

SECOND DIVISION

[G.R. No. 126332, November 16, 1999]

LAND BANK OF THE PHILIPPINES, PETITIONER, VS. COURT OF APPEALS AND MARCIA E. RAMOS, RESPONDENTS.

DECISION

BELLOSILLO, J.:

This petition for review on certiorari under Rule 45 of the Revised Rules of Court seeks the reversal of the Decision^[1] of the Court of Appeals in CA-G.R. SP Nos. 38795 and 38885 dated 27 June 1996 which modified the decision^[2] of RTC-Br. 23 of Cabanatuan City acting as a Special Agrarian Court in Agrarian Case No. 90 (AF) dated 25 September 1995. The petition also prays for the reversal of the Resolution^[3] of the Court of Appeals dated 29 August 1996 denying petitioner's motion for reconsideration.

Private respondent Marcia E. Ramos inherited from her father two (2) parcels of land in Barangay Macatbong, Cabanatuan City, some twelve (12) kilometers away from the center of the city, covered by TCT Nos. T-8774 and T-36576 containing 36.6125 and 32.1675 hectares, respectively. Both were classified as ricelands in their tax declarations for 1985.

On 15 June 1988 RA 6657, otherwise known as the Comprehensive Agrarian Reform Law (CARL) of 1988,^[4] took effect. Section 19 thereof provides for an additional five percent (5%) cash payment for landowners who would voluntarily offer their lands for sale to the government for distribution to farmer-beneficiaries.^[5] On 3 April 1989, induced by the incentive, private respondent and her husband wrote then Department of Agrarian Reform (DAR) Secretary Philip Ella Juico offering for sale her lands covered by TCT Nos. T-8774 and T-36576, which were her own paraphernal property. Private respondent however manifested her intention to retain twenty-nine (29) hectares for herself, her husband and their eight (8) children. Photocopies of two (2) land titles, latest tax declarations, *Listasaka* and *voluntary offer to sell* forms and other documents accompanied the letter. The *Listasaka* form and *letter of intent* indicated a price of only P40,000.00 per hectare because private respondent was allegedly in a tight financial bind with six (6) of her eight (8) children taking long courses in college. She thought that a low valuation for the lands would facilitate payment of just compensation to her by the government.

On 24 July 1991, after a two (2)-year hiatus, DAR Regional Director Antonio M. Nuesa sent a notice of acquisition to private respondent informing her that the DAR had decided to acquire 21.1675 hectares of the 32.1675 hectares covered by TCT No. T-36576. The land, classified as idle and abandoned, was placed under the Voluntary Offer to Sell (VOS) program. On 28 August 1991 Nuesa sent private respondent another notice of acquisition where she was informed that the DAR had

decided to acquire under its Compulsory Acquisition (CA) scheme 18.6125 hectares of the 36.6125 hectares covered by TCT No. T-8774. The land was also classified as idle and abandoned.

Meanwhile, Lolita C. Cruz, Head of the Land Bank of the Philippines Land Valuation and Landowners Compensation Office, wrote private respondent on 24 July 1991 requiring her to submit a Sworn Statement of Average Production and Net Income. In compliance, Ramos sent an affidavit stating *inter alia* the lowest average yield of eighty (80) cavans per hectare.

On 18 November 1991 Nuesa notified private respondent of the DAR valuation of P395,591.44 or P9,944.48 per hectare covering 39.78 hectares, subject to price adjustments to conform with the actual area covered as determined by a final land survey. The valuation was based on the ocular inspection report dated 13 May 1991 of which private respondent denied having been notified.

On 23 December 1991 private respondent wrote Nuesa rejecting the P9,944.48 per hectare valuation offer of the DAR as it was not the just compensation she expected for her lands. Thus, the case was elevated to the Department of Agrarian Reform Adjudication Board (DARAB) which ordered two (2) ocular inspections of subject two (2) parcels of land.^[6]

On 2 January 1992 Nuesa sent a memorandum-letter to the Regional Agrarian Reform Adjudicator instructing the latter to conduct summary administrative proceedings for the final valuation of the lands of private respondent. LBP Valuation Manager Cruz was also requested to open a trust account in the name of private respondent for the cash portion of the value of the property as determined by the DAR.

Private respondent was then required by the DARAB to file her memorandum in order to counter the initial findings of the DAR. The LBP also submitted its memorandum. Another ocular inspection was thereafter ordered and finally conducted on 22 May 1992.

On 1 July 1992 the government through the Department of Environment and Natural Resources (DENR) - Bureau of Lands, together with private respondent and her husband, identified, surveyed and segregated subject lands. On 24 August 1992 the complete survey returns on the lands were submitted by the DENR through its Community Environment and Natural Resources officer of Cabanatuan City Romeo Buenaventura.

On 12 October 1992 Nuesa ordered the Register of Deeds of Cabanatuan City to transfer ownership of subject lands from private respondent to the Republic of the Philippines. However, before the transfer of ownership could be effected, the DARAB issued an order of revaluation dated 30 October 1992 based on its findings that five (5) to nine (9) hectares of subject lands were actually being cultivated on a rotation basis and not idle as earlier classified.

