

SECOND DIVISION

[G.R. Nos. 180772 and 180776, May 06, 2010]

**LAND BANK OF THE PHILIPPINES [LBP], PETITIONER, VS.
DOMINGO AND MAMERTO SORIANO, RESPONDENTS.**

D E C I S I O N

PEREZ, J.:

For consideration is a Petition for Review on *Certiorari* under Rule 45 of the Rules of Court filed by the Land Bank of the Philippines (LBP) seeking the annulment of the Decision^[1] dated 9 October 2007 and the Resolution^[2] dated 12 December 2007 issued by the Court of Appeals in CA-G.R. SP Nos. 89005 and 89288.

The controversy is hinged on the determination of just compensation for land covered by the Comprehensive Agrarian Reform Program (CARP).

First, the antecedents.

Domingo and Mamerto Soriano (respondents) are the registered owners of several parcels of rice land situated in Oas, Albay. Out of the 18.9163 hectares of land^[3] owned by the respondents, 18.2820 hectares were placed under the Operations Land Transfer and the CARP pursuant to Presidential Decree No. 27^[4] and Republic Act No. 6657, otherwise known as the Comprehensive Agrarian Reform Law.^[5]

The LBP^[6] pegged the value of 18.0491 hectares of land at P482,363.95^[7] (P133,751.65 as land value plus P348,612.30 incremental interest), while the remaining 0.2329 hectare was computed at P8,238.94.^[8] Not satisfied with the valuation, respondents, on 23 November 2000, instituted a Complaint^[9] for judicial determination of just compensation with the Regional Trial Court of Legazpi City,^[10] sitting as a Special Agrarian Court (SAC). Respondents alleged that they are entitled to an amount of not less than P4,500,000.00 as just compensation.^[11]

On 21 February 2005, the SAC rendered a judgment, ordering LBP to pay the respondents P894,584.94. The dispositive portion reads:

ACCORDINGLY, the just compensation of the 18.0491 hectares of irrigated riceland is P133,751.79, plus increment of 6% per annum computed annually beginning October 21, 1972, until the value is fully paid, and of the 0.2329 hectare of rain fed riceland is P8,238.94 plus 12% interest per annum, beginning August 17, 1998, until the value is fully paid or a total of P894,584.94 as of this date. Land Bank is ordered to pay the landowners Domingo Soriano and Mamerto Soriano said amount/land value in accordance with law.^[12]

The SAC applied the formula prescribed under Executive Order No. 228 in determining the valuation of the property, *i.e.*, Land value = Average Gross Production x 2.5 x Government Support Price. It likewise granted compounded interest pursuant to Department of Agrarian Reform (DAR) Administrative Order No. 13, series of 1994, as amended by DAR Administrative Order No. 2, series of 2004.

Both parties disagreed with the trial court's valuation, prompting them to file their respective appeals with the Court of Appeals. The appellate court, however, affirmed the judgment of the trial court. It also upheld the award of compounded interest, thus:

In the case at bar, the subject lands were taken under PD 27 and were covered by Operation Land Transfer, making the aforecited Administrative Order applicable. Hence, the Petitioners SORIANO's are entitled to the 6% compounded interest per annum from the date of taking on 21 October 1972 until full payment of the just compensation.^[13]

LBP moved for reconsideration but it was denied by the Court of Appeals on 12 December 2007.

LBP filed the instant petition seeking to nullify the appellate court's decision and resolution, particularly the amount awarded to respondents as just compensation.

Basic is the tenet that since respondents were deprived of their land, they are entitled to just compensation. Under Executive Order No. 228, the formula used to compute the land value is:

Land value = Average Gross Production (AGP) x 2.5
x Government Support Price (GSP)

With the passage of Republic Act (R.A.) No. 6657 or the CARL in 1988, new guidelines were set for the determination of just compensation. In particular, Section 17 provides, thus:

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.

Consequently, two divergent formulae arose which prompted the Court to come up with a categorical pronouncement that, if just compensation is not settled prior to the passage of Republic Act No. 6657, it should be computed in accordance with the said law, although the property was acquired under Presidential Decree No. 27. The

fixing of just compensation should therefore be based on the parameters set out in Republic Act No. 6657, with Presidential Decree No. 27 and Executive Order No. 228 having only suppletory effect.^[14]

In the instant case, while the subject lands were acquired under Presidential Decree No. 27, the complaint for just compensation was only lodged before the court on 23 November 2000 or long after the passage of Republic Act No. 6657 in 1988. Therefore, Section 17 of Republic Act No. 6657 should be the principal basis of the computation for just compensation. As a matter of fact, the factors enumerated therein had already been translated into a basic formula by the DAR pursuant to its rule-making power under Section 49 of Republic Act No. 6657. The formula outlined in DAR Administrative Order No. 5, series of 1998 should be applied in computing just compensation, thus:

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

Where: LV = Land Value

CNI = Capitalized Net Income

CS = Comparable Sales

MV = Market Value per Tax Declaration^[15]

As much as this Court would like to determine the proper valuation based on the formula cited above, the records of this case are bereft of adequate data. To *write finis* to this case, we uphold the amount derived from the old formula. However, since the application of the new formula is a matter of law and thus, should be made applicable, the parties are not precluded from asking for any additional amount as may be warranted by the new formula.

On to the more pertinent issue. LBP assails the imposition of 6% interest rate on the 18.0491 hectares of lot valued at P133,751.65. It avers that the incremental interest due to the respondents should be computed from the date of taking on 21 October 1972, not up to full payment of just compensation but **up to the time LBP approved the payment of their just compensation claim and a corresponding deposit of the compensation proceeds was made by the bank**. LBP relies on the provisions of DAR Administrative Order No. 13, series of 1994, as amended, which substantially provides that "the grant of 6% yearly interest compounded annually shall be reckoned from 21 October 1972 up to the **time of actual payment** but not later than December 2006." LBP stresses that under said Administrative Order, **time of actual payment** is defined as the date when LBP approves the payment of the land transfer claim and deposits the compensation proceeds in the name of the landowner in cash and in bonds. In sum, LBP posits that the appellate court departed from the express provision of DAR Administrative Order No. 13, as amended, by imposing an interest to be reckoned from the time of taking up to the actual payment of just compensation.^[16]

Respondents counter that the award of interest until full payment of just compensation was correctly adhered to by the lower courts in line with the Court's ruling in *Land Bank of the Philippines v. Imperial*,^[17] which found it inequitable to determine just compensation based solely on the formula provided by DAR Administrative Order No. 13, as amended. According to respondents, the award of interest until full payment of just compensation is to ensure prompt payment.