

## FOURTEENTH DIVISION

[ CA-G.R. SP NO. 132380, March 26, 2015 ]

**LAND BANK OF THE PHILIPPINES, PETITIONER, VS. HEIRS OF  
LEONCIO BARRAMEDA, RESPONDENTS.**

### ***DECISION***

**BATO, JR., J.:**

This is a Petition for Review under Rule 42 of the 1997 Rules of Civil Procedure seeking the reversal of the Decision<sup>[1]</sup> dated August 15, 2013 of the Regional Trial Court [Branch 23, Naga City] in Civil Case No. 2000-0143, the dispositive portion of which reads:

“WHEREFORE, premises considered, judgment is hereby rendered fixing the just compensation of the subject property at P653,818.99 plus interest at the rate of 12% per annum counted from January 1998 up to the time the said amount shall have been fully paid.

SO ORDERED.”<sup>[2]</sup>

The factual antecedents:

Leoncio Barrameda was the registered owner of a parcel of agricultural land situated at San Jose, Camarines Sur under Transfer Certificate of Title No. RT-8786 (16246) with an area of 6.1415 hectares. Upon his death on April 25, 1995, the property was transferred to his heirs, namely: Emeterio, Benigna, Rosenda, Teresita, Carmelita, Milagros, Catalino, Bernardo, Nonito, Elvira, Concepcion and Zenaida, all surnamed Barrameda.<sup>[3]</sup> Out of the 6.1415-hectare property co-owned by the heirs, a 5.7602-hectare portion thereof [herein subject property] was placed under the coverage of Presidential Decree No. 27<sup>[4]</sup> and was distributed to the farmer-beneficiaries by the Department of Agrarian Reform [DAR].

On September 20, 2000, the Heirs of Leoncio Barrameda filed a Complaint for *Determination and Payment of Just Compensation* against the DAR Secretary and the Land Bank of the Philippines [LBP] before the Regional Trial Court [Branch 23, Naga City], sitting as a Special Agrarian Court (SAC), docketed as Civil Case No. 2000-0143. They alleged that they are the co-owners of the property and that emancipation patents and tax declarations were issued to the following farmer-beneficiaries, viz.: (1) Ester Pejo, EP No. A-118648, 1.69 ha.; (2) Damian Pilapil, EP No. A-118649, 1.4814 ha.; and (3) Juan Sarcilla, EP No. A-118657, 2.5888 ha. They alleged that these farmer-beneficiaries had been in possession of the property since 1972 and that the DAR and LBP refused and failed to pay just compensation despite repeated demands. Thus, the heirs prayed that the court *a quo* should fix the just compensation at P150,000.00 per hectare and order the DAR and LBP to pay no less than P864,030.00 as just compensation.

The DAR Secretary and the LBP filed their respective Answers. The LBP denied the allegations in the Complaint and claimed that it does not state a cause of action since the necessary documents of the subject property have not been forwarded to it. It averred that the heirs should be compensated on the basis of Executive Order No. 228 and that a six percent (6%) yearly interest, compounded annually, shall be imposed on the just compensation to be reckoned from the date of taking of the subject property for P.D. 27 coverage until the effectivity date of DAR Administrative Order No. 13. Meanwhile, the DAR admitted the heirs' allegation that emancipation patents and tax declarations were issued to the farmer-beneficiaries despite non-payment of the value thereof in full. However, it prayed for the denial of the amount prayed for by the heirs and for the determination of just compensation in accordance with Executive Order No. 228.

On August 15, 2013, the court *a quo* rendered the assailed Decision. The court *a quo* ruled that the valuation of the property by the LBP, as prescribed by DAR Administrative Order No. 001-10,<sup>[5]</sup> was just and reasonable. It ordered the LBP to pay the amount of P653,818.99 to the heirs as just compensation for the 5.7602 hectares acquired by the government and distributed to the farmer-beneficiaries. The court *a quo* imposed a 12% interest thereon to be reckoned from January 1998, the time when the properties were officially declared for taxation purposes in the names of the farmer-beneficiaries.

The heirs filed a Motion for Reconsideration seeking the amendment of the Decision and praying that the valuation be made by using the land classification "first class irrigated riceland". The LBP also filed its Motion for Reconsideration and claimed that the court *a quo* erred in imposing the 12% interest since the interest must have already been included in the value of P653,818.99. It insisted that it is not liable for the payment of interest since it has not incurred any delay in the processing and payment of the value of the property and that in the event that interest was imposable, it should be reckoned from the finality of the assailed Decision. The motions were denied in the Order<sup>[6]</sup> dated October 7, 2013. Hence, this petition filed by the LBP raising the following assignment of errors:

“WHETHER THE SAC ERRED IN IMPOSING INTEREST ON THE AMOUNT OF JUST COMPENSATION FROM JANUARY 1998 UNTIL FULL SATISFACTION OF ITS DECISION.

