

## THIRD DIVISION

[ G.R. No. 175422, March 13, 2009 ]

**ALLIED BANKING CORPORATION, PETITIONER, VS. THE LAND  
BANK OF THE PHILIPPINES AND THE SECRETARY OF THE  
DEPARTMENT OF AGRARIAN REFORM, RESPONDENTS.**

### D E C I S I O N

**CHICO-NAZARIO, J.:**

This Petition for Review under Rule 45 of the Rules of Court seeks to reverse and set aside the 29 June 2006 Decision<sup>[1]</sup> and the 07 November 2006 Resolution<sup>[2]</sup> of the Court of Appeals in CA-G.R. CV No. 74738 which annulled the Decision of the Regional Trial Court (RTC) of Balanga City, Bataan, Branch 1. The Court of Appeals likewise remanded the case to the RTC, ordering the latter to determine the just compensation of the subject parcels of land acquired by the Department of Agrarian Reform (DAR) from Allied Banking Corporation (Allied) pursuant to Republic Act No. 6657, as amended, otherwise known as the Comprehensive Agrarian Reform Law of 1988.

Allied owned two abutting parcels of land located at Mabiga, Hermosa, Bataan, which were covered by Transfer Certificates of Title (TCT) No. 97975 and No. 97976, with respective land areas of 20.4840 hectares (204,840 square meters) and 21.3835 hectares (214,860 square meters). The two parcels of land were compulsorily acquired by the DAR pursuant to Republic Act No. 6657.

In its Notices of Valuation dated 30 July 1997 and 23 October 1997, and by using the formula under DAR Administrative Order (DAO) No. 17, Series of 1989, as amended by DAO No. 06, Series of 1992, and further amended by DAO No. 11, Series of 1994, the Land Bank of the Philippines (Landbank) pegged the value of the 20.4840-hectare land covered by TCT No. 97975 at P1,170,683.70 or P57,151.123 per hectare, while the second land with the area of 21.3835<sup>[3]</sup> hectares covered under TCT No. 97976 was valued at P1,427,030.73 or at P66,735.13 per hectare. On 30 October 1997, Landbank informed Allied that it had increased the valuation of the 20.4840<sup>[4]</sup> hectares under TCT No. 97975 to P1,171,714.29 or P57,201.44 per hectare.

After allegedly having conducted a survey on the prevailing market value of the lots within the vicinity, Allied rejected the valuation and insisted that the two parcels of land in question be valued at P180,000.00 per hectare, hence, the 20.4840 hectares should be valued at P3,687,120, and the 21.3835 hectares at P3,867,489.

Allied presented its arguments before the Provincial Agrarian Reform Adjudicator. The Provincial Agrarian Reform Adjudicator upheld the valuation of the Landbank.

On 19 January 1999, Allied filed a *Petition for Just Compensation* with the RTC of

Dinalupihan, Bataan, Branch 5. Later the case was re-raffled to the RTC of Balanga City, Bataan, Branch 1, acting as Special Agrarian Court (SAC) pursuant to Administrative Circular No. 80 dated 18 July 1989.

On 23 March 2000, upon the agreement of the parties, commissioners were appointed, namely: 1) Gilbert S. Argonza, the chairman and commissioner of the RTC; 2) Hilario M. Pariña, nominated by Allied; 3) Engr. Moises L. Petero, nominated by Landbank; and 4) Crispin O. Dominguez, nominated by the DAR.

On 2 March 2001, the commissioners were ordered by the RTC to submit their report on their respective recommendations as to the just compensation for the subject lands.

For unknown reasons, only Hilario M. Pariña, the commissioner nominated by Allied, submitted his report. The report, which adopted the findings of the Asian Appraisal Company that was earlier commissioned by Allied, made use of the *Market Data Approach*, which is explained and illustrated in the said report:

The value of the land was arrived at by the Market Data Approach. In this approach the value of the land is based on sales and listings of comparable property registered within the vicinity. The technique of this approach requires the establishing of comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The property used as basis of comparison was premised on the factors of location, size and shape of the lot, and time element.

