

SECOND DIVISION

[G.R. No. 184406, March 14, 2012]

LAND BANK OF THE PHILIPPINES, PETITIONER, VS. PERFECTO OBIAS, ET. AL., RESPONDENTS.

D E C I S I O N

PEREZ, J.:

Before the Court is a Petition for Review on Certiorari^[1] of the Decision^[2] dated 31 January 2008 and Resolution^[3] dated 8 September 2008 of the Ninth Division of the Court of Appeals (CA) in CA-G.R. CV No. 69644, vacating the Decision of the Regional Trial Court (RTC) of Naga City. The dispositive portion of the assailed decision reads:

WHEREFORE, the appealed decision of the Regional Trial Court of Naga City (Branch 21) is **VACATED** and **SET ASIDE** and a new one rendered fixing the just compensation for the subject land at P371,015.20 and ordering the defendant-appellant Land Bank of the Philippines to pay said amount to plaintiffs-appellants plus interest thereon at the rate of 6% *per annum*, compounded annually, from October 21, 1972 until fully paid.

^[4]

The facts as gathered by this Court follow:

Pursuant to the Operation Land Transfer (OLT) Program of Presidential Decree (P.D.) No. 27, an aggregate area of 34.6958 hectares composing three parcels of agricultural land located at Himaao, Pili, Camarines Sur owned by Perfecto, Nellie, O'Fe, Gil, Edmundo and Nelly, all surnamed Obias, (landowners) were distributed to the farmers-beneficiaries (farmers) namely: Victor Bagasina, Sr., Elena Benosa, Sergio Nagrampa, Claudio Galon, Prudencio Benosa, Santos Parro, Guillermo Breboneria, Flora Villamer, Felipe de Jesus, Mariano Esta, Benjamin Bagasina, Andres Tagum, Pedro Galon, Clara Padua, Rodolfo Competente, Roberto Parro, Melchor Brandes, Antonio Buizon, Rogelio Montero, Maria Villamer, Claudio Resari, Victor Bagasina, Jr., Francisco Montero and Pedro Montero.

As a result, the owners had to be paid just compensation for the property taken. The Department of Agrarian Reform (DAR), using the formula under P.D. 27 and Executive Order (E.O.) 228, came up with a computation of the value of the acquired property at P1,397,578.72. However, the amount was contested by the landowners as an inadequate compensation for the land. Thus did they filed a complaint for determination of just compensation before the RTC of Naga City, the assigned Special Agrarian Court (SAC) which has jurisdiction over the complaint.

To ascertain the amount of just compensation, a committee was formed by the trial court. The Provincial Assessor of Camarines Sur was appointed as the Chairman

and the representatives from the Land Bank of the Philippines (LBP), DAR, the landowners and farmers, were appointed as the Members.

The Provincial Assessor recommended the "above average value of P40,065.31 per hectare" as just compensation; LBP Representative Edgardo Malazarte recommended the amount of P38,533.577 per hectare; and the representative of the landowners, Atty. Fe Rosario P. Bueva^[5] submitted a P180,000.00 per hectare valuation of the land.^[6]

None of these recommendations was adopted in the 3 October 2000 judgment^[7] of the trial court. The dispositive portion reads:

Wherefore, judgment is rendered ordering the following:

- (1) Fixing the Just Compensation of the 34.6958 [hectares] has to be at Ninety One Thousand Six Hundred Fifty Seven and 50/100 (P91,657.50) per hectare or in the total amount of Three Million One Hundred Eighty Thousand One Hundred Thirty and 29/100 (P3,180,130.29);
- (2) Directing the Respondent Land Bank to pay the Plaintiffs the amount of Three Million One Hundred Eighty Thousand One Hundred Thirty and 29/100 (P3,180,130.29) in the manner provided for under R.A. 6657.

No pronouncement as to costs.^[8]

Both the landowners and LBP appealed the trial court's decision before the CA.

On 31 January 2008, the appellate court vacated the decision of the trial court. It relied heavily on *Gabatin v. Land Bank of the Philippines*^[9] ruling wherein this Court fixed the rate of the government support price (GSP) for one cavan of palay at P35.00, the price of the palay at the time of the taking of the land. Following the formula, "*Land Value = 2.5 multiplied by the Average Gross Production (AGP) multiplied by the Government Support Price (GSP)*," provided by P.D. No. 27 and E.O. 228, the value of the total area taken will be P371,015.20 plus interest thereon at the rate of 6% interest per annum, compounded annually, starting 21 October 1972, **until fully paid.** ^[10]

The Court's Ruling

In their petition, LBP does not contest the valuation of the property and the amount to be paid as just compensation. It raised only the issue of "Whether or not the provisions of DAR Administrative Order (A.O.) No. 13,^[11] series of 1994, as amended by DAR A.O. No. 2, series of 2004, as further amended by DAR A.O. No. 6, series of 2008, are mandatory insofar as the computation of interest for P.D. 27-acquired properties is concerned."^[12]

To put it simply, LBP is alleging error on the part of the appellate court when it ruled that the payment of interest shall be made until full payment thereof. The bank

contends that it should have been until the time of actual payment as defined by the DAR A.O. No. 13, as amended.

LBP's main contention rests upon the strict application of Item III, No. 3 of DAR A.O. No. 13, series of 1994, as amended, by A.O. No. 2, series of 2004 as further amended by A.O. No. 6, series of 2008, with regard to the extent of the period of application of the incremental interest. We quote the relevant portion of the Administrative Order, as amended:

3. The grant of six percent (6%) yearly interest compounded annually shall be reckoned as follows:

3.1 Tenanted as of 21 October 1972 and covered under OLT
- From 21 October 1972 **up to the time of actual payment** but not later than December 2009.

3.2 Tenanted after 21 October 1972 and covered under OLT
-From the date when the land was actually tenanted (by virtue of Regional Order of Placement issued prior to August 18, 1987) up to the time of actual payment but not later than December 2009.

Time of actual payment – is the date when the Land Bank of the Philippines (LBP) approves payment of the land transfer claim and deposits the compensation proceeds in the name of the landowner (LO) in cash and in bonds. The release of payment can be claimed by the landowner upon compliance with the documentary requirements for release of payment.

This case does not present a novel issue.

It is correct that rules and regulations issued by administrative bodies to interpret the law which they are entrusted to enforce, have the force of law, and are entitled to great respect. Administrative issuances partake of the nature of a statute and have in their favor a presumption of legality.^[13] And a literal reading of A.O. No. 13, as amended, will be in favor of the LBP.

However, these administrative issuances or orders, though they enjoy the presumption of legalities, are still subject to the interpretation by the Supreme Court pursuant to its power to interpret the law. While rules and regulation issued by the administrative bodies have the force and effect of law and are entitled to great respect, courts interpret administrative regulations in harmony with the law that authorized them and avoid as much as possible any construction that would annul them as invalid exercise of legislative power.^[14]

The rationale for the interpretation that the payment of interest shall be up to the time of full payment and not up to actual payment as defined by the Administrative Order is well pronounced in the case of *Land Bank of the Philippines v. Soriano*,^[15] we quote: