

## SECOND DIVISION

[ G.R. No. 174007, June 27, 2012 ]

**DEPARTMENT OF AGRARIAN REFORM, REPRESENTED BY OIC-  
SECRETARY NASSER C. PANGANDAMAN, PETITIONER, VS.  
MANOLO V. GODUCO,<sup>[1]</sup> RESPONDENT.**

**[G.R. NO. 181327]**

**LAND BANK OF THE PHILIPPINES, PETITIONER, VS. MANOLO V.  
GODUCO, RESPONDENT.**

### D E C I S I O N

**PEREZ, J.:**

In as much as the old concept of land ownership by a few has spawned valid and legitimate grievances that gave rise to violent conflict and social tension,

The redress of such legitimate grievances being one of the fundamental objectives of the New Society,

Reformation must start with the emancipation of the tiller of the soil from his bondage.<sup>[2]</sup>

But these reformation and emancipation need not be at the detriment of the landowners, for they too are part of this Society.

Before the Court are two Petitions for Review on Certiorari<sup>[3]</sup> filed by the Department of Agrarian Reform (DAR) and the Land Bank of the Philippines (LBP).

DAR is appealing the Decision<sup>[4]</sup> of the Tenth Division of the Court of Appeals (CA) in CA-G.R. SP No. 89542 dated 26 January 2006 and the Resolution of the same Division dated 7 August 2006 which resulted in the affirmance of the Decision of the Regional Trial Court (RTC) of Cabanatuan City designated as the Special Agrarian Court. The dispositive portion of the assailed decision reads:

**WHEREFORE**, premises considered, the Petition is hereby DENIED and is accordingly DISMISSED for lack of merit.<sup>[5]</sup>

The other petitioner LBP, is appealing the Decision<sup>[6]</sup> of the Third Division in CA-G.R. SP No. 89429 of the CA dated 31 July 2007 and the Resolution of the said Division dated 8 January 2008 which resulted in the affirmance with modification of the

Decision of the aforementioned Special Agrarian Court. The dispositive portion of the assailed decision reads:

**WHEREFORE**, the petition is partially GRANTED. The assailed Decision is AFFIRMED WITH MODIFICATION in that the 6% interest per annum is deleted.<sup>[7]</sup>

The facts as gathered by this Court follow:

Manolo Goduco (Goduco) is the only heir of Illuminada Villanueva Vda. De Goduco, the registered owner of several parcels of land located at Pambuan, Gapan City, Nueva Ecija covered by TCT Nos. NT-119140 and NT-119143 issued by the Registry of Deeds of the province.<sup>[8]</sup>

LBP is the financial intermediary for the Comprehensive Agrarian Reform Program (CARP) as designated under Section 64 of R.A. 6657.

DAR is the lead implementing agency of the CARP. It undertakes land tenure improvement and development of program beneficiaries.

Pursuant to the Operation Land Transfer Program of the government under Presidential Decree (P.D.) No. 27, the mentioned parcels of land were placed under the program and were distributed by DAR to the qualified farmer-beneficiaries upon issuance of their respective Emancipation Patents on 29 December 1994<sup>[9]</sup> and 13 June 1996.<sup>[10]</sup> Farmer Edilberto R. Mendoza was issued TCT No. E.P. 79440 with an area of 17,890 square meters and TCT No. E.P.79442 with an area of 8,588 square meters, while farmer Ernesto Carriaga was issued with TCT No. E.P. 84260 with an area of 10, 956 square meters, TCT No. E.P. 86567 with an area of 2,844 square meters and TCT No. E.P. 86568 with an area of 9,336 square meters.

