

## SECOND DIVISION

[ G.R. No. 227215, January 10, 2018 ]

**REPUBLIC OF THE PHILIPPINES, REPRESENTED BY THE  
DEPARTMENT OF PUBLIC WORKS AND HIGHWAYS (DPWH),  
PETITIONER, V. LEONOR MACABAGDAL, REPRESENTED BY  
EULOGIA MACABAGDAL PASCUAL (FORMERLY JOHN DOE  
"DDD"), RESPONDENT.**

### R E S O L U T I O N

**PERLAS-BERNABE, J.:**

Before the Court is a petition for review on *certiorari*<sup>[1]</sup> assailing the Decision<sup>[2]</sup> dated September 13, 2016 of the Court of Appeals (CA) in CA-G.R. CV No. 104473, which affirmed the Decision<sup>[3]</sup> dated October 30, 2014 of the Regional Trial Court of Valenzuela City, Branch 172 (RTC) in Civil Case No. 49-V-08, imposing legal interest on the unpaid balance of the just compensation for the subject lot at the rate of twelve percent (12%) per annum (p.a.) computed from the time of the taking of the property until full payment.

#### **The Facts**

On January 23, 2008, petitioner the Republic of the Philippines (petitioner), represented by the Department of Public Works and Highways, filed<sup>[4]</sup> before the RTC a complaint<sup>[5]</sup> against an unknown owner for the expropriation of a 200-square meter (sq. m.) lot located in Barangay Ugong, Valenzuela City, identified as Lot 1343-A-2-A-2-G, (LRC)Psd-315943 (subject lot),<sup>[6]</sup> for the construction of the C-5 Northern Link Road Project, otherwise known as North Luzon Expressway (NLEX) Segment 8.1, traversing from Mindanao Avenue in Quezon City to the NLEX in Valenzuela City.<sup>[7]</sup>

Petitioner thereafter applied for, and was granted<sup>[8]</sup> a writ of possession over the subject lot on May 5, 2008, and was required<sup>[9]</sup> to deposit with the court the amount of P550,000.00 (*i.e.*, at P2,750.00/sq. m.) representing the zonal value thereof (provisional deposit).<sup>[10]</sup>

On August 28, 2012, respondent Leonor Macabagdal (respondent), represented by Eulogia Macabagdal Pascual, was substituted as party-defendant upon sufficient showing that the subject lot is registered in her name under Transfer Certificate Title No. (TCT) V-103067. Respondent did not oppose the expropriation, and received the provisional deposit.<sup>[11]</sup>

The RTC appointed a board of commissioners to determine the just compensation for the subject lot, which thereafter submitted its Commissioners' Report (Re: Just Compensation)<sup>[12]</sup> dated May 23, 2014, recommending a fair market value of P9,000.00/sq. m. as the just compensation for the subject lot, taking into

consideration its location, neighborhood and land classification, utilities, amenities, physical characteristics, occupancy and usage, highest and best usage, current market value offerings, as well as previously decided expropriation cases of the same RTC involving properties similarly situated in the same barangay.<sup>[13]</sup>

### **The RTC Ruling**

In a Decision<sup>[14]</sup> dated October 30, 2014, the RTC found the recommendation of the commissioners to be reasonable and just, and accordingly: (a) fixed the just compensation for the subject lot at P9,000.00/ sq. m.; (b) directed petitioner to pay the same, less the provisional deposit of P550,000.00; and (c) imposed legal interest at the rate of twelve percent (12%) p.a. on the unpaid balance, computed from the time of the taking of the subject lot until full payment.<sup>[15]</sup>

Dissatisfied, petitioner appealed<sup>[16]</sup> before the CA, questioning the just compensation of P9,000.00/sq. m. and the award of twelve percent (12%) interest rate p.a., instead of six percent (6%) p.a.<sup>[17]</sup> as provided under *Bangko Sentral ng Pilipinas* Monetary Board (BSP-MB) Circular No. 799, Series of 2013.<sup>[18]</sup>

### **The CA Ruling**

In a Decision<sup>[19]</sup> dated September 13, 2016, the CA affirmed the RTC Decision, holding that the commissioners, in their recommendation, observed the parameters<sup>[20]</sup> set forth under Section 5 of Republic Act No. 8974,<sup>[21]</sup> and the findings of the RTC was amply supported by the evidence on record.<sup>[22]</sup>

Hence, the instant petition claiming that the CA did not rule on the issue of the applicable rate of interest which, in this case, should be at twelve percent (12%) p.a. from the filing of the complaint until June 30, 2013, and thereafter, at six percent (6%) p.a. until full payment.

### **The Issue Before the Court**

The essential issue for the Court's resolution is whether or not the CA committed reversible error in affirming the RTC's imposition of interest at the rate of twelve percent (12%) p.a. on the unpaid balance, computed from the time of the taking of the subject lot until full payment.

### **The Court's Ruling**

The petition is partly meritorious.

The purpose of just compensation is not to reward the owner for the property taken, but to compensate him for the loss thereof. As such, the true measure of the property, as upheld in a plethora of cases, is the market value at the time of the taking, when the loss resulted.<sup>[23]</sup> Indeed, the State is not obliged to pay premium to the property owner for appropriating the latter's property; it is only bound to make good the loss sustained by the landowner, with due consideration to the circumstances availing at the time the property was taken.<sup>[24]</sup>

In addition, the Court also recognizes that the owner's loss is not only his property, but also its income-generating potential. Thus, when property is taken, full compensation of its value must be immediately paid to achieve a fair exchange for

the property and the potential income lost.<sup>[25]</sup> The value of the landholdings should be equivalent to the principal sum of the just compensation due, and **interest is due and should be paid to compensate for the unpaid balance of this principal sum after taking has been completed.**<sup>[26]</sup> This shall comprise the *real, substantial, full, and ample* value of the expropriated property, and constitutes due compliance with the constitutional mandate of just compensation in eminent domain.<sup>[27]</sup>

In this case, from the date of the taking of the subject lot on May 5, 2008 when the RTC issued a writ of possession<sup>[28]</sup> in favor of petitioner,<sup>[29]</sup> until the just compensation therefor was finally fixed at P9,000.00/sq. m., petitioner had only paid a provisional deposit in the amount of P550,000.00 (*i.e.*, at P2,750.00/sq. m.). Thus, this left an unpaid balance of the "principal sum of the just compensation," warranting the imposition of interest. It is settled that the delay in the payment of just compensation amounts to an effective forbearance of money, entitling the landowner to interest on the difference in the amount between the final amount as adjudged by the court and the initial payment made by the government.<sup>[30]</sup>

However, as aptly pointed out by petitioner,<sup>[31]</sup> the twelve percent (12%) p.a. rate of legal interest is only applicable until June 30, 2013. Thereafter, legal interest shall be at six percent (6%) p.a. in line with BSP-MB Circular No. 799, Series of 2013. Prevailing jurisprudence<sup>[32]</sup> has upheld the applicability of BSP-MB Circular No. 799, Series of 2013 to **forbearances of money in expropriation cases**, contrary to respondent's contention.<sup>[33]</sup> The cases of *Sy v. Local Government of Quezon City*<sup>[34]</sup> and *Land Bank of the Philippines v. Wycoco*,<sup>[35]</sup> cited by respondent are both inapplicable because they were all decided prior to the effectivity of BSP-MB Circular No. 799, Series of 2013 on July 1, 2013.<sup>[36]</sup>

Nonetheless, it bears to clarify that legal interest shall run *not* from the date of the filing of the complaint but from the date of the issuance of the Writ of Possession on May 5, 2008, since it is from this date that the fact of the deprivation of property can be established. As such, it is only proper that accrual of legal interest should begin from this date.<sup>[37]</sup> Accordingly, the Court deems it proper to correct the award of legal interest to be imposed on the unpaid balance of the just compensation for the subject lot, which shall be computed at the rate of twelve percent (12%) p.a. from the date of the taking on May 5, 2008 until June 30, 2013. Thereafter, or beginning July 1, 2013, until fully paid, the just compensation due respondent shall earn legal interest at the rate of six percent (6%) p.a.

**WHEREFORE**, the petition is **PARTLY GRANTED**. The Decision dated September 13, 2016 of the Court of Appeals (CA) in CA-G.R. CV No. 104473 is hereby **AFFIRMED** with the **MODIFICATION** imposing legal interest at the rate of twelve percent (12%) per annum (p.a.) on the unpaid balance of the just compensation, as determined by the Regional Trial Court of Valenzuela City, Branch 172, reckoned from the date of the taking on May 5, 2008 to June 30, 2013 and, thereafter, at six percent (6%) p.a. until full payment. The rest of the CA Decision stands.

**SO ORDERED.**

*Carpio (Chairperson), Peralta, and Caguioa, JJ., concur.*  
*Reyes, Jr., J., on leave.*