

## THIRD DIVISION

[ G.R. No. 174971, October 15, 2008 ]

**LAND BANK OF THE PHILIPPINES, PETITIONER, VS. AMS  
FARMING CORPORATION, RESPONDENT.**

### DECISION

**CHICO-NAZARIO, J.:**

Before this Court is a Petition for Review on *Certiorari*<sup>[1]</sup> under Rule 45 of the Rules of Court filed by petitioner Land Bank of the Philippines (LBP) seeking the reversal and setting aside of (1) the Decision<sup>[2]</sup> dated 28 March 2006 of the Court of Appeals which dismissed the Petition for Review of LBP in CA-G.R. SP No. 77520; and (2) the Resolution<sup>[3]</sup> dated 26 September 2006 of the appellate court which denied the Motion for Reconsideration of LBP. In its assailed Decision, the Court of Appeals effectively affirmed the Decision<sup>[4]</sup> dated 11 March 2003 of the Regional Trial Court (RTC), Tagum City, Davao del Norte, Branch 2, acting as a Special Agrarian Court in Special Agrarian Case No. 61-2000, ordering the Department of Agrarian Reform (DAR), through the LBP, to pay respondent AMS Farming Corporation (AMS) just compensation for the standing crops and various improvements it introduced on the land owned by Totco Credit Corporation (TOTCO), all fees and expenses of the Court-appointed Commissioners, and attorney's fees.

#### I

#### ***The Antecedent Facts***

There is no controversy as to the antecedent facts that gave rise to the Petition at bar.

#### ***The Lease Agreements***

The National Abaca and Other Fibers Corporation (NAFCO) was the owner of a piece of agricultural land with an area of 73.7 hectares, more or less, located in Barrio Sampao, Municipality of Kapalong, Province of Davao. On 21 September 1970, NAFCO leased a 51-hectare portion of said land to AMS for a period of 15 years.<sup>[5]</sup> When Apeco Motors Corporation (APECO) acquired ownership of the land, the said lease agreement was registered and annotated on its certificate of title.

Upon the expiration of the first lease agreement, APECO and AMS executed on 21 February 1986 a new Lease Agreement<sup>[6]</sup> over 51.15 hectares of the same agricultural land, for a period of 10 years, beginning on 1 November 1985 and ending on 31 October 1995. Again, the Lease Agreement was registered and annotated on the certificate of title of APECO.

Sometime during the effectivity of the lease, ownership of the afore-mentioned agricultural land was transferred to TOTCO.

Also, on 15 June 1988, just a little over two years from the execution of the Lease Agreement between APECO and AMS, Republic Act No. 6657, otherwise known as the Comprehensive Agrarian Reform Law (CARL), took effect. The CARL espoused the policy of the State to pursue a Comprehensive Agrarian Reform Program (CARP), whereby the State undertook the just distribution of all agricultural lands, subject to the priorities and retention limits set forth in the CARL and to the payment of just compensation.<sup>[7]</sup>

On 8 August 1991, four years before the expiration of the existing Lease Agreement, TOTCO and AMS executed a Memorandum of Agreement (MOA) wherein they agreed to increase the area leased to 61.65 hectares, and renew the lease for another 25 years, commencing on 1 November 1991 and expiring on 31 October 2016. Unlike the previous lease agreements, however, the MOA was never registered.

As the lessee of a significant portion of the agricultural land, AMS developed a banana plantation thereon, cultivating and planting on the leased property Cavendish banana for export, and introducing the necessary improvements and infrastructures.

#### ***DAR Case No. 52-99***

On 9 September 1996, TOTCO submitted to the DAR a voluntary offer to sell (VOS) of its agricultural land, including the area leased to AMS. Adopting the valuation made by the LBP, the DAR issued a notice of valuation and acquisition offering the amount of P1,806,754.83 as just compensation for the property. When TOTCO rejected the proffered amount, the matter was endorsed to the DAR Adjudication Board (DARAB), where it was docketed as DARAB Case No. LV-XI-1713-DN-97. The DARAB, in a Decision dated 3 November 1998, upheld the valuation of just compensation made by the LBP.

Still unsatisfied with the amount of just compensation being offered for its agricultural land, TOTCO filed on 23 April 1999 with the RTC, acting as a Special Agrarian Court, a Complaint against the DAR and LBP for the determination of just compensation. The Complaint was docketed as DAR Case No. 52-99.

