

SECOND DIVISION

[G.R. No. 160394, November 27, 2009]

LAND BANK OF THE PHILIPPINES, PETITIONER, VS. AGUSTIN C. DIZON, RESPONDENT.

DECISION

BRION, J.:

Before us is a petition for review on *certiorari*^[1] filed by the Land Bank of the Philippines (*LBP*), assailing the decision^[2] of the Court of Appeals (*CA*) dated July 31, 2003 in CA-G.R. CV No. 68428, as well as the resolution^[3] dated October 8, 2003, denying its motion for reconsideration. The assailed decision dismissed the *LBP*'s petition for *certiorari*.

THE FACTUAL ANTECEDENTS

Respondent Agustin Dizon (*Dizon*) was the owner of an unirrigated land situated in Aranguren, Capas, Tarlac, with an area of 25.0 hectares and covered by Transfer Certificate of Title No. 85458. On May 25, 1995, the Department of Agrarian Reform (*DAR*) sent Dizon a Notice of Acquisition informing him that the government was taking over his property for distribution to twelve (12) qualified farmer-beneficiaries under the compulsory acquisition scheme of the Comprehensive Agrarian Reform Program (*CARP*), and that the *LBP* would determine the value of the property pursuant to Executive Order No. 405^[4] dated June 14, 1990.

After ocular inspection, the *DAR* sent Dizon on September 19, 1995 a Notice of Land Valuation and Acquisition. The value of his property, as determined by the *LBP*, was P24,638.09 per hectare, or P582,917.57 for the *CARP*-covered portion of 23.6590 hectares, based on the formula provided in *DAR* Administrative Order No. 11, series of 1994.^[5]

The DARAB Ruling

On January 22, 1996, Dizon rejected the *LBP* valuation and elevated the matter to the Tarlac *DAR* Adjudication Board (*DARAB*). Thus, a summary administrative proceeding was conducted by the *DARAB* to determine the proper just compensation pursuant to Section 16 (d)^[6] of Republic Act No. 6657^[7] (*RA 6657*).

On March 24, 1999, the *DARAB*, through Regional Agrarian Reform Adjudicator Fe Arche-Manalang, rendered its decision^[8] fixing the just compensation at P163,911.65 per hectare on the basis of a comparable farmholding owned by the province of Tarlac, located in Barang, Paniqui, Tarlac, which was similarly categorized as rice/camote land and was previously valued by the *LBP* at the same price. According to the *DARAB*, the total amount of just compensation should

therefore be P3,877,985.72 for the entire area of 23.6590 hectares covered by CARP.

The RTC Ruling

The LBP filed a petition on July 7, 1999 before the Regional Trial Court (RTC) of Tarlac City, acting as a Special Agrarian Court (RTC-SAC) under Section 57^[9] of RA 6657, for judicial determination of just compensation for Dizon's landholding. The case was docketed as Agrarian Case No. 156 before Branch 63 of the Tarlac RTC-SAC.

The LBP showed how it arrived at the valuation of P24,638.09 per hectare by presenting, among others, a valuation worksheet that used the average gross production and the market value *per* tax declaration as the factors to determine just compensation. Dizon, on the other hand, did not adduce any evidence before the RTC-SAC and merely relied on the DARAB resolution that he cited.

In a decision^[10] dated July 20, 2000, the RTC-SAC affirmed the DARAB decision and rejected the original LBP valuation of P24,638.09 per hectare for being unrealistic and for not being in accord with the factors in determining just compensation, as enumerated in Section 17^[11] of RA 6657. According to the RTC, *"with the fast growing population and migration to cities and urban centers, prices of land had increased tremendously. The Court doubts very much if the tenants, had they been the owners, would be willing to sell the land at P24,000.00 per hectare and on instalment basis."*^[12] Significantly, the RTC-SAC decision simply adopted the resolution of the DARAB and did not bother to receive any evidence from Dizon.

The RTC-SAC thereafter rejected the LBP's motion for reconsideration in a resolution dated August 18, 2000. LBP appealed to the CA.

