

EN BANC

[G.R. NO. 171941, August 02, 2007]

LAND BANK OF THE PHILIPPINES, PETITIONER, VS. LUZ LIM AND PURITA LIM CABOCHAN, RESPONDENTS.

D E C I S I O N

CARPIO MORALES, J.:

Assailed by petition for review on *certiorari* are the Court of Appeals Decision of November 11, 2005^[1] affirming the December 21, 2001 Order of the Regional Trial Court (RTC) of Sorsogon, Branch 52 fixing the valuation for purposes of just compensation of respondents' property, and Resolution of March 13, 2006^[2] denying petitioner's motion for reconsideration of said decision.

Pursuant to the Comprehensive Agrarian Reform Law of 1988 (RA 6657, as amended), the Department of Agrarian Reform (DAR) compulsorily acquired 32.8363 hectares of agricultural land situated in Patag, Irosin, Sorsogon (the property) owned by respondents Luz Lim and Purita Lim Cabochan.^[3] Petitioner Land Bank of the Philippines (LBP)^[4] computed the value of the property at P725,804.21.^[5]

Respondents rejected petitioner's valuation. Thus, pursuant to Section 16(d) of RA 6657, as amended, a summary administrative proceeding was conducted before the Provincial Agrarian Reform Adjudicator (PARAD) to determine the valuation of the property.^[6] The PARAD initially valued it at P1,174,659.60 but later reduced the amount to P725,804.21 upon motion of petitioner.^[7]

Dissatisfied with the PARAD's decision, respondents filed on January 26, 1998 a petition for determination of just compensation with the RTC of Sorsogon where they prayed for a compensation of at least P150,000 per hectare, or an aggregate amount of P4,925,445.^[8] The case proceeded to trial, with the RTC appointing each party's nominee as commissioner.^[9]

By Report submitted on December 9, 1998, Commissioner Florencio C. Dino II, respondents' nominee, valued the property at P1,548,000.^[10] Commissioner Jesus D. Empleo, petitioner's nominee, submitted his own report on February 8, 1999, valuing the property at P947,956.68.^[11]

By September 14, 2001 Decision,^[12] Branch 52 of the Sorsogon RTC adopted the valuation submitted by respondents' commissioner (P1,548,000). Both parties moved for reconsideration, and by December 21, 2001 Order,^[13] the RTC reconsidered its earlier decision and increased the valuation to P2,232,868.40, ratiocinating as follows:

The ground relied upon by the Plaintiff[s] is that the Award was based on the Report only of [Commissioner Dino] premised on taxation purposes and it did not consider the fact that in 1986 the same land or part of it was paid by the defendant Land Bank the amount of P68,549.00 per hectare when the rate of exchange between the peso and a dollar was only 22 pesos per dollar.

x x x x

x x x [T]his Court finds that indeed the decision x x x did not take into consideration the comparable selling price of the adjoining land, which according to the plaintiff during Pre-trial, it was admitted by the defendants Land Bank and the DAR and the same was already stated in the findings of fact of the Court in its decision x x x, that the property subject of the acquisition is situated at Patag, Irosin, Sorsogon like the property of Roger Lim, brother of the plaintiff and the same was acquired by the defendant Land Bank and paid as just compensation in the amount of P68,549.01 per hectare. These facts were admitted by the defendants Land Bank and DAR x x x.

x x x x

After due consideration of the Motion for Reconsideration, and taking into consideration the Plaintiff's [s/c] Commissioner's Report submitted to the Court as well as his testimony and the admission of the defendants x x x, and also other factors such as location, neighborhood, utility, size and the time element involved, the price paid by the defendant Land Bank of the property of Roger Lim, brother of the herein plaintiffs in the amount of P68,000.00 per hectare is adopted which should be the basis for the full and fair equivalent of the property taken from the owner, so that for the area of 32.8363 hectares subject of acquisition, the Court hereby fixes the total price in the amount of P2,232,868.40. (Underscoring supplied)

By Decision^[14] of November 11, 2005, the Court of Appeals denied petitioner's appeal and ruled that:

The decision of the trial court should be affirmed because the appeal of the defendant appellant Land Bank is frivolous. The compensation fixed at P68,000 per hectare or Php2,232,868.40 for the entire 32.8363 hectares is not reasonable nor just considering the evidence presented with respect to sales in the surrounding nearby areas and the trial court did not even consider other factors such as location, neighborhood, utility, size and time element. The compensation should have been higher but the plaintiffs- appellees chose no longer to appeal because they alleged that they were too old to further any appeals and they wanted the money as soon as possible and they wanted an end to the litigation as soon as possible - a wish thwarted by the appeal by the Land Bank.

x x x x

When the evidence pointed preponderantly to the fact that the trial court's computation of just compensation had already been regarded by

the parties as drastically low, any appeal by the Land Bank to such already drastically low figures would be suspect. (Underscoring supplied)

The appellate court in fact ordered petitioner to pay legal interest of 12% on the P2,232,868.40 from the time of the taking of the property until actual payment, and double costs.

Petitioner's Motion for Reconsideration was denied by Resolution of March 13, 2006, [15] hence, this petition, [16] petitioner contending that:

- A. The amount of P2,232,868.40 which the Court of Appeals fixed as the just compensation of the acquired property consisting of 32.8363 hectares, is in clear violation of Section 17 of RA 6657, DAR AO No. 11, series of 1994, and the Supreme Court ruling in Land Bank of the Philippines vs. Spouses Vicente Banal and Leonidas Arenas-Banal. [17]
- B. The Court of Appeals seriously erred in ordering the payment of interest on the compensation, at 12% per annum reckoned from the time of taking up to the time of actual payment. [18]
- C. The Court of Appeals likewise erred in ordering LBP to pay double costs. [19] (Underscoring supplied)

The threshold issue is whether the RTC erred in simply adopting the price previously paid by petitioner for the land of respondents' brother, and dispensing with the **formula prescribed by DAR Administrative Order No. 6, series of 1992** (DAR AO 6-92), **as amended by DAR Administrative Order No. 11, series of 1994** (DAR AO 11-94).

Petitioner answers the issue in the affirmative, contending that consideration of the valuation factors under Section 17 of RA 6657 and the formula under DAR AO 11-94 is mandatory insofar as lands acquired under RA 6657 are concerned. [20] On the other hand, respondents opine otherwise, contending that Section 17 is merely a guide, the courts having recourse to other means of determining just compensation, it being a judicial function. [21]

Petitioner's position impresses.

In *Land Bank of the Philippines v. Spouses Banal*, [22] this Court underscored the **mandatory nature of Section 17 of RA 6657 and DAR AO 6-92, as amended by DAR AO 11-94**, viz:

In determining just compensation, the RTC is required to consider several factors enumerated in Section 17 of R.A. 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."

These factors have been translated into a basic formula in [DAR AO 6-92], as amended by [DAR AO 11-94], issued pursuant to the DAR's rule-making power to carry out the object and purposes of R.A. 6657, as amended.

The formula stated in [DAR AO 6-92], as amended, is as follows:

$$\text{"LV} = (\text{CNI} \times 0.6) + (\text{CS} \times 0.3) + (\text{MV} \times 0.1)$$

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:

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

x x x x

While the determination of just compensation involves the exercise of judicial discretion, however, such discretion *must* be discharged within the bounds of the law. Here, the RTC wantonly disregarded R.A. 6657, as amended, and its implementing rules and regulations. ([DAR AO 6-92], as amended by [DAR AO 11-94]).

x x x x

WHEREFORE, x x x. Civil Case No. 6806 is REMANDED to the RTC x x x. **The trial judge is directed to observe strictly the procedures specified above in determining the proper valuation of the subject property.** (Emphasis and underscoring supplied; citations omitted)

And in *LBP v. Celada*,^[23] this Court set aside the valuation fixed by the RTC of Tagbilaran, which was based solely on the valuation of neighboring properties, because it did not apply the DAR valuation formula. The Court explained:

While [the RTC] is required to consider the acquisition cost of the land, the current value of like properties, its nature, actual use and income, the sworn valuation by the owner, the tax declaration and the assessments made by the government assessors to determine just compensation, it is equally true that these factors have been translated into a basic formula by the DAR pursuant to its rule-making power under

Section 49 of R.A. No. 6657. As the government agency principally tasked to implement the agrarian reform program, it is the DAR's duty to issue rules and regulations to carry out the object of the law. [The] DAR [Administrative Order] precisely "filled in the details" of Section 17, R.A. No. 6657 by providing a basic formula by which the factors mentioned therein may be taken into account. **The [RTC] was at no liberty to disregard the formula which was devised to implement the said provision.**

It is elementary that rules and regulations issued by administrative bodies to interpret the law which they are entrusted to enforce, have the force of law, and are entitled to great respect. **Administrative issuances partake of the nature of a statute and have in their favor a presumption of legality. As such, courts cannot ignore administrative issuances especially when, as in this case, its validity was not put in issue. Unless an administrative order is declared invalid, courts have no option but to apply the same.** (Emphasis and underscoring supplied; citations omitted)

Consequently, as the amount of P2,232,868 adopted by the RTC in its December 21, 2001 Order was **not** based on any of the mandatory formulas prescribed in DAR AO 6-92, as amended by DAR AO 11-94, the Court of Appeals erred when it affirmed the valuation adopted by the RTC.

The second and more important issue is the correct valuation of the property. Petitioner asserts that the valuation of P947,956.68 computed by Commissioner Empleo is based on DAR AO 6-92, as amended by DAR AO 11-94, and should, therefore, be upheld.^[24] On this score, the petition fails.

The pertinent portions of Item II of DAR AO 6-92, as amended by DAR AO 11-94, provide:

- A. There shall be one basic formula for the valuation of lands covered by [Voluntary Offer to Sell] or [Compulsory Acquisition] regardless of the date of offer or coverage of the claim:

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

Where: LV = Land Value

CNI = Capitalized Net Income

CS = Comparable Sales

MV = Market Value per Tax Declaration

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 ^[25] and CNI and MV are applicable, the formula shall be:

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

x x x x