

SECOND DIVISION

[G.R. No. 171038, June 20, 2012]

LAND BANK OF THE PHILIPPINES, PETITIONER, VS. HEIRS OF JUAN LOPEZ, NAMELY: MONSERRAT LOPEZ-MARCHAN, LYDIA LOPEZ-DAMASCO, THELMA LOPEZ-GERONA, ELSA FELY LOPEZ-REBUSTILLO, JOSE LOPEZ, AND HERMINIO LOPEZ, RESPONDENTS.

DECISION

BRION, J.:

Before us is a petition for review on *certiorari*^[1] filed by the petitioner, Land Bank of the Philippines (*LBP*), assailing the September 29, 2005 decision of the Court of Appeals (*CA*) in C.A. G.R. SP No. 80918.^[2] The *LBP* also assails the December 23, 2005 resolution^[3] of the *CA* denying its motion for reconsideration.^[4] The *CA* dismissed the *LBP*'s appeal for lack of merit.

THE FACTUAL ANTECEDENTS

The respondent heirs of the deceased Juan Lopez owned a parcel of coconut land situated in San Vicente, Castilla, Sorsogon, with an area of 23.1301 hectares and covered by Original Certificate of Title No. P-32. In July 2000, Monserrat L. Marchan, together and in behalf of her co-respondents,^[5] voluntarily offered to sell the parcel of land to the Department of Agrarian Reform (*DAR*) under Republic Act (*R.A.*) No. 6657, otherwise known as the "Comprehensive Agrarian Reform Law of 1988."

After conducting a field investigation, only 21.6101 out of the 23.1301 hectares was found subject for acquisition.^[6] The *LBP* valued the property at P14,101.51 per hectare or for a total amount of P304,735.09.^[7] The *LBP*'s offer was reduced to P298,101.21,^[8] after the value of the 0.3643 hectare legal easement on the property was deducted.

The respondents rejected the *LBP*'s offer and elevated the matter to the *DAR* Provincial Agrarian Reform Adjudicator (*PARAD*) of Sorsogon City who conducted a summary administrative proceeding for the determination of just compensation.

The PARAD's Ruling

On January 8, 2002, Provincial Adjudicator Manuel M. Capellan fixed^[9] the just compensation for the respondents' 21.6101-hectare property at P928,330.17, which was P630,228.96 more than the amount offered by the *LBP*. The huge difference from the *LBP*'s estimate arose from the *PARAD*'s use of the average selling price of P16.00 per kg. of copra instead of the average selling price of P5.86 per kg. of copra used by the *LBP*. The average selling price data is required in computing for the

capitalized net income (CNI),^[10] which is a necessary factor in the equation for determining the amount of just compensation.^[11]

The LBP moved to reconsider the PARAD's ruling, but its motion was denied in an order dated March 21, 2002.^[12]

Hence, on April 1, 2002, the LBP filed before Branch 52 of the Regional Trial Court, acting as a Special Agrarian Court (RTC-SAC), of Sorsogon City a petition for the judicial determination of just compensation, docketed as Civil Case No. 2002-6986.^[13]

In its petition, the LBP contended that the PARAD gravely abused his discretion in valuing the respondents' property at P928,330.17. It mainly argued that the average selling price of P16.00 per kg. of copra used by the PARAD is contrary to DAR regulations; that under DAR Administrative Order (A.O.) No. 5, series of 1998, the selling price is defined as "[t]he average of the latest available 12-months' selling prices prior to the date of receipt of the [claim folder] by LBP for processing, such prices to be secured from the Department of Agriculture x x x and other appropriate regulatory bodies or, in their absence, from the Bureau of Agricultural Statistics." Thus, the selling price to be applied in this case should be the average price of copra for the 12-month period prior to the LBP's receipt of the respondents' claim folder in July 2001,^[14] and that based on the pricing schedule supplied by the Philippine Coconut Authority (PCA), the average selling price within the months of July 2000 and June 2001 was P5.86 per kg.^[15]

The RTC-SAC's Ruling

In a decision dated August 15, 2003,^[16] the RTC-SAC affirmed the PARAD's decision. From the evidence presented, it considered the PARAD's valuation to be fair, just and realistic, based not only on the property's yield of copra, but also on its condition, its proximity to roads and the market place, the comparable sales in the area or the current value of like properties, the improvements thereto, its actual use, the social and economic benefits that the property contributed to the community, the landowner's sworn valuation thereof, and the tax declarations and assessments made by government assessors on the property.^[17]

Thereafter, the RTC-SAC denied the LBP's motion for reconsideration in an order dated October 27, 2003.^[18] The LBP appealed to the CA.

The CA's Ruling

In a decision dated September 29, 2005,^[19] the CA affirmed the RTC-SAC's ruling. It was unconvinced with the LBP's unsubstantiated claims that the RTC-SAC erred in considering then prevailing circumstances in the valuation of the respondents' property and not those at the time the property was taken by the government, and in adopting the PARAD's valuation, because it was not arrived at strictly in accordance with the formula and guidelines provided by the DAR.

On the contrary, the CA observed that while the LBP and the PARAD arrived at different valuations of the respondents' property, both of them used the same

formula provided under DAR A.O. No. 5, series of 1998.^[20] The CA affirmed the valuation adopted by the RTC-SAC as there was nothing to show that the trial court, as well as the PARAD, failed to consider the factors enumerated in Section 17 of R.A. No. 6657 and the guidelines provided by DAR A.O. No. 5, series of 1998, in arriving at its valuation.

As for the LBP's valuation, the CA found it to be unrealistic and far from being the "just" compensation envisioned by the Constitution.^[21]

The LBP moved to reconsider the CA's decision, but its motion was denied in a resolution dated December 23, 2005.^[22]

The Petition

In the present petition for review on *certiorari*, the LBP insists that the PCA-supplied average selling price data of P5.86 per kg. of copra should have been used in computing the just compensation for the respondents' property, as their data and computation were in accordance with the formula and guidelines provided under DAR A.O. No. 5, series of 1998.

OUR RULING

We DENY the present petition.

In the determination of just compensation, the RTC-SACs are guided by the factors enumerated in Section 17 of R.A. No. 6657, which provision states:

Section 17. *Determination of Just Compensation.* – In determining just compensation, the cost of acquisition of the land, the current value of like properties, its nature, actual use and income, the sworn valuation by the owner, the tax declarations, and the assessment made by government assessors shall be considered. The social and economic benefits contributed by the farmers and the farmworkers and by the Government to the property as well as the non-payment of taxes or loans secured from any government financing institution on the said land shall be considered as additional factors to determine its valuation.

The DAR, as the administrative agency tasked with the implementation of the agrarian reform program and pursuant to its rule-making power under R.A. No. 6657, translated the factors in Section 17 into a basic formula in DAR A.O. No. 6, series of 1992, ^[23] and those found in succeeding DAR administrative regulations. In various cases, we emphasized the mandatory application of these formulas and imposed upon the RTC-SACs the duty to apply, and not to disregard, them in determining just compensation.^[24]

In the present case, no dispute exists with respect to the formulas used by the LBP and the PARAD in arriving at their valuations. Both correctly applied the formula provided by DAR A.O. No. 5, series of 1998,^[25] the then governing regulation applicable to the respondents' land. However, the resulting valuations varied due to