



Republic of the Philippines
Supreme Court
Manila

SECOND DIVISION

LAND BANK OF THE
PHILIPPINES,

G.R. No. 199141

Petitioner, Present:

CARPIO, J., Chairperson,
PERALTA,
MENDOZA,
LEONEN, and
JARDELEZA, JJ.

- versus -

HEIRS OF JOSE TAPULADO,
namely, TOMASA, LORENZO,
TERESITA, JOSE, JR., ELISA,
ROMEO, LETECIA, all surnamed
TAPULADO,

Respondents.

Promulgated:

08 MAR 2017

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DECISION

MENDOZA, J.:

Before the Court is a petition for review on *certiorari* under Rule 45 of the Rules of Court assailing the June 17, 2011 Consolidated Decision¹ and the October 24, 2011 Resolution² of the Court of Appeals, Cagayan de Oro City (CA), in CA-G.R. SP No. 01186 and CA-G.R. SP No. 01441, affirming with modification the February 16, 2006 Decision³ of the Regional Trial Court, Branch 15, Davao City (RTC), fixing the valuation of just compensation at ₱200,000.00 per hectare in Civil Case No. 29,507-03, entitled “*Heirs of Jose Tapulado namely, Tomasa, Lorenzo, Teresita, Jose, Jr., Elisa, Romeo, Letecia, all surnamed Tapulado v. Department of Agrarian Reform and Land Bank of the Philippines.*”

¹ *Rollo*, pp. 52-65. Penned by Associate Justice Edgardo T. Lloren and concurred in by Associate Justices Romulo V. Borja and Rodrigo F. Lim, Jr.

² *Id.* at 68-69.

³ *Id.* at 167-173. Penned by Judge Jesus Quitain.

The Antecedents:

Jose Tapulado (*Tapulado*), now deceased, was the owner of two (2) parcels of land covered by Original Certificate of Title (*OCT*) No. (P-17535) P-2788⁴ with an area of 17.8393 hectares located in Kiblagon, Sulop, Davao del Sur, and *OCT* No. (P-4518) P-1277⁵ with an area of 11.1359 hectares situated in Kisulan, Kiblawan, Davao del Sur.

In 1972, the Department of Agrarian Reform (*DAR*) placed the subject lands under the coverage of the Operation Land Transfer (*OLT*) Program pursuant to Presidential Decree (*P.D.*) No. 27; and in 1978, awarded them to the farmer-beneficiaries. Tapulado, however, did not receive any compensation from the government.

Actually, it was only on March 24, 1980, that the *DAR* and the Land Bank of the Philippines (*LBP*) computed the value of the subject lands, placing them at ₱38,002.47 or ₱ 1,315.00 per hectare.

The respondents, the Heirs of Tapulado (*Tapulados*), rejected the valuation of the subject lands. They filed a petition for determination of just compensation before the *DAR* Adjudication Board (*DARAB*). The *DARAB*, in turn, referred their petition to the Provincial Agrarian Reform Office of Davao del Sur (*PARO*) for the recomputation of the value of the subject lands under *P.D.* No. 27 in relation to *DAR* Administrative Order (*A.O.*) No. 13.

On January 24, 2003, without waiting for the completion of *PARO*'s re-evaluation of the land, the *Tapulados* filed a petition before the *RTC*, sitting as Special Agrarian Court (*SAC*), for the determination and payment of just compensation. The resort to the *RTC* was not contested.

The Ruling of the RTC

In its February 16, 2006 Decision, the *RTC* pegged the amount of ₱200,000.00 per hectare as the reasonable compensation for their properties considering that the *Tapulados* lost the subject lands and were deprived of the fruits thereof since 1972. The *RTC* also awarded the amounts of ₱300,000.00 as moral damages and ₱100,000.00 as attorney's fees. Thus, the dispositive portion of the *RTC* decision reads:

⁴ *Id.* at 226-230.

⁵ *Id.* at 231-234.

WHEREFORE, judgment is rendered ordering the respondents to solidarily pay the petitioners the following sums:

1. Two Hundred Pesos per square meter for the two hundred eighty nine thousand seven hundred fifty two square meters.
2. Three Hundred Thousand pesos as moral damages, shock, fright-wounded feelings.
3. One Hundred Thousand pesos as atty.'s fees.
4. The costs of suit.

SO ORDERED.⁶

Petitioner LBP filed its motion for reconsideration,⁷ but it was denied in the RTC Order,⁸ dated July 3, 2006.

The Ruling of the CA

On appeal, in its June 17, 2011 Consolidated Decision,⁹ the CA agreed with the RTC that the computation of the just compensation should be in accordance with R.A. No. 6657 because the compensation had remained unsettled up to the passage of the new law. The CA wrote that for purposes of computing the just compensation, the value of the property at the time of its taking should be considered. As the copies of the emancipation patents were not attached, the CA ordered the remand of the case to the RTC for further reception of evidence as regards the date of the emancipation patents to serve as the reckoning point of the computation of just compensation. The CA deleted the award of moral damages and attorney's fees for lack of merit. The dispositive portion reads:

Accordingly, the Decision dated 16 February 2006 is AFFIRMED with MODIFICATION that the award for moral damages, attorney's fees and cost of the suit are hereby DELETED. The records of the case is ordered REMANDED to the Special Agrarian Court, Branch 15, of the Regional Trial Court of Davao City, for further reception of evidence as to the date of the grant of the emancipation patents which shall serve as the basis for the computation of just compensation in accordance with the market-data approach pursuant to Republic Act No. 6657.

SO ORDERED.¹⁰

⁶ Id. at 173.

⁷ Id. at 176-205.

⁸ Id. at 174.

⁹ Id. at 52-65.

¹⁰ Id. at 64.

Upon the denial of its motion for partial reconsideration,¹¹ the LBP filed this petition. In its Memorandum,¹² the petitioner raised this

SOLE ISSUE

WHETHER OR NOT THE HONORABLE COURT OF APPEALS COMMITTED GRAVE ERROR OF LAW WHEN IT ORDERED THE REMAND OF THE CASE TO THE SAC FOR THE RECEPTION OF EVIDENCE AS TO THE DATE OF THE GRANT OF EMANCIPATION PATENT AND THE COMPUTATION OF JUST COMPENSATION IN ACCORDANCE WITH THE MARKET-DATA APPROACH DESPITE THE CLEAR MANDATE OF DAR A.O. NO. 1, SERIES OF 2010, IMPLEMENTING REPUBLIC ACT NO. 9700 AS TO THE FORMULA TO BE USED AND THAT THE RECKONING DATE IN COMPUTING JUST COMPENSATION IS JUNE 30, 2009.¹³

Petitioner LBP avers that in fixing the just compensation for the subject properties, the guidelines set forth in DAR A.O. No. 1, Series of 2010, pursuant to R.A. No. 9700, should be applied.

The Tapulados, on the other hand, contend that though they agree with the CA that the date of taking for purposes of judicial determination of just compensation should be reckoned from the date of the issuance of the Emancipation Patents, but remanding the case to the RTC for another computation would only entail injustice and prejudice to them as their lands had long been taken since 1972 and thereafter distributed to the farmer-beneficiaries.

The Court's Ruling

The Court agrees with the CA that the case should be remanded to the RTC for the computation of just compensation.

Prior to the enactment of R.A. No. 9700,¹⁴ the Court had consistently ruled that when a property had been taken pursuant to P.D. No. 27 and the

¹¹ Id. at 68-69.

¹² Id. at 386-413

¹³ Id. at 394-395.

¹⁴ Republic Act No. 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 Therefore."

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agrarian process was still incomplete because the payment of just compensation was still to be settled after the enactment of R.A. No. 6657, the computation of just compensation should be determined using the factors provided under Section 17¹⁵ thereof, to wit:

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, and the assessment made by the 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.

