

EN BANC

[G.R. No. 181953*, July 25, 2017]

LAND BANK OF THE PHILIPPINES, PETITIONER, VS. RURAL BANK OF HERMOSA (BATAAN), INC., RESPONDENT.

DECISION

PERLAS-BERNABE, J.:

Before the Court is a petition for review on *certiorari*^[1] assailing the Decision^[2] dated September 28, 2007 and the Resolution^[3] dated February 20, 2008 of the Court of Appeals (CA) in CA-G.R. SP No. 96701, which affirmed the Decision^[4] dated June 19, 2006 and the Order^[5] dated October 4, 2006 of the Regional Trial Court of Bataan, Branch 1 (RTC) in Civil Case No. 6428 fixing the just compensation for respondent Rural Bank of Hermosa (Bataan), Inc.'s (respondent) 1.572 hectares (has.) agricultural land acquired by the government (subject land) at P30.00 per square meter (sq. m.).

The Facts

Respondent is the registered owner of two (2) parcels of agricultural land situated in Saba, Hermosa, Bataan, with a total area of 2.1718 hectares, covered by Transfer Certificate of Title (TCT) Nos. T-114713^[6] and T-114714.^[7] Respondent voluntarily offered to sell (VOS) the same to the government but only the subject land was acquired, and placed under the Comprehensive Agrarian Reform Program (CARP) pursuant to Republic Act No. (RA) 6657,^[8] as amended.^[9]

Petitioner the Land Bank of the Philippines (LBP) valued the subject land at P28,282.09^[10] using the formula under Department of Agrarian Reform (DAR) Administrative Order No. (AO) 17, Series of 1989,^[11] as amended by DAR AO 03, Series of 1991 (DAR AO 17, Series of 1989, as amended),^[12] i.e., **LV = (CNI x .70) + (MV x .30)**,^[13] but respondent rejected the said valuation, prompting the LBP to deposit the said amount in the latter's name.^[14]

After the summary administrative proceedings for the determination of just compensation, the Office of the Provincial Adjudicator of Dinalupihan, Bataan rendered a Decision^[15] dated December 13, 1994 in DARAB Case No. 035-92 adopting the LBP's valuation.^[16] Respondent moved for reconsideration,^[17] which was, however, denied in an Order^[18] dated August 8, 1995.

Dissatisfied, respondent filed before the RTC, sitting as a Special Agrarian Court (SAC), a petition^[19] seeking the determination of just compensation for the subject

land, or in the alternative, to be allowed to withdraw its VOS should the valuation arrived at be unacceptable to it.^[20]

The RTC Ruling

In a Decision^[21] dated June 19, 2006, the RTC found the LBP's valuation as too low and unrealistic, and based on a mere government valuation policy and not on its market value as reflected on the tax declarations for the two (2) parcels of land. It gave credence to the testimony of the geodetic engineer who made the relocation survey and claimed that he would be willing to pay the price of P30.00 per sq. m. therefor considering its accessibility to the national road and its location which is a mere ½ kilometer away from a school and about 50 meters away from a Catholic church. Consequently, it fixed the just compensation for the subject land at P30.00 per sq. m.^[22]

The LBP moved for reconsideration,^[23] which was, however, denied in an Order^[24] dated October 4, 2006.

Unperturbed, the LBP elevated the matter before the CA.^[25]

The CA Ruling

In a Decision^[26] dated September 28, 2007, the CA upheld the RTC's valuation as being in accord with the guidelines set forth under Section 17 of RA 6657, as amended, since the RTC considered not only the testimony of the parties' respective witnesses, but also the nature of the land's use and its assessed value based on the tax declarations. It rejected the LBP's contention that DAR AO 17, Series of 1989, as amended, should control the computation of just compensation, holding that the said AOs are mere guidelines to be used by the LBP, and are not binding on the courts.^[27]

Aggrieved, the LBP filed a motion for reconsideration,^[28] but the same was denied in a Resolution^[29] dated February 20, 2008; hence, the instant petition.

