUSTAIN the disposition a quo.
>
> SO ORDERED.[4]

Dissatisfied, Rollette elevated the case to the CA through a petition for *certiorari*. On August 31, 2011, the CA reversed the labor tribunals' findings. It held that the car plan at full company cost or on a non-participation basis has evolved into a company practice. The employer cannot unilaterally withdraw or reduce the benefit. Also, the service vehicle given to Rollette is not akin to a bonus or an act of gratuity which can be withdrawn at will. The car plan was part of Rollette's hiring package. Lastly, there was no competent evidence showing that the car provision was contingent on the realization of company profits.[5] In sum, the new scheme diminished Rollette's benefits as she will be forced to shell out part of the vehicle's cost,[6] to wit:

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2 *Id.* at 119-126.
3 *Id.* at 123-126.
4 *Id.* at 128.
5 *Id.* at 66-67.
6 *Id.* at 51-68.

> **WHEREFORE**, the petition is GRANTED. The Decision dated August 5, 2010 and Resolution dated October 6, 2010 of the Fifth Division of the National Labor Relations Commission are REVERSED and SET ASIDE and a new one entered:
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> (1) Ordering Home Credit Mutual Building and Loan Association to provide the full car benefit of the petitioner without diminution consisting of a car service of the same worth or value as that of Honda Civic LXi on a non-participatory basis (full company cost) with transfer of ownership after five (5) years.
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> (2) Ordering Home Credit Mutual Building and Loan Association to pay Ma. Rolette Prudente moral damages in the amount of Fifty Thousand Pesos (P50,000.00), Philippine Currency, exemplary damages in the amount of Fifty Thousand Pesos (P50,000.00), Philippine Currency and attorney's fees in the amount of ten percent (10%) of the total award.
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> SO ORDERED.[7] (Emphasis in the original.)

Home Credit sought reconsideration but was denied.[8] Hence, this recourse.[9]

RULING

The petition is meritorious.

There is no dispute that Rollette received service vehicles from Home Credit in 1997 and in 2003. The LA and the NLRC both held that the car plan has ripened into a company practice but the specific manner by which it is given may vary and is subject to management prerogative. On the other hand, the CA ruled that Rollette is entitled to a service vehicle at full company cost as this benefit was part of her hiring package. Also, Home Credit may not diminish this benefit which it had practiced for a long period of time. The question now is whether the CA committed reversible error in finding that Home Credit violated the rule against diminution of benefits.

Generally, employees have a vested right over existing benefits that the employer voluntarily granted them.[10] These benefits cannot be reduced, diminished, discontinued or eliminated[11] consistent with the constitutional mandate to protect the rights of workers and promote their welfare.[12] Apropos is Article 100 of the Labor Code, *viz.*:

> ART. 100. *Prohibition against Elimination or Diminution of Benefits.* — Nothing in this Book shall be construed to eliminate or in any way diminish supplements, or other employee benefits **being enjoyed at the time of promulgation of this Code**. (Emphasis Supplied.)

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7 *Supra* note 5.
8 *Rollo*, pp. 70-71.
9 *Id.* at 8-45.
10 *University of the East v. University of the East Employees' Association*, 673 Phil. 273, 286 (2011).
11 *Eastern Telecommunications Philippines, Inc., v. Eastern Telecoms Employees Union*, 681 Phil. 519, 535 (2012); *Tiangco, et al. v. Hon. Leogardo, Jr., et al.*, 207 Phil. 235 (1983).
12 CONSTITUTION, Art. II, Sec. 18; and Art. XIII, Sec. 3.

In *Arco Metal Products, Co., Inc. v. Samahan ng mga Manggagawa sa Arco Metal-NAFLU (SAMARM-NAFLU, et al.)*,[13] we stressed that the principle of non-diminution of benefits is founded on the constitutional mandate to "*protect the rights of workers and promote their welfare*" and "*to afford labor full protection.*" In his separate concurring opinion, Justice Arturo Brion clarified that the basis for non-diminution rule is not Article 100 which refers solely to "*benefits enjoyed at the time of the promulgation of the Labor Code*," thus:

> x x x Article 100 refers solely to the non-diminution of benefits enjoyed at the time of the promulgation of the Labor Code. **Employer-employee relationship is contractual and is based on the express terms of the employment contract as well as on its implied terms, among them, those not expressly agreed upon but which the employer has freely, voluntarily and consistently extended to its employees**. Under the principle of mutuality of contracts embodied in Article 1308 of the Civil Code, the terms of a contract — both express and implied — cannot be withdrawn except by mutual consent or agreement of the contracting parties. x x x[14] (Emphasis supplied.)

Clearly, the non-diminution rule applies only if the benefit is based on an express policy, a written contract, or has ripened into a practice.[15] In this case, Rollette's claim that the car plan was part of her hiring package was unsubstantiated. Admittedly, Home Credit has no existing car plan at the time Rollette was hired. Rollette's employment contract does not even contain any express provision on her entitlement to a service vehicle at full company cost.[16] Therefore, it is incongruous for the CA to conclude that the grant of a service vehicle was part of Rollette's hiring package.

Similarly, we find that the car plan has not ripened into a company practice. As a rule, "*practice*" or "*custom*" is not a source of a legally demandable or enforceable right. In labor cases, however, benefits which were voluntarily given by the employer, and which have ripened into company practice, are considered as rights and are subject to the non-diminution rule.[17] To be considered a company practice, the benefit must be consistently and deliberately granted by the employer over a long period of time. It requires an indubitable showing that the employer agreed to continue giving the benefit knowing fully well that the employee is not covered by any provision of law or agreement for its payment.[18] The burden to establish that the benefit has ripened into a company practice rests with the employee.[19]

Here, the labor tribunals correctly held that Home Credit's act of giving service vehicles to Rollette has been a company practice - but not as to the non-participation aspect. There was no substantial evidence to prove that the

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13 577 Phil. 1 (2008), citing CONSTITUTION, Article II, Section 18 and Article XIII, Section 3.
14 *Id.* at 12.
15 *Central Azucarera de Tarlac v. Central Azucarera de Tarlac Labor Union-NLU*, 639 Phil. 633, 641 (2010).
16 *Rollo*, p. 108.
17 *Makati Stock Exchange, Inc., et al. v. Campos*, 603 Phil. 121, 132-133 (2009).
18 *Vergara, Jr. v. Coca-Cola Bottlers Philippines, Inc.*, 707 Phil. 255, 262-263 (2013).
19 *Galang, et al. v. Boie Takeda Chemicals, Inc., et al.*, 790 Phil. 582, 602 (2016).

car plan at full company cost had ripened into company practice. Notably, the only time Rollette was given a service vehicle fully paid for by the company was for her first car. For the second vehicle, the company already imposed a maximum limit of ₱660,000.00 but Rollette never questioned this. She willingly paid for the equity in excess of said limit. Thus, the elements of consistency and deliberateness are not present.

At this point, we emphasize that any employee benefit enjoyed cannot be reduced and discontinued. Otherwise, the constitutional mandate to afford full protection to labor is offended.[20] But, even as the law is solicitous of the welfare of employees, it must also protect the right of an employer to exercise what are clearly management prerogatives, like the adoption of a new car plan at a new cost sharing scheme, with a reduced maximum limit. The free will of management to conduct its own business affairs to achieve its purpose cannot be denied,[21] especially in this case wherein Home Credit is willing to give one hand by giving a service vehicle to Rollette but she wanted to grab the entire arm.

FOR THESE REASONS, the petition is **GRANTED**. The Court of Appeals' Decision dated August 31, 2011 in CA-G.R. SP No. 117332 is **REVERSED** and **SET ASIDE**. The National Labor Relations Commission's Decision dated August 5, 2010, which affirmed the labor arbiter's dismissal of the complaint is **REINSTATED**.

SO ORDERED.

MARIO V. LOPEZ
Associate Justice

WE CONCUR:

DIOSDADO M. PERALTA
Chief Justice

ALFREDO BENJAMIN S. CAGUIOA
Associate Justice

RAMON PAUL L. HERNANDO
Associate Justice

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20 *Barroga v. Data Center College of the Philippines, et al.*, 667 Phil. 808, 820 (2011).

21 *Aguanza v. Asian Terminal, Inc., et al.*, 612 Phil. 1009, 1018 (2009).

AMY C. LAZARO-JAVIER
Associate Justice

CERTIFICATION

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

DIOSDADO M. PERALTA
Chief Justice