

FIRST DIVISION

[G.R. No. 213863, January 27, 2016]

LAND BANK OF THE PHILIPPINES, PETITIONER, VS. EDGARDO L. SANTOS, REPRESENTED BY HIS ASSIGNEE, ROMEO L. SANTOS, RESPONDENT.

[G.R. NO. 214021]

EDGARDO L. SANTOS, REPRESENTED BY HIS ASSIGNEE, ROMEO L. SANTOS, PETITIONER, VS. LAND BANK OF THE PHILIPPINES, RESPONDENT.

D E C I S I O N

PERLAS-BERNABE, J.:

Before the Court are consolidated petitions for review on certiorari^[1] assailing the Decision^[2] dated December 4, 2013 and the Resolution^[3] dated August 11, 2014 of the Court of Appeals (CA) in CA-G.R. SP Nos. 110779 and 121813, which affirmed the Orders dated July 9, 2009^[4] and August 24, 2009^[5] of the Regional Trial Court of Naga City (RTC), Branch 23, acting as a Special Agrarian Court (SAC), in Civil Case Nos. 2001-0229 and 2001-0315, and the Order^[6] dated October 10, 2011 in Civil Case No. 2001-0315, directing the Land Bank of the Philippines (LBP) to: (a) release to Edgardo L. Santos (Santos) the initial valuation of Lands 1 and 2 upon submission of two (2) valid identification (ID) cards, two (2) latest ID pictures, current community tax certificate (CTC), and execution of a Deed of Assignment, Warranties and Undertaking in favor of the LBP; and (b) pay twelve percent (12%) interest on the unpaid just compensation for Land 3, reckoned from January 1, 2010 until full payment.

The Facts

Santos owned three (3) parcels of agricultural land devoted to corn situated in the Municipality of Sagnay, Camarines Sur, covered by Tax Declaration (TD) Nos. 97-018-0579 (Land 1) and 97-010-076 (Land 2),^[7] and Transfer Certificate of Title (TCT) No. 5717^[8] (Land 3; collectively, subject lands).

In 1984, the subject lands were placed under the government's Operation Land Transfer Program^[9] pursuant to Presidential Decree (PD) No. 27,^[10] and distributed to the farmer-beneficiaries who were issued the corresponding Emancipation Patents.^[11] The Department of Agrarian Reform (DAR) fixed the just compensation at P164,532.50 for Land 1, P39,841.93 for Land 2,^[12] and P66,214.03 for Land 3,^[13] using the formula provided under Executive Order No. (EO) 228,^[14] Series of 1987.

On May 25, 2000, the LBP received the claim folder covering the subject lands^[15] and allowed Santos to collect the initial valuation for Land 3. It withheld the release of the valuation for Lands 1 and 2 until the submission of the certificates of title thereto,^[16] since it was discovered that they were covered by Decree Nos. N-82378^[17] and 622575,^[18] respectively.

Thus, on August 30, 2000 and December 17, 2003, respectively, Santos was issued Agrarian Reform (AR) Bond No. 0079665 in the amount of P11,674.59 representing the initial valuation of Land 3 and AR Bond No. 0079666 in the amount of P30,428.83 representing the six percent (6%) increment pursuant to PD 27 and EO 228, and paid cash in the total amount of P4,678.16.^[19]

Finding the valuation unreasonable, Santos filed three (3) petitions^[20] for summary administrative proceedings for the determination of just compensation of the subject lands before the Office of the Provincial Adjudicator (PARAD) of Camarines Sur, docketed as DARAB Case Nos. V-RC-051-CS-00, V-RC-074-CS-00, and V-RC-075-CS-00.

On March 27, 2001, the PARAD rendered separate decisions^[21] fixing the just compensation as follows: (a) P510,034.29^[22] for Land 1; (b) P2,532,060.31^[23] for Land 2; and (c) P1,147,466.73^[24] for Land 3, using the formula,^[25] $LV = AGP \times 2.5 \times GSP$. However, in arriving at such values, the PARAD used the recent government support price (GSP) for corn of P300.00/cavan (P6.00/kilo) as certified by the National Food Authority Provincial Manager of Camarines Sur, instead of the P31.00/cavan provided under Section 2^[26] of EO 228. Hence, it no longer applied the six percent (6%) annual incremental interest granted under DAR Administrative Order (DAR AO) No. 13,^[27] Series of 1994. In a letter^[28] dated September 5, 2001, Santos unconditionally accepted and called for the immediate payment of the valuations for Lands 2 and 3.