The Issue Before the Court

The essential issue for the Court's resolution is whether or not the CA committed reversible error in upholding the RTC's valuation fixing the just compensation for the subject land at P30.00 per sq. m.

The Court's Ruling

"Settled is the rule that when the agrarian reform process is still incomplete, such as in this case where the just compensation due the landowner has yet to be settled, just compensation should be determined and the process be concluded under RA 6657,"^[30] as amended.

"For purposes of determining just compensation, the fair market value of an expropriated property is determined by its character and its price at the time of taking," or the time when the landowner was deprived of the use and benefit of his property, such as when title is transferred in the name of the Republic of the Philippines (Republic),^[31] or Certificates of Land Ownership Award (CLOAs) are issued in favor of the farmer-beneficiaries. In addition, the factors enumerated under Section 17 of RA 6657, as amended, *i.e.*, (a) the acquisition cost of the land, (b) the current value of like properties, (c) the nature and actual use of the property, and the income therefrom, (d) the owner's sworn valuation, (e) the tax declarations, (f) the assessment made by government assessors, (g) the social and economic benefits contributed by the farmers and the farmworkers, and by the government to the property, and (h) the non-payment of taxes or loans secured from any government financing institution on the said land, if any, must be equally considered.^[32]

It is well to emphasize that the determination of just compensation is a judicial function. Thus, the "justness" of the enumeration of valuation factors in Section 17, the "justness" of using a basic DAR formula, and the "justness" of the components (and their weights) that flow into such formula, are all matters for the courts to decide.^[33] Nonetheless, to settle the perennial objections to the use of Section 17 and the resulting DAR formulas in the valuation of acquired properties under the CARP, the Court in *Alfonso v. LBP (Alfonso)*^[34] ruled:

For the guidance of the bench, the bar, and the public, we reiterate the rule: Out of regard for the DAR's expertise as the concerned implementing agency, courts should henceforth consider the factors stated in Section 17 of RA 6657, as amended, as translated into the applicable DAR formulas in their determination of just compensation for the properties covered by the said law. If, in the exercise of their judicial discretion, courts find that a strict application of said formulas is not warranted under the specific circumstances of the case before them, they may deviate or depart therefrom, provided that this departure or deviation is supported by a reasoned explanation grounded on the evidence on record. In other words, courts of law possess the power to make a final determination of just compensation.^[35]

In the present case, the CA merely upheld the just compensation fixed by the RTC which considered only the nature of the land's use, and its assessed value based on the tax declarations, without a showing, however, that the other factors under Section 17 of RA 6657, as amended, were taken into account or otherwise found to be inapplicable, and completely disregarded the pertinent DAR formula contrary to what the law requires. On this score alone, the CA clearly erred in sustaining the RTC's valuation as having been made in accordance with Section 17 of RA 6657, as amended.

Nonetheless, the Court cannot likewise adopt the LBP's computation. It bears to reiterate that **just compensation must be valued at the time of taking**, such as

when title is transferred in the name of the Republic,^[36] or CLOAs are issued in favor of the farmer-beneficiaries. Accordingly, the just compensation for the subject land should have been computed based on the values prevalent for like agricultural lands^[37] in accordance with the pertinent DAR regulations effective during such time of taking. However, while the subject land was placed under CARP coverage in 1991, records do not bear out the date when title was issued in the name of the Republic or CLOAs were issued in favor of the farmer-beneficiaries.

Moreover, during the pendency of the proceedings, DAR AO 17, Series of 1989, as amended, which was used by the LBP in computing the just compensation for the subject land, was repealed by DAR AO 6, Series of 1992^[38] that was amended by DAR AO 11, Series of 1994,^[39] and subsequently superseded by DAR AO 5, Series of 1998,^[40] which was, in turn, revoked by DAR AO 2, Series of 2009.^[41] It must be pointed out, however, that DAR AO 2, Series of 2009 implementing RA 9700^[42] expressly declared that all claim folders received by the LBP prior to July 1, 2009, as in this case, shall be valued in accordance with Section 17 of RA 6657, as amended, prior to its further amendment by RA 9700.^[43]

Records further show that during the summary administrative proceedings before the PARAD,^[44] the subject land was revalued in accordance with DAR AO 6, Series of 1992 and DAR AO 11, Series of 1994,^[45] but resulted to a lower valuation on both instances.^[46] Nonetheless, the records are bereft of showing why the LBP insisted upon the applicability of DAR AO 17, Series of 1989, as amended, instead of the said AOs.

Consequently, despite the propriety of setting aside the just compensation fixed by the RTC, and affirmed by the CA, the Court cannot automatically adopt the LBP's own computation as prayed for in the instant petition. Notably, other than the Land Valuation Worksheet^[47] for the land covered by TCT No. T-114714, and the Field Investigation Reports for the lands covered by TCT No. T-114713^[48] and TCT No. T-114714,^[49] no competent evidence was adduced by the LBP to support the amounts used in arriving at the just compensation, not having attached any certification from the concerned government agency showing the relevant industry data on the average gross production (AGP) of palay in the locality for purposes of computing the capitalized net income (CNI),^[50] and the tax declarations from which it derived the market values used.^[51] Besides, the veracity of the facts and figures which the LBP used under the circumstances involves the resolution of questions of fact which is, as a rule, improper in a petition for review on *certiorari* since the Court is not a trier of facts. Thus, a remand of this case for reception of further evidence is necessary in order for the RTC, acting as a SAC, to determine just compensation in accordance with Section 17 of RA 6657, as amended, and the applicable DAR regulations.^[52] To this end, the RTC is hereby directed to observe the following guidelines in the remand of the case:

1. Just compensation must be valued at the time of taking, or the time when the owner was deprived of the use and benefit of his property, such as when title is transferred in the name of the Republic or CLOAs were issued in favor of the farmer-beneficiaries. Hence, the evidence to be presented by the parties before the RTC for the valuation of the subject land must be based on the values prevalent on such

time of taking for like agricultural lands.^[53]

2. Courts should consider the factors in Section 17 of RA 6657, as amended, prior to its amendment by RA 9700, as translated into the applicable DAR formula. However, if the RTC finds that a strict application of the relevant DAR formulas is not warranted, it may depart therefrom upon a reasoned explanation.^[54]

3. Interest may be awarded as may be warranted by the circumstances of the case and based on prevailing jurisprudence. In previous cases, the Court has allowed the grant of legal interest in expropriation cases where there is delay in the payment since the just compensation due to the landowners was deemed to be an effective forbearance on the part of the State. Thus, legal interest on the unpaid balance shall be pegged at the rate of 12% per annum from the date of taking, as shall be determined by the RTC, until June 30, 2013 only. Thereafter, or beginning July 1, 2013, until fully paid, the just compensation due the landowners shall earn interest at the new legal rate of 6% per annum^[55] in line with the amendment introduced by *Bangko Sentral ng Pilipinas*-Monetary Board Circular No. 799,^[56] Series of 2013.^[57]

WHEREFORE, the Decision dated September 28, 2007 and the Resolution dated February 20, 2008 of the Court of Appeals in CA-G.R. SP No. 96701 are hereby **REVERSED** and **SET ASIDE**. Civil Case No. 6428 is **REMANDED** to the Regional Trial Court of Bataan, Branch 1 (RTC) for reception of evidence on the issue of just compensation in accordance with the guidelines set in this Decision. The RTC is directed to conduct the proceedings in said case with reasonable dispatch, and to submit to the Court a report on its findings and recommended conclusions within sixty (60) days from notice of this Decision.

SO ORDERED.

Sereno, C.J., Velasco, Jr., Leonardo-De Castro, Peralta, Bersamin, Del Castillo, Mendoza, Leonen, Caguioa, Martires, Tijam, and Reyes, Jr., JJ., concur. Carpio, and Jardeleza, JJ., see separate concurring opinion.

NOTICE OF JUDGMENT

Sirs/Mesdames:

Please take notice that on July 25, 2017 a Decision/Resolution, copy attached herewith, was rendered by the Supreme Court in the above-entitled case, the original of which was received by this Office on September 15, 2017 at 2:26 p.m.

Very truly yours,