With the enactment of R.A. No. 9700, the LBP agreed with the order of remand for the computation of just compensation conformably with the said law. A reading of R.A. No. 9700, however, reveals that the case still falls within the ambit of Section 17 of R.A. No. 6657, as amended. Section 5 of R.A. No. 9700, clearly provides that “previously acquired lands wherein the valuation is subject to challenge shall be completed and resolved pursuant to Section 17 of R.A. No. 6657, as amended.”¹⁶ 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 land holdings 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

¹⁵ *Land Bank of the Philippines v. Santiago, Jr.*, 696 Phil. 142, 159 (2012); *Land Bank of the Philippines v. Pacita Agricultural Multi-Purpose Cooperative*, 596 Phil. 315, 330 (2009); *Land Bank of the Philippines v. Natividad*, 497 Phil. 738, 746; *Land Bank of the Philippines v. J.L. Jocson and Sons*, 619 Phil. 359, 370 (2009).

¹⁶ *Land Bank of the Philippines v. Santiago, Jr.*, 696 Phil. 142, 159 (2012).

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 completed and finally resolved pursuant to Section 17 of Republic Act No. 6657, as amended:** Provided, finally, as mandated by the Constitution, Republic Act No. 6657, as amended, and Republic Act No. 3844, as amended, only farmers (tenants or lessees) and regular farmworkers actually tilling the lands, as certified under oath by the Barangay Agrarian Reform Council (BARC) and attested under oath by the landowners; are the qualified beneficiaries. The intended beneficiaries shall state under oath before the judge of the city or municipal court that he/she is willing to work on the land to make it productive and to assume the obligation of paying the amortization for the compensation of the land and the land taxes thereon; all lands foreclosed by government financial institutions; all lands acquired by the Presidential Commission on Good Government (PCGG); and all other lands owned by the government devoted to or suitable for agriculture, which shall be acquired and distributed immediately upon the effectivity of this Act, with the implementation to be completed by June 30, 2012. (Emphasis supplied)

This provision was further clarified by DAR A.O. No. 02-09, the "Rules and Procedures Governing the Acquisition and Distribution of Agricultural Lands under R.A. No. 6657, as amended by RA No. 9700," which provides that:

VI. TRANSITORY PROVISION

With respect to cases where the Master List of ARBs¹⁷ 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.

¹⁷ Abbreviation for "Agrarian Reform Beneficiaries," as shown in I. Prefatory Statement of DAR AO No. 02-09.

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)

Thus, all agrarian reform cases where the masterlists of agrarian reform beneficiaries had already been finalized on or before July 1, 2009 or where the claim folders had been transmitted to and received by LBP on or before the said date, the determination of just compensation should be in accordance with the pertinent DAR regulations, applying Section 17 of R.A. No. 6657.

In the case at bench, the subject property was awarded to the farmer-beneficiaries in 1978. On March 24, 1980, LBP approved its initial valuation. Clearly, the process of the determination of just compensation should be governed by Section 17 of R.A. No. 6657.

Accordingly, the Court sets aside the RTC valuation of their property at ₱200,000.00 per hectare. The RTC valuation failed to comply with the parameters of Section 17 of R.A. No. 6657 and DAR regulation. In fact, the RTC neither used any formula in coming up with the valuation of the subject land nor explained its reason for deviating therefrom. It simply declared the amount of ₱200,000.00 per hectare as the fair and reasonable amount of compensation, without any clear basis.

Although the determination of just compensation is essentially a judicial function, the RTC, sitting as a SAC, must consider the factors mentioned in Section 17 of R.A. No. 6657.¹⁸ The RTC is bound to observe the basic factors and formula prescribed by the DAR pursuant to Section 17 of R.A. No. 6657.¹⁹ Nonetheless, when the RTC is faced with situations that do not warrant the strict application of the formula, it may, in the exercise of its discretion, relax the formula's application to fit the factual situations before it. In such a case, however, the RTC is duty bound to explain and justify in clear terms the reason for any deviation from the prescribed factors and formula.²⁰ In the recent case of *Alfonso v. Land Bank of the Philippines*,²¹ the Court stressed that:

¹⁸ *Land Bank of the Philippines v. Barrido*, 642 Phil. 595, 600 (2010).

