

## FIRST DIVISION

**[ G.R. No. 172352, September 16, 2015 ]**

**LAND BANK OF THE PHILIPPINES, PETITIONER, VS. ALFREDO HABABAG, SR., SUBSTITUTED BY HIS WIFE, CONSOLACION, AND CHILDREN, NAMELY: MANUEL, SALVADOR, WILSON, JIMMY, ALFREDO, JR., AND JUDITH, ALL SURNAMED HABABAG, RESPONDENTS.**

**[G.R. Nos. 172387-88]**

**ALFREDO HABABAG, SR., SUBSTITUTED BY HIS WIFE, CONSOLACION, AND CHILDREN, NAMELY: MANUEL, SALVADOR, WILSON, JIMMY, ALFREDO, JR., AND JUDITH, ALL SURNAMED HABABAG, PETITIONERS, VS. LAND BANK OF THE PHILIPPINES AND THE DEPARTMENT OF AGRARIAN REFORM, RESPONDENTS.**

### D E C I S I O N

**PERLAS-BERNABE, J.:**

Assailed in these consolidated petitions for review on *certiorari*<sup>[1]</sup> are the Decision<sup>[2]</sup> dated November 15, 2005 and the Resolution<sup>[3]</sup> dated April 19, 2006 of the Court of Appeals (CA) in CA-G.R. SP Nos. 86066 and 86167, which set aside the Amended Decision<sup>[4]</sup> dated March 22, 2004 and the Order<sup>[5]</sup> dated August 10, 2004 of the Regional Trial Court of Sorsogon City, Branch 52 (RTC) in Civil Case No. 96-6217, fixing the amount of just compensation at P2,398,487.24, with interest at 12% per annum (p.a.), in view of the expropriation of certain parcels of land owned by the Heirs of Alfredo Hababag, Sr. (Hababag Heirs).

### The Facts

Alfredo Hababag, Sr. (Alfredo) was the owner of several parcels of agricultural land with an aggregate area of 82.4927 hectares (has.) situated in Barangays Carriedo, Manapao, and Casili, in the Municipality of Gubat, Sorsogon, and covered by Transfer Certificate of Title No. T-12107. The aforesaid landholdings were voluntarily offered for sale (VOS) to the government under Republic Act No. (RA) 6657,<sup>[6]</sup> otherwise known as the "Comprehensive Agrarian Reform Law of 1988," but only 69.3857 has. thereof<sup>[7]</sup> (subject lands) were acquired in 1990.<sup>[8]</sup>

The Land Bank of the Philippines (LBP) initially valued the subject lands at P1,237,850.00, but Alfredo rejected the valuation. After summary administrative proceedings for the determination of the amount of just compensation, the Office of the Provincial Agrarian Reform Adjudicator (PARAD) of the Department of Agrarian Reform (DAR) Adjudication Board (DARAB) fixed the value of the subject lands at P1,292,553.20.<sup>[9]</sup> Dissatisfied, Alfredo filed a Complaint<sup>[10]</sup> for the determination of

the amount of just compensation before the RTC.

As a matter of course, the RTC appointed two commissioners designated by each party to conduct an evaluation and appraisal of the subject lands. Subsequently, the LBP-appointed commissioner, Francisco M. Corcuera (Commissioner Corcuera), submitted his Commissioner's Report,<sup>[11]</sup> fixing the amount of just compensation for the subject lands at P2,358,385.48 based on (DAR) Administrative Order (AO) No. 6, series of 1992 (DAR AO 6-92), as amended by DAR AO No. 11, series of 1994 (DAR AO 11-94). On the other hand, the commissioner designated by Alfredo, Margarito Cuba (Commissioner Cuba) of Banco Sorsogon, valued the lands at P5,420,600.00.<sup>[12]</sup>

On December 20, 1999, the RTC rendered a Decision<sup>[13]</sup> (December 20, 1999 Decision) fixing the amount of just compensation of the subject lands at P5,653,940.00 computed as follows:

Coconut land - 63.61 has @ P3,180,500.00 P50,000.00/ha.	
Rice land - 4.75 has. @ P60,000.00/ha.	<u>285,000.00</u>
<i>Total Land Appraised Value</i>	3,465,500.00
Fruit-bearing coconut trees - 9,723 x P200.00	1,944,600.00
Timber trees 7 x P1,500.00	<u>10,500.00</u>
<i>Total Plants and Trees Appraised Value</i>	1,955,100.00
Reasonable income of the coconut trees for the next 20 years (based on the Income Productivity Approach) <sup>[14]</sup>	<u>233,340.00</u>
<i>Total</i>	<u>P5,653,940.00</u> <sup>[15]</sup>

In reaching the above-stated total amount, the RTC applied the Income Productivity Approach. It also considered the Inspection and Appraisal Report submitted by Commissioner Cuba, finding the same to be "the more realistic appraisal [,] considering the economic condition of the country [,] as well as the acquisition of the property and the present assessed value and also the proximity of the property to the commercial center."<sup>[16]</sup>

Alfredo appealed to the CA, which was docketed as CA-G.R. CV No. 66824, averring

that the RTC committed a mathematical error in computing the amount of just compensation for the subject lands, as well as in fixing the remaining productive life of the coconut trees to only 20 years instead of 40 to 45 years.

On January 16, 2004, the CA rendered a Decision<sup>[17]</sup> (January 16, 2004 CA Decision) in the aforesaid case, indeed finding a mathematical error in the computation of the reasonable income from the coconut trees, which if corrected would have been P23,335,200.00.<sup>[18]</sup> Accordingly, adding to the same the total land appraised value of P3,465,500.00,<sup>[19]</sup> the CA came up with a total of P26,800,700.00.<sup>[20]</sup> It, however, rejected Alfredo's claim for the adjustment of the productive life of the coconut trees to anywhere between 40 to 45 years, as it gave credence to the Inspection and Appraisal Report submitted by Commissioner Cuba which stated that the remaining productive life of the coconut trees would only be 20 years. While expressing misgivings to the resultant amount which far exceeded the computations made by the parties' commissioners,<sup>[21]</sup> it nonetheless remanded the case for the re-computation of the accurate amount of just compensation, applying thereto the Income Productivity Approach. In this light, it ratiocinated that the "court *a quo*, with the aid of its duly-appointed commissioner, x x x is in the best position to appreciate the technical elements involved in the formula used to determine the just compensation for [Alfredo's] property."<sup>[22]</sup>

Pursuant to the January 16, 2004 CA Decision, the RTC ordered Commissioner Cuba to re-compute the accurate amount of just compensation applying the Income Productivity Approach. Accordingly, the latter submitted the following re-computation:

RE-COMPUTATION OF COCONUT PRODUCTION ALFREDO  
HABABAG PROPERTY

Situated at Brgy[s]. Carriedo, Manapao,[and] Casili, all at  
Gubat[, ] Sorsogon

Date: February 24, 2004

A. Itemized re: computation of coconut production

1. Total existing coconut fruit bearing trees	9,723 x x x
2. Average nuts produce per tree per harvest	10 pcs.
3. An average of eight regular harvest of nuts/tree/year	80 pcs.
4. Total nuts produce per year from (9,723) fruits bearing tree	777,840 pcs.

B. Re: computation of copra production

1. Total nuts produce per year	777,840 pcs.
2. Average weight of one nut to copra	.30 kls.
3. Total kilos of copra produce per year	233,352 kls.
4. Gross income of copra produce per year by average of P15.00/kilo	P 3,500,280.00
Less: fifty percent labor cost/transportation expense and tenant share	<u>1,750.140.00</u>

Total net income of copra produce per year	<u>P 1,750,140.00</u>
5. Estimated income of copra for the remaining (20) years economic life of (9,723) coconut fruit bearing trees is more or less	<u>P35,002,800.00</u> <sup>[23]</sup>

Commissioner Cuba, however, retained the total appraised values for the subject lands and the plants/trees at P3,465,500.00 and P1,955,100.00, respectively, as similarly indicated in the December 20, 1999 RTC Decision.

### The RTC Ruling

On March 22, 2004, the RTC rendered an Amended Decision,<sup>[24]</sup> fixing the amount of the just compensation for the subject lands at P40,423,400.00 computed as follows:

Coconut land -		
63.61 has. @	P3,180,500.00	
P50,000.00/ha.		
Rice Land - 4.75		
has. @	<u>285,000.00</u>	
P60,000.00/ha.		
<i>Total Land</i>		
<i>Appraised</i>		3,465,500.00
<i>Value</i>		
Fruit-bearing		
coconut trees -	1,944,600.00	
9,723 x P200.00		
Timber trees 7 x	<u>10,500.00</u>	
P1,500.00		
<i>Total Plants</i>		
<i>and Trees</i>		1,955,100.00
<i>Appraised</i>		
<i>Value</i>		
Recomputed		
Estimated		
Income of the		
Copra for the		
remaining		
twenty (20)		
years economic		
life of the 9,723		
coconut fruit		
bearing trees	<u>35,002,800.00</u>	
		P
<i>Total</i>	<u>40,423,400.00</u> <sup>[25]</sup>	

With their motions for reconsideration having been denied in an Order<sup>[26]</sup> dated August 10, 2004, the LBP and the DAR filed separate petitions<sup>[27]</sup> for review with the CA, docketed as CA-G.R. SP Nos. 86066 and 86167, respectively. For its part, the LBP averred<sup>[28]</sup> that the RTC gravely erred in disregarding the factors under Section 17 of RA 6657 and DAR AO 6-92, as amended by DAR AO 11-94, as ordained by the Court in the case of *LBP v. Banal*.<sup>[29]</sup> On the other hand, the DAR

contended that the RTC erred<sup>[30]</sup> in including in its computation the estimated income of the coconut trees for their remaining economic life (computed at 20 years) and in adjudging a just compensation award which is higher than the offered valuation of the landowner. Pending appeal, Alfredo passed away and was substituted by his heirs, *i.e.*, the Hababag Heirs.

### The CA Ruling

In the assailed Decision<sup>[31]</sup> dated November 15, 2005, the CA set aside the RTC's valuation for failure to give due consideration to the factors enumerated in Section 17 of RA 6657 and the formula under DAR AO 6-92, as amended by DAR AO 11-94. Moreover, contrary to the limitation imposed by DAR AO 6-92 - *i.e.*, that the computed value using the applicable formula shall not exceed the landowner's offer to sell - the CA found that the amount as recomputed by the RTC was way beyond the landowner's offer of P1,750,000.00 as stated in the Claims Valuation and Processing Form.<sup>[32]</sup> Consequently, it gave more credence to the report submitted by Commissioner Corcuera which made use of the DAR formula derived from the factors enumerated under Section 17 of RA 6657. The just compensation for the subject lands was thus computed<sup>[33]</sup> as follows:

<u>Land Use</u>	<u>Area (ha.)</u>	<u>Land Value/ha.</u>	<u>Total</u>
Coconut	66.9961	P35,586.24	P2,384,139.20 <sup>[34]</sup>
Unirrigated Riceland	1.3896	8,243.71	11,455.46 <sup>[35]</sup>
Cogonal	<u>1.0000</u>	2,892.58	<u>2,892.58</u> <sup>[36]</sup>
	69.3857 has.		<u>P2,398,487.24</u> <sup>[37]</sup>

Based on the foregoing, the average value per hectare of the 69.3857 hectare lands would therefore be P34,567.4576.

The CA likewise considered the government's obligation to pay just compensation to be in the nature of a forbearance of money and, as such, additionally imposed interests on the just compensation award at 12% p.a., to be reckoned from the time of the taking or the filing of the complaint, whichever is earlier.<sup>[38]</sup>

The LBP and the Hababag Heirs filed their respective motions for partial reconsideration which were both denied in a Resolution<sup>[39]</sup> dated April 19, 2006; hence, the instant petitions for review on *certiorari*.

### The Issues Before the Court

The present controversy revolves around the CA's award of just compensation, including interests at the rate of 12% p.a.

In **G.R. No. 172352**, the LBP assails the award of interests by the CA, contending that since the Hababag Heirs were already paid the provisional compensation, no interest can legally accrue to them. Further, it argues that unless there is a final and executory decision, it is under no obligation to pay interests since there could be no delay as of yet in the payment of just compensation. Besides, it maintains that RA 6657 did not provide for the payment of such interests.