

# FIRST DIVISION

[ G.R. No. 221216, July 13, 2020 ]

## LAND BANK OF THE PHILIPPINES, PETITIONER, VS. HEIRS OF BARRAMEDA, RESPONDENTS.

### DECISION

**REYES, J. JR., J.:**

This Petition for Review on *Certiorari*<sup>[1]</sup> under Rule 45 assails the Decision<sup>[2]</sup> dated March 26, 2015 and the Resolution<sup>[3]</sup> dated October 29, 2015 of the Court of Appeals (CA) which affirmed with modification the ruling of the Regional Trial Court sitting as a Special Agrarian Court (RTC-SAC). Petitioner Land Bank of the Philippines (LBP) imputes error on the part of the CA when it imposed a 12% interest per annum on the amount of just compensation on account of LBP's delay in payment which the CA reckoned from the issuance of the emancipation patents in favor of the farmer-beneficiaries.

#### Facts

The facts are undisputed. Leoncio Barrameda (Barrameda) was the registered owner of a parcel of land located at San Jose, Camarines Sur and covered by Transfer Certificate of Title (TCT) No. RT-8786 with an area of 6.1415 hectares. Upon his death, the property was transferred to his heirs (heirs of Barrameda). A 5.7602-hectare portion of said property was placed under the coverage of Presidential Decree (P.D.) No. 27<sup>[4]</sup> and was distributed as follows: (1) 1.6900 hectares in favor of Ester Pejo; (2) 1.5814 hectares in favor of Damian C. Pilapil; and (3) 2.5885 hectares in favor of Juan P. Sarcilla. The corresponding emancipation patents and tax declarations were issued in the names of said farmer-beneficiaries.

On September 20, 2000, the heirs of Barrameda filed a complaint for determination and payment of just compensation against the Department of Agrarian Reform (DAR) Secretary and the LBP. They alleged that the farmer-beneficiaries had been in possession of the property since 1972 and that the DAR and the LBP failed to pay just compensation despite demands. They prayed for the payment of just compensation at P150,000.00 per hectare.

By way of answer,<sup>[5]</sup> DAR and LBP contended that the amount of just compensation should be computed pursuant to Section 1 of P.D. No. 27 and Section 2 of Executive Order (E.O.) No. 228.<sup>[6]</sup> They argued that since the property was placed under the coverage of P.D. No. 27 and at the time Republic Act (R.A.) No. 6657<sup>[7]</sup> or the Comprehensive Agrarian Reform Law (CARL) took effect the valuation process thereof has not yet been completed, the valuation should be governed by Section 17 of R.A. No. 6657.

They further argued that Section 17 of R.A. No. 6657 has been formularized by the DAR under Administrative Order No. 1, Series of 2010 (A.O. No. 01-10). Under A.O. No. 01-10, the annual gross production (AGP) should be that corresponding to the latest available 12 months' gross production immediately preceding June 30, 2009; the selling price (SP) should be the average of the latest available 12 months' selling prices prior to June 30, 2009; and the market value (MV) per tax declaration should be the latest tax declaration and schedule of unit of market value (SUMV) prior to June 30, 2009, and that the MV shall be grossed-up to June 30, 2009.<sup>[8]</sup> As, thus, computed, they prayed that the property be valued at P113,506.30 per hectare.<sup>[9]</sup>

### **Ruling of the RTC-SAC**

In its Decision dated August 15, 2013, the RTC-SAC upheld LBP's valuation. It ruled that LBP's valuation as prescribed by A.O. No. 01-10 was just and reasonable.<sup>[10]</sup> Nevertheless, it found that LBP was guilty of delay in the payment of just compensation. Thus, the RTC-SAC imposed a 12% interest per annum on the total amount of just compensation of P653,818.99 reckoned from January 1998, or the time when tax declarations were issued in the names of the farmer-beneficiaries, up to the time said amount shall have been fully paid.<sup>[11]</sup>

The RTC-SAC disposed:

WHEREFORE, premises considered, judgment is hereby rendered fixing the just compensation of the subject property at [P]653,818.99 plus interest at the rate of 12% per annum counted from January 1998 up to the time the said amount shall have been fully paid.