The CA Ruling

The CA affirmed the RTC-SAC ruling in a decision^[13] dated July 31, 2003. The CA agreed with the DARAB and the RTC-SAC that by today's standard, the LBP's quoted price is unrealistic as the land is devoted to agricultural use. The CA likewise held that substantial evidence supported the DARAB's decision since Dizon presented supporting proof - the price the LBP gave for a similar landholding in the same land category, albeit in a different municipality in Tarlac. Citing the definition of "just compensation"^[14] in *Manila Railroad Co. v. Velasquez*,^[15] the CA thus ruled that the valuation of P163,911.65 per hectare, as held by the DARAB and the RTC-SAC, is just.

The LBP moved for reconsideration of the decision, but the CA denied the motion for lack of merit in a resolution dated October 8, 2003.^[16]

ASSIGNMENT OF ERRORS

In the present petition, the LBP challenges the CA decision on the basis of the following assigned errors:

- 1.) the RTC-SAC erroneously relied on the decision of the DARAB regarding the amount of just compensation instead of conducting its own independent evaluation of the facts and evidence presented by the parties; and
- 2.) there was no substantial evidence presented before the DARAB to determine the correct amount of just compensation.

THE COURT'S RULING

We find the petition partly meritorious.

The LBP argues that the case before the RTC-SAC is an original action for determination of just compensation in the exercise of that court's original and exclusive jurisdiction; therefore, the RTC-SAC should have conducted its own independent determination of the facts and law involved. The LBP further argues that the RTC-SAC completely disregarded the basic requirements of procedural due process when it merely adopted the decision of the DARAB.

We agree with the LBP.

Section 57 of RA 6657 clearly provides that RTC-SACs have **original and exclusive jurisdiction** over all petitions for the determination of just compensation payable to landowners under the land reform program.^[17] The RTC-SAC is not an appellate court that passes upon DARAB decisions determining just compensation under the land reform program. We so ruled in *Republic v. Court of Appeals*^[18] where we said:

In the terminology of Section 57 [of RA 6657], the RTC, sitting as a Special Agrarian Court, has "original and exclusive jurisdiction over all petitions for the determination of just compensation to landowners." **It would subvert this "original and exclusive" jurisdiction of the RTC for the DAR to vest original jurisdiction in compensation cases in administrative officials and make the RTC an appellate court for the review of administrative decisions.** [Emphasis supplied]

We reiterated this ruling in *Philippine Veterans Bank v. Court of Appeals*^[19] where we likewise had the occasion to outline the procedure for cases involving the determination of just compensation of lands acquired under the CARP:

Under RA 6657, the Land Bank of the Philippines is charged with the preliminary determination of the value of lands placed under land reform program and the compensation to be paid for their taking. It initiates the acquisition of agricultural lands by notifying the landowner of the government's intention to acquire his land and the valuation of the same as determined by the Land Bank. Within 30 days from receipt of notice, the landowner shall inform the DAR of his acceptance or rejection of the offer. In the event the landowner rejects the offer, a summary administrative proceeding is held by the provincial (PARAD), the regional (RARAD) or the central (DARAB) adjudicator, as the case may be, depending on the value of the land, for the purpose of determining the compensation of the land. The landowner, the Land Bank, and other interested parties are then required to submit evidence as to the just compensation for the land. The DAR adjudicator decides the case within

30 days after it is submitted for decision. If the landowner finds the price unsatisfactory, he may bring the matter directly to the appropriate Regional Trial Court.

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The jurisdiction of the Regional Courts is not any less "original and exclusive" because the question is first passed upon by the DAR, as the judicial proceedings are not a continuation of the administrative determination. For that matter, the law may provide that the decision of the DAR is final and unappealable. Nevertheless, resort to courts cannot be foreclosed on the theory that courts are the guarantors of the legality of administrative action. [Emphasis supplied]

Consequently, although the new rules speak of directly appealing the decision of adjudicators to the RTC-SACs, the jurisdiction of these designated courts to determine just compensation under Section 57 of RA 6657 is *original* and *exclusive*. Any effort to transfer this original jurisdiction to the adjudicators and to confer appellate jurisdiction on the RTC-SACs would be contrary to Section 57 and would result in void rulings. **What adjudicators are empowered to do is only to determine in a preliminary manner the reasonable compensation to be paid to landowners, leaving to the courts the ultimate power to decide this question on the merits.**

Thus, the RTC-SAC should have conducted its own independent and thorough investigation of the evidence submitted before it by the parties; the case should have been accorded its hearing and reception of evidence, and independent consideration of the facts and the law on the matter of just compensation. The RTC-SAC could not simply rely on and adopt the decision of the DARAB, an administrative body that *preliminarily* determines the reasonable compensation to be paid to landowners.

