

SECOND DIVISION

[G.R. No. 167735, April 18, 2012]

**LAND BANK OF THE PHILIPPINES, PETITIONER, VS. HEIRS OF
SALVADOR ENCINAS AND JACABA DELGADO, RESPONDENTS.**

D E C I S I O N

BRION, J.:

We resolve the petition for review on *certiorari*,^[1] filed by the Land Bank of the Philippines (*petitioner*), that challenges the July 22, 2004 decision^[2] and the April 6, 2005 resolution^[3] of the Court of Appeals (CA) in CA-G.R. SP No. 78596. The CA decision dismissed the petitioner's petition for review for lack of merit. The CA resolution denied the petitioner's subsequent motion for reconsideration.

The Factual Antecedents

The late Spouses Salvador and Jacoba Delgado Encinas were the registered owners of a 56.2733-hectare agricultural land in Tinago, Juban, Sorsogon, under Original Certificate of Title (OCT) No. P-058. When Republic Act No. (RA) 6657^[4] took effect,^[5] the heirs of the spouses Encinas, Melchor and Simon (*respondents*), voluntarily offered to sell the land to the government through the Department of Agrarian Reform (DAR).

On August 21, 1992, the DAR conducted a field investigation of the land.^[6] On October 27, 1997, the DAR submitted the respondents' claimfolder to the petitioner for computation of the land's valuation.^[7] The petitioner valued the land at P819,778.30 (or P22,718.14 per hectare) for the acquired area of 35.9887 hectares (*subject land*).^[8]

Upon the DAR's application, accompanied by the petitioner's certification of deposit of payment,^[9] the Register of Deeds of Sorsogon partially cancelled OCT No. P-058 corresponding to the 35.9887-hectare covered area, and issued Transfer Certificate of Title Nos. 49948 and 49949 in the name of the Republic of the Philippines on December 5, 1997.^[10]

Meanwhile, since the respondents rejected the petitioner's valuation of P819,778.30, the DAR Adjudication Board (DARAB) undertook a summary administrative proceeding for the determination of just compensation.^[11] On February 6, 2001, Adjudicator Manuel M. Capellan fixed the value of just compensation at P3,590,714.00, adopting the DARAB's valuation on the property of Virginia Balane in Rangas, Juban, Sorsogon that fixed the just compensation at P99,773.39 per hectare.^[12]

Following the denial of its motion for reconsideration,^[13] the petitioner filed on September 26, 2003 a petition for determination of just compensation with the Regional Trial Court (RTC) of Sorsogon City, Branch 52, sitting as a Special Agrarian Court (SAC).^[14]

At the trial, the petitioner's witnesses^[15] testified on the condition of the subject land when the DAR conducted the field investigation in 1992,^[16] and that the petitioner based its P819,778.30 valuation on DAR AO No. 11, series of 1994. The petitioner offered as documentary evidence the DAR field investigation report,^[17] the claims and processing form, a copy of DAR AO No. 11, series of 1994, and the field investigation report on Balane's property.^[18]

On the other hand, the respondents' witnesses^[19] testified on the current number of trees in the subject land and the estimated board feet each tree could produce as lumber,^[20] the cost of each fruit-bearing tree,^[21] and the previous offer to sell the land.^[22] The respondents offered as documentary evidence the recent private field investigation report of their witness, Wilfredo Embile, and the Commissioner's Report of Provincial Assessor Florencio Dino in Civil Case No. 6331 (Vivencio Mateo, et al. v. DAR, et al.) on the just compensation involving another property.

The RTC Ruling

In its April 23, 2003 decision,^[23] the RTC fixed the just compensation at P4,470,554.00, based on: (1) comparable transactions in the nearby locality; (2) the DARAB's valuation on Balane's property; (3) the updated schedule of fair market value of real properties in the Province of Sorsogon (*Sanggunian Panlalawigan* Resolution No. 73-99); (4) the value and the produce of coconuts, fruits, narra, and other trees, and the number of board feet extractable from said trees; and (5) the land's current condition and potential productivity, thus:

Taking into consideration x x x the comparable sale transactions of similar nearby places as admissible in evidence (MRR vs. Velasco case), the decision of the DARAB on VOS of Virginia Balane located at Rangas, Juban, Sorsogon whereby the Board fixed the valuation at P99,773.39 per hectare, the number of nuts produced from the 1500 coconut trees found by the representative of the Petitioner Land Bank as per Field Investigation Report (Exh. "B") so that after ten years since its inspection on August 21, 1992 all coconut trees are fruit bearing now and granting that each tree can produce nuts per 45 days, then 45 nuts can be produced per tree per year, 1500 trees can produce 67,500 nuts in eight harvest per year and when converted to copra can produce 16,750 kilos, 540,000 nuts per year for the 1500 coconut trees on the 35,9887 hectares equals 108,000 kilos at P8.00 per kilo, the land can get P864,000.00 yearly and one/half of that shall go to landowner which is P432,000.00, the Court also considers the value of the fruit bearing trees consisting of 6 guava trees for a total value of P34,000.00, 3 avocado trees for a total value of P6,000.00, 10 langka trees for a total value of P4,000.0 and 300 banana hills for the total value of P78,000.00, and or a grand total of P194,880.00 and the timber producing trees consisting of