In valuing the land, records of recent sales and offerings of similar land are analyzed and comparison made for such factors as size, characteristics of the lot, location, quality, and prospective use. Although no sales of truly comparable land have occurred, the following are believed to provide reasonable bases for comparison:

Listings:

1. Currently, an 18-hectare (180,000 sq. m.) property located along Barangay Road, within Barangay Mabiga, Hermosa, Bataan is being offered for sale thru a certain Mr. Paolo Hermoso, a local resident, at an asking price of P80 per sq.m.
2. Currently, a 4-hectare (40,000 sq. m.) property located along Barangay Road, beside Mabiga Elementary School, within Mabiga, Hermosa, Bataan is being offered for sale thru a certain Ms. Liway, Grumal, Barangay Chairman and resident of Mabiga, at an asking price of P40 per sq. m.

The abovementioned listings are located along Barangay Road and within a more desirable neighborhood, and are free of tenants/squatters. They are, therefore, considered superior to the subject property.

Due to the scarcity of market data that may be used for direct comparison purposes, we have sought the opinion of some local residents, the municipal assessor, bank appraisers and other knowledgeable individuals who, in our opinion, may be considered as generally conversant with land values in the area and gathered that fairly large tracts of land along Barangay Road command a selling price of P30 to as much as P80 per sq. m., while interior parcels of agricultural land in the vicinity of the subject property are ranging from P10 to P20 per sq. m., depending on size, shape, terrain, proximity to roadways and other physical attributes of the land.<sup>[5]</sup>

Based on the *Market Data Approach*, the report valued the subject properties at P15.00 per square meter (P150,000.00 per hectare), thus:

After an analysis of the market data, considering such factors as location, desirability, neighborhood, utility, size and time element, the market value of the land, x x x is estimated as at P15 per sq.m. or a total value of P6,296,000 for a total land area of 419,700 sq.m.<sup>[6]</sup>

In a Decision dated 14 January 2002, the RTC adopted the valuation submitted by Commissioner Hilario M. Pariña, who fixed the value of the lands in question at P15.00 per square meter or at P150,000.00 per hectare. The decretal portion reads:

WHEREFORE, in view of the foregoing, the two (2) lots belonging to the petitioner located at Mabiga, Hermosa, Bataan, containing a total area of 419,700 square meters be valued at Six Million Two Hundred Ninety Six Thousand Pesos (P6,296,000.00), Philippine Currency.<sup>[7]</sup>

Landbank and DAR appealed the RTC decision.

In a Decision dated 29 June 2006, the Court of Appeals nullified the RTC Decision and remanded the case to the RTC for determination of just compensation. In setting aside the RTC Decision, the Court of Appeals stated that the RTC failed to observe the basic rules of procedure and the fundamental requirements in determining just compensation, namely: (1) that the RTC relied solely upon the report of Allied's nominated commissioner when there were four commissioners; (2) that there was no showing that Landbank and DAR were notified of the filing of the report of Allied's commissioner, thereby depriving the other parties of the opportunity to object to the said report; (3) that the report of Allied's commissioner was not substantiated by competent evidence; and (4) that the RTC erred in adopting the Market Data Approach, which method was not sanctioned by the pertinent administrative orders of DAR in relation to the determination of just compensation. The dispositive portion of the Court of Appeals' Decision provides:

WHEREFORE, in view of the foregoing, the Decision dated January 14, 2002 of the RTC of Balanga City, Branch 1, is hereby ANNULLED and SET ASIDE. Civil Case No. 6885 is REMANDED to the RTC for determination of just compensation for the subject parcels of land in strict compliance with the provisions of R.A. 6657, as amended, the DAR Administrative Orders, and the Rules of Court.<sup>[8]</sup>

Allied filed a motion for reconsideration, which was denied by the Court of Appeals in its Order dated 7 November 2006.

Hence, the instant case.

Allied maintains that Landbank and DAR are barred from questioning the determination made by its commissioner since they agreed to such appointment and conceded to be bound by the findings of such commissioners. Although only the findings of Allied's commissioner was considered, owing to the fact that the other commissioners failed to submit their reports, said findings are binding on the parties.

Allied likewise insists that Landbank and DAR need not be separately notified of the submission of the report of the former's commissioner as the latter are given ample opportunity to meet with said commissioner during the several hearings set by the RTC and to question his report. According to Allied, this opportunity to meet and to question its commissioner, which Landbank and DAR squandered, is considered sufficient notice.

Allied takes exception to the Court of Appeals' statement that the RTC findings were uncorroborated by evidence. Allied argues that the RTC's decision is supported by evidence through the report of Allied's commissioner.<sup>[9]</sup>

Allied also contends that the Court of Appeals erred in ruling that the basic formula in DAO No. 6, Series of 1992, as amended by DAO No. 11, Series of 1994, should have been invoked instead of the Market Data Approach. It stresses that when an agrarian case for the determination of just compensation is elevated to the RTC, the court, acting as a special agrarian court, is not bound by Sections 17<sup>[10]</sup> of the Comprehensive Agrarian Law and its implementing rules, DAO No. 6, Series of 1992. As the RTC made its own evaluation in arriving at the just compensation of the subject lands, said evaluation should be followed, even if it disregarded Section 17 of the Comprehensive Agrarian Law and the pertinent rules and regulations of DAR.

Allied's arguments fail to persuade.

The procedure for the determination of compensation cases under Republic Act No. 6657, as synthesized by this Court,<sup>[11]</sup> commences with the Landbank determining the value of the lands under the land reform program. Making use of the Landbank valuation, the DAR makes an offer to the landowner by way of a notice sent to the latter, pursuant to Section 16(a) of Republic Act No. 6657. In case the landowner rejects the offer, a summary administrative proceeding is held and afterward the Provincial Agrarian Reform Adjudicator (PARAD), the Regional Agrarian Reform Adjudicator (RARAD) or the Department of Agrarian Reform Adjudication Board (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.

In the process of determining the just compensation due to landowners, it is a necessity that the RTC must take into account several factors enumerated in Section 17 of Republic Act No. 6657, as amended, thus:

Sec. 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.

Being the government agency primarily charged with the implementation of the agrarian reform program, DAR issued DAO No. 6 to fill out the details necessary for the implementation of Section 17 of Republic Act No. 6657. DAR converted these factors specified in Section 17 into a basic formula in DAO No. 6, as amended, in this wise:

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

LV = Land Value

CNI = Capitalized Net Income

CS = Comparable Sales

MV = Market Value per Tax Declaration

The above formula shall be used if all the three factors are present, relevant and applicable.

A.1 When the CS factor is not present and CNI and MV are applicable, the formula shall be:

$$LV = (CNI \times 0.9) + (MV \times 0.1)$$

A.2 When the CNI factor is not present, and CS and MV are applicable, the formula shall be:

$$LV = (CS \times 0.9) + (MV \times 0.1)$$

A.3 When both the CS and CNI are not present and only MV is applicable, the formula shall be:

$$LV = MV \times 2$$

The pivotal issue at hand is whether the RTC, acting as a special agrarian court, can disregard the factors mentioned under Section 17 of the agrarian law, detailed by DAO No. 6, and adopt the market data approach submitted by a court-appointed commissioner.

While the determination of just compensation is essentially a judicial function which is vested in the RTC acting as Special Agrarian Court,<sup>[12]</sup> nevertheless, this Court disregarded the determination of just compensation made by the RTC in *Land Bank of the Philippines v. Spouses Banal*,<sup>[13]</sup> *Land Bank of the Philippines v. Celada*,<sup>[14]</sup> and in *Land Bank of the Philippines v. Lim*,<sup>[15]</sup> when, as in this case, the judge