Dissatisfied with the PARAD's valuation, the LBP instituted two (2) separate complaints^[29] for the determination of just compensation before the RTC, averring that the computations were erroneous when they disregarded the formula provided under EO 228. The cases were raffled to its Branch 21, and docketed as **Civil Case Nos. 2001-0299**^[30] for Land 1, and **2001-0315**^[31] for Lands 2 and 3.

Santos moved to dismiss^[32] the complaints on the ground that the LBP has no legal personality to institute such action, and that the complaints were barred by the finality of the PARAD's Decision.

In a consolidated Order^[33] dated November 9, 2001, the RTC dismissed both complaints. Meanwhile, Branch 23 of the same RTC was designated as the new SAC that gave due course to the LBP's notices of appeal.^[34] The appeals, however, were set aside by the CA's Fifth and Third Divisions, which remanded the cases to the RTC for appropriate proceedings, and computation of just compensation, respectively.^[35]

On May 5, 2009, Santos filed before the RTC a motion to release the initial valuation for Lands 1 and 2 as fixed by the DAR, which was granted on June 2, 2009,

conditioned on the submission of several documentary requirements.^[36] Santos moved for reconsideration, pointing out that what was sought was the initial valuation only and not its full payment, but nonetheless, committed (a) to submit two (2) valid ID cards, two (2) latest ID pictures and his CTC for the current year, and (b) to execute a Deed of Assignment, Warranties and Undertaking in favor of the LBP.^[37]

In opposition, the LBP insisted that Santos must: (a) first establish his ownership over the said properties, it appearing that a Decree covering Land 1 was issued in favor of a certain Mariano Garchitorena, hence, the owner's duplicate of the said title must be surrendered to the Registry of Deeds for cancellation; and (b) submit a real estate tax clearance to prove that there were no encumbrances burdening the property and that the taxes thereon had been fully paid until 1972.^[38]

In an **Order**^[39] **dated July 9, 2009**, the RTC ruled in favor of Santos, holding that since Land 1 was processed as an untitled property and the LBP had admitted in its petitions for just compensation that Santos was the owner of the untitled lands covered by PD 27 as reflected in the tax declarations, the LBP cannot maintain an inconsistent position by requiring Santos to prove his ownership thereto. It added that the submission of the required documents may still be directed upon full payment of the just compensation.

The LBP's motion for reconsideration^[40] was denied in an **Order**^[41] **dated August 24, 2009**.

The LBP elevated the matter to the CA via a petition for *certiorari* and prohibition^[42] with prayer for the issuance of a writ of preliminary injunction and/or temporary restraining order (TRO), docketed as **CA-G.R. SP No. 110779**, asserting that the RTC abused its discretion considering that: (a) it was not at liberty to disregard^[43] DAR AO No. 2, Series of 2005,^[44] which prescribes the requirements for the release of the initial valuation to a landowner; and (b) no further proceedings were necessary to arrive at the just compensation for Lands 2 and 3 in view of the final and executory decision in **CA-G.R. CV No. 75010** that directed the remand of the case to the RTC for computation purposes only, hence, *res judicata* had set in.^[45]

The LBP's application for the issuance of a TRO having been denied,^[46] it was constrained to deposit the initial valuation for Lands 1 and 2 as directed by the RTC^[47] after Santos' assignee,^[48] Romeo Santos, signed the required Deed of Assignment, Warranties and Undertaking^[49] in favor of the LBP.

In an Order^[50] dated March 17, 2010, the RTC directed the LBP to submit a revaluation for Lands 1, 2, and 3 in accordance with the factors set forth under Republic Act (RA) No. 6657,^[51] otherwise known as the "Comprehensive Agrarian Reform Law of 1988," as implemented by DAR AO No. 1, Series of 2010.^[52]

In compliance therewith, the LBP recomputed the valuation of the subject lands as follows: P514,936.44^[53] for Land 1, P2,506,873.43^[54] for Land 2, and P1,155,223.41^[55] for Land 3, which Santos accepted. Considering, however, the

pendency of **CA-G.R. SP No. 110779** involving Lands 1 and 2, Santos moved for a separate judgment relative to Land 3.^[56]

The RTC Ruling

On June 22, 2011, the RTC issued a Judgment^[57] in Civil Case No. 2001-0315, adopting and approving the LBP's uncontested revaluation for Land 3 in the amount of P1,155,223.41, and ordering its payment to Santos in accordance with Section 18 of RA 6657, minus the initial valuation that had already been paid to him.

