

Republic of the Philippines
Supreme Court
Manila

FIRST DIVISION

**LAND BANK
PHILIPPINES,**

OF THE
Petitioner,

G.R. No. 221890

Present:

PERALTA, C.J., *Chairperson*,
CAGUIOA, *Working Chairperson*
REYES, J. JR.,
LAZARO-JAVIER, and
LOPEZ, JJ.

- versus -

**HEIRS OF SPOUSES EUSTAQUIO
and PETRA SAMBAS,**
Respondents.

Promulgated:

DEC 10 2019

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DECISION

REYES, J. JR., J.:

Challenged in this Petition for Review on *Certiorari*¹ under Rule 45 of the Rules of Court is the order of the Court of Appeals-Cagayan de Oro (CA) remanding the case for determination of just compensation to the Regional Trial Court of Tagum City, Davao del Norte, Branch 1, acting as a Special Agrarian Court (RTC-SAC) as pronounced in its Decision² dated January 23, 2015 and Resolution³ dated December 3, 2015 in CA-G.R. SP No. 04846-MIN.

¹ *Rollo*, pp. 12-33.

² Penned by Associate Justice Oscar V. Badelles, with Associate Justices Romulo V. Borja and Rafael Antonio M. Santos, concurring; *id.* at 40-47.

³ *Id.* at 50-51.

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Relevant Antecedents

Subject of this petition are parcels of land with an area of 10.3668 and 11.0763 hectares (subject properties), which are covered by Original Certificate of Title (OCT) No. (8532) (P-859) and No. (T-4425) (T-1256) T-63, respectively and owned by herein respondents, spouses Eustaquio and Petra Sambas.⁴

In accordance with the Comprehensive Agrarian Reform Program (CARP), heirs of respondents offered the properties in the amount of ₱150,000.00 per hectare to the Department of Agrarian Reform (DAR).⁵

Land Bank of the Philippines, herein petitioner, valued the subject properties at ₱508,943.41 and ₱547,156.72, respectively. As the valuation was lower than what respondents asked for, they refused the same.

In view of respondents' refusal, petitioner deposited the equivalent amount on the account of the respondents on November 9, 2001.⁶

The disagreement as to the valuation of the subject properties led to a summary administrative proceeding for the determination of just compensation, and the Office of the Regional Adjudicator rendered a Decision dated March 26, 2002, adopting the valuation of the petitioner.⁷

Unsatisfied, respondents filed a petition for determination of just compensation before the Regional Trial Court-Special Agrarian Court (RTC-SAC).⁸ In said petition, respondents moved that the valuation of the subject properties at ₱80,000.00 to ₱140,000.00 per hectare. In supporting their valuation, respondents presented the valuation made by petitioner, DAR, and court-appointed commissioners on comparable properties which were appraised at a higher rate.⁹

Petitioner countered the computation by valuating the subject properties at ₱49,000.00 per hectare. To reinforce its claim, petitioner presented the Field Investigation Report of the subject properties, the annual production per crop, and Claims Valuation and Processing Forms.¹⁰

In a Decision dated September 29, 2008, the RTC-SAC valued the subject properties at ₱80,000.00 per hectare.¹¹

⁴ Id at 41.

⁵ Id.

⁶ Id.

⁷ Id.

⁸ Id.

⁹ Id at 97.

¹⁰ Id.

¹¹ Id. at 41-42.

Aggrieved, petitioner filed a Motion for Reconsideration, which was denied in an Order¹² dated February 21, 2002. In arriving at the ₱80,000.00 per hectare rate, the RTC-SAC used the ₱49,000.00 per hectare valuation by petitioner as the reckoning point before it considered other factors, such as the valuations made by the petitioner on similar and comparable properties, the nature of the subject properties, among others. It observed that the investigator of petitioner did not make an actual count of coconut trees standing on the subject properties deemed his report unreliable. On the other hand, the estimated valuation made by respondents cannot likewise be given full credence as they only used the Capitalized Income Approach only and no other. Hence, in the exercise of its judicial discretion, the RTC-SAC stood by its earlier decision that the subject properties are valued at ₱80,000.00 per hectare. The dispositive portion of which reads:

WHEREFORE, as the Court finds no error in its Decision, which defendants sought to be reconsidered, and finding that the amount fixed at EIGHTY THOUSAND PESOS (P80,000.[00]) per hectare is JUST, equitable, and reasonable COMPENSATION for those parcels of land, subject of this case, the motion for reconsideration of defendants is hereby DENIED.

