

FIRST DIVISION

[G.R. No. 175055, June 27, 2012]

**LAND BANK OF THE PHILIPPINES, PETITIONER, VS. HEIRS OF
MAXIMO PUYAT AND GLORIA PUYAT, REPRESENTED BY
ATTORNEY-IN-FACT MARISSA PUYAT, RESPONDENTS.**

D E C I S I O N

DEL CASTILLO, J.:

In agrarian reform cases, when the acquisition process under Presidential Decree (PD) No. 27 remains incomplete upon the effectivity of Republic Act (RA) No. 6657, the process should be completed under the new law.^[1]

Before the Court is a Petition for Review^[2] assailing the June 28, 2006 Decision^[3] of the Court of Appeals (CA) in CA-G.R. SP No. 86582. The dispositive portion of the assailed Decision reads:

WHEREFORE, the decision dated May 11, 2004 as amended by the order dated September 3, 2004 is **AFFIRMED** subject to the modification that the reckoning of the 6% interest per annum shall be from March 21, 1990.

Costs of suit shall be paid by the petitioner.

SO ORDERED.^[4]

Factual Antecedents

Gloria and Maximo Puyat,^[5] both deceased, are the registered owners of a parcel of riceland consisting of 46.8731 hectares located in *Barangay Bakod Bayan*, Cabanatuan City, Province of Nueva Ecija (subject property). Respondents are the heirs of Gloria and Maximo Puyat, and the pro-indiviso co-owners of the subject property.

The records do not disclose when the Department of Agrarian Reform (DAR) placed 44.3090 hectares of Puyats' land under Operation Land Transfer pursuant to PD 27. It is, however, clear that the DAR issued several emancipation patents in favor of various farmer-beneficiaries in December 1989.^[6] All of the said patents were annotated on Puyats' Transfer Certificate of Title (TCT) No. 1773 on March 20, 1990, and thereby caused the concomitant partial cancellation of Puyats' title.

The Puyats did not receive any compensation for the cancellation of their title over the awarded portions of the subject property.

It was only on September 18, 1992 (more than two years after the DAR awarded the property to farmer-beneficiaries) that the Land Bank of the Philippines (Land Bank) received DAR's instruction to pay just compensation to the Puyats.^[7] Accordingly, Land Bank made its initial valuation of P2,012.50 per hectare or a total of P92,752.10. Deducting the farmers' lease rentals amounting to P5,241.20, the Land Bank recommended the payment to the landowners of the net value of P87,510.90.^[8] Respondents received Land Bank's initial valuation together with the Notice of Acquisition and Valuation Form, and rejected the valuation for being "ridiculously low."

The heirs of Puyat filed a complaint for determination and payment of just compensation^[9] with the Regional Trial Court (RTC) of Cabanatuan City, Nueva Ecija on November 24, 1998. The complaint, docketed as Agr. Case No. 124-AF, was raffled to Branch 23 of the said court.

Respondents presented the supervising agriculturalist from the City Agro-Industrial Office, who testified that the average palay production for *Barangay Bakod Bayan* ranges from 70 to 80 cavans per hectare.^[10] Another officer from the same office testified that the average annual palay production is around 65 cavans per hectare.^[11] The zoning officer of the City Planning and Development Office testified that the subject property is located in the agro-industrial district, which is near the central business district of Cabanatuan City.^[12] The zonal value determined by the Bureau of Internal Revenue (BIR) for this area is P10.00 per square meter.^[13] Respondents prayed that their 468,731 square meter-property be valued at P100,000.00 per hectare.^[14]

The Land Bank and the DAR answered that the valuation was made in strict compliance with the formula provided for lands acquired under PD 27 and Executive Order (EO) No. 228. DAR presented a memorandum dated 1976,^[15] which shows that the average gross production for three years prior to 1976 was 23 cavans^[16] per hectare only. It maintained that the valuation of respondents' property should be made using the prevailing rates on October 21, 1972, or the date when PD 27 took effect. Land Bank, on the other hand, presented its Claims Processing Form,^[17] which showed that it set the valuation at P2,012.50. per hectare.^[18]

Ruling of the Regional Trial Court

The trial court first determined what law should be applied in determining the just compensation due to respondents. According to the trial court, while the property was appropriated pursuant to PD 27, its valuation should be made in accordance with Section 17 of RA 6657.

The trial court found that respondents' property could yield an average of 65 cavans per hectare, per harvest season. It could be planted with rice and corn. It is located in an agro-industrial area, accessible by concrete roads, and properly serviced by telecommunication and other utilities. The BIR pegged the zonal value for this area at P10 per square meter, or P100,000.00 per hectare.

Taking the above factors in consideration, the court declared that the reasonable

compensation for respondents' property should be P100,000.00 per hectare.

Since the government took the respondents' property on March 20, 1990 (the date when the emancipation patents were annotated on respondents' TCT No. 1773) without giving the respondents just compensation for such taking, there was delay in payment which justifies the imposition of legal interest. Thus, the trial court ordered the DAR, through the Land Bank, to pay 6% legal interest per annum from the date of taking until the amount is fully paid.

The trial court disposed of the case thus:

WHEREFORE, all premises considered, judgment is hereby rendered ordering defendant Department of Agrarian Reform through the defendant Land Bank of the Philippines to pay plaintiffs Gloria Puyat and all the Heirs of Maximo Puyat, thru their Attorney-in-Fact Marissa Puyat the total amount of Four Million Six Hundred Eighty Seven Thousand Three Hundred Ten (P4,687,310.00) Philippine Currency, representing the just compensation of the property with a total area of 46.8731 hectares, situated in Barangay Bakod Bayan, Cabanatuan City, Nueva Ecija, covered by T.C.T No. 1773 with 6% legal interest per annum from date of taking (which the Court determines to be in 1990) until fully paid.

SO ORDERED.^[19]

Upon Land Bank's motion, the trial court modified its decision by reducing the compensable area to the actual area acquired by the DAR. The court explained:

Considering that only 44.3090 hectares [were] distributed to farmer-beneficiaries this should only be the area to be compensated at the rate of P100,000.00 per hectare for a total amount of Four Million Four Hundred Thirty Thousand Nine Hundred (P4,430,900.00) Pesos.^[20]

x x x x

Wherefore, the Motion for Reconsideration is partially Granted.

The Decision dated May 11, 2004 is hereby amended and defendant Department of Agrarian Reform through the Land Bank of the Philippines [is] hereby directed to pay plaintiffs Gloria Puyat and the Heirs of Maximo Puyat, thru their Attorney-in-Fact Marissa Puyat, the amount of Four Million Four Hundred Thirty Thousand Nine Hundred (P4,430,900.00) Pesos representing the just compensation of the covered 44.3090 hectares of their property (covered by TCT No. 1773) situated at Barangay Bakod Bayan, Cabanatuan City, which [were] actually distributed to farmer-beneficiaries with 6% legal interest per annum from the date of taking (in 1990) until fully paid.

SO ORDERED.^[21]

Land Bank appealed the modified decision to the CA. It raised two main issues. *First*, it argued that the trial court erred in computing the just compensation using the factors provided in Section 17 of RA 6657. Since respondents' land was acquired in accordance with PD 27, its valuation should likewise be limited to the formula mandated under PD 27 and EO 228. *Second*, if the court followed the formula provided for lands acquired under PD 27 and EO 228, a 6% yearly compounded interest is already provided therein, hence the additional 6% legal interest imposed by the trial court would be redundant. The prayer reads:

WHEREFORE, premises considered, it is respectfully prayed of this Honorable Court that after due consideration, a **DECISION** be rendered **ANNULLING AND SETTING ASIDE** the Decision dated 11 May 2004 x x x and the Order dated 03 September 2004 x x x for being **CONTRARY TO P.D. NO. 27 AND E.O. NO. 228, and RELEVANT/MATERIAL EVIDENCE PRESENTED**, and **TO ISSUE** another Decision **UPHOLDING** the **LAND VALUATION** based on the foregoing laws and evidence amounting to **EIGHTY NINE THOUSAND ONE HUNDRED SEVENTY ONE PESOS & 86/100 (PHP 89,171.86)** as the just compensation for the subject landholding.

x x x x^[22]

Ruling of the Court of Appeals

The appellate court noted that the question presented is what law should be used in the determination of just compensation of lands acquired pursuant to PD 27.^[23] Corollarily, once a court determines which law governs just compensation, can its decision be limited to the formula provided in the administrative orders of the DAR?

The CA held that the determination of just compensation is a judicial function, which cannot be unduly restricted by requiring the courts to strictly adhere to formulae appearing in legislative or executive acts. Being a judicial function, courts can choose to rely on the factors enumerated in Section 17 of RA 6657, even if these factors do not appear in PD 27 or EO 228. Such reliance cannot be assailed as irregular or illegal considering that the courts would still rely on reasonable factors for ascertaining just compensation.^[24]

The CA also explained that the imposition of legal interest on the just compensation is not an error. The legal interest was properly imposed considering that the Puyats were deprived of their property since March 20, 1990 without receiving just compensation therefor. However, in order to be precise, the CA modified the RTC Decision by imposing the legal interest not from "1990", but from March 20, 1990, which is the date when the emancipation patents were inscribed on TCT No. 1773.

Land Bank moved for a reconsideration^[25] of the adverse decision, which motion was denied by the appellate court in its October 16, 2006 Resolution.^[26]

Issues

1. Can lands acquired pursuant to PD 27 be valued using the factors appearing in Section 17 of RA 6657?
2. Is it proper to impose the 6% legal interest per annum on the unpaid just compensation?
3. Should the case be remanded to the trial court for the recomputation of just compensation using Section 17 of RA 6657, as amended by RA 9700?

Land Bank argues that the just compensation must be valued at the time of taking of the property. Since respondents' lands were acquired pursuant to PD 27, it is deemed taken under the law operative since October 21, 1972 (the effectivity date of PD 27). Thus, Land Bank posits that the CA erred in computing the just compensation based on Section 17 of RA 6657, a law that came into effect after the time of taking.

Further, according to Land Bank, if PD 27 and EO 228 are to be applied, the interest rate is already provided for under DAR AO No. 13, series of 1994, as amended by DAR AO No. 2, series of 2004. Thus, the 6% interest on the just compensation imposed by the trial and appellate courts is erroneous for being a double interest and should be deleted.

Our Ruling

Which law determines the just compensation for lands acquired under Presidential Decree No. 27?

The Court has already resolved the first question posed by Land Bank in several decisions.^[27] It has been held that, when the government takes property pursuant to PD 27, but does not pay the landowner his just compensation until after RA 6657 has taken effect in 1988, it becomes more equitable to determine the just compensation using RA 6657. *Land Bank of the Philippines v. Natividad*^[28] explained it thus:

Land Bank's contention that the property was acquired for purposes of agrarian reform on October 21, 1972, the time of the effectivity of PD 27, ergo just compensation should be based on the value of the property as of that time and not at the time of possession in 1993, is likewise erroneous. In *Office of the President, Malacañang, Manila v. Court of Appeals*, we ruled that the seizure of the landholding did not take place on the date of effectivity of PD 27 but would take effect [upon] payment of just compensation.

Under the factual circumstances of this case, the agrarian reform process is still incomplete as the just compensation to be paid private respondents has yet to be settled. Considering the passage of Republic Act No. 6657 (RA 6657) before the completion of this process, the just