WHETHER THE SAC ERRED IN IMPOSING INTEREST OVER THE ENTIRE AMOUNT OF JUST COMPENSATION.

WHETHER THE SAC ERRED IN IMPOSING THE INTEREST RATE OF TWELVE (12%) PERCENT PER ANNUM AND NOT SIX (6%) PERCENT PER ANNUM.”<sup>[7]</sup>

The LBP argues in its brief that for purposes of valuation of properties placed under the operation of P.D. No. 27, the statutory date of "taking" is June 30, 2009 in accordance with the provisions of Republic Act No. 9700<sup>[8]</sup> and DAR Administrative Order No. 001-10. Accordingly, the imposition of interest is erroneous as there is no delay to speak of. In the event that interest may be properly imposed under the circumstances, the LBP argues that it should be reckoned from June 30, 2009 and that the same should only be applied on the cash component of the just

compensation. Further, it argues that the applicable rate of interest under the Monetary Board Circular No. 799, Series of 2013 is 6% per annum. Capsulized, LBP's arguments boil down to and center on the propriety of the imposition of interest by the court *a quo*.

The petition is devoid of merit.

Just compensation is defined as the full and fair equivalent of the property taken from its owner by the expropriator. The true measure for computing just compensation is not the taker's gain but the owner's loss.<sup>[9]</sup> The word "just" is used to intensify the meaning of the word "compensation" and to convey thereby the idea that the equivalent to be rendered for the property to be taken shall be real, substantial, full, and ample.<sup>[10]</sup> Thus, it is necessary to determine the actual time of taking, as it is the value of the properties at that time that should be used to compute the just compensation.<sup>[11]</sup>

In the case at bar, the parties are in agreement that pursuant to P.D. 27, the subject property was distributed by the DAR to the following farmer-beneficiaries – Ester Pejo, Damian Pilapil, and Juan Sarcilla. In determining the amount of the just compensation due to the heirs, the LBP and the court *a quo* followed the formula under DAR AO No. 001-10 wherein the Market Value (MV) was grossed-up and the values for Annual Gross Production (AGP) and average selling prices (SP) were reckoned from June 30, 2009 instead of the actual time of taking. Thus, the parties did not assail the just compensation fixed by the court *a quo* pursuant to DAR AO No. 001-10 in the amount of P653,818.99. Nonetheless, the LBP took exception to the imposition of interest and insisted that the statutory date of "taking" of the subject property is June 30, 2009 in accordance with the provisions of R.A. No. 9700 and DAR AO No. 001-10. For this reason, it posited that the imposition of interest is erroneous as there is no delay to speak of.

We are not persuaded.

It is well to note that apart from the requirement that compensation for expropriated land must be fair and reasonable, compensation must also be made without delay. Without prompt payment, compensation cannot be considered "just" if the property is immediately taken as the property owner suffers the immediate deprivation of both his land and its fruits or income. If there was a delay in the payment of just compensation, interest on the unpaid compensation becomes due as compliance with the constitutional mandate on eminent domain and as a basic measure of fairness.<sup>[12]</sup> The rationale for this rule was explained in the case of *Apo Fruits Corporation vs. Land Bank of the Philippines*,<sup>[13]</sup> thus:

"x x x if property is taken for public use before compensation is deposited with the court having jurisdiction over the case, the final compensation must include interest[s] on its just value to be computed from the time the property is taken to the time when compensation is actually paid or deposited with the court. x x x.'

x x x

x x x

x x x

In determining the just compensation for this exchange, however, the measure to be borne in mind is not the taker's gain but the owner's loss since what is involved is the takeover of private property under the State's coercive power. x x x.

The owner's loss, of course, is not only his property but also its income-generating potential. Thus, when property is taken, full compensation of its value must immediately be paid to achieve a fair exchange for the property and the potential income lost. The just compensation is made available to the property owner so that he may derive income from this compensation, in the same manner that he would have derived income from his expropriated property." [Citations omitted]

Accordingly, interest may be appropriately imposed if the existence of delay in the payment of just compensation was adequately proved<sup>[14]</sup> and it may only begin to accrue from the actual time of taking of the property.<sup>[15]</sup>