SO ORDERED.¹³

Still seeking relief, petitioner elevated the matter before the CA *via* a petition for review under Section 60 of Republic Act (R.A.) No. 6657. Petitioner essentially questioned the valuation made by the RTC-SAC.

In a Decision¹⁴ dated January 23, 2015, the CA remanded the case to the RTC-SAC for the proper determination of just compensation. The CA found unacceptable the valuations made by the petitioner and RTC-SAC. The CA faulted petitioner for using the Capital Net Income (CNI) formula only to the exclusion of others, falling short of the requirements provided under Section 17 of R.A. No. 6657. As to the valuation made by the RTC-SAC, the CA found the same inaccurate for it used a different formula than that prescribed under Administrative Order (A.O.) No. 5.

WHEREFORE, the petition is GRANTED. The Decision dated 29 September 2008 and the Order dated 21 February 2012 of the Regional Trial Court of Tagum City, Branch 1, Acting as Special Agrarian Court, in *SP Agrarian Case No. 75-2002* are hereby REVERSED and SET ASIDE.

The instant case is REMANDED to the said court which is directed to determine, and with the assistance of at least three commissioners, the just compensation due to the respondent, in accordance with Section 17 of R.A. No. 6657 and DAR Administrative Order No. 05, series of 1998.

SO ORDERED.¹⁵

¹² Penned by Presiding Judge Virginia D. Tehano-Ang; id at 96-103.

¹³ Id. at 103.

¹⁴ Supra note 2.

¹⁵ Rollo, p. 46.

A motion for reconsideration filed by petitioner was likewise denied in a Resolution¹⁶ dated December 3, 2015.

Hence, this instant petition, essentially contending that the CA committed reversible error in remanding the case to RTC-SAC as it failed to properly appreciate the evidence on record.

In its Comment,¹⁷ respondents supported RTC-SAC's valuation as correct and accurate because of the consideration of factors such as the nature of the land, its comparative sales, current value of like properties, income, location, among others in fixing the value of just compensation.

The Issue

In the main, the issue lies on which valuation shall prevail — that assessed by the RTC-SAC or herein petitioner?

This Court's Ruling

Just compensation in expropriation cases is defined as the full and fair equivalent of the property taken from its owner by the expropriator. The Court repeatedly stressed that the true measure is not the taker's gain but the owner's loss. The word 'just' is used to modify the meaning of the word "compensation," to convey the idea that the equivalent to be given for the property to be taken shall be real, substantial, full and ample.¹⁸

The determination of just compensation is principally a judicial function. For guidance of the courts, Section 17 of R.A. No. 6657 provides:

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.

Relevantly, DAR A.O. No. 5-98 provides for a formula for the valuation of lands covered by voluntary offer to sell or compulsory acquisition, to wit:

¹⁶ Supra note 3.

¹⁷ Id. at 84-95.

¹⁸ *Republic of the Philippines v. Sps. Legaspi*, G.R. No. 221995, October 3, 2018.

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

Where: LV= Land Value

CNI = Capitalized Net Income

CS = Comparable Sales

MV = Market Value per Tax Declaration

The above formula shall be used if all three factors are present, relevant, and applicable.

A1. When the CS factor is not present and CNI and MV are applicable, the formula shall be:

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

A2. When the CNI factor is not present, and CS and MV are applicable, the formula shall be:

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

A3. When both the CS and CNI are not present and only MV is applicable, the formula shall be:

$$LV = MV \times 2$$

In no case shall the value of idle land using the formula $MV \times 2$ exceed the lowest value of land within the same estate under consideration or within the same barangay or municipality (in that order) approved by LBP within one (1) year from receipt of claim folder.

In this case, petitioner used the **CNI and MV** factors under A.O. No. 5-98 in determining just compensation, as it insisted that the Comparable Sales (CS) factor is not applicable in this case.

