

## SECOND DIVISION

[ G.R. No. 166259, November 12, 2012 ]

**LAND BANK OF THE PHILIPPINES, PETITIONER, VS.  
HONEYCOMB FARMS CORPORATION, RESPONDENT.**

### D E C I S I O N

**BRION, J.:**

Before us is a petition for review on *certiorari*,<sup>[1]</sup> filed by the petitioner Land Bank of the Philippines (LBP), assailing the Court of Appeals' (CA's) Amended Decision<sup>[2]</sup> and Resolution<sup>[3]</sup> in C.A.-G.R. CV No. 69661. The CA amended Decision reinstated with modification the Judgment<sup>[4]</sup> of the Regional Trial Court (RTC) of Masbate, Masbate, Branch 48, acting as a Special Agrarian Court (SAC) in Special Civil Case No. 4637 for Determination and Payment of Just Compensation under Republic Act No. (RA) 6657.

#### The Factual Antecedents

Respondent Honeycomb Farms Corporation (HFC) was the registered owner of a parcel of agricultural land under Transfer Certificate of Title No. T-2550, with an area of 29.0966 hectares, situated in "Curvada, Caintagan, Masbate."<sup>[5]</sup> Through a letter dated February 5, 1988, HFC voluntarily offered its land to the Department of Agrarian Reform (DAR) for coverage under RA 6657, the Comprehensive Agrarian Reform Law of 1988 (CARL), for P581,932.00 or at P20,000.00 per hectare.<sup>[6]</sup> Pursuant to the rules and regulations governing the CARL, the government, through the DAR and the LBP, determined an acquirable and compensable area of 27.5871 hectares, while 1.5095 hectares were excluded for being hilly and underdeveloped.<sup>[7]</sup>

Subsequently, the LBP, as the agency with the authority to determine land valuation and compensation under the CARL, and using the guidelines set forth in DAR Administrative Order No. 6, series of 1992,<sup>[8]</sup> fixed the value of the land in the amount of P165,739.44 and sent a Notice of Valuation to HFC.<sup>[9]</sup>

HFC rejected the LBP's valuation and it filed, on January 15, 1996,<sup>[10]</sup> a petition with the DAR Adjudication Board (DARAB) for a summary administrative determination of just compensation. In its petition, HFC claimed that the just compensation for the land should be in the amount of P25,000.00 per hectare, considering its location and productivity, or for an aggregate amount of P725,000.00.<sup>[11]</sup>

While the DARAB proceedings were still pending, HFC filed a Complaint for Determination and Payment of Just Compensation with the RTC, praying for a just

compensation of P725,000.00, plus attorney's fees of ten percent (10%) of the just compensation.<sup>[12]</sup> HFC justified the direct filing with the SAC by what it saw as unreasonable delay or official inaction. HFC claimed that the DARAB disregarded Section 16 of RA 6657 which mandates that the "DAR shall decide the case within thirty (30) days after it is submitted for decision."<sup>[13]</sup> The LBP meanwhile countered that HFC's petition was "premature and lacks [a] cause of action for failure to [exhaust] administrative remedies[.]"<sup>[14]</sup>

Meanwhile, on May 14, 1998, the DARAB issued a Decision<sup>[15]</sup> affirming the LBP's valuation. The dispositive portion states:

WHEREFORE, conformably to the foregoing consideration, this Board hereby AFFIRMS the valuation of P165,739.44 fixed by the Land Bank of the Philippines on the subject 27.5871-hectare agricultural landholding.

The Petition dated October 7, 1995 for determination and payment of Just Compensation filed by the landowner with this forum is hereby DENIED or ordered dismissed without prejudice for want of jurisdiction over the same on the part of this forum.<sup>[16]</sup>

### **The RTC Decision**

On July 27, 2000, the RTC rendered a Judgment<sup>[17]</sup> whose dispositive portion reads:

WHEREFORE, judgment is hereby rendered by:

- 1.) Fixing the just compensation of the parcel of land owned by plaintiff Honeycomb Farms Corp. under TCT No. T-2550 which is covered by agrarian reform for an area of 27.5871 hectares at P931,109.20 subject to the lien for the docket fee of the amount in excess of P725,000.00 as pleaded for by herein plaintiff in its complaint;
- 2.) Ordering the defendants to pay jointly and severally the plaintiff an attorney's fee equivalent to 10% of the total just compensation.<sup>[18]</sup>