In the present case, it can readily be seen from the records that there was a delay in the payment of just compensation. We cannot sustain LBP's contention that there was no delay to speak of considering that under the DAR AO No. 001-10, the statutory date of "taking" is June 30, 2009. *Firstly*, this matter was only raised for the first time on appeal. *Secondly*, DAR AO No. 001-10 clearly states that for purposes of valuation of lands which have been distributed by the DAR to the farmer-beneficiaries where documentation and/or valuation are/is not yet complete and for claims with the LBP, "MV shall be grossed-up up to 30 June 2009" and that "[t]he reckoning date of the AGP and SP shall be June 30, 2009." However, these provisions in DAR AO No. 001-10 should not be taken to mean that the "actual time of taking" of the subject property is June 30, 2009. These statements are merely provided by the DAR as part of the formula in determining just compensation. It is worth noting that the rules and regulations issued by administrative bodies to interpret the law which they are entrusted to enforce have the force of law<sup>[16]</sup> and the cardinal rule in statutory construction is that when the law is clear and free from any doubt or ambiguity, there is no room for construction or interpretation. There is only room for application.<sup>[17]</sup>

Moreover, it should be noted that there is no such thing as "statutory date of taking" in agrarian reform cases. In the case of *Land Bank of the Philippines vs. Dumlao*<sup>[18]</sup> and *Land Bank of the Philippines vs. Heirs of Angel T. Domingo*,<sup>[19]</sup> when the LBP argued that properties placed under the coverage of P.D. No. 27 were statutorily taken upon its effectivity on October 21, 1972, the Supreme Court denied the same and ruled that the date of taking of landholdings or properties covered by P.D. No. 27 should be reckoned from the issuance of emancipation patents.

In the same manner, We do not subscribe to LBP's stance that the interest must have already been included in the value of P653,818.99. It may be true that in some cases, double imposition of interest is proscribed since the legal interest is deemed included in the valuation. However, these cases involved valuations of just compensation computed in accordance with the prescribed formula in DAR AO No. 13, series of 1994, which provides for a six percent (6%) annual interest, compounded annually.<sup>[20]</sup> However, the valuation of the subject property was computed in accordance with the prescribed formula in DAR AO No. 001-10 which

did not contain a similar provision regarding the imposition of interest.

Undeniably, just compensation was not promptly made by the LBP to the heirs. It bears emphasis that even prior to the filing of the Complaint on September 20, 2000, the subject property was already distributed by the DAR to the farmer-beneficiaries but no payment has been made by the LBP to the heirs. In fact, the DAR admitted the heirs' allegation that emancipation patents and tax declarations were issued to the farmer-beneficiaries despite the failure of the LBP to pay the value of the subject property in full.<sup>[21]</sup> The LBP itself admitted that up to the time that the instant petition was filed in November 11, 2013, "no payment was made in favor of the landowners."<sup>[22]</sup> Thus, it may not be amiss to state that there was more than ten (10) years delay in the payment of just compensation. In the *Apo Fruits* case, the Supreme Court imposed interest on the amount of just compensation and ratiocinated that almost twelve (12) long years had passed from the time that the State took the petitioners' properties until the time that they were fully paid. On this point, the RTC aptly ruled in its Order of October 7, 2013 that:

"It is not disputed that there was delay in the processing of the land transfer claim of plaintiffs. Up to the time the decision in this case was rendered and promulgated, the DAR has yet to transmit the Claim Folder pertaining to the subject property. Owing to this, it is but just and proper that the plaintiffs be compensated for the income that they may have derived from their property from the time the government took it away from them without payment of just compensation. The fact that the LBP valued the property using 30 June 2009 values and that the LBP valuation was upheld by the court, do not change the fact that plaintiff was deprived of his property without having paid its value."<sup>[23]</sup>

Taking into account that the LBP failed to pay the just compensation to the heirs for a considerable length of time, the court a quo correctly adjudged the former liable for the payment of interest at the rate of twelve percent (12%) per annum. This accords with the long line of pertinent jurisprudence<sup>[24]</sup> wherein the Supreme Court has imposed an interest of 12% per annum when there was a delay in the payment of just compensation. In these cases, the imposition of interest was in the nature of damages for delay in payment which in effect makes the obligation on the part of the government one of forbearance.<sup>[25]</sup> LBP's reliance on Monetary Board Circular No. 799 prescribing the rate of legal interest at 6% per annum is misplaced. The circular was first applied in the case of *Nacar vs. Gallery Frames*<sup>[26]</sup> involving a different factual milieu – a labor case wherein a 6% interest was imposed on the total monetary awards of an illegally dismissed employee. The circular cannot be made to apply in cases involving determination of just compensation wherein the 12% interest is imposed for the attendant delay in the payment thereof. To hold that the LBP should be liable for a lower rate of interest under Monetary Board Circular No. 799 would negate the paramount consideration in the determination of just compensation that it should be real, substantial, full, and ample.

Further, We are not in accord with the LBP's averment that the 12% interest should not be imposed on the bond component of just compensation. Instructive on this point is the Supreme Court's ruling in the case of *Apo Fruits vs. Court of Appeals*.<sup>[27]</sup> At that time, the LBP was ordered to compensate the landowner in cash or in LBP bonds with market interest rates aligned with 91-day treasury bill (T-Bill) rates