Santos moved for reconsideration, contending that the RTC failed to order the payment of twelve percent (12%) interest reckoned from the time the property was taken from him by the government in 1972 and distributed to the farmer beneficiaries until full payment of the just compensation.^[58] In an Order^[59] dated August 31, 2011, the RTC granted the motion and awarded twelve percent (12%) interest computed from June 26, 2000 when the LBP approved the payment of the initial valuation for the property up to the date the decision was rendered, or a total amount of P1,437,669.75.

Both parties moved for reconsideration.^[60]

In an **Order**^[61] **dated October 10, 2011**, the RTC modified its August 31, 2011 Order, holding that the twelve percent (12%) interest should be reckoned from January 1, 2010 until full payment since the revaluation of Land 3 already included the required six percent (6%) annual incremental interest under DAR AO No. 13, Series of 1994,^[62] DAR AO No. 2, Series of 2004,^[63] and DAR AO No. 6, Series of 2008,^[64] from the time of taking until December 31, 2009.

Dissatisfied, Santos filed a petition for review^[65] before the CA, docketed as **CA-G.R. SP No. 121813**, which was subsequently consolidated with the LBP's petition in **CA-G.R. SP No. 110779**.^[66]

On October 12, 2011, the LBP fully paid Santos the amount of PI, 155,223.41 representing the just compensation for Land 3.^[67]

The CA Ruling

In a Decision^[68] dated December 4, 2013, the CA dismissed the petitions, and affirmed the RTC's Orders dated July 9, 2009 and August 24, 2009 subject of CA-G.R. SP No. 110779, and the Order dated October 11, 2011 subject of CA-G.R. SPNo. 121813.

In **CA-G.R. SP No. 110779**, the CA ruled that no grave abuse of discretion was committed by the RTC when it proceeded with the determination of just compensation, thereby rejecting the LBP's contention that the RTC was barred by *res judicata* from conducting further proceedings to determine just compensation with the finality^[69] of its earlier decisions in CA-G.R. CV Nos. 74919^[70] and 75010.^[71] It pointed out that the said decisions merely resolved the LBP's personality to institute an action for determination of just compensation, and reinstated the LBP's

complaints for just compensation which were well within the RTC's original and exclusive jurisdiction under RA 6657. It likewise sustained the release of the initial valuation for Lands 1 and 2 conditioned on the submission of only the documents mentioned in the RTC's July 9, 2009 Order, finding that the failure to produce the titles thereto were beyond Santos' control and that his claim of ownership had been sufficiently established. It added that the RTC's June 22, 2011 Judgment conditioned the release of the final just compensation upon compliance with the requirements of the law.^[72]

In **CA-G.R. SP No. 121813**, the CA upheld the RTC's ruling that Santos was entitled to a twelve percent (12%) interest reckoned from January 1, 2010 until its full payment since the revaluation by the LBP of Land 3 already included six percent (6%) annual incremental interest until December 31, 2009.^[73]

Aggrieved, both parties moved for reconsideration which were denied in a Resolution^[74] dated August 11, 2014; hence, these consolidated petitions.

The Issues Before the Court

In its petition in **G.R. No. 213863**, the LBP contended that the CA committed reversible error in: (a) not finding the RTC to have acted with grave abuse of discretion in allowing the release of the initial valuation of Lands 1 and 2 without submitting the documents listed under DAR AO No. 2, Series of 2005; (b) ignoring the final decision in CA-G.R. CV No. 75010 that effectively barred the RTC from further proceeding with the determination of just compensation relative to Lands 2 and 3; and (c) holding it liable for twelve percent (12%) interest on the unpaid just compensation for Land 3.

On the other hand, Santos raised in his petition in **G.R. No. 214021** the sole question of whether or not the CA erred in reckoning the award of twelve percent (12%) interest from January 1, 2010 until full payment of the just compensation.

The Court's Ruling

The Court has repeatedly held that **the seizure of landholdings or properties covered by PD 27 did not take place on October 21, 1972, but upon the payment of just compensation.**^[75] Thus, if the agrarian reform process is still incomplete, as in this case where the just compensation due the landowner has yet to be settled, just compensation should be determined and the process concluded under RA 6657.^[76]

As summarized in *LBP v. Sps. Banal*,^[77] the procedure for the determination of just compensation under RA 6657 commences with the LBP determining the initial valuation of the lands under the land reform program.^[78] Using the LBP's valuation, the DAR makes an offer to the landowner.^[79] In case the landowner rejects the offer, the DAR adjudicator conducts a summary administrative proceeding to determine the compensation for the land by requiring the landowner, the LBP, and other interested parties to submit evidence on the just compensation of the land. A party who disagrees with the decision of the DAR adjudicator may bring the matter to the RTC designated as a Special Agrarian Court for final determination of just