Owing to the parties' conflicting valuations, the SAC made its own valuation and briefly concluded that:

A judicious evaluation of the evidence on record shows that the subject area is sporadically planted to (sic) coconut and corn as is not fully develop (sic) when the government conducted its ocular inspection and thereafter took over possession of the same although majority of it is a fertile grass land and undisputedly deemed suitable to agriculture. However, the parcel of land under consideration is **located in the side of the road. It is likewise of judicial notice that it is situated near the commercial district of Curvada, Cataingan, Masbate.** In the light of the foregoing premises, the Court is of the opinion and so holds

that the just compensation for the land of herein plaintiff corporation under TCT No. T-2550 covered by agrarian reform is **P32,000.00 per hectare or P882,787.20 for the area of 27.58571 hectares** plus consequential damages at the same value (P32,000.00) per hectare for the remaining 1.5095 hectares of the plaintiff's property left and rendered useless by the compulsory coverage or for the total sum of P931,109.20.<sup>[19]</sup> (emphasis ours)

Both parties appealed to the CA.

HFC argued that the RTC erred in its determination of just compensation; the amount of P931,109.20 is not supported by the evidence on record while its presented evidence correctly shows that the market value of the land at the time of taking was P113,000.00 per hectare.<sup>[20]</sup>

The LBP raised the threshold issue of whether the SAC had jurisdiction to hear HFC's complaint because of the pending DARAB proceedings, emphasizing that the completion of the administrative proceedings before the DARAB is a condition precedent for the filing of a complaint for the determination of just compensation before the SAC. The LBP also argued that the RTC committed a serious error when it took judicial notice of the property's roadside location, its proximity to a commercial district, its incomplete development as coconut and corn land, and its condition as grassland, to determine just compensation; thereby, it effectively eschewed the formula for fixing just compensation, provided under DAR Administrative Order No. 6, series of 1992.<sup>[21]</sup> Lastly, the LBP questioned the award of consequential damages and attorney's fees for lack of legal and factual basis.<sup>[22]</sup>

### **The CA Decision**

The CA, in its January 28, 2004 Decision, reversed the RTC Judgment and dismissed HFC's complaint for failure to exhaust administrative remedies that Section 16(f) of RA 6657 requires. The CA ruled that the LBP "made a procedural [shortcut]" when it filed the complaint with the SAC without waiting for the DARAB's decision.<sup>[23]</sup>

On the LBP's motion for reconsideration (to which a copy of the May 14, 1998 DARAB Decision was attached),<sup>[24]</sup> the CA, in its Amended Decision of September 16, 2004, proceeded to decide the case on the merits and recalled its January 28, 2004 Decision. The dispositive portion of the Amended Decision reads:

WHEREFORE, in view of the foregoing, Our January 28, 2004 Decision is hereby **RECALLED** and **SET ASIDE** and a new one entered. The assailed decision of the Regional Trial Court of Masbate, Branch 48 in Civil Case No. 4637 is hereby **REINSTATED with MODIFICATION** that the award of attorney's fees in favor of herein plaintiff-appellant is hereby deleted. No costs.<sup>[25]</sup>

The CA ruled that in expropriation proceedings, the just compensation to which the owner of the condemned property is entitled to is the market value. It noted that in

order to arrive at the proper market value, several factors such as the current value of like properties, their actual or potential uses and their size, shape and location must be considered. The CA thus concluded that the valuation made by the RTC was based on the evidence on record since the latter considered the sketch plan of the property, the testimonies of the witnesses and the field reports of both parties. In addition, the CA also deleted the award of attorney's fees for lack of factual and legal basis.<sup>[26]</sup>

### **The Petition**

The LBP's petition for review on *certiorari* raised the following errors:

*First*, the CA erred in reinstating the decision of the SAC since it had no jurisdiction to hear HFC's complaint while the DARAB proceedings were pending. It stressed that the SAC could not acquire jurisdiction over the complaint since the DARAB continued to retain jurisdiction over the determination of just compensation.