We emphasized the reason for requiring a full-blown trial in just compensation cases in *Land Bank of the Philippines v. Spouses Banal*,^[20] a case similar to the present case, where we said:

Here, the RTC failed to observe the basic rules of procedure and the fundamental requirements in determining just compensation for the property. *Firstly*, it dispensed with the hearing and merely ordered the parties to submit their respective memoranda. Such action is grossly erroneous since the determination of just compensation involves the examination of the following factors specified in Section 17 of RA 6657, as amended:

1. the cost of the acquisition of the land;
2. the current value of like properties;
3. its nature, actual use and income;
4. the sworn valuation by the owner, the tax declarations;
5. the assessment made by government assessors;
6. the social and economic benefits contributed by the farmers and the farmworkers and by the government to the property, and;

7. the non-payment of taxes or loans secured from any government financing institution on the said land, if any.

Obviously, these factors involve *factual* matters which can be established only during a hearing wherein the contending parties present their respective evidence. In fact, to underscore the intricate nature of determining the valuation of the land, Section 58 of the same law even authorizes the Special Agrarian Courts to appoint commissioners for such purpose. [Emphasis supplied].

In the present case, the LBP presented documents as evidence before the RTC-SAC which included a valuation worksheet showing how the P24,638.09 valuation per hectare was computed. Dizon, on the other hand, did not adduce any evidence, but instead simply relied on the resolution of the DARAB. The RTC-SAC disregarded the evidence presented by the LBP, stating that it was too unrealistic. Instead, the RTC-SAC, like Dizon, completely relied on the DARAB's findings. It was in this manner that the RTC-SAC affirmed *in toto* the DARAB decision awarding Dizon the amount of P163,911.65 per hectare.

The RTC-SAC's procedural lapse led to substantive errors in the decision it rendered (and which the CA affirmed *in toto*).

A basic substantive error - a due process one - is the lack of preponderance of evidence supporting its decision to follow the DARAB ruling pegging the just compensation at P163,911.65 per hectare. This conclusion is not supported by evidence because it is wholly based on Dizon's position and the latter cited the DARAB ruling. Significantly, the DARAB merely relied on the allegations made by Dizon in his position paper that a comparable farmholding owned by the Province of Tarlac in Barang, Paniqui, Tarlac, similarly categorized as rice/camote land, was valued at the same price of P163,911.65 per hectare. Thus, the compensation was determined on the basis of the bare allegation of Dizon, on the basis of which the DARAB "safely deduced that the said properties share common features and characteristics in terms of soil fertility, productivity, accessibility and climate."

Even if Dizon did not bother to present evidence while the LBP did, the RTC-SAC, to be sure, could have validly entered judgment based on the LBP evidence since Dizon effectively waived his right to present evidence. The LBP, however, also did not present sufficient evidence to support the payment of just compensation at P24,638.09 per hectare. While it may be true that LBP conducted an ocular inspection of the subject land, the bases it used in coming up with its valuation were utterly inadequate. The LBP showed a valuation worksheet that only used two factors in determining the just compensation: average gross production and the market value per tax declaration. This method runs counter to Section 17 of RA 6657 which provides for a number of other factors in determining just compensation, namely: the cost of acquisition of the land, the current value of like properties, sworn valuation by the owner and assessment made by government assessors. In this regard, the RTC-SAC should not have disregarded the guidelines and formula^[21] prescribed under DAR Administrative Order No. 5, series of 1998^[22] (AO No. 5-98), which is the prevailing Administrative Order used in the computation of just compensation. As we held in the recent case of *Lee v. Land Bank of the Philippines*: ^[23]