

## FIRST DIVISION

[ G.R. NO. 147245, March 31, 2005 ]

**THE REPUBLIC OF THE PHILIPPINES REPRESENTED BY THE  
NATIONAL IRRIGATION ADMINISTRATION, PETITIONER, VS.  
THE HONORABLE COURT OF APPEALS AND FRANCISCO DIAZ, IN  
HIS CAPACITY AS ADMINISTRATOR OF THE INTESTATE ESTATE  
OF THE LATE MANUEL DIAZ, RESPONDENTS.**

### DECISION

**CARPIO, J.:**

#### The Case

Before the Court is a petition for review on certiorari<sup>[1]</sup> assailing the Decision<sup>[2]</sup> of 26 January 2001 of the Court of Appeals in CA-G.R. CV No. 57493. The Court of Appeals modified the Decision<sup>[3]</sup> of 28 November 1996 of the Regional Trial Court of Cabanatuan City, Branch 28 in Civil Case No. 1593-AF, but affirmed the trial court's award of P4 million to respondent.

#### Antecedent Facts

Manuel Diaz owned approximately 172 hectares of tenanted agricultural land ("Property") devoted to the planting of palay. The Property was located in La Fuente, Sta. Rosa, Nueva Ecija, and allegedly yielded between 132 to 200 cavans of palay per hectare every year. After Manuel Diaz's death, his son, Francisco Diaz ("respondent"), was appointed administrator of the Property.

In 1972, the National Irrigation Administration ("NIA") bulldozed about ten (10) hectares of the Property to build two irrigation canals ("canals"). Although the canals when finished occupied only a portion of the 10 hectares, the entire area became prone to flooding two months out of every year because of the side-burrow method NIA used in the construction of the canals.<sup>[4]</sup> NIA completed the canals without instituting expropriation proceedings or indemnifying the Property's owners.

Respondent sought compensation from NIA for the land affected by the canals, as well as for losses due to unrealized profits. He submitted various documents requested by NIA officials and even traveled to NIA's Manila office to present his claims.

In 1980, NIA belatedly offered to buy the portions of the Property occupied by the canals pursuant to NIA's expansion program. Respondent and then NIA Acting Administrator Pelagio Gamad, Jr. signed three deeds of sale<sup>[5]</sup> ("1980 deeds of sale") on 24 December 1980 to convey 15,677, 1,897 and 4,499 square meters, or a total of 22,073 square meters, of the Property to NIA. For reasons that neither party has adequately explained, NIA and respondent did not push through with the

sale. The 1980 deeds of sale were never implemented. Respondent did not receive any consideration pursuant to these deeds.

On 20 August 1993, respondent, as administrator of the Property, filed an action for damages and just compensation against NIA. Respondent sought P10 million from NIA as just compensation, P3 million as unrealized profits or lucro cessante, P1 million attorney's fees, and costs of suit. Respondent later filed an Amended Complaint,<sup>[6]</sup> in which respondent additionally prayed that, in the alternative, the court order NIA to vacate and surrender the Property to respondent, and to pay damages, interest, attorney's fees and costs of suit. The trial court accepted and gave due course to the Amended Complaint in its Order of 22 July 1994.

NIA countered that respondent's right to bring the action had prescribed in accordance with Republic Act No. 3601 ("RA 3601"), as amended by Presidential Decree No. 552<sup>[7]</sup> ("PD 552"). NIA also argued that respondent's failure to pursue the implementation of the 1980 deeds of sale amounted to laches.

### **The Ruling of the Trial Court**

The trial court found that NIA took between 9 to 11 hectares of the Property. NIA never paid respondent for the use of the land or for the subsequent loss of crops.

The trial court also ruled that respondent's right to seek damages had not lapsed. The trial court's Decision of 28 November 1996 ("trial court's decision") reads in part:

xxx Defendant should not waylay the plaintiff by prolonging the negotiation and then later on invoked (sic) prescription of action as a defense, this is a plain and simple way of defrauding others which Courts of Justice should not countenance. While it is true that R.A. No. 3601 is (sic) amended by PD 552 sets a limit on [or] capped the time within which to file the claims against acts and/or usurpation by the NIA, running of the prescriptive period should not be absolute but must be dependent on the circumstances attendant to each case, because of the confiscatory nature of the law.

IN VIEW OF THE ABOVE FINDINGS AND DISCUSSION of the matters relevant to the instant case, the Court finds for the plaintiff and judgment is hereby rendered directing the defendant to pay the plaintiff the following:

1. the sum of Four Million Pesos (P4,000,000.00) representing payment to the 11 hectares of riceland occupied by the irrigation canal that traversed on the property of the Diazes;
2. the sum of Six Million Six Hundred Seventy Nine Thousand Two Hundred Pesos (P6,679,200.00) representing the loss of 23,396 cavans of palay on account of the destruction made when the two irrigation canals were constructed on the property of the plaintiff through side-burrow instead of the earthfilling method, thus resulting further depression on the lots of the plaintiffs where during rainy season water stays for months and (sic) cannot be

planted with palay;

3. the sum of P500,000.00 by way of attorney's fees; and defendant is likewise directed to pay the costs of the suit.

SO ORDERED.<sup>[8]</sup>

NIA appealed the trial court's decision to the Court of Appeals.

### **The Ruling of the Court of Appeals**

The Court of Appeals found that NIA bulldozed approximately 10 hectares of the Property without paying compensation. Like the trial court, the appellate court rejected NIA's argument that respondent's claims had prescribed under PD 552. The Court of Appeals held that the 5-year prescriptive period mandated by PD 552 did not apply because respondent and NIA were in deep negotiations during that period, and because NIA itself had stalled respondent's attempts to present his claims.

The Court of Appeals upheld the trial court's award of P4 Million. Citing ***Garcia v. Court of Appeals***,<sup>[9]</sup> the appellate court held that the rule requiring just compensation to be fixed as of the time of the taking was inapplicable to the present case. However, the appellate court struck down the award of P6,679,200 on the ground that respondent failed to adequately prove lost earnings. The appellate court also set aside the award of attorney's fees for lack of sufficient basis.

The dispositive portion of the Court of Appeals' Decision of 26 January 2001 ("CA Decision") states:

WHEREFORE, premises considered, the assailed Decision of the Regional Trial Court of Cabanatuan City is hereby AFFIRMED, with the MODIFICATION that the lower court's award of P6,679,200.00 representing loss of earnings and attorney's fees of P500,000.00 is hereby DELETED.

SO ORDERED.<sup>[10]</sup>

Respondent did not appeal the CA Decision. NIA elevated the case to this Court.

### **The Issues**

NIA, through the Solicitor General, raises the following issues:

I. The Court of Appeals committed Grave Error in awarding P4,000,000.00 in just compensation without taking into consideration that just compensation must be ascertained at the time of taking in 1972 of the property, not at the time of the commencement of the filing of the complaint by respondent which, if not corrected, would result in a miscarriage of justice and grave and irreparable damage to petitioner/NIA.

II. The Court of Appeals gravely erred when it affirmed the trial court's decision awarding just compensation of P4,000,000.00 to respondent on the basis of respondent's Sinumpaang Salaysay dated September 20,

1995 and a letter of respondent, through counsel, dated February 8, 1994.

III. The Court of Appeals gravely erred in not remanding the case to the trial court and in not directing it to appoint at least three commissioners selected by the parties, to hear, review, view the property and thereafter to assess the amount for the just compensation.<sup>[11]</sup>

NIA no longer argues that respondent's claim has prescribed under PD 552, but maintains that respondent is guilty of laches. NIA also assails the lower courts' award of P4 million. NIA claims that the construction of the canals affected only 96,655 square meters of the Property. NIA computes the just compensation due to respondent at P1.39 per square meter, the price NIA and respondent agreed on in 1980. In sum, NIA contends that it should only pay respondent P134,350.45, and legal interest of 6% *per annum* from 1972 until the amount is fully paid, for 96,655 square meters of the Property.

The appellate court's denial of the awards for loss of earnings and attorney's fees are no longer in issue as respondent chose not to appeal the CA Decision. The remaining questions for resolution by this Court are: (1) whether laches bars respondent's claims; (2) whether this case should be remanded to the trial court for the appointment of commissioners; and (3) whether the Court of Appeals erred in affirming the award of P4 million to respondent.