The DAR failed to file its Answer and upon motion of TOTCO, it was declared by the RTC to be in default on 20 July 1999.

The RTC appointed a panel of Commissioners to conduct a fair valuation of the property, and submit its findings and Report, including its Recommendation on the just compensation. The panel of Commissioners submitted its Appraisal Report for approval of the RTC on 21 January 2000. In its Report, the panel found acceptable the valuation presented by TOTCO of P328,026.85 per hectare of the agricultural land planted with Cavendish banana. Pertinent portions of the Report are reproduced below:

This Commission is aware of an existing Order promulgated by the Honorable Judge Bernardo V. Saldares of the Special Agrarian Court, Tagum City, in a certain DAR Case, a property engaged in banana

production for export also located in Kapalong wherein the Provincial Agrarian Reform Adjudicator appraised said land at P205,774.80 per hectare for the entire 20.1362 hectares as the new fair and just reasonable compensation for the subject landholdings or for a total valuation of P4,143,325 (Provincial Agrarian Reform Adjudicator Atty. Danica L. Aminin on March 12, 1998, in DARAB Case No. LV-XI-0690-96 regarding a 20.1362 hectare banana land of landowner, BALMAR FARMS, INC.) Exh. "E", page 27, par. 2 (marginally-lined of a decision of Hon. Bernardo V. Saludaes.)

In that same decision the same Honorable Judge allowed P140,000 per hectare as appraised value for developments/improvements that is, Road Networks, Bridges, Drainage Canals, Cableways and Aerial Proppings (Exh. "F", page 31, decision promulgated by Hon. Bernardo V. Saludaes.)

So we have the following as the total value per hectare for a land with the same industry and undertaking, within the same Municipality:

Land with standing banana plants -	P205,774.90
For developments and improvements -	140,000.00
	T O T A L P345,774.90
	-
	vvvvvvvvvvv

This can be favorably compared to the P328,026.85 claimed by [AMS].

The actual area acquired by the DAR and valued

LBP is.....	70.8118 has.
Area planted to native variety and others.....	8.0000 has.

Thus: 62.8118 has.	x	P328,026.85=	P20,603,903
8.0000 has.	x	100,000.00 =	800,000.00

70.8118 has. for a total of= P21,403,903<sup>[8]</sup>

On 8 March 2000, the RTC rendered its Decision<sup>[9]</sup> in DAR Case No. 52-99, adopting the amount of just compensation recommended by the panel of Commissioners. The dispositive portion of the said Decision reads:

WHEREFORE, consistent with all the foregoing premises, judgment is hereby rendered providing for the fair, just and reasonable compensation of plaintiff-[TOTCO's] titled **banana lands and improvements** as follows:

First: -- For defendants-DAR as Expropriator and Land Bank of the Philippines, jointly and severally, to pay the plaintiff-TOTCO CREDIT CORPORATION (FORMERLY APECO MOTORS CORP.) the determined, as herein the fixed valuation as the fair, just and reasonable compensation of its titled banana lands at Sampao, Kapalong, Davao del Norte, including its improvements thereon, the total amount of P21,403,903.00 or Twenty-one Million Four Hundred Three Thousand Nine Hundred Three Pesos, Philippine Currency, with interest which shall be based on the rate of interest of the 90-Day Treasury Bills as provided for under Sec. 18, par. 4(a) of RA 6657, and as expressly prayed for in [TOTCO's] complaint;

Second: -- For defendants-DAR as Expropriator and Land Bank of the Philippines, jointly and severally, to pay all fees due to the Commissioners to be taxed as part of the costs pursuant to Section 12, Rule 67, of the 1997 RCP, as amended, which shall be claimed in a Bill of Costs to be submitted to the Court for its evaluation and proper action thereto;

Third: -- For the defendants-DAR, as Expropriator, and Land Bank of the Philippines, jointly and severally, to pay plaintiff-[TOTCO] the reasonable attorney's fees, also to be taxed as part of the costs which should be claimed in a Bill of Costs to be submitted to the Court for its evaluation and proper action; and

Fourth: -- For the Defendant-DAR, as Expropriator, and Land Bank of the Philippines, jointly and severally, to pay the entire costs of the suit.<sup>[10]</sup> (Emphasis supplied.)

Since the valuation of the just compensation awarded by the RTC to TOTCO in its Decision dated 8 March 2000 included the standing crops and improvements introduced by AMS on the leased property, AMS President Alberto M. Soriano (Soriano) filed an Affidavit in (sic) Third Party Claim dated 19 May 2000 before the RTC in DAR Case No. 52-99. In his Affidavit, Soriano asserted that AMS was the owner of the standing crops and all the improvements inherent in the operation of a banana plantation on the land owned by TOTCO; that the RTC Decision of 8 March 2000 in DAR Case No. 52-99 was null and void in so far as the standing crops and improvements were concerned since these were owned by AMS, although the land was owned and titled in the name of TOTCO; that the said Decision did not bind AMS for it was never a party in the case; that AMS was denied due process; and that the total valuation of the standing crops and improvements amounted to P54,453,576.54. In the end, Soriano requested the Deputy Sheriff and LBP not to deposit or pay in the name of TOTCO the portion of the just compensation awarded in DAR Case No. 52-99 which corresponded to the value of the standing crops and improvements.

On 6 June 2000, the RTC issued in DAR Case No. 52-99 an Order<sup>[11]</sup> granting the Motion filed by TOTCO for the immediate execution of its judgment, even before the expiration of the period to appeal, considering that the property of TOTCO was already acquired, distributed, and awarded by the DAR; subject, however, to Soriano's Affidavit of Third Party Claim.

Since the period to appeal the 8 March 2000 Decision of the RTC in DAR Case No. 52-99 lapsed without any appeal being taken therefrom, the said Decision eventually became final.

On 4 September 2000, the counsel for AMS wrote LBP a letter<sup>[12]</sup> calling its attention to the Third Party Claim of AMS on the award of just compensation to TOTCO in DAR Case No. 52-99. AMS requested that TOTCO be paid just compensation for the land only, and that the balance of the award be remitted by check to AMS. LBP, however, did not act on the request of AMS.

TOTCO subsequently filed a Motion to expunge Soriano's Affidavit from the records of DAR Case No. 52-99, but the RTC, after hearing, denied the said Motion in an Order<sup>[13]</sup> dated 26 September 2000, ruling therein that:

This Court painstakingly considers the arguments adduced in the Motion to expunge the Third Party Claim and the opposition thereto. There is no cogent reason to deprive the Third Party Claimant of his right to file an Affidavit of Third Party Claim. The Third Party Claimant should be given an opportunity to prove his claim in a trial where all issues are properly ventilated.

**WHEREFORE**, in view thereof, the motion to expunge the Affidavit in (sic) Third Party Claim of Alberto M. Soriano is hereby denied.<sup>[14]</sup>

### ***Special Agrarian Case No. 61-2000***

On 23 April 1999, TOTCO filed with the RTC its Complaint for just compensation, docketed as DAR Case No. 52-99.

Learning that the agricultural land it was leasing was already the subject of a pending VOS made by TOTCO, but apparently still unaware of the pendency of DAR Case No. 52-99, AMS wrote LBP a letter dated 22 November 1999 submitting its own VOS of the banana crops planted on the 61.65 hectares of land owned by TOTCO.

On 8 March 2000, the RTC promulgated its Decision in DAR Case No. 52-99 awarding just compensation to TOTCO for its land, as well as the standing crops and improvements found thereon. AMS did not receive a copy of the said Decision since it was not a party in DAR Case No. 52-99. AMS was merely furnished a copy thereof by the LBP Land Valuation Office in Davao City, when one of its employees followed up on the status of its VOS on 3 May 2000.

This prompted AMS President Soriano to file with the RTC, in DAR Case No. 52-99, an Affidavit in (sic) Third Party Claim dated 19 May 2000.

With the issuance of a writ of execution in DAR Case No. 52-99, AMS filed with the RTC, acting as a Special Agrarian Court, its own Petition<sup>[15]</sup> for determination of just compensation with application for a writ of preliminary injunction and temporary restraining order, naming the DAR and/or LBP and TOTCO as respondents. The Petition was docketed as Special Agrarian Case No. 61-2000. In its Petition before the RTC, AMS essentially made the same allegations in Soriano's "Affidavit in (sic) Third Party Claim" filed in DAR Case No. 52-99; but added the contention that the