SO ORDERED.<sup>[12]</sup>

LBP moved for partial reconsideration as regards the imposition of the 12% interest reckoned from January 1998 as it was allegedly tantamount to an award of excess damages. According to the LBP, the amount of P653,818.99 was determined using valuation factors updated as of July 2009. As such, the interest which may be considered from January 1998 was already included and reflected in the value of P653,818.99.<sup>[13]</sup> Should it be made to pay interest, LBP argued that it should be at the rate of 12% reckoned from the finality of the decision until full payment.<sup>[14]</sup> The RTC-SAC denied LBP's motion on the ground that "[t]he fact[s] that the LBP valued the property using [June 30, 2009] values and that the LBP valuation was upheld by the court, do not change the fact that [the heirs of Barrameda] [were] deprived of [their] property without having paid its just value."<sup>[15]</sup>

Consequently, LBP elevated the case to the CA, arguing that the RTC-SAC erred in imposing interest on the full amount of just compensation reckoned from January 1998. It was LBP's position that since the valuations used, *i.e.*, AGP, SP, and MV, in determining the just compensation were current or were pegged on June 30, 2009, it should not be made liable to pay for interest reckoned from January 1998. However, in an apparent shift of its alternate theory, LBP argued that assuming it is liable to pay for interest, such should be reckoned only from June 30, 2009. Finally, LBP argued that the interest rate should be 6%, rather than 12%, pursuant to Article 2209 of the Civil Code.<sup>[16]</sup>

Meanwhile, a few days after it filed its appeal before the CA, or on November 19, 2013, LBP deposited in cash the amount of P65,381.90 and in bonds the amount of P588,437.09, for the total amount of P653,818.99, as compensation for the property.<sup>[17]</sup>

### **Ruling of the CA**

In denying LBP's appeal, the CA reasoned that the provisions of A.O. No. 01-10 should not be taken to mean that the actual time of taking of the property was June 30, 2009 as said provisions merely provide the formula in determining just compensation. Moreover, the CA held that there is no such "statutory date of taking" in agrarian reform cases and that the taking of landholdings or properties covered by P.D. No. 27 should be reckoned from the issuance of emancipation patents.<sup>[18]</sup> The CA disregarded LBP's position that the interest was already included in the value of P653,818.99. It ruled that while double imposition of interest was proscribed in cases where the legal interest was deemed included in the valuation, such cases involved valuations of just compensation computed in accordance with DAR Administrative Order No. 13, Series of 1994 (A.O. No. 13-94) which provides for a 6% annual interest. In this case, the CA ruled that the just compensation was computed in accordance with A.O. No. 01-10 which did not contain a similar provision regarding the imposition of interest.<sup>[19]</sup>

According to the CA, since LBP took a considerable length of time to pay the just compensation, the imposition of interest at the rate of 12% per annum was justified. The 6% rate, according to the CA, finds significance in labor cases as in *Nacar v. Gallery Frames*<sup>[20]</sup> but not in the determination of just compensation. However, considering that the records before the CA were insufficient to determine when the emancipation patents were issued as to determine the date of taking, the CA remanded the case to the RTC-SAC to receive evidence pertaining to the actual date of issuance of said emancipation patents.

In disposal, the CA held:

**WHEREFORE**, the Decision dated August 15, 2013 of the Regional Trial Court [Branch 23, Naga City] in Civil Case No. 2000-0143 is **AFFIRMED** with the **MODIFICATION** in that the 12% interest per annum on the amount of just compensation ([P]653,818.99) shall be reckoned from the actual time of taking of the subject property. For this purpose, the Regional Trial Court [Branch 23, Naga City] is hereby ORDERED to proceed with deliberate dispatch to receive evidence pertaining to the actual date when the emancipation patents were issued to the farmer-beneficiaries, which shall serve as the reckoning point for the imposition of the interest.

**SO ORDERED.**<sup>[21]</sup>

Its motion for reconsideration having been denied, LBP resorts to the present petition.

