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Republic of the Philippines
Supreme Court
Manila

FIRST DIVISION

LAND BANK OF THE PHILIPPINES,
Petitioner,

G.R. No. 192345

Present:

- versus -

SERENO, C.J., Chairperson,
LEONARDO-DE CASTRO,
DEL CASTILLO,
PERLAS-BERNABE,* and
CAGUIOA, JJ.

SPOUSES ESTEBAN and
CRESENCIA CHU,
Respondents.

Promulgated:

MAR 29 2017

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DECISION

DEL CASTILLO, J.:

Petitioner Land Bank of the Philippines (LBP) is assailing the January 18, 2010 Decision¹ of the Court of Appeals (CA) in CA G.R. SP No. 93518 over the amount of just compensation awarded to respondents Esteban and Cresencia Chu, as well as its May 24, 2010 Resolution² which denied LBP's Motion for Reconsideration of the said Decision.

Factual Antecedents

Respondents were the registered owners of two parcels of agricultural land located in San Antonio, Pilar, Sorsogon which were acquired by the government pursuant to its agrarian reform program.³ The first parcel of land covered by Transfer Certificate of Title (TCT) Nos. T-27060 and 27062 and with an area of 14.9493 hectares (14.9493 has.) was acquired under Presidential Decree No. 27⁴ (PD 27-acquired land) and initially valued by the LBP at ₱177,657.98.⁵ The

* On official leave.

¹ *Rollo*, pp. 45-55; penned by Associate Justice Mario L. Guariña III and concurred in by Associate Justices Sesinando E. Villon and Franchito N. Diamante.

² *Id.* at 56.

³ *Id.* at 45.

⁴ Entitled "Decreeing the Emancipation of Tenants from the Bondage of the Soil, Transferring to Them the Ownership of the Land They Till and Providing the Instruments and Mechanism Therefor," October 21, 1972.

⁵ *Rollo*, p. 46.

second parcel of land covered by TCT No. T-27060 (pt.) was acquired under Republic Act No. 6657⁶ (RA 6657-acquired property) and has an area of 7.7118 hectares (7.7118 has.). LBP valued the same at ₱263,928.57.⁷

Respondents rejected LBP's valuation; hence summary administrative proceedings were conducted before the Provincial Agrarian Reform Adjudication Board (PARAD) to determine the just compensation. The administrative proceedings were docketed as Land Valuation Case No. LV-30-'03 for the RA 6657-acquired property and Land Valuation Case No. LV-48-'03 for the PD 27-acquired land.

Ruling of the Provincial Agrarian Reform Adjudicator

On April 11, 2003, the PARAD issued two separate Decisions⁸ recomputing the valuations arrived at by the LBP. The PARAD recomputed the value of the RA 6657-acquired property at ₱1,542,360.00 (or ₱200,000.00/ha.) based on the comparable sales transaction of similar nearby lots as well as Municipal Resolution No. 79, series of 2002, declaring Hacienda Chu as industrial area. In addition, it considered the subject property's good production, topography, and accessibility. As regards the PD 27-acquired land, the PARAD valued the subject property at ₱983,663.94 using the formula: Land Value = AGP x ASP x 2.5 (or Average Gross Production of 75.2 x Actual Support Price of ₱350.00 x 2.5).

LBP's Motion for Reconsideration was denied by the DARAB in its June 19, 2003 Order.⁹

Ruling of the Regional Trial Court (RTC) as Special Agrarian Court (SAC)

Dissatisfied, LBP filed a Petition for Determination of Just Compensation before the RTC of Sorsogon City, Branch 52, docketed as Civil Case No. 2003-7205.¹⁰

In its September 21, 2005 Decision,¹¹ the RTC fixed the just compensation at ₱2,313,478.00 for the RA 6657-acquired property and ₱1,155,173.00 for the PD 27-acquired land.¹²

⁶ The Comprehensive Agrarian Reform Law of 1988, June 10, 1988.

⁷ *Rollo*, p. 46.

⁸ *Id.* at 152-154; 155-157; penned by Provincial Agrarian Reform Adjudicator Manuel M. Capellan.

⁹ As stated in the Decision of the Regional Trial Court, *id.* at 124. The records of the case, however, do not include a copy of LBP's Motion for Reconsideration filed in, and the June 19, 2003 Order of, the DARAB.

¹⁰ *Id.* at 158-160.


¹¹ *Id.* at 123-127; penned by Judge Honesto A. Villamor.

¹² *Id.* at 126.

In arriving at these amounts, the RTC took cognizance of the factors considered by the LBP and the PARAD. In addition, it considered the “potentials” of the subject properties, to wit:

The Court considers the decision of the Provincial Adjudicator of Sorsogon, the testimony of the witnesses presented by the Private Respondent namely the Secretary of the Sangguniang Bayan and the Municipal Assessor of the Municipality of Pilar, Sorsogon who testified on the Municipal Ordinance/Resolution specifically declaring x x x the land of the private respondents including the subject landholding x x x is the subject [of] Municipal Expansion for Agri-Economic Cum Industrial Area. The Court also consider[ed] the applicable law and jurisprudence on the matter in arriving [at] the just compensation of the subject property. The Court further consider[ed] the present economic condition of the country as well as the present assessed value of the acquired property. The subject property is very near the industrial center that was planned by the local government thus transforming the area adjacent to the acquired property into an economic hub of the province of Sorsogon partly thru industrial program, eco-tourism development and agricultural productivity into an Agri-Economic Zone to serve as the backbone of a comprehensive and sustainable program of community[;] thus it will provide enormous livelihood opportunities and tremendous economic multiplier effect not only for residents of barangay San Antonio (Sapa) but also for the entire citizenry of Pilar, Sorsogon.

According to the answer filed by the private respondents, the property is fully planted to coconut (TCT-T-27060) and only more or less 20 meters away from the provincial road and is more or less half [a] kilometer away from the barangay poblacion. These characteristics are likewise true [for] TCT No. T-27062. That the area covered under P.D. 27 yields an average of 73 sacks of clean palay per harvest while that covered under R.A. 6657 x x x yields an average of 10 nuts per tree every 45 days at 110 fruit[-]bearing trees per hectare. For all the foregoing potentials of the property, the Court not only took into consideration the amount of just compensation fixed by the Provincial Adjudicator of Sorsogon but further took into account such potentials of the acquired property which can command a price of not less than ₱100,000.00 per hectare. The Provincial Adjudicator valued the 7.7118 hectares acquired under TCT No. T-27060 [at] ₱1,542,360.00 under R.A. 6657 while that portion acquired inside the property titled under TCT No. T-27062 [at] ₱983,663.94 under P.D. 27 and considering the potentials of the land in terms of the enormous livelihood opportunities and tremendous economic multiplier effect not only for the residents of [B]arangay San Antonio but also the entire municipality of Pilar, Sorsogon, the Court further valued the acquired property in the amount of ₱100,000.00 per hectare. Adding the value of the land in terms of the fair market value as determined by the Provincial Adjudicator of Sorsogon, which includes the value of the actual production of the coconut trees and the palay produced, to wit: ₱1,542,360.00 and ₱983,663.94 respectively and the potentials of the property [at] ₱100,000.00 per hectare or the value of ₱771,118.00 for the 7.7118 hectares and ₱171,510.00 for the 1.7151 hectares, we get the total of ₱2,313,478.00 as just compensation for the 7.7118 hectares and the just compensation in the amount of ₱1,155,173.94 for the 1.7151 hectares.¹³



¹³ Id. at 125-126.

The dispositive portion of the RTC Decision reads:

WHEREFORE, premises considered, judgment is hereby rendered:

1) Fixing the amount of TWO MILLION THREE HUNDRED THIRTEEN THOUSAND FOUR HUNDRED SEVENTY EIGHT (₱2,313,478.00)¹⁴ Pesos, Philippine Currency for the 7.7118¹⁵ hectares and the amount of ONE MILLION ONE HUNDRED FIFTY FIVE THOUSAND AND ONE HUNDRED SEVENTY THREE (₱1,155,173.00) Pesos, Philippine currency for the 1.7151 hectares,¹⁶ to be the just compensation of said acquired portions which agricultural land are situated [in] San Antonio (Sapa) Pilar, Sorsogon, covered by TCT No. T-27060 and TCT No. T-27062 in the name of the Sps. Esteban and Cresencia Chu, which property was taken by the government pursuant to the Agrarian Reform Program provided by R.A. 6657.

2) Ordering the Petitioner Land Bank of the Philippines to pay the Private Respondents the total amount of just compensation in the sum of THREE MILLION FOUR HUNDRED SIXTY EIGHT THOUSAND AND SIX HUNDRED FIFTY ONE (₱3,468,651.00) Pesos, Philippine currency, in the manner provided by R.A. No. 6657 by way of full payment of the said just compensation after deducting whatever amount previously received by the Private Respondents from the Petitioner Land Bank as part of the just compensation.


3) Ordering the Private Respondents to pay whatever deficiency in the docket fees to the Clerk of Court based on the valuation fixed by the Court.

4) Without pronouncement as to cost.

SO ORDERED.¹⁷

LBP's motion for reconsideration¹⁸ was denied by the RTC in its Order¹⁹ dated February 13, 2006.

Ruling of the Court of Appeals

On appeal, the CA modified the RTC's ruling. The CA noted that the formula used by the PARAD (*i.e.*, $LV = AGP \times ASP \times 2.5$) in computing the valuation for the PD 27-acquired land is correct. However, the amount used for the ASP, which is ₱350, is erroneous. According to the CA, the mandated ASP in Executive Order No. 228²⁰ (EO 228) is only ₱35, not ₱350, pursuant to our ruling 

¹⁴ Applying the formula as provided by the RTC, the correct amount should have been ₱2,313,540.00.

¹⁵ The amount of ₱100,000.00 per hectare multiplied by 7.7118 has. was added to the PARAD's valuation of ₱1,542,360.00 for the RA 6657-acquired property.

¹⁶ The amount of ₱100,000.00 per hectare multiplied by 1.7151 has. was added to the PARAD's valuation of ₱983,663.94 for the PD 27-acquired land. However, this valuation is erroneous as it indicates the acquired area to be 1.7151 has. when the same actually measures 14.9493 has.

¹⁷ *Rollo*, pp. 126-127.

¹⁸ *Id.* at 129-133.

¹⁹ *Id.* at 128.

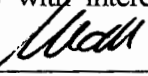
²⁰ *Id.* at 51.

in *Gabatin v. Land Bank of the Philippines*.²¹ Moreover, the CA opined that this formula remains applicable to PD 27-acquired lands notwithstanding the passage of RA 6657, citing as basis EO 229.²² In addition, interest at the rate of 12% *per annum* must be imposed to compensate for the delay. Accordingly, it upheld LBP's valuation for the PD 27-acquired land at ₱177,657.98 but awarded legal interest at the rate of 12% *per annum*.²³

On the other hand, for the property acquired under RA 6657, the CA opined that Section 17 thereof, as well as Department of Agrarian Reform Administrative Order No. 5,²⁴ series of 1998 (DAR A.O. 05-98), must be considered in fixing just determination. As such, the formula to be used is $LV = (CNI \times 0.6) + (CS \times 0.3) + (MV \times 0.1)$ where LV is land value; CNI is capitalized net income; CS is comparable sales; and, MV is market value per tax declaration. The alternative formula of $LV = (CNI \times 0.9) + (MV \times 0.1)$ may be used if the CS factor is not present. The CA found that although the LBP used this formula, it, however, failed to consider the rising values of the lands in Pilar, Sorsogon which resulted from the economic developments mentioned in the municipal resolution and the current assessment of industrial lands in the area – this, despite the fact that evidence was presented to show that comparable sales (the CS in the formula) have gone up to at least ₱200,000.00 per hectare. Thus, it affirmed the estimate that the RA 6657-acquired property may be priced at ₱200,000.00 per hectare as fixed by the PARAD.²⁵

The CA disposed of the case, thus:

IN VIEW OF THE FOREGOING, the RTC decision dated September 21, 2005 is modified in that:

1) Just compensation for the PD 27-acquired property of 14.9493 hectares shall be ₱177,657.98 with interest of 12 percent *per annum* from November 1994 until paid, and 

Entitled "Declaring Full Land Ownership to Qualified Farmer-Beneficiaries Covered by Presidential Decree No. 27; Determining the Value of Remaining Unvalued Rice and Corn Lands Subject to Presidential Decree No. 27; and Providing for the Manner of Payment by the Farmer-Beneficiary and Mode of Compensation to the Landowner," July 17, 1987.

It bears mentioning that the CA noted that the PARAD used the symbol ASP, instead of GSP. Per the appellate court:

"The symbol we are aware of is GSP which[,] under EO 228, is *government support price*. We suppose that the figure 350 used by the Provincial Adjudicator stands for an *actual support price* at the time of the fixing of just compensation. See Hernandez, Alba and Hernandez, *Landowners' Rights under the Agrarian Reform Program*, 2004, at 184, citing *Galleon v. Pastoral* CA-G.R. No. 23168. The ASP is not mentioned in Executive Order No. 228." *Rollo*, p. 46.

²¹ 486 Phil. 366, 384 (2004).

²² Entitled "Providing the Mechanisms for the Implementation of the Comprehensive Agrarian Reform Program," July 22, 1987.

²³ *Rollo*, p. 51.

²⁴ The "Revised Rules and Regulations Governing the Valuation of Lands Voluntarily Offered or Compulsorily Acquired Pursuant to Republic Act No. 6657," April 15, 1998.

²⁵ *Rollo*, pp. 53-54.

2) Just compensation for the RA 6657-acquired property of 7.7118 hectares shall be computed at ₱200,000 per hectare, or ₱1,542,360.

The petitioner is ordered to pay the respondents the amounts as set forth herein. All other aspects of the decision stand.

SO ORDERED.²⁶

The LBP filed a Motion for Reconsideration²⁷ which was denied by the appellate court in its Resolution dated May 24, 2010.

Thus, the present Petition for Review on *Certiorari*.

Issues

THE HONORABLE COURT OF APPEALS COMMITTED A SERIOUS ERROR OF LAW WHEN:

A.

INSOFAR AS THE RA 6657-ACQUIRED LAND, IT DISREGARDED THE VALUATION FACTORS UNDER SECTION 17 OF RA 6657 AND THE PERTINENT DAR ADMINISTRATIVE ORDERS IN FIXING ITS VALUE AT ₱1,542,360.00.

B.

INSOFAR AS THE PD 27-ACQUIRED LAND, IT REFUSED TO REMAND THE INSTANT CASE TO THE TRIAL COURT FOR A RECOMPUTATION OF ITS VALUE PURSUANT TO SECTION 17 OF RA 6657, AS AMENDED.

C.

IT IMPOSED THE PAYMENT OF INTEREST AT 12% *PER ANNUM* ON THE VALUE OF THE PD 27-ACQUIRED LAND.²⁸

LBP's Argument

The LBP posits that the appellate court improperly relied on extraneous factors, such as the rising value of the lands in Pilar, Sorsogon, potentials of the subject property considering its strategic location, livelihood opportunities and economic multiplier effect to the community, in determining the just compensation for the subject properties. The LBP insists on the mandatory application of RA 6657 *vis-à-vis* the formula provided in DAR A.O. No. 05-98.

Likewise, the LBP avers that the computation of the just compensation for the PD 27-acquired land must be revised in view of the enactment of RA 9700.²⁹

²⁶ Id. at 54-55.

²⁷ Id. at 57-72.

²⁸ Id. at 22-23.

²⁹ Entitled "An Act Strengthening the Comprehensive Agrarian Reform Program (CARP), Extending the

In particular, Section 5 thereof provides that *all* previously acquired lands, the valuation of which is subject to challenge by the landowners, shall be completed and finally resolved pursuant to Section 17 of RA 6657, as amended. LBP posits that the contested valuation of the PD 27-acquired land, should now be computed in accordance with Section 17 of RA 6657, as amended; hence, the need to remand the case to the RTC for a re-computation of its value.

Lastly, the LBP contends that the CA's award of 12% interest *per annum* is without basis. It posits that with the enactment of RA 9700 *vis-à-vis* RA 6657, interest should no longer be imposed since the valuation of the PD 27-acquired land would no longer be pegged at 1972 prices but would be brought to current values pursuant to Section 5 of RA 9700 in relation to Section 17 of RA 6657, as amended, *vis-à-vis* DAR A.O. Nos. 02-09³⁰ and 01-10.³¹

Respondents did not file a comment to the Petition and were deemed to have waived the filing thereof.³²

Our Ruling

We grant the Petition in part.

Only questions of law may be raised in a Petition for Review Under Rule 45, exceptions thereto

Under Rule 45 of the Rules of Court, only questions of law may be raised as this Court is not a trier of facts; it is not our function to re-examine and weigh anew the evidence of the parties. This Court shall examine or evaluate the evidence again only in the exercise of its discretion and for compelling reasons,³³ as when the judgment is based on a misapprehension of facts and when the findings of fact are conflicting.³⁴ Here, we find that the judgment arrived at by the PARAD and the RTC, which rulings were subsequently affirmed *in toto* and with modifications, respectively, by the CA, as to the RA 6657-acquired property, was to some extent based on a misapprehension or erroneous appreciation of facts. As regards the PARAD's and the CA's ruling, on one hand, and the RTC's on the other, on the PD 27-acquired land, their findings thereon are conflicting.

Acquisition and Distribution of All Agricultural Lands, Instituting Necessary Reforms, Amending for the Purpose Certain Provisions of Republic Act No. 6657, Otherwise Known as The Comprehensive Agrarian Reform Law of 1988, as amended, and Appropriating Funds Therefor," August 7, 2009.

³⁰ The "Rules and Procedures Governing the Acquisition and Distribution of Agricultural Lands Under Republic Act No. 6657, as amended by Republic Act No. 9700," October 15, 2009.

³¹ The "Rules and Regulations on Valuation and Landowners' Compensation Involving Tenanted Rice and Corn Lands Under Presidential Decree No. 27 and Executive Order No. 228," February 12, 2010.

³² See Resolution of January 16, 2013, *rollo*, p. 278.

³³ *Land Bank of the Philippines v. Spouses Chico*, 600 Phil. 272, 285 (2009).

³⁴ *Special People, Inc. Foundation v. Canda*, G.R. No. 160932, January 14, 2013, 688 SCRA 403, 413.

Additionally, the PARAD's and the CA's reliance on PD 27 and its implementing rules, which formed the basis of their respective Decisions, are now inapplicable thereto.

RA 6657-acquired property

The LBP correctly argued that consideration of the valuation factors under Section 17 of RA 6657 and the formula under DAR A.O. No. 05-98³⁵ is mandatory in ascertaining just compensation for purposes of agrarian reform cases. In *Land Bank of the Philippines v. Gonzalez*,³⁶ we held that although the determination of just compensation is fundamentally a judicial function vested in the RTC, the judge must still exercise his discretion within the bounds of law. He ought to take into *full consideration* the factors specifically identified in RA 6657 and its implementing rules, as contained under the pertinent Administrative Orders of the DAR, such as DAR A.O. No. 05-98, which contains the basic formula of the factors enumerated under said law. He may not disregard the procedure laid down therein because unless an administrative order is declared invalid courts have no option but to apply it. Otherwise, the judge runs the risk of violating the agrarian reform law should he choose not to use the formula laid down by the DAR for the determination of just compensation. The Court reaffirmed this established jurisprudential rule in *Alfonso v. Land Bank of the Philippines*³⁷ when it categorically gave "full constitutional presumptive weight and credit to Section 17 of RA 6657, DAR AO No. 5 (1998) and the resulting DAR basic formulas."³⁸

The Court then made the following pronouncement:

For clarity, we restate the body of rules as follows: The factors listed under Section 17 of RA 6657 and its resulting formulas provide a uniform framework or structure for the computation of just compensation which ensures that the amounts to be paid to affected landowners are not arbitrary, absurd or even contradictory to the objectives of agrarian reform. Until and unless declared invalid in a proper case, the DAR formulas partake of the nature of statutes, which under the 2009 amendment became law itself, and thus have in their favor the presumption of legality, such that courts shall consider, and not disregard, these formulas in the determination of just compensation for properties covered by the CARP. When faced with situations which do not warrant the formula's strict application, courts may, in the exercise of their judicial discretion, relax the formula's application to fit the factual situations before them, subject only to the

³⁵ Despite the enactment of Republic Act No. 9700, which shall be discussed in detail *vis-à-vis* the valuation of the PD 27-acquired land subject of this Petition, Section 17 of Republic Act No. 6657, in relation to DAR A.O. No. 05-98, shall apply here in view of the provision contained in Republic Act No. 9700 itself which states that "all previously acquired lands wherein valuation is subject to challenge by landowners shall be completed and finally resolved pursuant to Section 17 of Republic Act No. 6657, as amended." As such, the Republic Act No. 6657-acquired property in this case, which has already been acquired by the DAR but remains unpaid, shall be computed and finally resolved pursuant to Section 17 of Republic Act No. 6657, as amended.

³⁶ G.R. No. 185821, June 13, 2013, 698 SCRA 400, 413-414.

³⁷ G.R. Nos. 181912 & 183347, November 26, 2016.

³⁸ *Id.*

condition that they clearly explain in their Decision their reasons (as borne by the evidence on record) for the deviation undertaken. It is thus entirely allowable for a court to allow a landowner's claim for an amount higher than what would otherwise have been offered (based on an application of the formula) for as long as there is evidence on record sufficient to support the award.

x x x x

For the guidance of the bench, the bar, and the public, we reiterate the rule: Out of regard for the DAR's expertise as the concerned implementing agency, courts should henceforth consider the factors stated in Section 17 of RA 6657, as amended, as translated into the applicable DAR formulas in their determination of just compensation for the properties covered by the said law. If, in the exercise of their judicial discretion, courts find that a strict application of said formulas is not warranted under the specific circumstances of the case before them, they may deviate or depart therefrom provided that this departure or deviation is supported by a reasoned explanation grounded on the evidence on record. In other words, courts of law possess the power to make a final determination of just compensation.³⁹

Be that as it may, we cannot sustain LBP's valuation of ₱263,928.57 as just compensation for the RA 6657-acquired property for failure to substantiate the same.

