

## THIRD DIVISION

[ G.R. No. 193987, March 13, 2017 ]

### LAND BANK OF THE PHILIPPINES, PETITIONER, VS. PHIL-AGRO INDUSTRIAL CORPORATION, RESPONDENT.

#### DECISION

**REYES, J.:**

Before this Court is a Petition for Review on *Certiorari*<sup>[1]</sup> seeking to annul and set aside the Amended Decision<sup>[2]</sup> dated September 30, 2010 of the Court of Appeals (CA) in CA-G.R. CV No. 75045-MIN, which ordered the Land Bank of the Philippines (petitioner) to pay Phil-Agro Industrial Corporation (respondent) the total amount of P11,640,730.68 plus interests.

#### The Facts

The subject of this petition is 19 parcels of land situated in Baungon, Bukidnon, with an aggregate area of 267.0043 hectares, registered under the name of the respondent. These landholdings were then placed under the compulsory coverage of the Comprehensive Agrarian Reform Program (CARP) by the Department of Agrarian Reform (DAR). The petitioner offered an initial valuation of P2,139,996.57 for the subject landholdings but this offer was rejected by the respondent. A summary hearing was then conducted before the DAR Adjudication Board for the valuation of the subject landholdings.<sup>[3]</sup>

On January 4, 1999, the respondent filed an Amended Complaint against the DAR Secretary and the petitioner before the Regional Trial Court (RTC) praying for the fixing and payment of not less than P26,700,000.00 as just compensation.<sup>[4]</sup>

On June 7, 2000, the parties agreed to the creation of a commission to determine the fair market value of the subject landholdings.<sup>[5]</sup>

The respondent's nominated commissioner submitted the amount of P63,045,000.00 based on the findings of the Asian Appraisal Company, Inc., which used the following valuation factors of the CARP: extent, character and utility of the property, sales and holding prices of similar land, and highest and best use of the property.<sup>[6]</sup>

On the other hand, using as basis the Revised Rules and Regulations Governing the Valuation of Land Voluntarily Offered or Compulsory Acquired Pursuant to Republic Act (R.A.) No. 6657,<sup>[7]</sup> the petitioner's nominated commissioner submitted a lower amount of P11,640,730.68.<sup>[8]</sup>

The Chairman of the Commission, however, appraised the subject landholdings in

the amount of P20,589,373.00 on the basis of the following factors: physical attributes of the subject landholdings, soil type, terrain, adaptability to various crops, accessibility to roads and properties in the area, and expert opinions of the Municipal Assessor, Municipal Treasurer and Municipal Agriculturist of Baungon, Bukidnon.<sup>[9]</sup>

On November 21, 2001, the RTC rendered its judgment adopting the Chairman's report assessing the value of the subject landholdings at P20,589,373.00.<sup>[10]</sup>

On appeal, the CA modified the trial court's ruling by reducing the amount to be paid by the petitioner from P20,589,373.00 to P11,640,730.68, thereby adopting the submitted valuation of the petitioner's nominated commissioner.<sup>[11]</sup> The dispositive portion of the decision reads:

**WHEREFORE**, the assailed Decision is MODIFIED to read as follows:

1. Ordering [the petitioner] to pay [the respondent] P11,640,730.68 as just compensation for the subject property;
2. Ordering [the petitioner] to pay 6% interest per annum on the amount of just compensation as well as 12% legal interest on the amount of just compensation plus the 6% interest, counted from September 16, 1992, until all the amounts are fully paid;
3. The award for attorney's fees and costs of litigation to [the respondent] is denied.

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

The CA ruled that the RTC had no liberty to disregard the guidelines set forth in Section 17<sup>[13]</sup> of R.A. No. 6657 and that the valuation report approved by the RTC was computed without considering the valuation formula under DAR Administrative Order (A.O.) No. 5, series of 1998.<sup>[14]</sup> The CA found that the petitioner's commissioner used the pertinent data from the Department of Agriculture and the Bureau of Agricultural Statistics, and computed the value of the subject landholdings in accordance with the formula under the said DAR A.O. No. 5, series of 1998.<sup>[15]</sup>

The CA further ruled that there was delay in the payment of just compensation reckoned from the date of compensable taking on September 16, 1992, the date when the Certificates of Land Ownership Award (CLOA) were issued in the name of three farmer beneficiaries associations; hence, the CA awarded interest of 6% *per annum* as damages for the delay, plus 12% legal interest *per annum* on the amount of such compensation.<sup>[16]</sup>

Thereafter, both the petitioner and the respondent filed a Motion for Partial Reconsideration<sup>[17]</sup> and a Motion for Reconsideration,<sup>[18]</sup> respectively.

On September 30, 2010, the CA rendered an Amended Decision,<sup>[19]</sup> the dispositive portion of which is as follows:

WHEREFORE, premises foregoing, the [respondent's] motion for reconsideration is hereby **DENIED** for lack of merit. On the other hand, [the petitioner's] motion for partial reconsideration is **GRANTED**. Consequently, our August 27, 2008 Decision is **MODIFIED** as follows:

1. Ordering [the petitioner] to pay [the respondent] P11,640,730.68 as just compensation for the subject property;
2. Ordering [the petitioner] to pay 1% interest per annum on the amount of just compensation counted from September 16, 1992, until all the amounts are fully paid;
3. Ordering [the petitioner] to pay 12% legal interest per annum on the amount of just compensation plus the 1% interest, from the finality of this Decision until full payment thereof;
4. The award for attorney's fees and costs of litigation to [the respondent] is denied.

SO ORDERED. <sup>[20]</sup>

In amending its previous decision, the CA explained that:

Indeed, a second look at our Decision reveals that the 6% interest per annum on the amount of just compensation as well as the 12% legal interest on the amount of just compensation plus the 6% interest, counted from the time of taking, was erroneously granted. Records show that after the taking of the subject properties] and before [the respondent's] title thereto was cancelled, [the petitioner] already made a deposit of its original valuation in the amount of P2,139,996.57 in favor of [the respondent] in the form of cash and bonds. Hence, no delay can be attributed to it. While the court *a quo* directed [the petitioner] to pay its adjudged amount within thirty (30) days from the time its decision was rendered, and while [the petitioner] did not pay within the period given, such failure to pay did not tantamount to a delay in payment on the ground that the said decision was timely assailed in the instant appeal. x x x Moreover, it was likewise an error to have directed that the 12% legal interest be counted from the time of the taking. The same should commence to run from the date of finality of our decision until its full payment, in accordance with the law and jurisprudence. <sup>[21]</sup>

Unsatisfied, the petitioner filed the instant petition before this Court.

### **The Issue**

The sole issue raised by the petitioner is the propriety of the award of 1% *per annum* on the amount of just compensation counted from September 16, 1992.

### **Ruling of the Court**

The petition is partly granted.

At the outset, it bears to emphasize that there is no question raised with respect to the amount of P11,640,730.68 as just compensation adjudged by the appellate court. The main issue raised by the petitioner centers on the core question of whether the award of 1% *per annum*, allegedly to cover for the increase in value of real properties, is proper. Meanwhile, the respondent had already acquiesced with the said valuation. It, however, lamented on the fact that it has not yet received the full and just compensation for the subject landholdings which have been taken from it since 1992.

In an analogous case of *National Power Corporation v. Elizabeth Manalastas and Bea Castillo*,<sup>[22]</sup> where the bone of contention is the inclusion of the inflation rate of the Philippine Peso in determining the just compensation due to therein respondents, the Court ruled that valuation of the land for purposes of determining just compensation should not include the inflation rate of the Philippine Peso because the delay in payment of the price of expropriated land is sufficiently recompensed through payment of interest on the market value of the land as of the time of taking from the landowner.<sup>[23]</sup>

The rationale for imposing the interest is to compensate the respondent for the income it would have made had it been properly compensated for its properties at the time of the taking.<sup>[24]</sup> The need for prompt payment and the necessity of the payment of interest is to compensate for any delay in the payment of compensation for property already taken.<sup>[25]</sup>

The award of interest is imposed in the nature of damages for delay in payment which makes the obligation on the part of the government one of forbearance to ensure prompt payment of the value of the land and limit the opportunity loss of the owner.<sup>[26]</sup> Therefore, there is no need for the payment of 1% interest per annum to cover for the increase in value of real properties.

Nonetheless, the Court observes that the CA erred as to the reckoning point on which the award of legal interest of 12% should accrue.

The Court takes note of the fact that in the petitioner's motion for partial reconsideration, it contended that the 12% legal interest should not be counted from the time of the taking, considering the absence of delay when it promptly deposited the initial valuation for the subject landholdings after the taking of the same and before the respondent's title thereto was cancelled.

Notably, while the petitioner claimed that it deposited the initial valuation in the amount of P2,139,996.57, the said amount is way below the just compensation finally adjudged by the CA at P11,640,730.68. Clearly, delay in payment occurred and cannot at all be disputed. The respondent was deprived of its lands since September 16, 1992, when CLOAs were issued in the name of three farmer beneficiaries associations, and to date, had not yet received full payment of the principal amount due to it. Evidently, from September 16, 1992 until the present, or after almost 25 years, the respondent is deprived of just compensation which therefore warrants the imposition of interest.

It is doctrinal that to be considered as just, the compensation must be fair and