

EN BANC

[G.R. No. 203242, March 12, 2019]

LAND BANK OF THE PHILIPPINES, PETITIONER, V. LUCY GRACE AND ELMA GLORIA FRANCO, REPRESENTED BY ATTORNEY-IN-FACT VICENTE GUSTILLO, JR., RESPONDENTS.

D E C I S I O N

LEONEN, J.:

The final determination of just compensation is vested in courts. In the recent case of *Alfonso v. Land Bank*,^[1] this Court, through Associate Justice Francis H. Jardeleza, ruled that courts may deviate from the basic formula provided by administrative agencies if it finds, in its discretion, that other factors must be taken into account in the determination of just compensation. Deviation, however, must be grounded on a reasoned explanation based on the evidence on record. Absent this, the deviation will be considered as grave abuse of discretion.^[2]

For this Court's resolution is a Petition for Review on Certiorari^[3] assailing the Court of Appeals January 20, 2011 Decision^[4] and August 8, 2012 Resolution^[5] in CA-G.R. SP No. 03225. The Court of Appeals affirmed the September 18, 2007 Decision^[6] of the Special Agrarian Court, which fixed the value of just compensation for the lands appropriated at P1,024,115.49.

Lucy Grace Franco and Elma Gloria Franco (the Francos) were the registered owners of parcels of agricultural land in Barangay Maquina, Dumangas, Iloilo, covered by Transfer Certificate of Title Nos. T-62209, T-62210, T-62212, and T-51316.^[7]

The Francos offered the parcels of land for sale to the Department of Agrarian Reform under the Voluntary Offer to Sell of the Comprehensive Agrarian Reform Program in 1995.^[8] Of the 14.444 hectares of the property, 12.5977 hectares were acquired and distributed to qualified agrarian reform beneficiaries.^[9]

During the summary proceedings before the Department of Agrarian Reform, the parcels of land were valued at P714,713.78.^[10] The Francos did not agree with the initial valuation. Upon a Petition for Review, the Department of Agrarian Reform Adjudication Board raised the amount to P739,461.43,^[11] which the Francos then withdrew from the Land Bank of the Philippines (Land Bank).^[12]

Still dissatisfied with the amount, the Francos on August 3, 2000 filed before the Regional Trial Court, sitting as the Special Agrarian Court, a Complaint for the determination of just compensation.^[13] Subsequently, they filed an Amended Petition against Land Bank, the Secretary of Agrarian Reform, and other tenant-beneficiaries who were not included in the original Complaint.

In its September 18, 2007 Decision,^[14] the Special Agrarian Court fixed the just compensation for the 12.5977 hectares of land area actually taken by the government in the amount of P1,024,115.49.^[15] It ordered Land Bank to pay the remaining balance of P288,115.49 with legal interest at 12% per annum from April 25, 1996 until full payment.^[16] Moreover, it held that under Section 19^[17] of Republic Act No. 6657, or the Comprehensive Agrarian Reform Law, the Francos were also entitled to an additional five percent (5%) cash payment by way of incentive for voluntarily offering their lots for sale.^[18] In arriving at the amount, the Special Agrarian Court reasoned that:

[T]he Court finds the total valuation by the LBP and the DAR in the amount of P739,461.43 to be unrealistically low and therefore is not the just compensation of the subject lot. On the other hand, the valuation of the petitioners is likewise cumbersomely high for the government and the farmer-beneficiaries considering that the valuation of P300,000.00 per hectare they initially asked in 1998 were based only on assumptions of facts unsupported by credible evidence. This offer of P300,000.00 was reiterated by Mr. Gustilo during the hearing and clearly, this offer is based on his own declarations but this was not adequately substantiated and therefore inconclusive. Thus, the Court in the exercise of its judicial prerogatives, must consider the needs of both parties and should be guided by several factors in order to arrive at a just compensation which is fair, reasonable and acceptable to the parties.

. . . .

The Supreme Court has ruled that (sic) in several cases that the determination of just compensation is a function addressed to the Courts. It may not be usurped by any other branch or official of the government. The Courts are unanimous in decrying mathematical formulas or method "where even a grade school pupil could substitute for a judge for fixing just compensation. These methods are considered impermissible encroachments on judicial prerogatives. They tend to render the court inutile in a matter which under the [Constitution is reserved to the courts for final determination". Thus, pure mathematical approaches to valuation will not be tolerated by the courts, whose hands remain free and untied in arriving at just compensation.