In *Land Bank of the Philippines v. Livioco*,⁴⁰ we held that "in determining just compensation, LBP must substantiate its valuation." This pronouncement is a reiteration of our ruling in *Land Bank of the Philippines v. Luciano*⁴¹ that:

Clearly, Land Bank'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 [SAC], that should make the final determination of just compensation, taking into consideration the factors enumerated in Section 17 of RA 6657 and the applicable DAR regulations. **Land Bank's valuation had to be substantiated during the hearing before it could be considered sufficient in accordance with Section 17 of RA No. 6657 and DAR AO No. x x x** (Emphasis supplied)

In this case, we hold that the LBP was not able to justify its valuation. Although the LBP maintained that it stringently applied the pertinent law and its relevant implementing rules in arriving at its computation, it failed to adduce sufficient evidence to prove the truthfulness or correctness of its assertions. Its Formal Offer of Exhibits, and the reasons therefor, consisted only of the following:

1) Exhibit A – Field Investigation Report for the 7.7118 hectares

- To prove that an actual investigation of the area subject matter of the case was

³⁹ Id.

⁴⁰ 645 Phil. 337, 362 (2010).

⁴¹ 620 Phil. 442, 455 (2009).



conducted and participated by the personnel of the Department of Agrarian Reform, Land Bank of the Philippines and the representative of the Agrarian Reform Committee that will show the actual condition of the property at the time of the voluntary offer of the landowner of her property to the government;

2) Exhibit B – Market Value per Ocular Inspection for the 7.7118 hectares

- To prove where the location adjustment factor is taken which is used in the computation of valuation

x x x x

4) Exhibit D – Claims Valuation and Processing Form for the 7.7118 hectares

- To show the detailed computation/valuation made on the properties subject matter of this case under DAR Administrative Order No. 5, series of 1998 using the formula $LV = (CNI \times .90) + (MV \times .10)$

- To show the date of receipt of LANDBANK of the claim folder from the Department of Agrarian Reform which is used as the basis [in] determining the average price of the crops found in the property at the time of the field investigation/ocular inspection

x x x x

7) Exhibit G – PCA Municipal Selling Price for Coconut (Sorsogon Province)

- T[o] show the average selling price of copra per kilo for the municipality of Pilar[,] Sorsogon for the period October 2001 to September 2002 which is ₱9.97 per kilo.⁴² (Emphasis supplied)

The LBP used the formula $LV = (CNI \times .90) + (MV \times .10)$. Concededly, it was able to sufficiently establish the Capitalized Net Income (CNI) factor⁴³ of the

⁴² See LBP's Formal Offer of Exhibits, CA *rollo*, pp. 94-95.

⁴³ Below is the formula provided under DAR A.O. No. 05-98 to obtain the CNI:

$$\text{CNI} = \frac{(\text{AGP} \times \text{SP}) - \text{CO}}{0.12}$$

Where:

CNI - Capitalized Net Income

AGP - Annual Gross Production corresponding to the latest available 12-months' gross production immediately preceding the date of FI.

SP - The average of the latest available 12-months' selling prices prior to the date of receipt of the CF by LBP for processing, such prices to be secured from the Department of Agriculture (DA) and other appropriate regulatory bodies, or in their absence, from the Bureau of Agricultural Statistics. If possible, SP data shall be gathered for the barangay or municipality where the property is located. In the absence thereof, SP may be secured within the province or region.

CO - Cost of Operations

Whenever the cost of operations could not be obtained or verified, an assumed net income rate (NIR) of 20% shall be used. Landholdings planted to coconut which are productive at the time of FI shall continue to use the assumed NIR of 70%. DAR and LBP shall continue to conduct joint industry studies to establish the applicable NIR for each crop covered under CARP.

0.12 - Capitalization Rate"

formula. However, the same is not true regarding the Market Value (MV) component thereof. While the CNI factor, as computed in the Claims Valuation and Processing Form (Claims Form), finds support from and can be adequately explained by a simple perusal of the documents forming part of the records of this case,⁴⁴ the MV component, on the other hand, does not have any similar support and basis as a thorough search of the records failed to produce the same.

The Claims Form, which the LBP insists embodies a detailed computation using the formula earlier cited, did not reflect how the data and figures were arrived at and if they were indeed correct. The LBP did not present any testimonial evidence before the RTC which could explain or corroborate how it came up with the figures and what credence ought to be accorded to them. All that the Claims Form showed is the LBP's computation, and nothing more. As we held in *Land Bank of the Philippines v. Livioco*,⁴⁵ "the computation in the Form may be mathematically correct, but there is no way of knowing if the values or data used in the computation are true." For this reason we cannot uphold the LBP's valuation. Besides, LBP's Formal Offer of Exhibits was admitted only when respondents failed to offer any objection. In any case, even considering the absence of objection on the part of respondents, LBP must still prove the basis and correctness of its computation. LBP miserably failed in this regard.

We cannot agree to the valuations fixed by the PARAD and the RTC, valuations that found their way into rulings that were affirmed *in toto* and with modification by the CA, respectively. These rulings were arrived at in clear disregard of the formula set forth under DAR A.O. No. 05-98. As borne out by their respective Decisions, these tribunals considered *only* the Comparable Sales (CS) factor to the exclusion of the other factors, namely, the CNI and MV.

Aggravating the situation, the CS factor was not determined pursuant to the guidelines laid down in DAR A.O. No. 05-98. Respondents merely submitted a notarized Deed of Absolute Sale between them and Wilson Tarog reflecting an amount of ₱200,000.00⁴⁶ per hectare. A second notarized Deed of Voluntary Land Transfer executed between Rudy Balisalisa and Abegail Sapanza was submitted fixing the amount per hectare at ₱241,462.00.⁴⁷ Additionally, respondents proffered in evidence Municipal Resolution No. 79, Series of 2002,⁴⁸ declaring the

Here, we substitute the following figures as follows:

$$\text{CNI} = \frac{611.7 \text{ kg} \times \text{₱}9.97 \times 70\%}{0.12}$$

$$\text{CNI} = \text{₱}35,575.45$$

⁴⁴ The Field Investigation Report, CA *rollo*, p. 103, indicates that the AGP of the subject property amounts to 611.7 kgs. The PCA Production Data for Coconut for Pilar, Sorsogon, id. at 112, on the other hand, reflects the amount of ₱9.965 (or ₱9.97 when rounded off) as SP.

Lastly, the Court presumes that the cost of operations could not be obtained or verified, thus, the use of the assumed NIR of 70% by LBP.

⁴⁵ *Supra* note 40 at 363.

⁴⁶ See PARAD Decision, *rollo*, p. 153.

⁴⁷ *Id.*

⁴⁸ *Id.*

intent of Pilar, Sorsogon to develop Hacienda Chu as an agri-economic-industrial site in accordance with its town expansion program. All of these, however, are irrelevant as DAR A.O. No. 05-98 itself categorically enumerates the guidelines for determining the CS factor, thus:

C. 1. The following rules shall be observed in the computation of CS:

a. As a general rule, there shall be at least three (3) Sales Transactions.

