

THIRD DIVISION

[G.R. No. 179862, September 03, 2009]

LAND BANK OF THE PHILIPPINES, PETITIONER, VS. HEIRS OF ASUNCION AÑONUEVO VDA. DE SANTOS, HEIRS OF LOURDES SANTOS, RAMON A. SANTOS, JOSE ANTONIO SANTOS, TERESITA SANTOS-FLORENTINO, BRENDA SANTOS-REYES AND CLARISSA SANTOS-REYES, REPRESENTED BY THEIR ATTORNEY-IN-FACT, TERESITA SANTOS-FLORENTINO, RESPONDENTS.

DECISION

CHICO-NAZARIO, J.:

Before Us is a Petition for Review on *Certiorari* under Rule 45 of the Rules of Court^[1] seeking to reverse the Decision^[2] dated 17 April 2007 and Resolution^[3] dated 25 September 2007 of the Court of Appeals in CA-G.R. SP No. 90976, which affirmed *in toto* the Decision^[4] dated 28 June 2005 and Order^[5] dated 28 July 2005 of the Regional Trial Court, acting as a Special Agrarian Court (SAC), of Lucena City, in Case No. 98-68.

The facts gathered from the records are as follows:

Respondents are the registered owners of 122.3408 hectares of agricultural land located in Casay, Mulanay, Quezon, and covered by Transfer Certificate of Title (TCT) No. T-209393. In 1972, a portion of the said land, measuring 117.3854 hectares, planted with corn (subject property), was placed by the Department of Agrarian Reform (DAR) under its Operation Land Transfer Program, pursuant to Presidential Decree No. 27.^[6]

On 15 June 1988, Republic Act No. 6657, otherwise known as the Comprehensive Agrarian Reform Law of 1988 (CARL), took effect.

Thereafter, from the years 1988 to 1990, DAR subdivided and distributed the subject property to farmer-beneficiaries.^[7]

Based on the formula for computation of just compensation embodied in Executive Order No. 228,^[8] petitioner Land Bank of the Philippines valued the subject property at P241,070.45. On 17 August 1992, DAR offered the said amount as compensation for the subject property, but respondents rejected the same for being "cheap, unjust and atrociously low." Petitioner, then, upon the instruction of DAR, deposited the P241,070.45 in the name and for the account of respondents on 16 October 1992.^[9]

On 17 March 1998, respondents filed with the SAC a Complaint against petitioner and DAR for the fixing of just compensation for the subject property, docketed as

Case No. 98-68. Respondents beseeched the SAC to render judgment fixing the just compensation for the subject property at P19,717.50 per hectare,^[10] or a total of P2,314,546.62 for the entire 117.3854 hectares.

Subsequently, petitioner filed with the SAC its Answer contending that since the subject property was acquired under Presidential Decree No. 27, its valuation of the subject property was correct as it was based on the formula prescribed by Executive Order No. 228. Thus, petitioner sought the dismissal of respondents' Complaint.^[11]

After trial, the SAC rendered a Decision in Case No. 98-68 on 28 June 2005, fixing the just compensation for the subject property at P1,730,211.21. In arriving at said valuation, the SAC considered the pertinent provisions of the CARL, as well as the testimonial and documentary evidence presented by respondents regarding the market value of the subject property, and the price of corn in the year 1990. Petitioner was ordered to pay the respondents the just compensation of P1,730,211.21 in cash and bonds.^[12]

The SAC denied the Motion for Reconsideration of petitioner in an Order dated 28 July 2005.^[13] Aggrieved, petitioner filed an appeal with the Court of Appeals, docketed as CA-G.R. SP No. 90976.

In a Decision dated 17 April 2007, the Court of Appeals dismissed the appeal of petitioner and affirmed *in toto* the SAC Decision dated 28 June 2005 and Order dated 28 July 2005 in Case No. 98-68. In a Resolution dated 25 September 2007, the Court of Appeals denied the Motion for Reconsideration of petitioner.

Hence, petitioner lodged the instant Petition before us raising the following issues:

I.

WHETHER OR NOT THE COURT OF APPEALS ERRED IN APPLYING [the CARL] IN THE DETERMINATION OF JUST COMPENSATION OF RESPONDENTS' CORNLAND COVERED AND ACQUIRED UNDER THE OPERATION LAND TRANSFER PURSUANT TO PD [No.] 27 AND EO [No.] 228;

II.

WHETHER OR NOT [the CARL] CAN BE GIVEN RETROACTIVE APPLICATION TO COVER PD [No.] 27 ACQUIRED RICE/CORN LAND TAKEN AS OF 21 OCTOBER 1972; AND

III.

WHETHER OR NOT THE COURT OF APPEALS ERRED IN SUSTAINING THE SAC THAT THE GSP FOR CORN SHALL BE P225.00/CAVAN FOR THE YEAR 1990 IN LIEU OF THE LEGISLATED GSP OF P31.00/CAVAN UNDER PD [No.] 27/EO [No.] 228 ON THE DATE OF TAKING IN 1972.^[14]

Petitioner claims that the subject property was acquired pursuant to Presidential Decree No. 27 and Executive Order No. 228. Hence, the just compensation for said property should be computed in accordance with the formula prescribed in the same laws. Petitioner argues that the CARL is not applicable in the present case because it operates distinctly from Presidential Decree No. 27 and Executive Order No. 228. The CARL covers all public and private agricultural lands suitable for agriculture, while Presidential Decree No. 27 and Executive Order No. 228 cover rice and corn lands tenanted as of 21 October 1972. Further, the CARL applies prospectively and not retroactively, and cannot be applied to lands acquired on 21 October 1972, prior to its effectivity.^[15]

The instant Petition is bereft of merit.

Presidential Decree No. 27 proclaimed the "emancipation of all tenant-farmers from the bondage of the soil and transferring to them the land they were tilling effective 21 October 1972." Presidential Decree No. 27 covers private agricultural lands primarily devoted to rice and corn under a system of share-crop or lease tenancy. Executive Order No. 228 provides the following formula for the valuation of rice and corn lands covered by Presidential Decree No. 27:

$$LV = AGP \times 2.5 \times P31.00$$

Where:

LV = Land Value,

AGP = Average Gross Production in cavan of 50 kilos in accordance with DAR Memorandum Circular No. 26, Series of 1973,

P31.00 = Government Support Price for corn on October 21, 1972 pursuant to EO 228.^[16]

On the other hand, the CARL was enacted to promote social justice to the landless farmers and provide "a more equitable distribution and ownership of land with due regard to the rights of the landowners to just compensation and to the ecological needs of the nation."^[17] The CARL shall cover public and private agricultural lands including other lands of the public domain suitable for agriculture,^[18] which, as we have explained in *Land Bank of the Philippines v. Court of Appeals*,^[19] embrace even rice and corn lands under Presidential Decree No. 27:

We cannot see why Sec. 18 of RA 6657 should not apply to rice and corn lands under PD 27. Section 75 of RA 6657 clearly states that the provisions of PD 27 and EO 228 shall only have a suppletory effect. Section 7 of the Act also provides -

Sec. 7. Priorities. - The DAR, in coordination with the PARC shall plan and program the acquisition and distribution of all agricultural lands through a period of (10) years from the effectivity of this Act. Lands shall be acquired and distributed as follows:

Phase One: *Rice and Corn lands under P.D. 27*; all idle or abandoned lands; all private lands voluntarily offered by the owners for agrarian reform; x x x and all other lands owned by the government devoted to or suitable for agriculture, which shall be acquired and distributed immediately upon the effectivity of this Act, with the implementation to be completed within a period of not more than four (4) years.

This eloquently demonstrates that RA 6657 includes PD 27 lands among the properties which the DAR shall acquire and distribute to the landless. And to facilitate the acquisition and distribution thereof, Secs. 16, 17 and 18 of the Act should be adhered to. In *Association of Small Landowners of the Philippines v. Secretary of Agrarian Reform* this Court applied the provisions of RA 6657 to rice and corn lands when it upheld the constitutionality of the payment of just compensation for PD 27 lands through the different modes stated in Sec. 18.

In several cases, we have, for reason of equity, applied the CARL in determining just compensation for lands acquired under Presidential Decree No. 27 and before the effectivity of CARL on 15 June 1988.

In *Land Bank of the Philippines v. Natividad*,^[20] the parcels of agricultural land were acquired from their owners for purposes of agrarian reform on 21 October 1972, the very day Presidential Decree No. 27 took effect. As late as 1993, however, the landowners were not yet paid the value of their lands. Hence, the landowners filed a petition with the trial court for the determination of just compensation. When the case was appealed before us, we ruled that CARL should be applied in determining the just compensation of landowners, to wit:

Land Bank's contention that the property was acquired for purposes of agrarian reform on October 21, 1972, the time of the effectivity of PD 27, *ergo* just compensation should be based on the value of the property as of that time and not at the time of possession in 1993, is likewise erroneous. In *Office of the President, Malacañang, Manila v. Court of Appeals*, we ruled that the seizure of the landholding did not take place on the date of effectivity of PD 27 but would take effect on the payment of just compensation.

Under the factual circumstances of this case, the agrarian reform process is still incomplete as the just compensation to be paid private respondents has yet to be settled. Considering the passage of Republic Act No. 6657 (RA 6657) before the completion of this process, the just compensation should be determined and the process concluded under the said law. Indeed, RA 6657 is the applicable law, with PD 27 and EO 228 having only suppletory effect, conformably with our ruling in *Paris v. Alfeche*.

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It would certainly be inequitable to determine just compensation based