



REPUBLIC OF THE PHILIPPINES  
SUPREME COURT  
Manila

SECOND DIVISION

**NOTICE**

Sirs/Mesdames:

*Please take notice that the Court, Second Division, issued a Resolution dated **July 27, 2022** which reads as follows:*

**“G.R. No. 253907 (ERIC B. ORTEGA, Petitioner v. HOMESONIC ENTERPRISES, STEVEN YONG, and LUIS BERNARDEZ, Respondents).** — This Court resolves a Petition for Review<sup>1</sup> assailing the January 27, 2020 Decision<sup>2</sup> and October 1, 2020 Resolution<sup>3</sup> of the Court of Appeals in CA-G.R. SP No. 159871, which affirmed the Decision<sup>4</sup> of the National Labor Relations Commission dismissing the complaint for illegal dismissal filed by Eric B. Ortega (Eric) against Homesonic Enterprises (Homesonic), Steven Yong (Steven), and Luis Bernardez (Luis).

*Antecedents*

On March 14, 2018, Eric filed a complaint for illegal dismissal against Homesonic, Steven, and Luis.<sup>5</sup> He alleged that he was hired by Homesonic as a senior marketing staff on January 8, 2007. He was tasked to sell its products. Throughout his employment, he was given several awards and recognitions. He was also promoted as team leader and as assistant supervisor. In September to October 2017, he was suspended due to the decline in product sales. Homesonic

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<sup>1</sup> *Rollo*, pp. 13–37.

<sup>2</sup> *Id.* at 41–47; penned by Associate Justice Jane Aurora C. Lantion with the concurrence of Associate Justices Gabriel T. Robeniol and Louis P. Acosta.

<sup>3</sup> *Id.* at 49–51; penned by Associate Justice Gabriel T. Robeniol with the concurrence of Associate Justices Ruben Reynaldo G. Roxas and Louis P. Acosta.

<sup>4</sup> *Id.* at 76–83; penned by Presiding Commissioner Grace M. Venus with the concurrence of Commissioners Mary Ann P. Daytia and Leonard Vinz O. Ignacio.

<sup>5</sup> *Id.* at 90.

preventively suspended him.<sup>6</sup> Even if the decline was not his fault, he served the suspension and returned to work. On January 12, 2018, he was directed to report to the main office of Homesonic where Human Resources Manager, Crisanta Oliveros, informed him of his termination.<sup>7</sup> Homesonic dismissed him outright, without a valid cause, and without giving him a chance to be heard.<sup>8</sup> He prayed for back wages, separation pay in lieu of reinstatement, damages, and attorney's fees. He also demanded payment of gratuity pay, a benefit given by Homesonic to employees of more than five (5) years.<sup>9</sup>

Homesonic admitted that it hired Eric as marketing associate but only on January 8, 2008. Homesonic alleged that it imposed quotas on its marketing associates and the quotas served as its basis to assess the performance of its associates and to compute their commissions.<sup>10</sup> On May 31, 2014, Homesonic served Eric a memorandum for failure to meet his personal sales quota from April 1 to May 10, 2014.<sup>11</sup> In the following months, Eric improved his performance and he was promoted as team leader. On November 25, 2014, Homesonic served Eric another memorandum for failure to meet his personal sales quota for October 2014.<sup>12</sup> Eric again improved his performance and he was promoted as acting supervisor. Sometime in 2016, however, Eric was demoted to team leader for his failure to reach his personal quota.

In 2017, Homesonic served Eric the following memoranda for failure to meet his quotas:

1. May 3, 2017<sup>13</sup> –
  - a. failed to meet his personal and team quotas for April 2017; and
  - b. warned that failure to meet sales targets would warrant suspension for not less than three (3) days.
2. June 10, 2017<sup>14</sup> –
  - a. failed to meet his personal quota for May 2017; and
  - b. warned that failure to meet his sales target would warrant suspension of not less than three (3) days.
3. July 8, 2017<sup>15</sup> –
  - a. failed to meet his team quota for June 2017;
  - b. suspended for seven (7) days; and

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<sup>6</sup> Id. at 97.

<sup>7</sup> Id. at 92–93.

<sup>8</sup> Id. at 94–96.

<sup>9</sup> Id. at 101.

<sup>10</sup> Id. at 104–105.

<sup>11</sup> Id. at 110.

<sup>12</sup> Id. at 111.

<sup>13</sup> Id. at 114.

<sup>14</sup> Id. at 115.

<sup>15</sup> Id. at 117.

- c. warned that failure to meet his sales targets would warrant suspension for not less than 15 days.

4. August 10, 2017<sup>16</sup> –

- a. failed to meet his personal and team quotas for July 2017;
- b. suspended for 15 days; and
- c. warned that failure to meet his sales targets may warrant dismissal.

On September 8, 2017,<sup>17</sup> Homesonic served Eric another memorandum for failure to meet his personal and team quotas for August 2017. He was given seven (7) days to explain why he should not be dismissed from work. Eric apologized for his poor performance in the last five (5) months and promised to focus on meeting his sales targets.<sup>18</sup> Instead of dismissing Eric, Homesonic gave him a final opportunity to reach the ₱200,000.00 sales, as per their verbal agreement, from September 26-October 31, 2017.<sup>19</sup> Eric, however, only had sales of ₱25,000.00 in October 2017. Homesonic served Eric a notice of dismissal dated November 18, 2017.<sup>20</sup> On November 23, 2017, Eric wrote Homesonic apologizing for his poor performance and asked for their understanding. He reiterated that he would focus on meeting his personal sales in the coming days.<sup>21</sup> On December 15, 2017, Homesonic gave Eric a final opportunity to meet a monthly sales target of ₱180,000.00 from December 1, 2017 until December 1, 2018.<sup>22</sup> On January 2, 2018, Homesonic served Eric another memorandum regarding his performance in November 2017. Eric refused to receive the notice. Homesonic dismissed Eric effective January 12, 2018.<sup>23</sup> Homesonic argued that it had cause to dismiss Eric for his poor sales performance. It also accorded Eric procedural due process when it served Eric notice of his infractions and gave him an opportunity to explain why he should not be dismissed from service.<sup>24</sup>

*Ruling of the Labor Arbiter*

The Labor Arbiter (LA) dismissed the complaint for lack of merit. The LA ruled that employers are entitled to impose productivity standards for its employees. Failure to meet the goal or quota amounts to gross inefficiency, which is analogous to gross neglect of duties, a just cause for dismissal. Eric failed to meet his quotas for several months in 2017, thus:<sup>25</sup>

WHEREFORE, premises considered, judgment is hereby rendered  
DISMISSING the complaint for utter lack of merit.

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<sup>16</sup> Id. at 119.

<sup>17</sup> Id. at 112.

<sup>18</sup> Id. at 122.

<sup>19</sup> Id. at 123.

<sup>20</sup> Id. at 125.

<sup>21</sup> Id. at 127.

<sup>22</sup> Id. at 128.

<sup>23</sup> Id. at 129.

<sup>24</sup> Id. at 107.

<sup>25</sup> Id. at 180-183.

SO ORDERED.<sup>26</sup>

*Ruling of the National Labor Relations Commission*

Eric appealed the decision of the LA. The National Labor Relations Commission (NLRC) found the appeal to be partially meritorious. While there was just cause to dismiss Eric — gross inefficiency or gross neglect of duty — Homesonic failed to accord him procedural due process, thus:<sup>27</sup>

WHEREFORE, the present appeal is PARTLY GRANTED. The assailed Decision dated May 31, 2018 is hereby MODIFIED ordering respondent Homesonic Enterprises to pay complainant nominal damages in the amount of ₱30,000.00 for terminating his employment with just cause but without observance of due process.

The rest of the assailed Decision is AFFIRMED.

SO ORDERED.<sup>28</sup>

Eric moved for reconsideration of the decision but his motion was denied on October 31, 2018 by the NLRC.<sup>29</sup>

*Ruling of the Court of Appeals*

Eric elevated the decision and resolution of the NLRC to the Court of Appeals (CA). The CA affirmed the findings of the NLRC. It ruled that Eric failed to meet the sales quotas imposed by Homesonic warranting his dismissal. Homesonic cannot be compelled to continue employing Eric because it would be inimical to its interest. However, Homesonic failed to comply with the requirements of procedural due process, thus:<sup>30</sup>

WHEREFORE, premises considered, the instant *Petition for Certiorari* is DENIED. The assailed *Decision* dated 19 September 2018 and *Resolution* dated 31 October 2018 of the Fourth Division of the National Labor Relations Commission in *NLRC LAC NO. 07-002683-18/NLRC NCR CASE NO. 03-04573-18* are hereby AFFIRMED.

SO ORDERED.<sup>31</sup>

Eric filed a motion for reconsideration of the CA decision. The motion was denied on October 1, 2020.<sup>32</sup>

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<sup>26</sup> Id. at 178–183; penned by Labor Arbiter Imelda C. Alforte-Ganancial

<sup>27</sup> Id. at 79–83.

<sup>28</sup> Id. at 76–83; penned by Presiding Commissioner Grace M. Venus with the concurrence of Commissioners Mary Ann P. Daytia and Leonard Vinz O. Ignacio.

<sup>29</sup> Id. at 85–87.

<sup>30</sup> Id. at 44–46.

<sup>31</sup> Id. at 41–47; penned by Associate Justice Jane Aurora C. Lantion with the concurrence of Associate Justices Gabriel T. Robeniol and Louis P. Acosta.

<sup>32</sup> Id. at 50.

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Hence, the present recourse. Eric claims that he worked for Homesonic for nine (9) years and that he established his ability to meet his quotas. While his performance in 2017 varied, the low sales cannot be solely attributed to him. In any case, Homesonic did not justify the quotas it imposed upon its employees. It failed to prove that the quotas were imposed in good faith. Eric further claims that his suspensions were illegal and that he is entitled to gratuity pay.

The appeal is unmeritorious.

An appeal by certiorari under Rule 45 of the Rules of Court is confined to questions of law; it does not extend to factual issues.<sup>33</sup> The function of the court is limited to reviewing errors of law that may have been committed by the lower courts.<sup>34</sup> While this rule has exceptions,<sup>35</sup> none are present in this case. Moreover, factual findings of labor tribunals, especially when affirmed by the CA, are generally accorded not only respect but even finality and are binding on the court.<sup>36</sup>

For a dismissal to be valid, the employer must comply with both substantive and procedural due process requirements. Substantive due process requires that the dismissal must be for a just or an authorized cause under Articles 297,<sup>37</sup> 298<sup>38</sup> or 299<sup>39</sup> of the Labor Code.<sup>40</sup> In this case, Homesonic dismissed Eric for failure to meet his personal and team sales quotas for over six (6) months. The court has recognized the prerogative of employers to impose quotas upon its employees. For the quota imposed to be considered a valid productivity standard, however,

<sup>33</sup> *Wenceslao v. C.F. Sharp Crew Management, Inc.*, G.R. No. 253191, May 14, 2021.

<sup>34</sup> *Bitco v. Crossworld Marine Services, Inc.*, G.R. No. 239190, February 10, 2021.

<sup>35</sup> *Medina v. Asistio, Jr.*, 269 Phil. 225–237 (1990).

<sup>36</sup> *Heirs of Andag v. DMC Construction Equipment Resources, Inc.*, G.R. No. 244361, July 13, 2020.

<sup>37</sup> ARTICLE 297. [282] *Termination by Employer.*— An employer may terminate an employment for any of the following causes:

- (a) Serious misconduct or willful disobedience by the employee of the lawful orders of his employer or representative in connection with his work;
- (b) Gross and habitual neglect by the employee of his duties;
- (c) Fraud or willful breach by the employee of the trust reposed in him by his employer or duly authorized representative;
- (d) Commission of a crime or offense by the employee against the person of his employer or any immediate member of his family or his duly authorized representatives; and
- (e) Other causes analogous to the foregoing.

<sup>38</sup> ARTICLE 298. [283] *Closure of Establishment and Reduction of Personnel.*— The employer may also terminate the employment of any employee due to the installation of labor-saving devices, redundancy, retrenchment to prevent losses or the closing or cessation of operation of the establishment or undertaking unless the closing is for the purpose of circumventing the provisions of this Title, by serving a written notice on the workers and the Ministry of Labor and Employment at least one (1) month before the intended date thereof. In case of termination due to the installation of labor-saving devices or redundancy, the worker affected thereby shall be entitled to a separation pay equivalent to at least his one (1) month pay or to at least one (1) month pay for every year of service, whichever is higher. In case of retrenchment to prevent losses and in cases of closures or cessation of operations of establishment or undertaking not due to serious business losses or financial reverses, the separation pay shall be equivalent to one (1) month pay or at least one-half (1/2) month pay for every year of service, whichever is higher. A fraction of at least six (6) months shall be considered one (1) whole year.

<sup>39</sup> ARTICLE 299. [284] *Disease as Ground for Termination.*— An employer may terminate the services of an employee who has been found to be suffering from any disease and whose continued employment is prohibited by law or is prejudicial to his health as well as to the health of his co-employees: Provided, That he is paid separation pay equivalent to at least one (1) month salary or to one-half (1/2) month salary for every year of service, whichever is greater, a fraction of at least six (6) months being considered as one (1) whole year.

<sup>40</sup> *Almogera, Jr. v. A & L Fishpond and Hatchery, Inc.*, G.R. No. 247428, February 17, 2021.

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management's prerogative of fixing the quota must be exercised in good faith for the advancement of its interest.<sup>41</sup> Gross and habitual failure to meet the quota constitutes gross inefficiency.<sup>42</sup> It is analogous to gross neglect of duty, a just cause for dismissal, for both involve specific acts of omission on the part of the employee resulting in damage to the employer or to its business.<sup>43</sup> After a review of the records of the case, we find that the CA did not err when it affirmed the validity of Eric's dismissal for gross inefficiency.

Eric alleged that upon his engagement in 2007, he was required to meet a personal quota of ₱65,000.00 per month. When he was appointed team leader in 2014, he also needed to meet a monthly team quota of ₱350,000.00.<sup>44</sup> Records, however, show that Eric only had personal sales of ₱6,000.00, less than 10% of his target, and team sales of ₱98,100.00 in *April 2017*. Homesonic warned Eric that further failure to meet his sales targets would warrant suspension of not less than three (3) days. However, Eric still failed to meet his personal quota in *May 2017*, having personal sales of only ₱13,100.00 or 20% of his target. Still, Homesonic did not suspend Eric. It gave him a final warning that continued failure to meet his quotas would warrant at least a 3-day suspension. Unfortunately, Eric only had team sales of ₱301,800.00 in *June 2017*. Homesonic, thus, suspended him for seven (7) days and warned him that any failure to meet his sales targets would warrant suspension of not less than 15 days. Despite the warning, Eric only had personal sales of ₱4,000.00 or 6% of his target and team sales of ₱211,600.00 in *July 2017*. Consequently, Homesonic suspended him for 15 days.

In *August 2017*, Eric only had personal sales of ₱35,000.00 and team sales of ₱292,700.00. Homesonic directed him to explain why he should not be dismissed from service. Eric merely apologized for his poor performance and promised to improve. Despite the absence of an explanation for his low sales, Homesonic did not dismiss Eric. Instead, it gave him a final chance to meet the ₱200,000.00 personal sales from September 26-October 2017. However, he only had sales of ₱25,000.00 or 12.5% of the agreed amount in October 2017. Homesonic, thus, informed Eric that he would be dismissed effective November 18, 2017. On November 23, 2017, Eric wrote Homesonic once more and apologized for his dismal performance. He assured his employer that he would focus on meeting his targets. Homesonic gave Eric a final chance to meet a monthly quota of ₱180,000.00 for a one-year period beginning December 2017. Regrettably, when Homesonic served Eric a notice apprising him for his performance in November 2017, he refused to receive the notice. As a result, Homesonic terminated him effective January 12, 2018.

Eric claims that Homesonic never proved that his quotas were reasonable. Worse, Homesonic imposed the quotas of ₱200,000.00 and ₱180,000.00, thrice his personal quota of ₱65,000.00, in bad faith. We note that Eric did not raise the supposed unreasonableness of his quotas during his nine (9) year employment

<sup>41</sup> *Atiling v. Feliciano*, 686 Phil. 889–923 (2012).

<sup>42</sup> *St. Luke's Medical Center, Inc. v. Fadriga*, 620 Phil. 745–758 (2009).

<sup>43</sup> *Puncia v. Toyota Shaw/Pasig, Inc.*, 788 Phil. 464 (2016).

<sup>44</sup> *Rollo*, p. 131.

with Homesonic, when he was asked to explain why he should not be dismissed from employment, and even during the proceedings before the Labor Arbiter. By his own admission, he met his targets throughout his employment except for April and October 2014 and from April to August 2017 and October to November 2017. The totality of the circumstances shows that Homesonic imposed the quotas on Eric for the advancement of its interests and in good faith. Eric grossly and habitually failed to meet his quotas from April to August 2017 or for five (5) straight months, prompting Homesonic to direct him to explain why he should not be dismissed from employment. Eric did not explain the reasons behind his poor performance; he merely apologized and promised to do better. Despite this, Homesonic gave him further opportunities to prove his fitness for continued employment. While the new quotas imposed were much higher than Eric's quota, Homesonic did not need to give Eric additional chances to improve his performance, considering it already had cause to dismiss Eric for gross inefficiency as early as September 2017. Yet, it gave Eric several opportunities. Hence, it cannot be said that Homesonic was in bad faith when it imposed the higher quotas on Eric in October and December 2017. On the contrary, Homesonic's actions showed that it valued Eric's years of service to the company and it wanted to keep him as an employee. As a measure of protection, it is within the prerogative of Homesonic to dismiss Eric due to his failure to meet his personal and team targets. Homesonic cannot be compelled to retain an employee who acts contrary to its vision and interests.<sup>45</sup>

The CA correctly affirmed the findings of the NLRC that Homesonic did not meet the requirements of procedural due process when it dismissed Eric for cause. To comply with procedural due process and validly dismiss an employee for a just cause, the employer is required to follow the two-notice rule. The employer must give the employee an initial notice, stating the specific grounds or causes for the dismissal and directing the employee to submit a written explanation answering the charges. After considering the employee's answer, the employer must serve the employee another notice detailing its findings and the reason for termination.<sup>46</sup> The conduct of a hearing or conference is mandatory only when requested by the employee in writing, substantial evidentiary disputes exist, a company rule or practice requires it, or when similar circumstances justify it.<sup>47</sup> Here, Homesonic served Eric a notice dated September 8, 2017 asking him to explain why he should not be dismissed for a cause. Upon receipt of Eric's apology and request for understanding, Homesonic gave Eric additional opportunities to meet his targets from October to December 2017. Homesonic only decided to dismiss Eric effective January 12, 2018. This time, however, it merely notified Eric of his termination for failure to meet his sales targets. It did not serve Eric a first notice informing him of the reasons behind his impending dismissal and asking him to explain the charges, in violation of the two-notice rule. Failure to comply with procedural due process entitles the employee to

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<sup>45</sup> *University of the Cordilleras v. Lacanaria*, G.R. No. 223665, September 27, 2021.

<sup>46</sup> *Supra*.

<sup>47</sup> *Perez v. Philippine Telegraph and Telephone Co.*, 602 Phil. 522-564 (2009).

nominal damages of ₱30,000.00 if the dismissal is based on just cause, as in this case.<sup>48</sup>

Insofar as Eric's three (3) day and 15-day suspension for failure to meet his sales targets for June and July 2017, case law instructs us that the evaluation of an employee's infraction should be dealt with fairness and reason. The surrounding circumstances must be considered and the penalty must be commensurate to the violation committed by an employee.<sup>49</sup> It is undisputed that Eric failed to meet his quotas for said months and was warned thrice that failure to meet his quotas would warrant suspension. Despite the warnings, Eric still failed to meet his targets. We, thus, affirm the labor tribunals' finding that Eric's suspensions were not illegal. Anent Eric's claim for gratuity pay, it would suffice to say that the labor tribunals and the CA did not err when they dismissed the claim for lack of basis.

**FOR THESE REASONS**, the petition is **DENIED**. The Court of Appeals Decision dated January 27, 2020 and Resolution dated October 1, 2020 in CA-G.R. SP No. 159871 are **AFFIRMED**. The complaint for illegal dismissal, illegal suspension, gratuity pay, damages, and attorney's fees of Eric B. Ortega is **DISMISSED**. Homesonic Enterprises is ordered to pay Eric B. Ortega nominal damages of ₱30,000.00 for terminating his employment for cause but without observance of due process.

**SO ORDERED.**"

By authority of the Court:

TERESITA AQUINO TUAZON  
Division Clerk of Court

By:



MA. CONSOLACION GAMINDE-CRUZADA  
Deputy Division Clerk of Court

14 APR 2023

<sup>48</sup> *Bance v. University of St. Anthony*, G.R. No. 202724, February 3, 2021.

<sup>49</sup> *Lamadrid v. Cathay Pacific Airways Limited*, G.R. No. 200658, June 23, 2021.



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