CNI is the difference between the gross sales and total cost of operations capitalized at 12%.¹⁹ In the case of *Land Bank v. Omengan*,²⁰ this Court summarized the equation for the determination of the CNI based on DAR A.O. No. 5-98, to wit:

The CNI is expressed in equation form as $CNI = (AGP \times SP) - CO/capitalization\ rate$. Where:

AGP = Average Gross Production corresponding to the latest available 12 months' gross production immediately preceding the date of FI (field investigation)

SP = Selling Price (the average of the latest available 12 months selling prices prior to the date of receipt of the CF (claim folder) 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.

¹⁹ Item 11-B of DAR A.O. No. 5-98.

²⁰ 813 Phil. 901, 917-918 (2017).

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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

[x x x]²¹

To arrive at the value of the CNI, the 20% Net Income Rate (NIR) and the 12% capitalization rate must likewise be considered.

In this case, petitioner failed to prove that the factors taken into consideration in computing the CNI formula are accurate. To reiterate, one of its factors is the AGP which corresponds to the latest available 12 months' gross production immediately preceding the date of field investigation. However, the Field Investigation Report does not precisely reflect the AGP concerning the subject properties. As found by the RTC-SAC, the investigator did not make an actual headcount of the coconuts standing on the subject properties as he merely relied on the information given by the occupants therein.²² His failure to fully and adequately supply information to petitioner necessarily affects petitioner's valuation.

Conversely, the valuation made by the RTC-SAC cannot be sanctioned as correct by this Court for failure to sufficiently explain why it opted to deviate from the formula prescribed under DAR A.O. No. 5-98.

Although steered to follow standards laid down by law, the courts are permitted to depart from using and applying the DAR formula to fit the factual circumstances of each case, subject to the condition that they clearly explain in their decision the reasons for such deviation.²³ Thus, the "justness" of the enumeration of valuation factors in Section 17, the "justness" of using a basic DAR formula, and the "justness" of the components (and their weights) that flow into such formula, are all matters for the courts to decide.²⁴

In arriving at the ₱80,000.00 per hectare valuation, the RTC-SAC merely relied on the subject properties' proximity to the provincial capitol, their nature, and the data provided by petitioner.²⁵ Thus, such valuation cannot be considered by this Court as just compensation for its failure to provide a justification in veering away from the guidelines.

²¹ Id. at 919.

²² Rollo, p. 101.

²³ *Alfonso v. Land Bank of the Philippines*, 801 Phil. 217, 284 (2016).

²⁴ *Land Bank of the Philippines v. Rural Bank of Hermosa (Bataan), Inc.*, 814 Phil. 157, 166 (2017).


²⁵ Rollo at 101-102.

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As both the RTC-SAC and petitioner failed to comply with the relevant rules in determining just compensation, the remand of the case to the RTC-SAC as ordered by the CA is deemed proper.

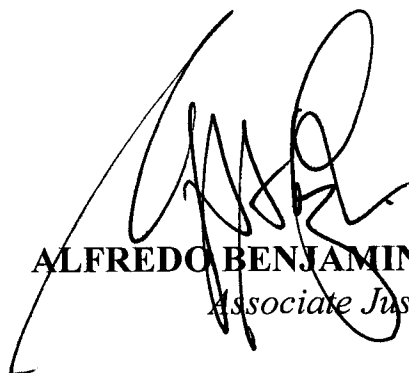
WHEREFORE, premises considered, the instant petition is **DENIED**. Accordingly, the Decision dated January 23, 2015 and the Resolution dated December 3, 2015 of the Court of Appeals-Cagayan de Oro in CA-G.R. SP No. 04846-MIN are **AFFIRMED**.

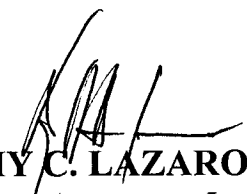
SO ORDERED.



JOSE C. REYES, JR.
Associate Justice

WE CONCUR:


DIOSDADO M. PERALTA
Chief Justice
Chairperson


ALFREDO BENJAMIN S. CAGUIOA
Associate Justice


AMY C. LAZARO-JAVIER
Associate Justice


MARIO V. LOPEZ
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.



DIOSDADO M. PERALTA
Chief Justice