In this petition, LBP reiterates its argument that its use of the current valuation as prescribed under A.O. No. 01-10 negates compensable loss of the landowner from

the time of actual taking until June 30, 2009.<sup>[22]</sup> It asserts that any loss which the landowner may have suffered has already been offset by the increase in valuation under A.O. No. 01-10.<sup>[23]</sup> Assuming it is liable for interest, LBP maintains that the rate thereof should be 6%, rather than 12%, in accordance with BSP Monetary Board Circular No. 799, Series of 2013.

Commenting on the petition, the heirs of Barrameda contend that just compensation should be reckoned from the date of taking which were the issue dates of emancipation patents on April 16, 1990.<sup>[24]</sup> They also argue that the CA was correct in imposing a 12% interest by way of damages because LBP incurred delay in the payment of just compensation.<sup>[25]</sup>

### **Issues**

There is no dispute as regards the valuation and computation of the just compensation in the instant case. There is likewise no dispute that LBP incurred delay in the payment of just compensation as the properties had been distributed to the farmer-beneficiaries and emancipation patents were issued on April 16, 1990, while the payment for just compensation was deposited by the LBP only on November 19, 2013.

The controversy lies as to whether interest on account of LBP's delay in the payment of just compensation should be reckoned from the issuance of the emancipation patents on April 16, 1990, as the CA held, or from June 30, 2009, as LBP argues, considering that the valuation at that time was used in determining just compensation. If interest were due, the further question is which between the rate of 12% and 6% should be used.

### **Ruling of the Court**

The petition is partly meritorious.

#### **Just compensation must be fair, reasonable, and paid without delay**

Just compensation carries the invariable definition of being the sum equivalent to the market value of the property, broadly described as the price fixed by the seller in open market in the usual and ordinary course of legal action and competition, or the fair value of the property as between the one who receives and the one who desires to sell, it being fixed at the time of the actual taking by the government.<sup>[26]</sup> As a modifier to the word compensation, "just" means that the equivalent to be given for the property to be taken shall be real, substantial, full, and ample.<sup>[27]</sup>

On every occasion, as well, the true measure of just compensation is not the expropriator's gain but the owner's loss.<sup>[28]</sup> Necessarily, just compensation must not extend beyond the property owner's loss or injury. Even as undervaluation would deprive the owner of his property without due process, so too would its overvaluation unduly favor him to the prejudice of the public. In this manner, the compensation to be paid is truly just, not only for the owner whose property was

taken, but also to the public who bears the cost of expropriation.<sup>[29]</sup>

Apart from the requirement that the compensation for expropriated property must be fair and reasonable, the payment must also be made without delay. Absent prompt payment despite the taking of the property, the owner suffers immediate deprivation not only of his land, but also of its fruits or income.<sup>[30]</sup>

### **Interest compensates for delay in the payment of compensation for property already taken**

Consequently, when property owners are deprived of their lands without being properly compensated at the time of taking, interest on just compensation is due for the purpose of compensating the property owners for the income that they would have otherwise made.<sup>[31]</sup> In *Republic v. Mupas*,<sup>[32]</sup> we held:

Ideally, just compensation should be immediately made available to the property owner so that he may derive income from this compensation, in the same manner that he would have derived income from his expropriated property.

However, if full compensation is not paid for the property taken, then the State must pay for the shortfall in the earning potential immediately lost due to the taking, and the absence of replacement property from which income can be derived. Interest on the unpaid compensation becomes due as compliance with the constitutional mandate on eminent domain and as a basic measure of fairness.

Thus, **interest in eminent domain cases "runs as a matter of law and follows as a matter of course from the right of the landowner to be placed in as good a position as money can accomplish, as of the date of taking."**(Emphasis supplied)

As elucidated in *Apo Fruits Corporation v. Landbank of the Phils.*:<sup>[33]</sup>

We recognized in *Republic v. Court of Appeals* the need for prompt payment and the necessity of the payment of interest to compensate for any delay in the payment of compensation for property already taken. We ruled in this case that:

[I]f property is taken for public use before compensation is deposited with the court having jurisdiction over the case, **the final compensation must include interests] on its just value to be computed from the time the property is taken to the time when compensation is actually paid or deposited with the court. In fine, between the taking of the property and the actual payment, legal interest[s] accrue** in order to place the owner in a position as good as (but not better than) the position he was in before the taking occurred. (Emphasis supplied)