The foregoing, more particularly Nuesa's order to transfer ownership over subject lands without waiting for their revaluation, prompted Ramos to file a complaint for just compensation before the Regional Trial Court (RTC) of Cabanatuan City, acting as a Special Agrarian Court (SAC), on 23 November 1992. The complaint was filed

against Jesli Lapus, in his capacity as President of LBP, Ernesto D. Garilao, in his capacity as Acting Secretary of DAR, Lolita C. Cruz, in her capacity as Head of LBP Land Valuation and Landowners Compensation Office, and Antonio M. Nuesa, in his capacity as Regional Director of DAR.

LBP officials Lapus and Cruz filed a joint answer dated 8 February 1993 claiming that agrarian reform did not partake of an eminent domain proceeding so that the doctrine of just compensation would not apply. They prayed for the dismissal of the complaint because of private respondent's failure to exhaust all administrative remedies available to her before filing the case with the SAC.

DAR officials Garilao and Nuesa, for their part, filed a motion to dismiss the complaint contending that the SAC was not the proper forum to hear and decide the case because of private respondent's failure to exhaust administrative remedies. On 13 April 1993 the SAC denied the motion to dismiss.

At the pre-trial conference on 15 November 1993 the parties ruled out the possibility of amicably settling the case. They however agreed -

(a) That the land in question as per ocular inspection on October 1, 1993 is planted with rice and not idle which the defendant LBP admitted with the qualification that a portion is still idle;

(b) That the government from time to time changes the valuation formula for the purchase of privately-owned land subjected to CARP to the advantage of the government which was likewise admitted by the defendant LBP;

(c) That the formula for the correct valuation of the property is that provided for under Admin. Order No. 6, Series of 1992, of the DAR which was also admitted by the defendant LBP; and

(d) That the DARAB thru the Provincial Adjudicator Jose Reyes issued an Order dated October 30, 1992 which was admitted by both defendants.

On 29 November 1993 the case before the DARAB was dismissed "to pave way for the disposition of the case in the regular court."^[7]

In the meantime, DAR Secretary Garilao issued Admin. Order No. 11, Series of 1994, revising the rules and regulations covering the valuation of lands voluntarily offered or compulsorily acquired as embodied in Admin. Order No. 6, Series of 1992.

On 25 September 1995 the SAC rendered its decision ordering the LBP and the DAR to pay private respondent just compensation for her lands in the amount of P2,146,396.90 or P53,956.67 per hectare with legal interest from 3 April 1989 - when the offer was made - until fully paid. The SAC also declared private respondent entitled to the additional five percent (5%) cash payment under Sec. 19 of RA 6657^[8] by way of incentive for her voluntarily offering subject lands for sale.

^[9]

The SAC found the valuation of private respondent to be "cumbersomely high" for the government and the farmer-beneficiaries considering that the factors she

adopted in arriving at said valuation were "not adequately substantiated and therefore inconclusive." The valuation by the LBP and the DAR, on the other hand, appeared to be unrealistically low and its bases were "but assumptions of facts unsupported by credible evidence." Thus, the SAC was left with no other recourse but to take the middle ground wherein the needs of the parties would be reasonably accommodated, *i.e.*, the price set by private respondent when she first offered subject lands for voluntary acquisition and the inflation rate recognized and provided for by the LBP and the DAR.^[10]

Both parties, private respondent Marcia E. Ramos on one hand, and the DAR through Secretary Garilao and DAR Regional Director for Region III Nuesa on the other, filed their respective petitions for review with the Court of Appeals. The LBP did not appeal but filed its comment on the petitions.

The DAR questioned the jurisdiction of the SAC contending that the latter could not take cognizance of the case pending its resolution before the DARAB as the preliminary determination of just compensation by the DARAB was a condition *sine qua non* before the filing of the case of this nature with the SAC.^[11]

Private respondent, on her part, questioned the valuation given by the SAC for being contrary to the principle of just compensation provided by the law. She insisted that her property must be valued at P150,000.00 per hectare and that even assuming that her evidence could not substantiate it, the formula agreed upon by the parties during the pre-trial conference wherein they stipulated that $\text{LAND VALUE} = (\text{CAPITALIZED NET INCOME} \times .9) + (\text{MARKET VALUE} \times .1)$ ^[12] should have been used by the trial court. Private respondent further demanded that she be paid a total of P350,000.00 for the two (2) irrigation canals situated within the areas to be expropriated.

The LBP through Lapus and Cruz submitted its comment on the petitions. The LBP did not contradict the position of the DAR that private respondent should have waited for the termination of the land valuation case with the DARAB before seeking relief from the courts.^[13] The LBP, however, contended that the compensation as determined by the SAC must be upheld as it was not only in accordance with Sec. 17 of RA 6657^[14] and applicable DAR administrative orders on land valuation but it was likewise just and fair to private respondent, the government and the farmer-beneficiaries of the lands.

On 27 June 1996 the Court of Appeals granted the petition of private respondent but denied that of the DAR. The appellate court acknowledged the primary jurisdiction of the DARAB in the determination of just compensation but ruled that such jurisdiction was not exclusive as the courts of justice, particularly the RTCs acting as Special Agrarian Courts, could also acquire jurisdiction as provided under Sec. 57 of RA 6657.^[15] It further declared that noncompliance with the rule on exhaustion of administrative remedies did not affect the court's jurisdiction but only deprived private respondent of a cause of action. Nevertheless, it noted that the doctrine recognized certain exceptions which could be applied to the instant case, *i.e.*, that ownership over private respondent's property was already transferred in the name of the Republic of the Philippines prior to the final determination of just compensation by the DARAB.