*Second*, the CA failed to dismiss the complaint on the ground of non-exhaustion of administrative remedies and forum shopping on the part of HFC. It notes that the HFC's complaint was premature and violative of the forum shopping prohibition since the complaint was filed with the SAC despite the pendency of the DARAB proceedings.

*Lastly*, the CA erred when it failed to apply the "basic formula" for determining just compensation prescribed by DAR Administrative Order No. 6, series of 1992, as amended by DAR Administrative Order No. 11, series of 1994. It emphasizes that by adopting the values fixed by the SAC, the CA's determination is contrary to: (1) Section 17 of RA 6657 and (2) the rulings of the Court bearing on the determination of just compensation, in particular, *Land Bank of the Philippines v. Sps. Banal*<sup>[27]</sup> where the Court categorically held that the formula prescribed by the DAR in Administrative Order No. 6, series of 1992, shall be used in the valuation of the land.<sup>[28]</sup>

HFC prays for the dismissal of the LBP's petition on the following grounds:

*First*, it submits that the pendency of the DARAB proceedings has no bearing on the jurisdiction of the SAC since Section 57 of RA 6657 provides that the SAC has original and exclusive jurisdiction over petitions for the determination of just compensation. Conformably with the dictates of Section 57, litigants can file a case for the determination of just compensation without the necessity of a DARAB determination. *Second*, it argues that jurisprudence allows resort to judicial intervention without completing administrative remedies when there has been unreasonable delay or official inaction, as in this case, on the part of the administrative agency. Third, for the same reason, it contends that it cannot be charged with forum shopping. *Finally*, it argues that strict adherence to the formula prescribed by DAR Administrative Order No. 6, series of 1992, as amended by DAR Administrative Order No. 5, series of 1994, unduly "ties the hands of the SAC" in the determination of just compensation.<sup>[29]</sup>

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

**We find the LBP's petition meritorious.**

***The SAC properly acquired jurisdiction over HFC's complaint for the determination of just compensation despite the pendency of the DARAB proceedings***

At the core of the LBP's lack of jurisdiction theory is the premise that SAC could not acquire jurisdiction over the complaint since the DARAB continued to retain jurisdiction over the matter of determination of just compensation.

The premise is erroneous because the DARAB does not "exercise concurrent jurisdiction with the SAC in just compensation cases. The determination of just compensation is judicial in nature."<sup>[30]</sup>

"The original and exclusive jurisdiction of the SAC xxx is not a novel issue"<sup>[31]</sup> and is in fact, well-settled. In *Republic of the Philippines v. CA*,<sup>[32]</sup> we first ruled that it would subvert the original and exclusive jurisdiction of the RTC for the DAR to vest original jurisdiction in compensation cases in administrative officials and make the RTC an appellate court for the review of administrative decisions, viz:

Thus, under the law, the Land Bank of the Philippines is charged with the initial responsibility of determining the value of lands placed under land reform and the compensation to be paid for their taking. Through notice sent to the landowner pursuant to § 16(a) of R.A. No. 6657, the DAR makes an offer. In case the landowner rejects the offer, a summary administrative proceeding is held and afterward the provincial (PARAD), the regional (RARAD) or the central (DARAB) adjudicator as the case may be, depending on the value of the land, fixes the price to be paid for the land. If the landowner does not agree to the price fixed, he may bring the matter to the RTC acting as Special Agrarian Court. This in essence is the procedure for the determination of compensation cases under R.A. No. 6657. In accordance with it, the private respondent's case was properly brought by it in the RTC, and it was error for the latter court to have dismissed the case. In the terminology of § 57, the RTC, sitting as a Special Agrarian Court, has "original and exclusive jurisdiction over all petitions for the determination of just compensation to landowners." It would subvert this "original and exclusive" jurisdiction of the RTC for the DAR to vest original jurisdiction in compensation cases in administrative officials and make the RTC an appellate court for the review of administrative decisions.<sup>[33]</sup> (citations omitted)

In the recent case of *Land Bank of the Philippines v. Belista*,<sup>[34]</sup> we extensively discussed the reasons why the SAC can properly assume jurisdiction over petitions for the determination of just compensation despite the pendency of administrative proceedings, thus:

Sections 50 and 57 of RA No. 6657 provide: