

# FIRST DIVISION

[ G.R. No. 196264,, June 06, 2019 ]

**LAND BANK OF THE PHILIPPINES, PETITIONER, V. LINA B. NAVARRO, REPRESENTED BY HER ATTORNEY-IN-FACT, FELIPE B. CAPILI, RESPONDENT.**

## D E C I S I O N

**JARDELEZA, J.:**

This is a petition for review on *certiorari*<sup>[1]</sup> assailing the June 25, 2009 Decision<sup>[2]</sup> and March 18, 2011 Resolution<sup>[3]</sup> of the Court of Appeals (CA) in CA-G.R. CV No. 79097. The CA affirmed with modification the June 17, 2002 Decision<sup>[4]</sup> of the Regional Trial Court acting as Special Agrarian Court<sup>[5]</sup> (SAC) in Civil Case No. 23,806-95. In this case, we restate the rule that courts should consider the factors stated in Section 17 of Republic Act No. (RA) 6651,<sup>[6]</sup> as amended, and as translated into a basic formula by the Department of Agrarian Reform (DAR) in their determination of just compensation for properties covered by the said law.<sup>[7]</sup>

Lina is the daughter of Antonio Buenaventura (Antonio) and stepdaughter of Jo vita Buenaventura (Jovita). Antonio and Jovita owned Lot No. 6561, Cad-174 of the Guianga Cadastre located at Catalunan Grande, Davao City. The property, covered by Original Certificate of Title (OCT) No. P-2182, is an agricultural land with an area of 29.0772 hectares or 290,772 square meters (sq. m.). When Antonio died, Jovita was appointed as the administratrix of his estate in Special Proceeding Case No. 1920. Lot No. 6561 was also partitioned between Jovita and Lina, Jovita got a 75% *pro-indiviso* share while Lina received the remaining 25% *pro-indiviso* share.<sup>[8]</sup>

Sometime in 1988, the government, pursuant to its land transfer program under Presidential Decree No. (PD) 27,<sup>[9]</sup> expropriated 21.890 hectares of Lot No. 6561 (property). The DAR valued it at P49,025.15 based on the Landowner-Tenant Production Agreement and Farmer's Undertaking (LTPA-FU) executed between Jovita and the farmer/tenant-beneficiaries over the property.<sup>[10]</sup> Petitioner Land Bank of the Philippines (LBP) concurred with the valuation of the DAR. Out of the P49,025.15, Jovita was paid P36,768.86. Lina on the other hand rejected a tender of P12,256.29 for her share.<sup>[11]</sup>

On August 9, 1995, Lina filed a petition<sup>[12]</sup> with the SAC for the fixing of just compensation against the DAR and the LBP. She alleged that the property was expropriated by the government, by virtue of which Emancipation Patents (EPs) were issued to tenant-farmers, namely: EP 221 to EP-234.<sup>[13]</sup> She stated that the DAR valued the property at P0.17 per sq. m. only, which is ridiculously low. Thus, she did not accept the payment for her 25% *pro-indiviso* share amounting to P12,256.29 for being confiscatory, unrealistic, and violative of her rights to just

compensation and due process.<sup>[14]</sup> She asked the SAC to consider the comparable sales of lots similarly situated within or near the location of the property.

In its answer,<sup>[15]</sup> the LBP denied that the valuation was confiscatory. The property was valued in accordance with the provisions of PD 27 as amended by Executive Order No. (EO) 228.<sup>[16]</sup> It further argued that the property is not physically subdivided between Jovita and Lina. Thus, the portion belonging to Lina for purposes of determining just compensation still cannot be identified.<sup>[17]</sup> The LBP prayed for the dismissal of the case for lack of merit. Similarly, the DAR claimed that its valuation is fair and just, as it was fixed in accordance with the criteria prescribed under Section 17 of RA 6657. The DAR contended that since Lina failed to exhaust administrative remedies, her case should be dismissed for lack of jurisdiction.<sup>[18]</sup> Lina filed a reply<sup>[19]</sup> alleging that the doctrine of exhaustion of administrative remedies is not applicable to her action.<sup>[20]</sup>

Pre-trial followed. On May 30, 2002, the parties submitted a Stipulation of Facts, which we quote in full as follows:

### **STIPULATION OF FACTS**

THE PARTIES, assisted by their respective counsels, and unto this Honorable Court hereby stipulate as follows, that:

1. Out of the total land area of 29.0772 has. belonging to the estate of Antonio Buenaventura and covered by OCT No. P-2182[, ] 21.890 was covered by the DAR under P.D. 27 as shown by TCT Nos. EP-221 up to EP-234 to be marked in exhibit as Exhibits "O" up to "BB";
2. Of the 21.890 that was covered by the DAR, 6.5006 was paid directly by the tenants to Jovita Buenaventura representing a portion of her 75% share in the 21.890 has. and these are covered by EP 229 (Exh. "V") for 2.4268 has., EP 228 (Exh. "U") for 3.8889 has., EP 221 (Exh. "O") for 900 sq.m. and EP-222 (Exh. "P") for 948 sq.m.;
3. The remaining 15.2999 has. was paid for by the government through the Land Bank as evidenced by the Deed of Assignment, Warranties, and Undertaking (or DAWU) to be marked in exhibit as Exhibit "1" - LBP;
4. Hence, the share of petitioner for which just compensation should be fixed is 5.4725 has. (i.e., 25% of 21.890 has.)

RESPECTFULLY SUBMITTED.<sup>[21]</sup>

On even date, the SAC issued an Order<sup>[22]</sup> submitting the case for decision.

In its Decision<sup>[23]</sup> dated June 17, 2002 the SAC ruled in favor of Lina. It explained that out of Lot No. 6561's total area of 290,772 sq. m., **234,702 sq. m.** were taken by the DAR and distributed among the tenant-farmers through EPs 221-234. The estate of Antonio retained 56,070 sq. m.<sup>[24]</sup> The SAC computed Lina's 25% share out of the 234,702 sq. m. to be equivalent to **58,675.50 sq. m.** It also declared that the actual taking of the property happened on June 13, 1988 when OCT No. P-2182 was cancelled and EPs were issued. Despite this, the LBP offered to pay Lina the value of the property as of March 11, 1993 as shown by LBP's letter of the same

date.<sup>[25]</sup> Subsequently, in arriving at the valuation of P10.00 per sq. m., the SAC considered the market value approach as the "fairer gauge."<sup>[26]</sup>

Lina filed a motion for reconsideration<sup>[27]</sup> but it was denied.<sup>[28]</sup> The parties separately filed their respective notices of appeal. The LBP took issue with the date of taking as found by the SAC, as well as the factors and formula by the court in arriving at the valuation of P10.00 per sq. m. It alleged that the property was covered and acquired by the government pursuant to PD 27; thus, the SAC should have followed the valuation formula under that law.<sup>[29]</sup> The LBP also questioned the imposition of legal interest on the just compensation awarded.<sup>[30]</sup> Lina, meanwhile, faulted the SAC for fixing just compensation at a low price and for ruling that she did not claim for attorney's fees in her petition.<sup>[31]</sup> Lina asserts the SAC failed to consider that the value of the property as of 1988 was P20.00 per sq. m., as established by the testimonies of the duly licensed real estate appraisers she presented as witnesses.<sup>[32]</sup>

On November 27, 2003, while the appeal was still at the completion-of-records stage, Lina filed before the CA a motion for execution pending appeal of the SAC Decision. She cited her old age and sickness and the fact that 14 years had already elapsed since the taking of her property by the government.<sup>[33]</sup> The CA granted the motion and ordered the Division Clerk of Court to issue a writ of execution. The LBP sought reconsideration but this was denied by the CA.<sup>[34]</sup>

After the case was submitted for decision, the LBP filed a manifestation/compliance relative to the execution of the SAC Decision pending appeal, stating that:

5. While we are ready and willing to comply with the *Alias Writ of Execution Pending Appeal* of 10 pesos per square meter, we are faced, however, with a compelling reality that only 3.8249 hectares rightfully belonged to Lina Navarro.

16. It is for this reason that LBP can only effect payment on the 3.8249 hectares, (25% of 15.2999 hectares) despite the SAC's pronouncement of 5.8070 hectares (25% of 23.4702). Accordingly, a Manager's Check (No. 29586) dated January 12, 2007 in the amount of P1,235,578.93 x x x payable to LINA B. NAVARRO was delivered by LBP, through its AOC in Davao, to the handling Sheriff on January 19, 2007 as LBP's compliance for the writ of execution.<sup>[35]</sup> (Citation omitted.)

The CA then required the parties to simultaneously submit a memorandum on the matter of the hectarage of the property.<sup>[36]</sup>

Lina claimed in her memorandum that a typographical error attended the recording of the total area placed under agrarian reform. Instead of recording the total area as covering only 21.8005 hectares, what was recorded was an area of 21.890 hectares.<sup>[37]</sup> Nevertheless, she contended that the controversy as to the actual area of the property, to which she was entitled had long been settled in the parties' Stipulation of Facts. In its Item No. 4, the parties agreed that Lina's 25% share shall be based on [21.890] 21.8005 hectares. Thus, her compensable share should be 5.4501 hectares.<sup>[38]</sup>

The LBP for its part asserted that the total area acquired by the government, based on the LTPA-FU and the Land Valuation Summary and Farmer's Undertaking, was 15.2999 hectares only.<sup>[39]</sup> Under Item No. 2 of the Stipulation of Facts clearly stated that, of the 21.890 hectares placed under agrarian reform, 6.5006 hectares was paid directly by the tenants to Jo vita represented a portion of her 75% share in the 21.980 hectares. The remaining 15.2999 hectares was paid for by the government. The LBP insisted that Lina's 25% share should only be based on the 15.2999 hectares because the payment for 6.5006 hectares was directly paid by the tenants to Jovita. Thus, the difference in area of about 1.7 hectares may be recovered by Lina from Jovita, but not from LBP.<sup>[40]</sup>

In its Decision<sup>[41]</sup> dated June 25, 2009, the CA denied the appeal and affirmed the ruling of the SAC with modification, to wit:

WHEREFORE, the appeal is DENIED. The assailed Decision is hereby AFFIRMED with MODIFICATION that the total area to which petitioner is entitled should be [5.4501 hectares] only and not 5.8070 hectares. The Court directs the LBP to pay petitioner the value of the remaining portion of 1.7 hectares at P10.00 per square meter plus twelve percent (12%) per annum interest to be computed from June 13, 1988 until fully paid.

SO ORDERED.<sup>[42]</sup>

The CA was convinced that the total land area covered by the agrarian reform program is 21.8005 hectares. Likewise, it held that Lina's 25% share shall be based on 21.8005 hectares, and not 15.2999 hectares as alleged by the LBP. The CA opined that LBP is bound by the Stipulation of Facts, Item No. 2 of which states that the 6.5006 hectares (which was directly paid for by the tenant-farmers) is chargeable to Jovita's 75% share and not to Lina's 25% share.<sup>[43]</sup> Thus, it ruled that Lina is entitled to a compensable area of 5.4501 hectares.

The CA, however, held that LBP's reliance on the valuation formula under PD 27 was misplaced. Lina's property was taken by the government under PD 27, but it was only on March 11, 1993, or after five years that the LBP offered payment.<sup>[44]</sup> When RA 6657 was enacted into law in 1998, the amount to be paid to Lina was still unsettled. Hence, the CA declared that just compensation should be determined and the expropriation process conducted under RA 6657. It opined that this is provided for in *Land Bank of the Philippines v. Heirs of Angel T. Domingo*<sup>[45]</sup> and *Land Bank of the Philippines v. Natividad*.<sup>[46]</sup> There we ruled that the determination of just compensation for lands taken under PD 27 should be made in accordance with Section 17 of RA 6657, with PD 27 and EO 228 merely having supplementary effect.<sup>[47]</sup>

For purposes of computing just compensation, the CA noted that the date of taking of the property should be reckoned from the issuance of the EPs because these constitute the conclusive authority for the issuance of transfer certificate of title in the name of the grantee. Otherwise stated, it is from the issuance of an EP that the grantee can acquire the vested right of ownership in the landholding, subject to the payment of just compensation to the landowner.<sup>[48]</sup>

Meanwhile, the CA sustained the valuation of the P10.00 per sq. m. It stated that the fact that the SAC did not consider the commissioners' recommendation of P20.00 per sq. m. does not make the SAC's finding erroneous. Reports of

commissioners are merely advisory and recommendatory in character and courts are not bound by them.<sup>[49]</sup>

Finally, the CA noted that pursuant to the writ of execution pending appeal, the LBP had already paid Lina for the value of 3.8249 hectares at P10.00 per sq. m. Hence, it directed the LBP to pay Lina the value of the *remaining* 1.72011 hectares also at P10.00 per sq. m.<sup>[50]</sup>

The LBP filed a motion for reconsideration<sup>[51]</sup> reiterating its earlier argument that just compensation should be fixed using the valuation provided under PD 27 and that Lina be compensated only for the value of 3.8249 hectares. However, before the CA could resolve the motion, the LBP filed a manifestation and motion, informing the court of the passage of RA 9700<sup>[52]</sup> which took effect on July 1, 2009.<sup>[53]</sup> Section 5 of RA 9700 provides that "all previously acquired lands wherein valuation is subject to challenge by landowners shall be completed and finally resolved pursuant to Section 17 of [RA 6657], as amended x x x." The case falls under this category, the LBP pleaded that the issue of whether the SAC disregarded the valuation under PD 27 in determining just compensation is now moot and academic. Nevertheless, it asserted that while the applicable law is RA 6657, still, the SAC's valuation of the property is not compliant with the pertinent DAR valuation guidelines. The LBP thus prayed for the remand of the case to the SAC for further proceedings to determine just compensation under Section 17 of RA 6657.<sup>[54]</sup>

In a Resolution<sup>[55]</sup> dated March 18, 2011, the CA denied LBP's motion for reconsideration. Hence, this petition.

The LBP raises the following issues:

1. Whether the CA erred in holding that Lina's compensable share in the property is 5.4725 hectares;
2. Whether the just compensation fixed by the SAC and affirmed by the CA is correct; and
3. Whether the CA erred in upholding the imposition of 12% interest over the compensation awarded.

The petition is partly meritorious.

## I

At the outset, we shall settle the matter of the hectarage of the property. This determination is crucial in identifying the compensable area to which Lina is entitled. In this regard, we note that the parties entered into a Stipulation of Facts before the SAC. Item No. 1 reads:

1. Out of the total land area of 29.0772 has. belonging to the estate of Antonio Buenaventura and covered by OCT No. P-2182[,], **21.890 was covered by the DAR under P.D. 27** as shown by TCT Nos. EP-221 up to EP-234 to be marked in exhibit as Exhibits "O" up to "BB"[:].<sup>[56]</sup> (Emphasis supplied.)