Thus, in determining just compensation, the Court will take into consideration the factors, like the price set by the plaintiffs when they first offered the subject land for voluntary acquisition (P300,000.00 per hectare; Date of Offer - January 30, 1995) and those provided under Section 17 of R.A. 6657, to wit: a) the cost of acquisition of the land; b) the current value of like properties; c) the sworn valuation by the owner; d) the tax declarations and assessments; e) the assessments made by government assessors; f) the social and economic benefits contributed by the farmers and the farm workers and by the government to the property; and g) the non-payment of taxes or loans secure from any government financing institution on the said land.

The petitioners herein presented the four (4) Tax Declarations for 1996 of the subject lots wherein the assessor fixed the market value per hectare

of the bamboo land at P45,200.00 (total area - 0.5000 Has.); for rice land irrigated at P60,830.00 (total area - 1.5716 hectares); for coconut land at P45,000.00 (total area - 0.2000 hectares); and for sugar land at P122,000.00 (total area - 8.2318 hectares) or a total market value of P1,131,479.60.

Although the market value appearing in the tax declaration is usually lower than the actual value of the property, the court will consider the said amount since no evidence was presented by the plaintiffs to prove a higher amount.

In evaluating the subject lot in the case at bar, the Court will take into account the amount of P31,789.80 per hectare of bamboo land consisting of 0.4855 hectares; P59,871.97 per hectare of rice unirrigated consisting of 8.9920 hectare[s]; and P59,502.19 per hectare of rice unirrigated consisting of 3.1202 hectares, *which was arrived at using the mathematical formula provided under DAR Administrative Order No. 5, Series of 1998 and the market value of the property as shown in the tax declarations* which are as follows: for bamboo land consisting of 0.5000 hectares, the market value is P22,600.00; for coconut land consisting of 0.2000 hectares, the market value is P9,000.00; for rice irrigated consisting of 1.5716 hectares, the market value is P95,600.00 per hectare; and for sugar land consisting of 8.2318 hectares, the market value is P1,004,279.60 or a total market value of P1,131,479.60. *The average of these amounts will be considered the just compensation of the subject lot. Such method of valuation is intended to take into account all the factors previously discussed.* Therefore, the average of these two figures will result in the following valuation per hectare:

	Per Hectare	Area Actually Taken	Value
Bambooland	P38,494.50	0.4855 Has.	P18,689.08
Rice unirrigated	P90,935.96	8.9920 Has.	817,696.15
Rice unirrigated	P60,166.10	<u>3.1202</u> <u>Has.</u>	<u>187,730.26</u>
		[12.5977] has.	P1,024,118.49

From the foregoing computations, this Court finds and so hold (*sic*) that the just compensation or land value of the subject lot located at Brgy. Maquina, Dumangas, Iloilo covered by TCT Nos. T-62209, T-622010, T-62212 and T-51376 and registered in the name of Lucy Grace Franco married to Jose Mandorliao, Jr. and Elma Gloria Franco is P1,024,115.40 for the 12.5977 hectares actually taken by the government and transferred in favor of the qualified farmer-beneficiaries.

.....

The concept of just compensation embraces not only the correct determination of the amount to be paid to the owners of the land, but also the payment of the land within a reasonable time from its taking. Without prompt payment, compensation cannot be considered "just" for the property owner is made to suffer the consequence of being immediately deprived of his land while being made to wait for a decade or more before actually receiving the amount necessary to cope with his loss.^[19] (Emphasis supplied)

Land Bank filed a Motion for Reconsideration, but it was denied by the Special Agrarian Court in a November 14, 2007 Order.^[20]

Land Bank filed before the Court of Appeals a Petition for Review under Rule 42 of the Rules of Court, arguing that the Special Agrarian Court's determination of just compensation was inconsistent with Department of Agrarian Reform Administrative Order No. 5, series of 1998 (Administrative Order No. 5).^[21]

In its January 20, 2011 Decision,^[22] the Court of Appeals, citing *Heirs of Lorenzo and Carmen Vidad v. Land Bank of the Philippines*,^[23] affirmed the ruling of the Special Agrarian Court and held that the determination of just compensation is judicial in nature:

Settled is the principle that the determination of just compensation is judicial in nature. Hence, contrary to petitioner's assertion, the court a quo may properly determine for itself the amount of just compensation to be awarded to private respondents. . . . The transaction involved the taking of the property of private respondents under R.A. 6657 which was an exercise of the State's power of eminent domain. As such, *the valuation of property or determination of just compensation is vested with the courts and not with administrative agencies. Thus, even though there might have been an acceptance by the landowner of the valuation of the DAR, this acceptance does not bar resort to the courts for the final determination of just compensation.*

"R.A. 6657 does not make DAR's valuation absolutely binding as the amount payable by petitioner. A reading of Section 18 of R.A. 6657 shows that the courts, and not the DAR, make the final determination of just compensation. It is well-settled that the DAR's land valuation is only preliminary and is not, by any means, final and conclusive upon the landowner or any other interested party. The courts will still have the right to review with finality the determination in the exercise of what is admittedly a judicial function."

Moreover, to sustain petitioner's position that the court a quo cannot re-evaluate the DAR's valuation, would modify the Special Agrarian Court's function to determine just compensation to an appellate one, instead of the original and exclusive jurisdiction vested upon it by R.A. 6657.

Admittedly, certain factors have to be considered in the determination of just compensation. As opposed to petitioner's claim, however, it appeared that the court a quo considered these factors when it awarded the sum of P1,024,115.49 to private respondents as compensation for

their property taken under the CARP. Aside from the evidence submitted by petitioner, the court a quo likewise gave due consideration to private respondents' evidence, particularly as to the market value of the subject parcels of land. In fact, the court a quo utilized the same values as determined by DAR using the mathematical formula provided under DAR Administrative Order No. 5, Series of 1998 which embodied the criteria laid down in Section 17 of R.A. 6657. Thus, it cannot be said that the court a quo disregarded the rules and principles established by law and jurisprudence on the fixing of just compensation.^[24] (Emphasis supplied, citations omitted)

The Court of Appeals, however, modified the Special Agrarian Court Decision by deleting the imposition of the 12% legal interest on the outstanding amount. In doing so, it explained that the delay in the delivery of payment has not been established.^[25]

Land Bank filed a Motion for Partial Reconsideration, but it was denied by the Court of Appeals in its August 8, 2012 Resolution.^[26] Hence, this Petition for Review on Certiorari^[27] was filed.

Petitioner argues that in determining just compensation, the Special Agrarian Court expanded the basic general formula in Administrative Order No. 5 by taking the average between its valuation and the market value of the properties based on its respective tax declarations.^[28] For reference, the basic general formula is:

$$LV = (CNI \times 0.6) + (CS \times 0.3) + (MV \times 0.1)$$

Where: LV = Land Value

CNI = Capitalized Net Income

CS = Comparable Sales

MV = Market Value per Tax Declaration^[29]

Petitioner contends that the Special Agrarian Court expanded the formula to $LV = [(CNI \times 0.6) + (CS \times 0.3) + (MV \times 0.1)] + 1996 \text{ tax declaration} / 2 \times \text{area}$, which it claims was contrary to Administrative Order No. 5.^[30] It argues that in a long line of cases, this Court "has demonstrated judicial fealty to the applicable formula and guidelines which [the Department of Agrarian Reform] issued through several administrative orders."^[31] It cites *Land Bank of the Philippines v. Spouses Banal*,^[32] where the Special Agrarian Court was reminded that "the exercise of judicial discretion in fixing just compensation must be made within the bounds of [Republic Act] No. 6657 and the administrative rules issued by [the Department of Agrarian Reform]."^[33]

Petitioner posits that the five percent (5%) cash incentive under Section 19^[34] in relation to Section 18^[35] of Republic Act No. 6657 refers to the mode of payment on the cash portion, but not to an additional award of five percent (5%) on top of the full amount of just compensation. It submits that considering that the properties acquired were below 24 hectares and were voluntarily offered for sale, the landowner, instead of receiving 35% in cash and 65% in agrarian reform bonds, should receive 40% in cash and 60% in agrarian reform bonds as just compensation.^[36]