100 narra trees with an extractable lumber of no less 5,000 bd. ft at P55.00 per bd. ft or a total value of P275,000.00 and other trees with a total bd. ft. of 2,700 bd. ft at P27.00 per bd. ft or a total value of P172,900.00. The Field Investigation Report (Exh. "B") state also that in the portion for acquisition, there is a hectare of Nipa and according to the Sanggunian Panlalawigan Provincial Ordinance No. 73-99, Sec. 10-Valuation of Perennial Trees, Plants and Other Improvements on Agricultural Land, the value of Nipa Improvement in a 5th class Municipality is P13,400.00 per hectare and summing all of the valuation on the above improvements, the Court hereby fixes the just compensation for the area of 35.9887 hectares subject for acquisition in the total value of P4,470,554.00.^[24]

The RTC did not consider the petitioner's P819,778.30 valuation because it was "unrealistically low," ^[25] based on a field investigation report made 11 years ago, compared to the report of the respondents' representative on the current condition of the property.^[26]

With the denial^[27] of its motion for reconsideration,^[28] the petitioner elevated its case to the CA via a petition for review under Rule 42 of the Rules of Court.^[29]

The CA Ruling

In its July 22, 2004 decision, the CA dismissed the petition for review for lack of merit, recognizing the jurisdiction and supposed expertise of the DARAB and the RTC, as a SAC.^[30] It found that the petitioner's P819,778.30 valuation for 35.9887 hectares was unconscionably low^[31] and that the RTC's P4,470,554.00 valuation substantially complied with the factors prescribed by Section 17 of RA 6657.^[32]

After the denial^[33] of its motion for reconsideration,^[34] the petitioner came to this Court.

The Petition

The petitioner argues that the RTC failed to use the formula provided by Section 17 of RA 6657 in fixing the land's valuation at P4,470,554.00; the RTC erroneously considered the land's potential, not actual, use, as well as the land's condition in 2003, many years after the DAR conducted the field investigation in 1992.

The Case for the Respondents

The respondents, invoking the RTC's judicial discretion in the determination of just compensation, submit that the RTC's valuation is reasonable, based on the guidelines set by Section 17 of RA 6657.

The Issue

The core issue boils down to whether the CA erred in affirming the RTC decision fixing the just compensation at P4,470,554.00 for the respondents' 35.9887-hectare

agricultural land.

Our Ruling

We find merit in the petition.

The “taking of private lands under the agrarian reform program partakes of the nature of an expropriation proceeding.”^[35] In computing the just compensation for expropriation proceedings, the RTC should take into consideration the “**value of the land at the time of the taking, not at the time of the rendition of judgment.**”

^[36] “The ‘time of taking’ is the time when the landowner was deprived of the use and benefit of his property, such as when title is transferred to the Republic.”^[37]

In determining the just compensation, the RTC is also required to consider the following factors enumerated in Section 17^[38] of RA 6657: (1) the acquisition cost of the land; (2) the current value of the properties; (3) its nature, actual use, and income; (4) the sworn valuation by the owner; (5) the tax declarations; (6) the assessment made by government assessors; (7) the social and economic benefits contributed by the farmers and the farmworkers, and by the government to the property; and (8) the non-payment of taxes or loans secured from any government financing institution on the said land, if any.

Pursuant to its rule-making power under Section 49 of RA 6657, the DAR translated these factors into the following basic formula in computing just compensation:^[39]

$$LV = (CNI \times 0.6) + (CS \times 0.3) + (MV \times 0.1)$$

Where: LV = Land Value

 CNI = Capitalized Net Income

 CS = Comparable Sales

 MV = Market Value per Tax Declaration

We have repeatedly stressed^[40] that these factors and formula are mandatory and **not mere guides** that the SAC may disregard. “While the determination of just compensation is essentially a judicial function vested in the RTC acting as a [SAC], the judge cannot abuse his discretion by not taking into full consideration the factors specifically identified by law and implementing rules. [SACs] are **not at liberty to disregard** the formula laid down [by the DAR], because unless an administrative order is declared invalid, courts have no option but to apply it. The [SAC] cannot ignore, without violating the agrarian law, the formula provided by the DAR for the determination of just compensation.”^[41]

In this case, we cannot accept the RTC’s P4,470,554.00 valuation for the respondents’ 35.9887-hectare agricultural land as it failed to comply with the mandated requirements of the law and applicable DAR regulation on the fixing of just compensation.

Instead of taking into account the condition of the subject land at the time of taking on December 5, 1997 when the title was transferred to the Republic of the Philippines,^[42] the RTC considered the respondents’ evidence on the condition of