At least one comparable sales transaction must involve land whose area is at least ten percent (10%) of the area being offered or acquired but in no case less than one hectare. The other transaction/s should involve land whose area is/are at least one hectare each.

b. If there are more than three (3) STs available in the same barangay, all of them shall be considered.

c. If there are less than three (3) STs available, the use of STs may be allowed only if AC and/or MVM are/is present.

X X X X

C. 2. The criteria in the selection of the comparable sales transactions (ST) shall be as follows:

a. When the required number of STs is not available at the barangay level, additional STs may be secured from the municipality where the land being offered/covered is situated to complete the required three comparable STs. In case there are more STs available than what is required at the municipal level, the most recent transactions shall be considered. The same rule shall apply at the provincial level when no STs are available at the municipal level. In all cases, the combination of STs sourced from the barangay, municipality and province shall not exceed three transactions.

b. The land subject of acquisition as well as those subject of comparable sales transactions should be similar in topography, land use, i.e., planted to the same crop. Furthermore, in case of permanent crops, the subject properties should be more or less comparable in terms of their stages of productivity and plant density.

c. The comparable sales transactions should have been executed within the period January 1, 1985 to June 15, 1988, and registered within the period January 1, 1985 to September 13, 1988.

d. STs shall be grossed up from the date of registration up to the date of receipt of CF by LBP from DAR for processing, in accordance with Items II.A.9.

Respondents presented only *two* comparable sales transactions. This falls short of the requirements of DAR A.O. No. 05-98.

The PARAD erroneously considered the municipal resolution as the third



comparable sales transaction when it noted and held that:

x x x And, last is a Municipal Resolution No. 79 Series of 2002 declaring the entire Hacienda Chu [in] San Antonio Sapa, Pilar, Sorsogon as Town Expansion and classified the same as an Industrial Area (Annex "C"). That the subject property is very productive, with good location, very near x x x the Poblacion, and, accessible by land and water x x x

It is a well-settled rule that in determining the valuation of the properties a comparable sale transaction of similar nearby places is admissible in evidence x x x. Thus from the evidence submitted by the landowner, the Board is convinced that the valuation by the Land Bank of the Philippines is in fact unreasonable, considering that the subject property [has] good production, topography and [is] accessible on both land and water. **The Board however cannot grant the prayer for Three Hundred Fifty Thousand Pesos per hectare considering that in comparable sales transactions the Board can only grant the lowest among those presented as [evidence]. And, therefore the Board can only grant the amount of Two Hundred Thousand Pesos per hectare (Annex A).**⁴⁹ (Emphasis supplied)

The municipal resolution could not in any manner be regarded as a comparable sales transaction precisely because no sale transaction ever took place. At best, the said resolution merely manifested the *formal intention* of the local government of Pilar to acquire certain portions of the subject properties.

Equally glaring is the fact that none of the tribunals below took into *full consideration* the factors laid down in Section 17 of RA 6657 – a necessary requirement which no court of law is at liberty to disregard if sound judicial discretion is to be exercised at all in determining just compensation. Instead, this Court notes that the RTC, not to mention the CA, *primarily* took account of an extraneous factor – potentials of the land – to justify the award of ₱200,000.00 per hectare. Discounting respondents' evidence on the comparable sales transactions, the potentials of the landholding may then be said to have become the main factor supporting the valuation thereof. This conclusion is even borne out by the Decisions of the PARAD, the RTC, and the CA whose discussions centered thereon. However, this Court has already reiterated in *Land Bank of the Philippines v. Livioco*⁵⁰ that, such factor, *standing alone*, has already been dismissed as improper basis for assessing the just compensation in the expropriation of agricultural lands. Thus:

x x x While the potential use of an expropriated property is sometimes considered in cases where there is a great improvement in the general vicinity of the expropriated property, it should never control the determination of just compensation (which appears to be what the lower courts have erroneously done). **The potential use of a property should not be the principal criterion for determining just compensation for this will be contrary to the well-**

⁴⁹ *Rollo*, p. 153.

⁵⁰ *Supra* note 40.

settled doctrine that the fair market value of an expropriated property is determined by its character and its price at the time of taking, not its potential uses. If at all, the potential use of the property or its “adaptability for conversion in the future is a factor, not the ultimate in determining just compensation.”⁵¹ (Emphasis supplied)

Despite the foregoing, the PARAD, the RTC, and the CA, proceeded to rule in respondents’ favor on the basis of their evidence and, with meager evidence to support their pronouncements, pegged the price of the RA 6657-acquired property at ₱200,000.00 and ₱300,000.00, respectively, per hectare. We cannot uphold the same.

As may be gleaned from the above discussion, the respective evidence of both parties are insufficient to enable this Court to come up with a correct computation on the just compensation to which respondents are entitled. However, as this Court is not a trier of facts, this Court cannot receive new evidence from the parties that would aid or assist it in the prompt resolution of this case. Thus, this Court is constrained to remand the case to the RTC for the reception of evidence and the determination of just compensation in accordance with our pronouncement in *Alfonso v. Land Bank of the Philippines*.⁵²

PD 27-acquired land

a. Remand case to the RTC for determination of just compensation

b. Award of interest

a. Remand case to the RTC for determination of just compensation

The appellate court also incorrectly ruled that the formula under EO 228 should be followed for purposes of computing just compensation in relation to PD 27-acquired lands. Citing *Land Bank of the Philippines v. Imperial*,⁵³ the CA held that the guidelines provided under PD 27 and EO 228 remained operative despite the passage of RA 6657 given that EO 229 states that PD 27 shall continue to operate with respect to rice and corn lands.

In a number of cases, such as *Land Bank of the Philippines v. Hon. Natividad*,⁵⁴ *Lubrica v. Land Bank of the Philippines*,⁵⁵ *Land Bank of the Philippines v. Gallego, Jr.*,⁵⁶ *Land Bank of the Philippines v. Heirs of Maximo and Gloria Puyat*,⁵⁷ and *Land Bank of the Philippines v. Santiago, Jr.*,⁵⁸ we definitively

⁵¹ Id. at 357.

⁵² Supra note 37.

⁵³ 544 Phil. 378, 386-387 (2007).

⁵⁴ 497 Phil. 738, 746-747 (2005).

⁵⁵ 537 Phil. 571, 581-582 (2006).

⁵⁶ 596 Phil. 742, 753-754 (2009).

⁵⁷ 689 Phil. 505, 515 (2012).

⁵⁸ 696 Phil. 142, 156-157 (2012).

ruled that when the agrarian reform process is still incomplete as the just compensation due the landowner has yet to be settled, just compensation should be determined, and the process concluded, under Section 17 of RA 6657, which contains the specific factors to be considered in ascertaining just compensation, viz.:

SECTION 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, 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.

In *Land Bank of the Philippines v. Gallego, Jr.*,⁵⁹ we explained that:

The Court has already ruled on the applicability of agrarian laws, namely, P.D. No. 27/E.O. No. 228 in relation to Republic Act (R.A.) No. 6657, in prior cases concerning just compensation.

In *Paris v. Alfeche*, the Court held that the provisions of R.A. No. 6657 are also applicable to the agrarian reform process of lands placed under the coverage of P.D. No. 27/E.O. No. 228, which has not been completed upon the effectivity of R.A. No. 6657. Citing *Land Bank of the Philippines v. Court of Appeals*, the Court in *Paris* held that P.D. No. 27 and E.O. No. 228 have suppletory effect to R.A. No. 6657, to wit:

We cannot see why Sec. 18 of RA [No.] 6657 should not apply to rice and corn lands under PD [No.] 27. **Section 75 of RA [No.] 6657 clearly states that the provisions of PD [No.] 27 and EO [No.] 228 shall only have a suppletory effect. Section 7 of the Act also provides —**

Sec. 7. *Priorities.* The DAR, in coordination with the PARC shall plan and program the acquisition and distribution of all agricultural lands through a period of (10) years from the effectivity of this Act. Lands shall be acquired and distributed as follows:

Phase One: ***Rice and Corn lands under P.D. 27***; all idle or abandoned lands; all private lands voluntarily offered by the owners of agrarian reform; x x x and all other lands owned by the government devoted to or suitable for agriculture, which shall be acquired and

⁵⁹ Supra note 56 at 753-754.

distributed immediately upon the effectivity of this Act, with the implementation to be completed within a period of not more than four (4) years x x x.

This eloquently demonstrates that RA [No.] 6657 includes PD [No.] 27 lands among the properties which the DAR shall acquire and distribute to the landless. And to facilitate the acquisition and distribution thereof, Secs. 16, 17 and 18 of the Act should be adhered to. In *Association of Small Landowners of the Philippines v. Secretary of Agrarian Reform*[,] this Court applied the provisions (of) RA 6657 to rice and corn lands when it upheld the constitutionality of the payment of just compensation for PD [No.] 27 lands through the different modes stated in Sec. 18.

Particularly, in *Land Bank of the Philippines v. Natividad*, where the agrarian reform process in said case “is still incomplete as the just compensation to be paid private respondents has yet to be settled,” the Court held therein that just compensation should be determined and the process concluded under R.A. No. 6657.

The retroactive application of R.A. No. 6657 is not only statutory but is also founded on equitable considerations. In *Lubrica v. Land Bank of the Philippines*, the Court declared that **it would be highly inequitable on the part of the landowners therein to compute just compensation using the values at the time of taking in 1972, and not at the time of payment, considering that the government and the farmer-beneficiaries have already benefited from the land although ownership thereof has not yet been transferred in their names.** The same equitable consideration is applicable to the factual milieu of the instant case. The records show that respondents’ property had been placed under the agrarian reform program in 1972 and had already been distributed to the beneficiaries but respondents have yet to receive just compensation due them. (Emphases supplied)

It bears stressing that while this case was pending, Congress enacted RA 9700 entitled “An Act Strengthening the Comprehensive Agrarian Reform Program [CARP], Extending the Acquisition and Distribution of All Agricultural Lands, Instituting Necessary Reforms, Amending for the Purpose Certain Provisions of Republic Act No. 6657, Otherwise known as The Comprehensive Agrarian Reform Law of 1988, as amended, and Appropriating Funds Therefor.”

Significantly, just as RA 6657 had so provided, RA 9700 also provides that it shall apply even to PD 27-acquired lands, albeit those that are yet to be acquired and distributed by the DAR. It likewise provided for further amendments to RA 6657, as amended, including Section 17 thereof, by including two new factors in the determination of just compensation, namely (a) the value of the standing crop and (b) seventy percent (70%) of the zonal valuation of the Bureau of Internal Revenue, translated into a basic formula by the DAR, subject to the final decision of the proper court.

Mada

Nevertheless, despite the enactment of RA 9700, we take the view that this case still falls within the ambit of Section 17 of RA 6657, as amended. To emphasize, RA 9700 applies to landholdings that are yet to be acquired and distributed by the DAR. In addition, RA 9700 itself contains the qualification that “previously acquired lands wherein valuation is subject to challenge,” such as the landholding subject of this case, “shall be completed and resolved pursuant to Section 17 of RA 6657, as amended,”⁶⁰ thus:

Section 5. Section 7 of Republic Act No. 6657, as amended, is hereby further amended to read as follows:

SEC. 7. Priorities. - The DAR, in coordination with the Presidential Agrarian Reform Council (PARC) shall plan and program the final acquisition and distribution of all remaining unacquired and undistributed agricultural lands from the effectivity of this Act until June 30, 2014. **Lands shall be acquired and distributed as follows:**

Phase One: During the five (5)-year extension period hereafter all remaining lands above fifty (50) hectares shall be covered for purposes of agrarian reform upon the effectivity of this Act. All private agricultural lands of landowners with aggregate landholdings in excess of fifty (50) hectares which have already been subjected to a notice of coverage issued on or before December 10, 2008; **rice and corn lands under Presidential Decree No. 27**; all idle or abandoned lands; all private lands voluntarily offered by the owners for agrarian reform: *Provided*, That with respect to voluntary land transfer, only those submitted by June 30, 2009 shall be allowed *Provided, further*, That after June 30, 2009, the modes of acquisition shall be limited to voluntary offer to sell and compulsory acquisition: *Provided, furthermore*, **That all previously acquired lands wherein valuation is subject to challenge by landowners shall be**

⁶⁰ *Land Bank of the Philippines v. Santiago, Jr.*, supra note 58 at 160.

It must be pointed out that “RA 6657, as amended” refers to amendments prior to those introduced under RA 9700. This is evidenced by referring to Section 7 of RA 9700, which **further amends** Section 17 of RA 6657, as amended. It reads:

Section 7. Section 17 of Republic Act No. 6657, **as amended**, is hereby **further amended** to read as follows:

SEC. 17. Determination of Just Compensation. - In determining just compensation, the cost of acquisition of the land, **the value of the standing crop**, the current: value of like properties, its nature, actual use and income, the sworn valuation by the owner, the tax declarations, the assessment made by government assessors, **and seventy percent (70%) of the zonal valuation of the Bureau of Internal Revenue (BIR), translated into a basic formula by the DAR** shall be considered, **subject to the final decision of the proper court.** 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. (Emphasized portions reflect the amendments.)

The above provisions demonstrate that the Section 17 mentioned in Section 5 of RA 9700 is the old Section 17 under RA 6657, as amended; that is, prior to **further** amendment by RA 9700. A perusal of the provisions of RA 9700 will establish that the old provisions, under RA 6657, are referred to as Sections under “RA 6657, as amended,” as opposed to “further amendments” under RA 9700.

completed and finally resolved pursuant to Section 17 of Republic Act No. 6657, as amended: x x x (Emphases supplied.)

Our ruling further finds support in DAR A.O. No. 02-09, the implementing rules of RA 9700, Chapter VI (Transitory Provision) of which specifically provides:

VI. Transitory Provision

With respect to cases where the Master List of ARBs has been finalized on or before July 1, 2009 pursuant to Administrative Order No. 7, Series of 2003, the acquisition and distribution of landholdings shall continue to be processed under the provisions of R.A. No. 6657 prior to its amendment by R.A. No. 9700.

However, **with respect to land valuation, all Claim Folders received by LBP prior to July 1, 2009 shall be valued in accordance with Section 17 of R.A. No. 6657 prior to its amendment by R.A. No. 9700.** (Emphasis supplied)

From the foregoing, it is evident that DAR A.O. No. 02-09 requires that landholdings, the claim folders of which had been received by LBP prior to July 1, 2009, be valued pursuant to the old Section 17 of RA 6657, as amended,⁶¹ or prior to its further amendment by RA 9700.

Here, the Claim Folder was received on November 27, 2002, as evidenced by the Memorandum Request to Value the Land.⁶² Hence, by express mandate of RA 9700 *vis-à-vis* DAR A.O. No. 02-09, Section 17 of RA 6657, as amended, shall apply for purposes of ascertaining just compensation.

This pronouncement finds support in the Court's ruling in *Land Bank of the Philippines v. Kho*,⁶³ viz.:

Case law dictates that when the acquisition process under PD 27 is still incomplete, such as in this case where the just compensation due to the landowner has yet to be settled, just compensation should be determined and the process concluded under RA 6657, as amended.

For the purposes of determining just compensation, the fair market value of an expropriated property is determined by its character and its price at the time of taking, or the time when the landowner was deprived of the use and benefit of his property, such as when the title is transferred in the name of the beneficiaries. In addition, the factors enumerated under Section 17 of RA 6657, as amended, *i.e.*, (a) the acquisition cost of the land, (b) the current value of

⁶¹ Id. at 161.

⁶² CA rollo, p. 113.

⁶³ G.R. No. 214901, June 15, 2016. See also *Heirs of Pablo Feliciano, Jr. v. Land Bank of the Philippines*, G.R. No. 215290, January 11, 2017.

like properties, (c) the nature and actual use of the property, and the income therefrom, (d) the owner's sworn valuation, (e) the tax declarations, (f) the assessment made by government assessors, (g) the social and economic benefits contributed by the farmers and the farmworkers, and by the government to the property, and (h) the nonpayment of taxes or loans secured from any government financing institution on the said land, if any, must be equally considered.

However, it bears pointing out that while Congress passed **RA 9700** on August 7, 2009, further amending certain provisions of RA 6657, as amended, among them, Section 17, and declaring '[t]hat all previously acquired lands wherein valuation is subject to challenge by landowners shall be completed and finally resolved pursuant to Section 17 of [RA 6657], as amended,' DAR AO 2, series of 2009, which is the implementing rules of RA 9700, had clarified that the said law shall not apply to claims/cases where the **claim folders were received by the LBP prior to July 1, 2009**. In such situation, just compensation shall be determined in accordance with Section 17 of RA 6657, as amended, *prior to its further amendment by RA 9700*.

X X X X

It is significant to stress x x x that DAR AO 1, series of 2010 which was issued in line with Section 31 of RA 9700 empowering the DAR to provide the necessary rules and regulations for its implementation, became effective only subsequent to July 1, 2009. Consequently, it cannot be applied in the determination of just compensation for the subject land where the claim folders were undisputedly received by the LBP prior to July 1, 2009, and, as such, should be valued in accordance with Section 17 of RA 6657 prior to its further amendment by RA 9700 pursuant to the cut-off date set under DAR AO 2, series of 2009 (cut-off rule). Notably, DAR AO 1, series of 2010 did not expressly or impliedly repeal the cut-off rule set under DAR AO 2, series of 2009, having made no reference to any cut-off date with respect to land valuation for previously acquired lands under PA 27 and EO 228 wherein valuation is subject to challenge by landowners. Consequently, the application of DAR AO 1, series of 2010 should be, thus, limited to those where the claim folders were received on or subsequent to July 1, 2009.

In this case, x x x [s]ince the claim folders were received by the LBP prior to July 1, 2009, the RTC should have computed just compensation using pertinent DAR regulations applying Section 17 of RA 6657 prior to its amendment by RA 9700 instead of adopting the new DAR issuance, absent any cogent justifications otherwise. Therefore, as it stands, the RTC and the CA were duty-bound to utilize the basic formula prescribed and laid down in pertinent DAR regulations existing prior to the passage of RA 9700, to determine just compensation.

Nonetheless, the RTC, acting as a SAC, is reminded that it is not strictly bound by the different [formulas] created by the DAR if the situations before it do not warrant their application. To insist on a rigid application of the formula goes beyond the intent and spirit of the law, bearing in mind that the valuation of property or the determination of just compensation is essentially a judicial function which is vested with the courts, and not with administrative agencies. Therefore, the RTC must still be able to reasonably exercise its judicial discretion in the evaluation of the factors for just compensation, which cannot be restricted by a formula dictated by the DAR when faced with situations that do not warrant its strict application. However, the RTC must explain and justify in clear terms



the reason for any deviation from the prescribed factors and formula. (Emphasis in the original)

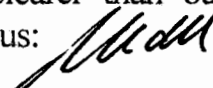
b. Award of interest

We also agree with the LBP's stance that the award of compounded interest is not proper.

In *Land Bank of the Philippines v. Spouses Chico*,⁶⁴ we held that "when just compensation is determined under R.A. No. 6657, no incremental, compounded interest of six percent (6%) *per annum* shall be assessed x x x as the same applies only to lands taken under P.D. No. 27 and E.O. No. 228, pursuant to DAR A.O. No. [13-94], x x x and not Sec. 26 of R.A. No. 6657 x x x."

The rationale for this is explained in *Land Bank of the Philippines v. Court of Appeals*⁶⁵ to wit: that DAR A.O. No. 13-94 aims to compensate the landowners for unearned interests because had payment been made in 1972 when the GSP for rice was pegged at ₱35.00, and this amount was deposited in a bank, it would have earned a compounded interest of 6% *per annum*:

x x x Thus, if the PARAD used the 1972 GSP, then the product of (2.5 x AGP x ₱35 x x x) could be multiplied by (1.06)ⁿ to determine the value of the land plus the additional 6% compounded interest it would have earned from 1972. **However, since the PARAD already increased the GSP from ₱35.00 to ₱300.00/cavan of palay x x x, there is no more need to add any interest thereon, much less compound it.** To the extent that it granted 6% compounded interest to private respondent Jose Pascual, the Court of Appeals erred.⁶⁶ (Emphasis supplied)

If upon remand of this case the LBP is found to be in delay in the payment of just compensation, then it is bound to pay interest. In *Land Bank of the Philippines v. Santiago, Jr.*,⁶⁷ we ruled that interest may be awarded in expropriation cases, particularly where delay attended the payment of just compensation. There, we categorically stressed that the interest imposed in case of delay in payments in agrarian cases is in the nature of damages for delay in payment which, "in effect, makes the obligation on the part of the government one of forbearance."⁶⁸ Upon this point, nothing could be any clearer than our pronouncement in *Land Bank of the Philippines v. Santiago, Jr.*, thus: 

⁶⁴ Supra note 33 at 290.

⁶⁵ 378 Phil. 1248, 1265-1266 (1999).

⁶⁶ Id. at 1266.

⁶⁷ Supra note 58.

⁶⁸ Id. at 162.

