



Republic of the Philippines
Supreme Court
Manila

EN BANC

LAND BANK OF THE
PHILIPPINES,

Petitioner,

G.R. No. 190004

Present:

SERENO, C.J.,
CARPIO,
VELASCO, JR.,
LEONARDO-DE CASTRO,
PERALTA,
BERSAMIN,
DEL CASTILLO,
MENDOZA,
PERLAS-BERNABE,
LEONEN,
JARDELEZA,
CAGUIOA,
MARTIRES,
TIJAM, and
REYES, JR., JJ.


- versus -

EUGENIO DALAUTA,

Respondent.

Promulgated:

August 8, 2017

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D E C I S I O N

MENDOZA, J.:

This petition for review on *certiorari* under Rule 45 seeks to review, reverse and set aside the September 18, 2009 Decision¹ of the Court of Appeals-Cagayan de Oro (CA) in CA-G.R. SP No. 01222-MIN, modifying the May 30, 2006 Decision² of the Regional Trial Court, Branch 5, Butuan City (RTC), sitting as Special Agrarian Court (SAC), in Civil Case No. 4972 – an action for determination of just compensation.

¹ Penned by Associate Justice Danton Q. Bueser, with Associate Justices Romulo V. Borja and Elihu A. Ybañez, concurring. *rollo*, pp. 63-82.

² Penned by Presiding Judge Augustus L. Calo. *Id.* at 126-148.

The Facts

Respondent Eugenio Dalauta (*Dalauta*) was the registered owner of an agricultural land in Florida, Butuan City, with an area of 25.2160 hectares and covered by Transfer Certificate of Title (*TCT*) No. T-1624. The land was placed by the Department of Agrarian Reform (*DAR*) under compulsory acquisition of the Comprehensive Agrarian Reform Program (*CARP*) as reflected in the Notice of Coverage,³ dated January 17, 1994, which Dalauta received on February 7, 1994. Petitioner Land Bank of the Philippines (*LBP*) offered ₱192,782.59 as compensation for the land, but Dalauta rejected such valuation for being too low.⁴

The case was referred to the DAR Adjudication Board (*DARAB*) through the Provincial Agrarian Reform Adjudicator (*PARAD*) of Butuan City. A summary administrative proceeding was conducted to determine the appropriate just compensation for the subject property. In its Resolution,⁵ dated December 4, 1995, the PARAD affirmed the valuation made by LBP in the amount of ₱192,782.59.

On February 28, 2000, Dalauta filed a petition for determination of just compensation with the RTC, sitting as SAC. He alleged that LBP's valuation of the land was inconsistent with the rules and regulations prescribed in DAR Administrative Order (*A.O.*) No. 06, series of 1992, for determining the just compensation of lands covered by CARP's compulsory acquisition scheme.

During the trial, the SAC constituted the Board of Commissioners (*Commissioners*) tasked to inspect the land and to make a report thereon. The Report of the Commissioners,⁶ dated July 10, 2002, recommended that the value of the land be pegged at ₱100,000.00 per hectare. With both Dalauta and the DAR objecting to the recommended valuation, the SAC allowed the parties to adduce evidence to support their respective claims.

Dalauta's Computation

Dalauta argued that the valuation of his land should be determined using the formula in DAR A.O. No. 6, series of 1992, which was *Land Value (LV) = Capitalized Net Income (CNI) x 0.9 + Market Value (MV) per tax declaration x 0.1*, as he had a net income of ₱350,000.00 in 1993 from the sale of the trees that were grown on the said land. Norberto C. Fonacier

³ Id. at 221.

⁴ Id. at 65.

⁵ Land Valuation Case No. LV-X-02-164, id. at 179-180

⁶ Id. at 223-227.

(*Fonacier*), the purchaser of the trees, testified that he and Dalauta executed their Agreement⁷ before Atty. Estanislao G. Ebarle, Jr., which showed that he undertook to bear all expenses in harvesting the trees and to give Dalauta the amount of ₱350,000.00 as net purchase payment, for which he issued a check. He said that it was his first and only transaction with Dalauta. Fonacier also claimed that a portion of Dalauta's land was planted with corn and other trees such as ipil-ipil, lingalong, and other wild trees.

During his cross-examination, Dalauta clarified that about 2,500 trees per hectare were planted on about twenty-one (21) hectares of his land, while the remaining four (4) hectares were reserved by his brother for planting corn. He also claimed to have replanted the land with gemelina trees, as advised by his lawyer, after Fonacier harvested the trees in January 1994. Such plants were the improvements found by the Commissioners during their inspection. Dalauta added that he had no tenants on the land. He prayed that the compensation for his land be pegged at ₱2,639,566.90.

LBP's Computation

LBP argued that the valuation of Dalauta's land should be determined using the formula $LV = MV \times 2$, which yielded a total value of ₱192,782.59 for the 25.2160 hectares of Dalauta's land.

LBP claimed that during the ocular inspection/investigation, only 36 coconut trees existed on the subject land; that three (3) hectares of it were planted with corn; and the rest was idle with few second-growth trees. To support its claim, LBP presented, as witnesses, Ruben P. Penaso (*Penaso*), LBP Property Appraiser of CDO Branch, whose basic function was to value the land covered by CARP based on the valuation guidelines provided by DAR; and Alex G. Carido (*Carido*), LBP Agrarian Operation Specialist of CDO Branch, whose function was to compute the value of land offered by a landowner to the DAR, using the latter's guidelines.

Based on Penaso's testimony, 3.0734 hectares of the subject land were planted with corn for family consumption while the 22.1426 hectares were idle, although there were second-growth trees thereon. He reported that the trees had no value and could be considered as weeds. Likewise, Penaso indicated "none" under the column of Infrastructures in the report, although there was a small house made of wood and cut logs in the center of the corn land. He posited that an infrastructure should be made of concrete and hollow blocks. Penaso stated that the sources of their data were the guide, the BARC representative, and the farmers from the neighboring lots. On

⁷ Records, p. 13.

cross-examination, he admitted that there were coconut trees scattered throughout the land; that he did not ask the guide about the first-growth trees or inquire from the landowner about the land's income; and that he used the land's market value as reflected in its 1984 tax declaration.⁸

Per testimony of Carido, the valuation of Dalauta's land was computed in September 1994 pursuant to the Memorandum Request to Value the Land⁹ addressed to the LBP president. He alleged that the entries in the Claims Valuation and Processing Forms were the findings of their credit investigator. Carido explained that they used the formula $LV = MV \times 2$ in determining the value of Dalauta's land because the land had no income. The land's corn production during the ocular inspection in 1994 was only for family consumption. Hence, pursuant to DAR A.O. No. 6, series of 1992, the total value of Dalauta's land should be computed as $LV = MV \times 2$, where MV was the Market Value per Tax Declaration based on the Tax Declaration issued in 1994.¹⁰ Carido explained that:

Xxx using the formula $MV \times 2$, this is now the computation. Land Value = Market Value (6,730.07) $\times 2 = 13,460.14$ – this is the price of the land per hectare, \times the area of corn land which is 3.0734, we gave the total Land Value for corn ₱41,368.39. For Idle Land, the Market Value which is computed in the second page of this paper is ₱3,419.07 by using the formula $MV \times 2 = ₱3,419.07 \times 2$, we come up with the Land Value per hectare = 6,838.14 multiplied by the area of the idle land which is 22.1426 hectares. The total Land Value for idle is ₱151,414.20. Adding the total Land Value for corn and idle, we get the grand total of ₱192,782.59, representing the value of the 25.2160 hectares.¹¹

On cross and re-cross-examinations, Carido admitted that there were different ways of computing the land value under DAR A.O. No. 6. He claimed that no CNI and/or Comparable Sales (CS) were given to him because the land production was only for family consumption, hence, CNI would not apply. Further, he explained that the net income and/or production of the land within twelve (12) months prior to the ocular inspection was considered in determining the land value.¹²

The Ruling of the SAC

On May 30, 2006, the SAC rendered its decision as follows:

⁸ *Rollo*, pp. 68-69.

⁹ *Id.* at 198-199.

¹⁰ *Id.* at 69-70.

¹¹ *Id.* at 70.

¹² *Id.* at 70-71.

WHEREFORE, AND IN VIEW OF ALL OF THE FOREGOING, DAR and LBP are directed to pay to:

- 1.) Land Owner Mr. Eugenio Dalauta the following:
 - a. Two Million Six Hundred Thirty Nine Thousand Five Hundred Fifty Seven (P2,639,557.00) Pesos, Philippine Currency, as value of the Land;
 - b. One Hundred Thousand (P100,000.00) Pesos, Philippine Currency for the farmhouse;
 - c. One Hundred Fifty Thousand (P150,000.00) Pesos, Philippine Currency, as reasonable attorney's fees;
 - d. Fifty Thousand (P50,000.00) Pesos, Philippine Currency as litigation expenses;
- 2.) The Members of the Board of Commissioners:
 - a. Ten Thousand (P10,000.00) Pesos, Philippine Currency for the Chairman of the Board;
 - b. Seven Thousand Five Hundred (P7,500.00) Pesos, Philippine Currency for each of the two (2) members of the Board;

SO ORDERED.¹³

The SAC explained its decision in this wise:

Going over the records of this case, taking into consideration the Commissioners Report which is replete with pictures of the improvements introduced which pictures are admitted into evidence not as illustrated testimony of a human witness but as probative evidence in itself of what it shows (Basic Evidence, Bautista, 2004 Edition), this Court is of the considered view that the Report (Commissioners) must be given weight.

While LBP's witness Ruben P. Penaso may have gone to the area, but he did not, at least, list down the improvements. The members of the Board of Commissioners on the other hand, went into the area, surveyed its metes and bounds and listed the improvements they found including the farmhouse made of wood with galvanized iron roofing (Annex "C", Commissioner's Report, p. 132, Record)

All told, the basic formula for the valuation of lands covered by Voluntary Offer to Sell and Compulsory Acquisition is:

¹³ Id. at 148.

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

Where: LV = Land Value
 CNI = Capitalized Net Income
 CS = Comparable Sales
 MV = Market Value per Tax Declaration

The above formula is used if all the three (3) factors are present, relevant and applicable. In any case, the resulting figure in the equation is always multiplied to the number of area or hectareage of land valued for just compensation.

Whenever one of the factors in the general formula is not available, the computation of land value will be any of the three (3) computations or formulae:

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

(If the comparable sales factor is missing)

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

(If the capitalize net income is unavailable)

$$LV = MV \times 2 \quad (\text{If only the market value factor is available})$$

(Agrarian Law and Jurisprudence as compiled by DAR and UNDP pp. 94-95)

Since the Capitalized Net Income in this case is available, the formula to be used is:

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

Whence:

$$\begin{aligned} LV &= (\text{P}350,000.00 / .12 \times 0.9) + (\text{P}145,570 \times 0.1) \\ &= (\text{P}2,916,666.67 \times 0.9) + (\text{P}145,557.00) \text{ [sic]} \\ &= \text{P}2,625,000.00 + \text{P}14,557.00 \\ &= \text{P}2,639,557.00 \text{ plus } \text{P}100,000.00 \text{ for the} \\ &\quad \text{Farmhouse.}^{14} \end{aligned}$$

Unsatisfied, LBP filed a motion for reconsideration, but it was denied by the SAC on July 18, 2006.

Hence, LBP filed a petition for review under Rule 42 of the Rules of Court before the CA, arguing: 1] that the SAC erred in taking cognizance of the case when the DARAB decision sustaining the LBP valuation had long attained finality; 2] that the SAC erred in taking judicial notice of the Commissioners' Report without conducting a hearing; and 3] that the SAC

¹⁴ Id. at 147-148.

violated Republic Act (R.A.) No. 6657¹⁵ and DAR A.O. No. 6, series of 1992, in fixing the just compensation.

The CA Ruling

In its September 18, 2009 Decision, the CA ruled that the SAC correctly took cognizance of the case, citing *LBP v. Wycoco*¹⁶ and *LBP v. Suntay*.¹⁷ It reiterated that the SAC had original and exclusive jurisdiction over all petitions for the determination of just compensation. The appellate court stated that the original and exclusive jurisdiction of the SAC would be undermined if the DAR would vest in administrative officials the original jurisdiction in compensation cases and make the SAC an appellate court for the review of administrative decisions.¹⁸

With regard to just compensation, the CA sustained the valuation by the SAC for being well within R.A. No. 6657, its implementing rules and regulations, and in accordance with settled jurisprudence. The factors laid down under Section 17 of R.A. No. 6657, which were translated into a basic formula in DAR A.O. No. 6, series of 1992, were used in determining the value of Dalauta's property. It stated that the courts were not at liberty to disregard the formula which was devised to implement Section 17 of R.A. No. 6657. The CA, however, disagreed with the SAC's valuation of the farmhouse, which was made of wood and galvanized iron, for it was inexistent during the taking of the subject land.¹⁹

The appellate court also disallowed the awards of attorney's fees and litigation expenses for failure of the SAC to state its factual and legal basis. As to the award of commissioner's fees, the CA sustained it with modification to conform with Section 15, Rule 141²⁰ of the Rules of Court. Considering that the Commissioners worked for a total of fifteen (15) days, the CA ruled that they were only entitled to a fee of ₱3,000.00 each or a total of ₱9,000.00.²¹ The dispositive portion reads:

¹⁵ Comprehensive Agrarian Reform Law of 1988.

¹⁶ 464 Phil. 83 (2004).

¹⁷ 561 Phil. 711 (2007).

¹⁸ *Rollo*, p. 76.

¹⁹ *Id.* at 77-80.

²⁰ **Section 15. Fees of commissioners in eminent domain proceedings.** — The commissioners appointed to appraise land sought to be condemned for public uses in accordance with these rules shall each receive a compensation of two hundred (₱200.00) pesos per day for the time actually and necessarily employed in the performance of their duties and in making their report to the court, which fees shall be taxed as part of the costs of the proceedings. (13a)

²¹ *Rollo*, pp. 80-81.

WHEREFORE, in view of all the foregoing, the instant petition is **PARTIALLY GRANTED**, and the assailed Decision dated May 30, 2006 of the RTC, Branch 5, Butuan City, in Civil Case No. 4972, is hereby **MODIFIED** as follows: **(1) the compensation for the farmhouse (₱100,000.00), as well as the awards for attorney's fees (₱150,000.00) and litigation expenses (₱50,000.00), are hereby DELETED; and (2) the members of the Board of Commissioners shall each be paid a commissioner's fee of Three Thousand Pesos (₱3,000.00) by petitioner Land Bank of the Philippines. The assailed Decision is AFFIRMED in all other respect.**

SO ORDERED.²²

Not in conformity, LBP filed this petition raising the following:

ISSUES

- 1. Whether or not the trial court had properly taken jurisdiction over the case despite the finality of the PARAD Resolution.**
- 2. Whether or not the trial court correctly computed the just compensation of the subject property.**

The Court's Ruling

Primary Jurisdiction of the DARAB and Original Jurisdiction of the SAC

Jurisdiction is defined as the power and authority of a court to hear, try and decide a case.²³ Jurisdiction over the subject matter is conferred only by the Constitution or the law.²⁴ The courts, as well as administrative bodies exercising quasi-judicial functions, have their respective jurisdiction as may be granted by law. In connection with the courts' jurisdiction *vis-a-vis* jurisdiction of administrative bodies, the doctrine of primary jurisdiction takes into play.

The doctrine of primary jurisdiction tells us that courts cannot, and will not, resolve a controversy involving a question which is within the jurisdiction of an administrative tribunal, especially where the question demands the exercise of sound administrative discretion requiring the special

²² Id.

²³ *Asia International Auctioneers, Inc. v. Hon. Parayno*, 565 Phil. 255, 265 (2007).

²⁴ *Republic v. Bantigue Point Development Corp.*, 684 Phil. 192, 199 (2012).

knowledge, experience and services of the administrative tribunal to determine technical and intricate matters of fact.²⁵

In agrarian reform cases, **primary jurisdiction** is vested in the DAR, more specifically, in the DARAB as provided for in Section 50 of R.A. No. 6657 which reads:

SEC. 50. Quasi-Judicial Powers of the DAR. - The DAR is hereby vested with **primary jurisdiction** to determine and adjudicate agrarian reform matters and shall have exclusive original jurisdiction over all matters involving the implementation of agrarian reform, except those falling under the exclusive jurisdiction of the Department of Agriculture (DA) and the Department of Environment and Natural Resources (DENR). [Emphasis supplied]

Meanwhile, Executive Order (*E.O.*) No. 229 also vested the DAR with (1) quasi-judicial powers to determine and adjudicate agrarian reform matters; and (2) jurisdiction over all matters involving the implementation of agrarian reform, except those falling under the exclusive original jurisdiction of the Department of Agriculture and the Department of Environment and Natural Resources.²⁶

On the other hand, the SACs are the Regional Trial Courts expressly granted by law with **original** and **exclusive jurisdiction** over all petitions for the determination of just compensation to landowners. Section 57 of R.A. No. 6657 provides:

SEC. 57. Special Jurisdiction. - The Special Agrarian Courts shall have **original** and **exclusive** jurisdiction over all petitions for the determination of just compensation to landowners, and the prosecution of all criminal offenses under this Act. The Rules of Court shall apply to all proceedings before the Special Agrarian Courts, unless modified by this Act.

The Special Agrarian Courts shall decide all appropriate cases under their special jurisdiction within thirty (30) days from submission of the case for decision. [Emphases supplied]

Adhering thereto, in *Land Bank of the Philippines v. Heir of Trinidad S. Vda. De Arieta*,²⁷ it was written:

²⁵ *Paloma v. Mora*, 507 Phil. 697, 712 (2005).

²⁶ *Sta. Ana v. Spouses Carpo*, 593 Phil. 108, 126 (2008).

²⁷ 642 Phil. 198 (2010).

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In both voluntary and compulsory acquisitions, wherein the landowner rejects the offer, the DAR opens an account in the name of the landowner and conducts a summary administrative proceeding. If the landowner disagrees with the valuation, the matter may be brought to the RTC, acting as a special agrarian court. But as with the DAR-awarded compensation, LBP's valuation of lands covered by CARL is considered only as an **initial determination**, which is **not conclusive**, as it is **the RTC, sitting as a Special Agrarian Court, that should make the final determination of just compensation**, taking into consideration the factors enumerated in Section 17 of R.A. No. 6657 and the applicable DAR regulations. xxx.²⁸ [Emphases and underscoring supplied]

The DARAB Rules and Subsequent Rulings

Recognizing the separate jurisdictions of the two bodies, the DARAB came out with its own rules to avert any confusion. Section 11, Rule XIII of the 1994 DARAB Rules of Procedure reads:

Land Valuation Determination and Payment of Just Compensation. - The decision of the Adjudicator on land valuation and preliminary determination and payment of just compensation shall not be appealable to the Board but **shall be brought directly to the Regional Trial Courts designated as Special Agrarian Courts within fifteen (15) days from receipt of the notice thereof.** Any party shall be entitled to only one motion for reconsideration. [Emphasis supplied]

The Court stamped its imprimatur on the rule in *Philippine Veterans Bank v. CA (Veterans Bank)*;²⁹ *LBP v. Martinez (Martinez)*,³⁰ and *Soriano v. Republic (Soriano)*.³¹ In all these cases, it was uniformly decided that the petition for determination of just compensation before the SAC should be filed within the period prescribed under the DARAB Rules, that is, "within fifteen (15) days from receipt of the notice thereof." In *Philippine Veterans Bank*, it was written:

There is **nothing contradictory** between the provision of §50 granting the DAR primary jurisdiction to determine and adjudicate "agrarian reform matters" and exclusive original jurisdiction over "all matters involving the implementation of agrarian reform," which includes the determination of questions of just compensation, and the provision of §57 granting Regional Trial Courts "original and exclusive jurisdiction" over (1) all petitions for the determination of just compensation to landowner, and (2)

²⁸ Id. at 222.

²⁹ 379 Phil. 141, 147 (2000).

³⁰ 582 Phil. 739 (2008).

³¹ 685 Phil. 583 (2012).

prosecutions of criminal offenses under R.A. No. 6657. The first refers to **administrative proceedings**, while the second refers to **judicial proceedings**. Under R.A. No. 6657, the Land Bank of the Philippines is charged with the preliminary determination of the value of lands placed under land reform program and the compensation to be paid for their taking. It initiates the acquisition of agricultural lands by notifying the landowner of the government's intention to acquire his land and the valuation of the same as determined by the Land Bank. Within 30 days from receipt of notice, the landowner shall inform the DAR of his acceptance or rejection of the offer. In the event the landowner rejects the offer, a summary administrative proceeding is held by the provincial (PARAD), the regional (RARAD) or the central (DARAB) adjudicator, as the case may be, depending on the value of the land, for the purpose of determining the compensation for the land. The landowner, the Land Bank, and other interested parties are then required to submit evidence as to the just compensation for the land. The DAR adjudicator decides the case within 30 days after it is submitted for decision. If the landowner finds the price unsatisfactory, he may bring the matter directly to the appropriate Regional Trial Court.

To implement the provisions of R.A. No. 6657, particularly §50 thereof, Rule XIII, §11 of the DARAB Rules of Procedure provides:

Land Valuation Determination and Payment of Just Compensation. — The decision of the Adjudicator on land valuation and preliminary determination and payment of just compensation shall not be appealable to the Board but shall be brought directly to the Regional Trial Courts designated as Special Agrarian Courts **within fifteen (15) days from receipt of the notice thereof**. Any party shall be entitled to only one motion for reconsideration.

As we held in *Republic v. Court of Appeals*,³² this rule is an acknowledgment by the DARAB that the power to decide just compensation cases for the taking of lands under R.A. No. 6657 is vested in the courts. It is error to think that, because of Rule XIII, §11, the original and exclusive jurisdiction given to the courts to decide petitions for determination of just compensation has thereby been transformed into an appellate jurisdiction. It only means that, in accordance with settled principles of administrative law, primary jurisdiction is vested in the DAR as an administrative agency to determine in a preliminary manner the reasonable compensation to be paid for the lands taken under the Comprehensive Agrarian Reform Program, but such determination is subject to challenge in the courts.

The jurisdiction of the Regional Trial Courts is not any less "original and exclusive" because the question is first passed upon by the DAR, as the judicial proceedings are not a continuation of the administrative determination. For that matter, the law may provide that the decision of the DAR is final and unappealable.

³² 331 Phil. 1070, 1077 (1996).

Nevertheless, resort to the courts cannot be foreclosed on the theory that courts are the guarantors of the legality of administrative action.

Accordingly, as the petition in the Regional Trial Court was filed beyond the 15-day period provided in Rule XIII, §11 of the Rules of Procedure of the DARAB, the trial court correctly dismissed the case and the Court of Appeals correctly affirmed the order of dismissal. xxx³³ [Emphases and underscoring supplied; Citations omitted]

Any uncertainty with the foregoing ruling was cleared when the Court adhered to the *Veterans Bank* ruling in its July 31, 2008 Resolution in *Land Bank v. Martinez*:³⁴

On the supposedly conflicting pronouncements in the cited decisions, the Court reiterates its ruling in this case that the agrarian reform adjudicator's decision on land valuation attains finality after the lapse of the 15-day period stated in the DARAB Rules. The petition for the fixing of just compensation should therefore, following the law and settled jurisprudence, be filed with the SAC within the said period. This conclusion, as already explained in the assailed decision, is based on the doctrines laid down in *Philippine Veterans Bank v. Court of Appeals* and *Department of Agrarian Reform Adjudication Board v. Lubrica*. [Emphases and underscoring supplied]

*Jurisdiction of the SAC
is Original and Exclusive;
The Court's Ruling in Veterans
Bank and Martinez should be
Abandoned*

Citing the rulings in *Veterans* and *Martinez*, the LBP argues that the PARAD resolution already attained finality when Dalauta filed the petition for determination of just compensation before the RTC sitting as SAC. The petition was filed beyond the 15-day prescriptive period or, specifically, more than five (5) years after the issuance of the PARAD Resolution.

This issue on jurisdiction and prescription was timely raised by LBP as an affirmative defense, but the SAC just glossed over it and never really delved on it. When the issue was raised again before the CA, the appellate court, citing *LBP v. Wycoco*³⁵ and *LBP v. Suntay*,³⁶ stressed that the RTC, acting as SAC, had original and exclusive jurisdiction over all petitions for the determination of just compensation. It explained that the original and

³³ *Philippine Veterans Bank v. CA*, supra note 29, at 147-149.

³⁴ 582 Phil. 739 (2008).

³⁵ 464 Phil. 83 (2004).

³⁶ 561 Phil. 711 (2007).

exclusive jurisdiction of the SAC would be undermined if the DAR would vest in administrative officials the original jurisdiction in compensation cases and make the SAC an appellate court for the review of administrative decisions.³⁷

The Court agrees with the CA in this regard. Section 9, Article III of the 1987 Constitution provides that “[p]rivate property shall not be taken for public use without just compensation.” In *Export Processing Zone Authority v. Dulay*,³⁸ the Court ruled that **the valuation of property in eminent domain is essentially a judicial function which cannot be vested in administrative agencies.** “The executive department or the legislature may make the initial determination, but when a party claims a violation of the guarantee in the Bill of Rights that private property may not be taken for public use without just compensation, no statute, decree, or executive order can mandate that its own determination shall prevail over the court's findings. Much less can the courts be precluded from looking into the ‘justness’ of the decreed compensation.”³⁹ Any law or rule in derogation of this proposition is contrary to the letter and spirit of the Constitution, and is to be struck down as void or invalid. These were reiterated in *Land Bank of the Philippines v. Montalvan*,⁴⁰ when the Court explained:

It is clear from Sec. 57 that the RTC, sitting as a Special Agrarian Court, has **"original and exclusive jurisdiction over all petitions for the determination of just compensation to landowners."** This "original and exclusive" jurisdiction of the RTC would be undermined if the DAR would vest in administrative officials original jurisdiction in compensation cases and make the RTC an appellate court for the review of administrative decisions. Thus, although the new rules speak of directly appealing the decision of adjudicators to the RTCs sitting as Special Agrarian Courts, it is clear from Sec. 57 that **the original and exclusive jurisdiction to determine such cases is in the RTCs. Any effort to transfer such jurisdiction to the adjudicators and to convert the original jurisdiction of the RTCs into appellate jurisdiction would be contrary to Sec. 57 and therefore would be void.** Thus, direct resort to the SAC by private respondent is valid.

It would be well to emphasize that the taking of property under R.A. No. 6657 is an exercise of the power of eminent domain by the State. The valuation of property or determination of just compensation in eminent domain proceedings is **essentially a judicial function which is vested with the courts and not with administrative agencies.** Consequently, the SAC properly took cognizance of respondent's petition for determination of just compensation. [Emphases and underscoring supplied]

³⁷ *Rollo*, p. 76.

³⁸ 233 Phil. 313 (1987).

³⁹ *Id.* at 326.

⁴⁰ 689 Phil. 641, 652 (2012).

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Since the determination of just compensation is a judicial function, the Court must abandon its ruling in *Veterans Bank, Martinez and Soriano* that a petition for determination of just compensation before the SAC shall be proscribed and adjudged dismissible if not filed within the 15-day period prescribed under the DARAB Rules.

To maintain the rulings would be incompatible and inconsistent with the legislative intent to vest the original and exclusive jurisdiction in the determination of just compensation with the SAC. Indeed, such rulings judicially reduced the SAC to merely an appellate court to review the administrative decisions of the DAR. This was never the intention of the Congress.

As earlier cited, in Section 57 of R.A. No. 6657, Congress expressly granted the RTC, acting as SAC, the original and exclusive jurisdiction over all petitions for the determination of just compensation to landowners. Only the legislature can recall that power. The DAR has no authority to qualify or undo that. The Court's pronouncement in *Veterans Bank, Martinez, Soriano, and Limkaichong*, reconciling the power of the DAR and the SAC essentially barring any petition to the SAC for having been filed beyond the 15-day period provided in Section 11, Rule XIII of the DARAB Rules of Procedure, cannot be sustained. The DAR regulation simply has no statutory basis.

On Prescription

While R.A. No. 6657 itself does not provide for a period within which a landowner can file a petition for the determination of just compensation before the SAC, it cannot be imprescriptible because the parties cannot be placed in limbo indefinitely. The Civil Code settles such conundrum. Considering that the payment of just compensation is an obligation created by law, **it should only be ten (10) years from the time the landowner received the notice of coverage.** The Constitution itself provides for the payment of just compensation in eminent domain cases.⁴¹ Under Article 1144, such actions must be brought within ten (10) years from the time the right of action accrues. Article 1144 reads:

Art. 1144. The following actions must be brought within **ten years** from the time the right of action accrues:

- (1) Upon a written contract;
- (2) **Upon an obligation created by law;**
- (3) Upon a judgment. (n)

⁴¹ Section 9, Article III of the 1987 Constitution provides that "private property shall not be taken for public use without just compensation."

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Nevertheless, any interruption or delay caused by the government like proceedings in the DAR should toll the running of the prescriptive period. The statute of limitations has been devised to operate against those who slept on their rights, but not against those desirous to act but cannot do so for causes beyond their control.⁴²

In this case, Dalauta received the Notice of Coverage on February 7, 1994.⁴³ He then filed a petition for determination of just compensation on February 28, 2000. Clearly, the filing date was well within the ten year prescriptive period under Article 1141.

Concurrent Exercise of Jurisdiction

There may be situations where a landowner, who has a pending *administrative* case before the DAR for determination of just compensation, still files a petition before the SAC for the same objective. Such recourse is not strictly a case of forum shopping, the administrative determination being not *res judicata* binding on the SAC.⁴⁴ This was allowed by the Court in *LBP v. Celada*⁴⁵ and other several cases. Some of these cases were enumerated in *Land Bank of the Philippines v. Umandap*⁴⁶ as follows:

1. In the 1999 case of *Land Bank of the Philippines v. Court of Appeals*,⁴⁷ we held that the SAC properly acquired jurisdiction over the petition to determine just compensation filed by the landowner without waiting for the completion of DARAB's re-evaluation of the land.

2. In the 2004 case of *Land Bank of the Philippines v. Wycoco*,⁴⁸ we allowed a direct resort to the SAC even where no summary administrative proceedings have been held before the DARAB.

3. In the 2006 case of *Land Bank of the Philippines v. Celada*,⁴⁹ this Court upheld the jurisdiction of the SAC despite the pendency of administrative proceedings before the DARAB. x x x.

xxxx

⁴² *Coderias v. Estate of Juan Chioco*, 712 Phil. 354, 370 (2013); and *Antonio v. Engr. Morales*, 541 Phil. 306, 311 (2007).

⁴³ *Rollo*, p. 9; CA Decision, p. 2.

⁴⁴ There is no *res judicata* because the DAR determination is only a preliminary assessment of the reasonable compensation to be paid. It is not a judgment on the merits because it is the RTC acting as SAC, pursuant to its original and exclusive jurisdiction, that has the authority to ultimately settle the question of just compensation. (See *Spouses Arevalo v. Planters, Development Bank*, 686 Phil. 236 [2012]).

⁴⁵ 515 Phil. 467 (2006).

⁴⁶ 649 Phil. 396, 420-421 (2010).

⁴⁷ 376 Phil. 252 (1999).

⁴⁸ 464 Phil. 83 (2004).

⁴⁹ *Supra* note 44.

4. In the 2009 case of *Land Bank of the Philippines v. Belista*,⁵⁰ this Court permitted a direct recourse to the SAC without an intermediate appeal to the DARAB as mandated under the new provision in the 2003 DARAB Rules of Procedure. We ruled:

Although Section 5, Rule XIX of the 2003 DARAB Rules of Procedure provides that the land valuation cases decided by the adjudicator are now appealable to the Board, such rule could not change the clear import of Section 57 of RA No. 6657 that the original and exclusive jurisdiction to determine just compensation is in the RTC. Thus, Section 57 authorizes direct resort to the SAC in cases involving petitions for the determination of just compensation. In accordance with the said Section 57, petitioner properly filed the petition before the RTC and, hence, the RTC erred in dismissing the case. Jurisdiction over the subject matter is conferred by law. Only a statute can confer jurisdiction on courts and administrative agencies while rules of procedure cannot.⁵¹

Nevertheless, the practice should be discouraged. Everyone can only agree that simultaneous hearings are a waste of time, energy and resources. To prevent such a messy situation, a landowner should withdraw his case with the DAR before filing his petition before the SAC and manifest the fact of withdrawal by alleging it in the petition itself. Failure to do so, should be a ground for a motion to suspend judicial proceedings until the administrative proceedings would be terminated. It is simply ludicrous to allow two procedures to continue at the same time.

On Just Compensation

Upon an assiduous assessment of the different valuations arrived at by the DAR, the SAC and the CA, the Court agrees with the position of Justice Francis Jardeleza that **just compensation for respondent Dalauta's land should be computed based on the formula provided under DAR-LBP Joint Memorandum Circular No. 11, series of 2003 (JMC No. 11 (2003))**. This Memorandum Circular, which provides for the *specific* guidelines for properties with standing commercial trees, explains:

The Capitalized Net Income (CNI) approach to land valuation assumes that there would be uniform streams of future income that would be realized in perpetuity from the seasonal/permanent crops planted to the land. **In the case of commercial trees (hardwood and soft wood species), however, only a one-time income is realized when the trees are due for harvest. The regular CNI approach in the**

⁵⁰ 608 Phil. 658 (2009).

⁵¹ Id. at 668-669.

valuation of lands planted to commercial trees would therefore not apply.⁵² (Emphasis and underscoring supplied.)

During the proceedings before the SAC, Dalauta testified that he derived a net income of ₱350,000.00 in 1993 from the sale to Fonacier of falcata trees grown in the property. He presented the following evidence to bolster his claim of income: (1) Agreement between Dalauta and Fonacier over the sale of falcata trees;⁵³ (2) copy of deposit slip of amount of ₱350,000.00;⁵⁴ and (3) Certification from Allied Bank as to fact of deposit of the amount of ₱350,000.00 on November 15, 1993.⁵⁵

Dalauta's sale of falcata trees indeed appears to be a one-time transaction. He did not claim to have derived any other income from the property prior to receiving the Notice of Coverage from the DAR in February 1994. For this reason, his property would be more appropriately covered by the formula provided under JMC No. 11 (2003).

⁵² This much was also explained during trial by the LBP witness Alex G. Carido, as noted in the assailed CA Decision:

Petitioner's next witness was Alex G. Carido (Carido), the Agrarian Operation Specialist of its Cagayan de Oro branch, whose function, among others, is to compute the value of a land offered by a landowner to the DAR, using the guidelines provided by the latter. He recalled that the valuation of respondent's property was made in September 1994 pursuant to a Memorandum Request to Value the Land addressed to petitioner's President.

Carido testified that the entries in the Claims Valuation and Processing Forms were the findings of their credit investigator. He explained that the data for Capitalized Net Income was not applicable then, as the land's produce was only for family consumption, and that since the property had no income, they used the formula Land Value (LV) = Market Value (MV) x 2, from DAR AO No. 6, series of 1992, in computing the total value of the subject land, where MV is the Market Value per Tax Declaration based on the Tax Declaration issued in 1994.

x x x x

On cross-examination, Carido admitted that there are different ways of computing the Land Value under DAR AO No. 6, and that to determine which of the formulas is applicable for computing the land value of a particular property, the data gathered in the Field Investigation Report are to be considered. He maintained that he used the formula Land Value = Market Value x 2 in computing the valuation of the subject land because the data for Capitalized Net Income (CNI) and/or Comparable Sales [CS] were not given to him.

During re-cross examination, **when asked why no CNI was provided in the investigation report, Carido stated that CNI is relevant only if there is production from the property, and that while there was corn production in the subject land during ocular inspection in 1994, the same was for family consumption only, hence, CNI will not apply.** He went on to say that the net income and/or production of the land within twelve (12) months prior to the ocular inspection shall be considered in determining the land value. (*Rollo*, pp. 69-71) [Emphasis and underscoring supplied].

⁵³ Records, pp. 13, 172.

⁵⁴ Id. at 172, 174.

⁵⁵ Id. at 172, 175.

JMC No. 11 (2003) provides for several valuation procedures and formulas, depending on whether the commercial trees found in the land in question are harvestable or not, naturally grown, planted by the farmer-beneficiary or lessee or at random. It also provides for the valuation procedure depending on when the commercial trees are cut (*i.e.*, while the land transfer claim is pending or when the landholding is already awarded to the farmer-beneficiaries).

Dalauta alleges to have sold all the falcata trees in the property to Fonacier in 1993.⁵⁶ After Fonacier finished harvesting in January 1994, he claims that, per advice of his lawyer, he immediately caused the **date of effectivity of this Joint Memorandum Circular x x x.** It is submitted, however, that applying the above formula to compute just compensation for respondent's land would be the *most equitable course of action* under the circumstances. Without JMC No. 11 (2003), Dalauta's property would have to be valued using the formula for idle lands, the CNI and CS factors not being applicable. Following this formula, just compensation for Dalauta's property would only amount to ₱225,300.00, computed as follows:

$$LV = MV \times 2$$

Where:

- LV = Land Value
 MV = Market Value per Tax Declaration*
- For the area planted to corn, ₱7,740.00/hectare
 - For idle/pasture land, ₱3,890/hectare

Thus:

For the 4 hectares planted to corn:

$$\begin{aligned} LV &= (\text{₱7,740/hectare} \times 4 \text{ hectares}) \times 2 \\ &= \text{₱61,920.00} \end{aligned}$$

For the 21 hectares of idle/pasture land:

$$\begin{aligned} LV &= (\text{₱3,890/hectare} \times 21) \times 2 \\ &= \text{₱163,380.00} \end{aligned}$$

$$\begin{aligned} \text{Total Land Value} &= \text{₱61,920.00} + \text{₱163,380.00} \\ &= \text{₱225,300.00} \end{aligned}$$

⁵⁶ *Rollo*, p. 10.

X

As above stated, the amount would be more equitable if it would be computed pursuant to JMC No. 11 (2003). Moreover, the award shall earn legal interest. Pursuant to *Nacar v. Gallery Frames*,⁵⁷ the interest shall be computed from the time of taking at the rate of twelve percent (12%) *per annum* until June 30, 2013. Thereafter, the rate shall be six percent (6%) *per annum* until fully paid.

WHEREFORE, the Court hereby **DECLARES** that the final determination of just compensation is a judicial function; that the jurisdiction of the Regional Trial Court, sitting as Special Agrarian Court, is original and exclusive, not appellate; that the action to file judicial determination of just compensation shall be ten (10) years from the time of the taking; and that at the time of the filing of judicial determination, there should be no pending administrative action for the determination of just compensation.

As to the just compensation, the September 18, 2009 Decision of the Court of Appeals decreeing payment of ₱2,639,557.00 as the value of the subject property is **SET ASIDE**. Let the case be remanded to the Regional Trial Court, Branch 5, Butuan City, sitting as Special Agrarian Court, for purposes of computing just compensation in accordance with JMC No. 11 (2003) and this disposition.

The amount shall earn legal interest from the time of taking at the rate of twelve percent (12%) *per annum* until June 30, 2013. Thereafter, the rate shall be six percent (6%) *per annum* until fully paid.

SO ORDERED.


JOSE CATRAL MENDOZA
Associate Justice

⁵⁷ 716 Phil. 267 (2013).

WE CONCUR:

Maria Lourdes P. A. Sereno

MARIA LOURDES P. A. SERENO
Chief Justice

Antonio T. Carpio

ANTONIO T. CARPIO
Associate Justice

h.
PRESBITERO J. VELASCO, JR.
Associate Justice

Teresita Leonardo de Castro
TERESITA J. LEONARDO-DE CASTRO
Associate Justice

Diosdado M. Peralta
DIOSDADO M. PERALTA
Associate Justice

Lucas P. Bersamin
LUCAS P. BERSAMIN
Associate Justice

Mariano C. Del Castillo
MARIANO C. DEL CASTILLO
Associate Justice

See separate concurring opinion

Estela M. Perlas-Bernabe
ESTELA M. PERLAS-BERNABE
Associate Justice

Marvic M. V. Leonen
MARVIC M. V. LEONEN
Associate Justice

Francis H. Jardeleza
FRANCIS H. JARDELEZA
Associate Justice

Alfredo Benjamin S. Caguiga
ALFREDO BENJAMIN S. CAGUIGA
Associate Justice

I join J. Jardeleza

Samuel R. Martires
SAMUEL R. MARTIRES
Associate Justice
see separate concurring and dissenting opinion

Noel C. Tijam
NOEL C. TIJAM
Associate Justice

Andres B. Reyes, Jr.
ANDRES B. REYES, JR.
Associate Justice

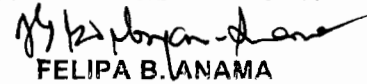
CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution, I hereby certify that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court.



MARIA LOURDES P. A. SERENO
Chief Justice

CERTIFIED XEROX COPY:



FELIPA B. ANAMA
CLERK OF COURT, EN BANC
SUPREME COURT