Thereafter, LBP fixed the value of the land as payment of just compensation as follows:

For TCT No. EP 79440 - P14,871.06

For TCT No. E.P.79442 - P 7,138.77

For TCT No. E.P. 84260 - P 4,709.66

For TCT No. E.P. 86567 - P3,902.33

For TCT No. E.P. 86568 - P4,133.00

Dissatisfied with the valuation, Goduco filed a Petition for Determination of Just Compensation of the subject lands before the RTC of Cabanatuan City acting as Special Agrarian Court on 7 March 2000. He also filed a similar petition before the offices of DAR and LBP. In his petition before the court, he alleged that LBP fixed the valuation of the parcels of land without his or his mother's knowledge. He contended that the valuation amounting to a measly aggregate of P34,754.82 is highly inadequate and is confiscatory of their properties for the fair market value of the land can be pegged at least P400,000.00 per hectare. Finally, he added that the

selling price of agricultural lands is at P1,000,000.00 per hectare.<sup>[11]</sup>

LBP, in its Answer, justified its valuation of the land by asserting that it was in strict adherence with P.D. No. 27 and Executive Order (E.O.) No. 228<sup>[12]</sup> and maintained that these provisions continue to be valid and constitutional. The pertinent provision of P.D. No. 27 states:

For the purpose of determining the cost of the land to be transferred to the tenant-farmer pursuant to this Decree, the value of the land shall be equivalent to two and one-half (2 1/2) times the average harvest of three normal crop years immediately preceding the promulgation of this Decree.

The relevant portion of E.O. No. 228 reads:

Sec. 2. Henceforth, the valuation of rice and corn lands covered by P.D. No. 27 shall be based on the average gross production determined by the Barangay Committee on Land Production in accordance with Department Memorandum Circular No. 26, Series of 1973, and related issuances and regulations of the Department of Agrarian Reform. The average gross production per hectare shall be multiplied by two and a half (2.5), the product of which shall be multiplied by Thirty Five Pesos (P35.00), the government support price for one cavan of 50 kilos of palay on October 21, 1972, or Thirty One Pesos (P31.00), the government support price for one cavan of 50 kilos of corn on October 21, 1972, and the amount arrived at shall be the value of the rice and corn land, as the case may be, for the purpose of determining its cost to the farmer and compensation to the landowner.

DAR also filed its Answer and basically reiterated the arguments of LBP on the constitutionality and applicability of P.D. No. 27 and E.O. No. 228.<sup>[13]</sup>

At the trial, Goduco presented as witnesses Adoracion Khan and Conrado Roberto. He also testified to prove the value of the land as basis for just compensation.

Adoracion Khan testified that she is the administrator of the land owned by Filoteo G. Jacinto and Nelia Fuentebella which is near the land of Goduco. She added that the land of Jacinto and Fuentebella which has an area of 23,489 square meters, was sold for P1,500,000.00. She further opined that the land of Goduco could command a higher price because it is adjacent to the main canal of the National Irrigation Authority (NIA).<sup>[14]</sup>

Conrado Roberto, one of the land tenants of Goduco, testified that he bought a parcel of land with an area of 21,000 square meters from Goduco for P187,000.00. He described that the land he bought was inferior to the land in dispute, which can be sold for a higher price of P800,000.00. He also opined that the land of Goduco is near the irrigation canal, hence, can command a higher selling price.<sup>[15]</sup>

Lastly, Goduco himself testified that the land could be sold for P1,500,000.00 based on the price offered to him for the land. He presented pictures of a mango orchard, a road network, irrigation canals and of the municipal road adjacent to the land to substantiate his contention that the value of the land is much more than the assessment determined by LBP.<sup>[16]</sup>

LBP, on its part, presented its Field Attorney Atty. Alfredo B. Pandico, Jr. who testified that he handled the agrarian case of the parcels of land registered under the name of Illuminada Goduco.<sup>[17]</sup>

Lily San Luis, the bank's Claims Processing and Payment Division Officer, testified that she handled the case of the contested parcels of land and explained the process observed by the bank in such cases. LBP also presented as its documentary evidence the Claims Processing Form where the valuation of the parcels of land was indicated.<sup>[18]</sup>