¹⁹ *Land Bank of the Philippines v. Kho*, G.R. No. 214901, June 15, 2016.

²⁰ *Land Bank of the Philippines v. Eusebio, Jr.*, 738 Phil. 7, 22 (2014).

²¹ G.R. No. 181912 & 183347, November 29, 2016.

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.** (Emphasis supplied)

Though the Court is fully aware that the subject properties have been taken by the government since 1972, it has no option but to affirm the CA order of remand to the RTC for the computation of the just compensation in accordance with Section 17 of R.A. No. 6657 because the basis for the RTC determination of just compensation was not clear.

In the determination of just compensation, the RTC should be guided by the following:

1. Just compensation must be valued at the time of taking, or the time when the owner was deprived of the use and benefit of his property, that is, the date when the title or the emancipation patents were issued in the names of the farmer-beneficiaries.

2. Just compensation must be determined pursuant to the guidelines set forth in Section 17 of R.A. No. 6657, as amended, prior to its amendment by R.A. No. 9700. Nevertheless, while it should take into account the different formulas created by the DAR in arriving at the just compensation, it is not strictly bound thereto if the situations before it do not warrant their application. In which case, the RTC must clearly explain the reasons for deviating therefrom, and for using other factors or formulas in arriving at a reasonable just compensation.

3. Interest may be awarded as warranted by the circumstances of the case and based on prevailing jurisprudence. In previous cases, the Court had allowed the grant of legal interest in expropriation cases where there was

delay in the payment since the just compensation due to the landowners was deemed to be an effective forbearance on the part of the State. Legal interest on the unpaid balance shall be fixed at the rate of 12% per annum from the time of taking and 6% per annum from the finality of the decision until fully paid.²²

The Court is not unaware that the properties have been awarded to the farmer beneficiaries in 1978. Since then the Tapulados have not received any compensation for their lands. Remanding the case to the RTC would further delay the payment of just compensation due them. So as not to prolong the agony of the Tapulados, the RTC should conduct a preliminary summary hearing to determine the amount that the LBP is willing to pay and order the payment thereof to the Tapulados *pendente lite*. Thereafter, the RTC should proceed to conduct the hearing proper to determine the balance due to the Tapulados.

WHEREFORE, the petition is **DENIED**. The case is ordered **REMANDED** to the Regional Trial Court, Branch 15, Davao City, for the immediate determination of just compensation in the foregoing.

In the interest of justice, the RTC is ordered to conduct a preliminary summary hearing to determine the amount the LBP is willing to pay and order the payment thereof to the Tapulados *pendente lite*.

Thereafter, the RTC should proceed with dispatch to hear the parties on the balance due to the Tapulados and to submit to the Court a report on its findings and recommendations within sixty (60) days from notice of this disposition.

SO ORDERED.


JOSE CATRAL MENDOZA
Associate Justice

²² *Land Bank of the Philippines v. Kho*, supra note 19.

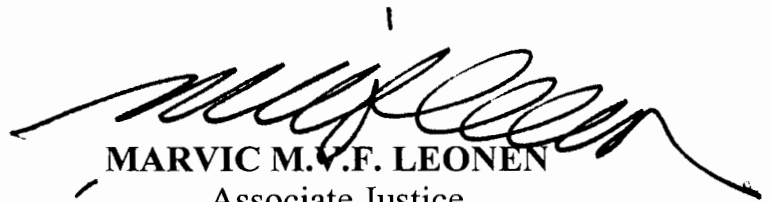
WE CONCUR:



ANTONIO T. CARPIO
Associate Justice
Chairperson



DIOSDADO M. PERALTA
Associate Justice



MARVIC M.V.F. LEONEN
Associate Justice



FRANCIS H. JARDELEZA
Associate Justice

A T T E S T A T I O N

I attest 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.



ANTONIO T. CARPIO
Associate Justice
Chairperson, Second Division

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution and the Division Chairperson's Attestation, 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