### **The Ruling of the Court**

The petition is partly meritorious.

#### ***Respondent's Action Not Barred by Laches***

Having failed for three decades to pay respondent just compensation, NIA would now have respondent's complaint dismissed on the ground that too much time has passed for respondent to pursue his claim. NIA first argued before the trial and appellate courts that respondent's action had prescribed under PD 552. Although NIA has dropped its argument of prescription before this Court, NIA still contends that respondent slept on his rights and laches now bars his action.

Laches is principally a doctrine of equity. Courts apply laches to avoid recognizing a right when to do so would result in a clearly inequitable situation or in an injustice.

<sup>[12]</sup> The principle of laches finds no application in the present case. There is nothing inequitable in giving due course to respondent's claim for compensation. Both equity and the law direct that a property owner should be compensated if his property is taken for public use.

Eminent domain is the inherent power of a sovereign state to appropriate private property to particular uses to promote public welfare.<sup>[13]</sup> No one questions NIA's authority to exercise the delegated power of eminent domain. However, the power of eminent domain is not limitless. NIA cannot exercise the power with wanton disregard for property rights. One basic limitation on the State's power of eminent domain is the constitutional directive that, "[p]rivate property shall not be taken for public use without just compensation."<sup>[14]</sup>

The thirteen-year interval between the execution of the 1980 deeds of sale and the filing of the complaint in 1993 does not bar respondent's claim for compensation. In ***National Power Corporation v. Campos, Jr.***,<sup>[15]</sup> this Court reiterated the long-standing rule "that where private property is taken by the Government for public use without first acquiring title thereto either through expropriation or negotiated sale, the owner's action to recover the land or the value thereof **does not prescribe.**"<sup>[16]</sup>

Thus, in ***Ansaldo v. Tantuico, Jr.***<sup>[17]</sup> the Court allowed the landowners to seek compensation twenty-six years after the government took their land. In ***Amigable v. Cuenca, etc., et al.***,<sup>[18]</sup> Amigable filed an action to claim compensation more than thirty years after the government constructed the roads on her lot. In both cases, the property owners were silent for several years before finally bringing their claims to the attention of the authorities. In contrast, in the present case, respondent has steadfastly pursued his claim with NIA since 1972.

NIA faults respondent for "desisting from claiming just compensation from NIA in 1980,"<sup>[19]</sup> referring to the 1980 deeds of sale which were never implemented. NIA conveniently fails to mention that, as the other party to the 1980 deeds of sale, it was equally delinquent when it failed to perform its obligations under the deeds.

NIA is partly to blame for the delay in this case. The trial and appellate courts found that NIA stalled and prolonged negotiations with respondent. Eight years passed before NIA even offered to buy the area occupied by the canals. More than three decades later, respondent has yet to receive an iota of compensation from NIA. In the meantime, NIA has been charging respondent and the other farmers in the area irrigation fees for the beneficial use of these canals.<sup>[20]</sup>

NIA's conduct shows callous disregard for the rights of the Property's owners and for NIA's own duties under the law. As the expropriating agency in this case, NIA should have instituted the proceedings necessary to acquire the private property it took for public purpose and to compensate the Property's owners. Section 2(e) of RA 3601, as amended by PD 552, expressly states that the NIA should "exercise the right of eminent domain in the manner provided by law for the institution of expropriation proceedings."<sup>[21]</sup>

The exercise of eminent domain entails payment of just compensation. Otherwise, title over the expropriated property cannot pass to the government.<sup>[22]</sup> Following its own enabling law, NIA should have taken steps to acquire the affected portion of the Property either through "any mode of acquisition" or "the institution of expropriation proceedings."<sup>[23]</sup> RA 3601, as amended, does not authorize NIA to simply appropriate part of the Property without instituting legal proceedings or compensating respondent.

### ***Whether this Case Should be Remanded to the Trial Court for the Appointment of Commissioners***

NIA contends that it was deprived of due process when the trial court determined the compensation due to respondent without the assistance of commissioners. NIA