DAR offered in evidence a document dated 12 November 1981 showing the average gross production of the parcels of land of Goduco.<sup>[19]</sup>

The special agrarian court did not follow the price assessment of DAR. The dispositive portion of its 12 January 2005 decision<sup>[20]</sup> reads:

WHEREFORE, all premises considered, judgment is hereby rendered ordering the defendant Department of Agrarian Reform through the defendant Land Bank of the Philippines to pay petitioner Manolo Goduco the total amount of Four Hundred Ninety Six Thousand One Hundred Forty (P496,140.00) Philippine Currency, representing the just compensation of the property with a total area of 4.9614 hectares, situated in Pambuan, Gapan, Nueva Ecija, covered by TCT No. NT-119140 and TCT No. NT-119143 with 6% legal interest per annum from the date of taking on May 24, 1995 until fully paid.<sup>[21]</sup>

The trial court explained that the P100,000.00 per hectare valuation of the land followed the provisions of Section 17 of R.A. 6657. It also considered the condition and the location of the land which is irrigated and accessible to the municipal road. The notarized documents indicating the selling price of the neighboring parcels were also given weight by the court. Even if not put in issue before it, the trial court imposed interest computed from the date of taking of the land.<sup>[22]</sup>

Both the DAR and the LBP filed appeals before the CA.

DAR in its Petition for Review<sup>[23]</sup> before the Tenth Division of the CA raised as its sole assignment of error that the agrarian court erred when it ruled that the date of taking of subject property was 24 May 1995. Similarly, the arguments of LBP before the Third Division pertain to the alleged error of the lower court in fixing the value of the land based on the factors under R.A. 6657 even if the land was acquired under P.D. No. 27. It likewise argued that it was an error to grant 6% legal interest from the date of taking until full payment of the just compensation.

In CA-G.R. SP No. 89542, the Tenth Division of the CA ruled that the lands were acquired under R.A. 6657. Hence, the valuation factors under this law determine the just compensation.<sup>[24]</sup>

In CA-G.R. SP No. 89429, the Third Division of the CA<sup>[25]</sup> affirmed the trial court. The appellate court reasoned out that while the just compensation remains undetermined and unpaid, the agrarian process is not yet complete. Therefore, what will apply in determining just compensation is R.A. 6657; not P.D. No. 27 or E.O. No. 228. It ruled however, that the trial court erred in the imposition of 6% interest, which as provided by Administrative No. 13, is granted only under P.D. No. 27.

In its petition before this Court, DAR repeats the arguments that the applicable law is P.D. No. 27 and not R.A. 6657 and that the date of taking of the land was on 21 October 1972 and not in 1995. The DAR insists that the lands were covered by the Operation Land Transfer Program under P.D. No. 27, therefore, the date of the taking of the land must be 21 October 1972.

LBP, in its petition, also insists that the formula that should apply is the one prescribed under P.D. No. 27 and E.O. No. 228. It argues against the application of R.A. 6657 on properties acquired under the Operation Land Transfer Program of P.D. No. 27.

To summarize, LBP and DAR raise as issues the following:

*First*, which law will govern the valuation of land covered by the emancipation patents, P.D. No. 27 and E.O. No. 228 or R.A. 6657?

*Second*, what is the reckoning date for determining just compensation?

*Third and last*, should interest be imposed from the date of taking?

### ***The Court's Ruling***

#### ***First and Second Issues: Applicable law and reckoning point***

Both the LBP and DAR are adamant in their contention that the agrarian reform process is complete even if there is no payment yet of just compensation. It is further posited that to apply R.A. 6657 to the P.D. No. 27-acquired properties is improper for it will result in the retroactive application of R.A. 6657.

We disagree.

The first references are relevant provisions of the laws relied upon by the parties.

P.D. No. 27<sup>[26]</sup> provides that:

For the purpose of determining the cost of the land to be transferred to the tenant-farmer pursuant to this Decree, the value of the land shall be equivalent to two and one-half (2 1/2) times the average harvest of three