Quoting *Republic v. Court of Appeals* this Court, in *Land Bank of the Philippines v. Rivera*, held:

The constitutional limitation of just compensation is considered to be the sum equivalent to the market value of the property, broadly described to be the price fixed by the seller in open market in the usual and ordinary course of legal action and competition or the fair value of the property as between one who receives, and one who desires to sell, if fixed at the time of the actual taking by the government. Thus, 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 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. **In fine, between the taking of the property and actual payment, legal interests accrue in order to place the owner in a position as good as (but not better than) the position he was in before the taking occurred.**

x x x x

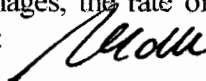
The Court, in *Republic*, recognized that the just compensation due to the landowners for their expropriated property amounted to an effective forbearance on the part of the State. x x x⁶⁹ (Emphases supplied)

Be that as it may, the LBP is bound to pay interest at 12% *per annum* “from the time of taking until June 30, 2013. Thereafter, or beginning July 1, 2013, until fully paid, the just compensation due the landowners shall earn interest at the new legal rate of 6% *per annum* x x x.”⁷⁰ In *Nacar v. Gallery Frames*,⁷¹ citing *Eastern Shipping Lines v. Court of Appeals*⁷² which has been modified to reflect *Bangko Sentral ng Pilipinas-Monetary Board Circular No. 799*,⁷³ we held that:

x x x [T]he guidelines laid down in the case of *Eastern Shipping Lines* are accordingly modified to embody BSP-MB Circular No. 799, as follows:

I. When an obligation, regardless of its source, i.e., law, contracts, quasi-contracts, delicts or quasi-delicts is breached, the contravenor can be held liable for damages. The provisions under Title XVIII on “Damages” of the Civil Code govern in determining the measure of recoverable damages.

II. With regard particularly to an award of interest in the concept of actual and compensatory damages, the rate of interest, as well as the accrual thereof, is imposed, as follows:



⁶⁹ Id. at 162-163.

⁷⁰ *Department of Agrarian Reform v. Spouses Sta. Romana*, 738 Phil. 590, 603 (2014).

⁷¹ 716 Phil. 267, 278-279 (2013).

⁷² 304 Phil. 236, 252-253 (1994).

⁷³ Took effect on July 1, 2013.

1. When the obligation is breached, and it consists in the payment of a sum of money, i.e., a loan or forbearance of money, the interest due should be that which may have been stipulated in writing. Furthermore, the interest due shall itself earn legal interest from the time it is judicially demanded. In the absence of stipulation, the rate of interest shall be 6% per annum to be computed from default, i.e., from judicial or extrajudicial demand under and subject to the provisions of Article 1169 of the Civil Code. (Emphasis supplied)

Against the foregoing backdrop, a 12% interest *per annum* computed from the date of the taking of the subject property until June 30, 2013, and 6% interest *per annum* from July 1, 2013 until fully paid, on the just compensation to be ascertained by the RTC, shall be imposed although not specifically prayed for by respondents. In *Prince Transport, Inc. v. Garcia*,⁷⁴ citing *BPI Family Bank v. Buenaventura*,⁷⁵ we recognized that “the general prayer is broad enough to justify [the grant] of a remedy different from or together with the specific remedy” sought. Moreover, we stressed in *Prince Transport, Inc. v. Garcia* that even if a specific remedy is not prayed for, we may confer on the party the proper relief if the facts alleged in the complaint and the evidence presented so warrant as “[t]he prayer in the complaint for other reliefs equitable and just in the premises justifies the grant of a relief not otherwise specifically prayed for.”⁷⁶ This is the situation here.

Guidelines in the remand of the case

The Court notes that the date of taking of both of respondents’ property cannot be reasonably ascertained from the records of the case as neither the pleadings filed by the parties nor the Decisions rendered by the lower tribunals contained any allegations nor findings thereon. Thus, the Court hereby resolves to order the RTC to determine the date of taking – it being an indispensable component of just compensation – of the subject landholdings. Accordingly, the LBP may submit in evidence the Certificates of Land Ownership Award (for the RA 6657-acquired property) and Emancipation Patents (for the PD 27-acquired land), which are conclusive proof of actual taking of the properties, granted to the farmer-beneficiaries of said lands. Alternatively, it may present the Notice of Coverage, Notice of Valuation, Letter of Invitation to A Preliminary Conference and Notice of Acquisition issued by the DAR to confirm symbolic compulsory taking of the RA 6657-acquired property.⁷⁷

It bears emphasis that despite the enactment of RA 9700, the determination of just compensation for both landholdings shall be pursuant to Section 17 of RA

⁷⁴ 654 Phil. 296, 314 (2011).

⁷⁵ 508 Phil. 423, 436-437 (2005).

⁷⁶ Supra note 74 at 314.

⁷⁷ See *Crisologo-Jose v. Land Bank of the Philippines*, 525 Phil. 404, 410-411 (2006).

6657, as amended, in view of the qualifications imposed by RA 9700.

It must be reiterated too that the factors laid down in Section 17 of RA 6657, as amended, and the formula as translated by the DAR in its implementing rules, are mandatory and may not be disregarded by the RTC. Both parties are reminded that they ought to present evidence in accordance with the requirements set forth in the relevant DAR issuances. For this reason, this Court restates that even if the landowner fails to prove a higher amount as just compensation, the LBP must substantiate its valuation and prove the correctness of its claims. Naturally, it behooves the LBP to present clear and convincing documentary and, if necessary, testimonial, evidence to justify its valuation and how this was arrived at.

Moreover, as regards the RA 6657-acquired property, the RTC must be reminded that although the potential use of an expropriated property may be factored in, especially in instances where there is a significant improvement in the locality of the expropriated property, that factor, however, should not be the controlling component in the determination of just compensation. Otherwise, it will run afoul of the well-settled principle that the fair market value of an expropriated property is determined essentially by its character and by its price at the time of taking, not by its potential uses.

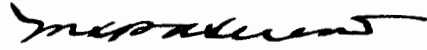
Finally, the RTC may not award compounded interest on the PD 27-acquired land, considering that RA 6657, which is now applicable even to landholdings covered by PD 27, does not itself expressly grant it; what is allowed is the grant of interest in the nature of delay in payment of just compensation. Hence, the LBP is obliged to pay interest at 12% *per annum* from the date of taking until June 30, 2013, and 6% *per annum* from July 1, 2013 until fully paid, in the event it is found to be in delay in the payment of just compensation.

WHEREFORE, the Petition is hereby **PARTLY GRANTED**. The January 18, 2010 Decision and May 24, 2010 Resolution of the Court of Appeals in CA-G.R. SP No. 93518 are **REVERSED and SET ASIDE**. Land Valuation Case Nos. LV-30-'03 and LV-48-'03 are hereby **REMANDED** to the Regional Trial Court of Sorsogon City, Branch 52, for the determination of the just compensation strictly in accordance with the guidelines set forth in this Decision.

SO ORDERED.


MARIANO C. DEL CASTILLO
Associate Justice

WE CONCUR:



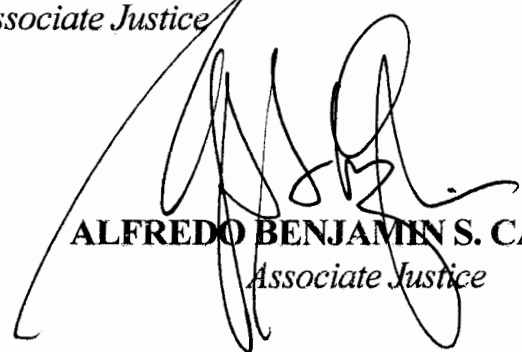
MARIA LOURDES P. A. SERENO
Chief Justice
Chairperson



TERESITA J. LEONARDO-DE CASTRO
Associate Justice

(On official leave)

ESTELA M. PERLAS-BERNABE
Associate Justice



ALFREDO BENJAMIN S. CAGUIOA
Associate Justice

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution, I 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's Division.



MARIA LOURDES P. A. SERENO
Chief Justice

