



Republic of the Philippines
Supreme Court
Baguio City

EN BANC

SECRETARY OF THE DEPARTMENT
OF PUBLIC WORKS AND
HIGHWAYS and DISTRICT
ENGINEER CELESTINO R.
CONTRERAS,

Petitioners,

- versus -

SPOUSES HERACLEO and RAMONA
TECSON,

Respondents.

G.R. No. 179334

Present:

SERENO, C.J.,
CARPIO,
VELASCO, JR.,
LEONARDO-DE CASTRO,
BRION,
PERALTA,
BERSAMIN,*
DEL CASTILLO,
VILLARAMA, JR.,
PEREZ,
MENDOZA,
REYES,
PERLAS-BERNABE,*
LEONEN, and
JARDELEZA, JJ.

Promulgated:

April 21, 2015

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RESOLUTION

PERALTA, J.:

For resolution is the Motion for Reconsideration¹ filed by respondents-movants spouses Heracleo and Ramona Tecson imploring the Court to take a second look at its July 1, 2013 Decision, the dispositive portion of which reads:

* No part.
¹ Rollo, pp. 255-259.

WHEREFORE, premises considered, the petition is **PARTIALLY GRANTED**. The Court of Appeals Decision dated July 31, 2007 in CA-G.R. CV No. 77997 is **MODIFIED**, in that the valuation of the subject property owned by respondents shall be ₱0.70 instead of ₱1,500.00 per square meter, with interest at six percent (6%) per annum from the date of taking in 1940 instead of March 17, 1995, until full payment.²

In view of the contrasting opinions of the members of the Third Division on the instant motion, and the transcendental importance of the issue raised herein, the members of the Third Division opted to refer the issue to the *En Banc* for resolution.

For a proper perspective, we briefly state the factual background of the case.

In 1940, the Department of Public Works and Highways (*DPWH*) took respondents-movants' subject property without the benefit of expropriation proceedings for the construction of the MacArthur Highway. In a letter dated December 15, 1994, respondents-movants demanded the payment of the fair market value of the subject parcel of land. Celestino R. Contreras (*Contreras*), then District Engineer of the First Bulacan Engineering District of the *DPWH*, offered to pay for the subject land at the rate of Seventy Centavos (₱0.70) per square meter, per Resolution of the Provincial Appraisal Committee (*PAC*) of Bulacan. Unsatisfied with the offer, respondents-movants demanded the return of their property, or the payment of compensation at the current fair market value.³ Hence, the complaint for recovery of possession with damages filed by respondents-movants. Respondents-movants were able to obtain favorable decisions in the Regional Trial Court (*RTC*) and the Court of Appeals (*CA*), with the subject property valued at One Thousand Five Hundred Pesos (₱1,500.00) per square meter, with interest at six percent (6%) per annum.

Petitioners thus elevated the matter to this Court in a petition for review on *certiorari*. The only issue resolved by the Court in the assailed decision is the amount of just compensation which respondents-movants are entitled to receive from the government for the taking of their property. Both the *RTC* and the *CA* valued the property at One Thousand Five Hundred Pesos (₱1,500.00) per square meter, plus six percent (6%) interest from the time of the filing of the complaint until full payment. We, however, did not agree with both courts and ruled instead that just compensation should be based on the value of the property at the time of taking in 1940, which is Seventy Centavos (₱0.70) per square meter.⁴ In addition, and by

² *Id.* at 237.

³ *Id.* at 230.

⁴ *Id.* at 236.

way of compensation, we likewise awarded an interest of six percent (6%) per annum from 1940 until full payment.⁵

Aggrieved, respondents-movants hereby move for the reconsideration of said decision on the following grounds:

- A. THE HONORABLE COURT MAY LOOK INTO THE “JUSTNESS” OF THE MISERABLE AMOUNT OF COMPENSATION BEING AWARDED TO THE HEREIN RESPONDENTS; and
- B. THE HONORABLE COURT MAY SETTLE FOR A HAPPY MIDDLE GROUND IN THE NAME OF DOCTRINAL PRECISION AND SUBSTANTIAL JUSTICE.⁶

Citing the views of Justices Presbitero J. Velasco, Jr. and Marvic Mario Victor F. Leonen in their Dissenting and Concurring Opinion and Separate Opinion, respectively, respondents-movants insist that gross injustice will result if the amount that will be awarded today will be based simply on the value of the property at the time of the actual taking. Hence, as proposed by Justice Leonen, they suggest that a happy middle ground be achieved by meeting the need for doctrinal precision and the thirst for substantial justice.⁷

We maintain our conclusions in the assailed July 1, 2013 Decision with modification on the amount of interest awarded, as well as the additional grant of exemplary damages and attorney’s fees.

At the outset, it should be stressed that the matter of the validity of the State’s exercise of the power of eminent domain has long been settled. In fact, in our assailed decision, We have affirmed the ruling of the CA that the pre-trial order issued on May 17, 2001 has limited the issues as follows: (1) whether or not the respondents-movants are entitled to just compensation; (2) whether or not the valuation would be based on the corresponding value at the time of the taking or at the time of the filing of the action; and (3) whether or not the respondents-movants are entitled to damages.⁸ Moreover, it was held that for failure of respondents-movants to question the lack of expropriation proceedings for a long period of time, they are deemed to have waived and are estopped from assailing the power of the government to expropriate or the public use for which the power was exercised.⁹ What is, therefore, left for determination in the instant Motion for Reconsideration, in

⁵ *Id.*

⁶ *Id.* at 256.

⁷ *Id.* at 257.

⁸ *Secretary of the Department of Public Works and Highways v. Tecson*, G.R. No. 179334, July 1, 2013, 700 SCRA 243, 254.

⁹ *Id.* at 255.

accordance with our Decision dated July 1, 2013, is the propriety of the amount awarded to respondents as just compensation.

At this juncture, We hold that the reckoning date for property valuation in determining the amount of just compensation had already been addressed and squarely answered in the assailed decision. To be sure, the justness of the award had been taken into consideration in arriving at our earlier conclusion.

We have in the past been confronted with the same issues under similar factual and procedural circumstances. We find no reason to depart from the doctrines laid down in the earlier cases as we adopted in the assailed decision. In this regard, we reiterate the doctrines laid down in the cases of *Forfom Development Corporation (Forfom) v. Philippine National Railways (PNR)*,¹⁰ *Eusebio v. Luis*,¹¹ *Manila International Airport Authority v. Rodriguez*,¹² and *Republic v. Sarabia*.¹³

In *Forfom*, PNR entered the property of Forfom in January 1973 for railroad tracks, facilities and appurtenances for use of the Carmona Commuter Service without initiating expropriation proceedings. In 1990, Forfom filed a complaint for recovery of possession of real property and/or damages against PNR. In *Eusebio*, respondent's parcel of land was taken in 1980 by the City of Pasig and used as a municipal road without the appropriate expropriation proceedings. In 1996, respondent filed a complaint for reconveyance and/or damages against the city government and the mayor. In *MIAA*, in the early 1970s, petitioner implemented expansion programs for its runway, necessitating the acquisition and occupation of some of the properties surrounding its premises. As to respondent's property, no expropriation proceedings were initiated. In 1997, respondent initiated a case for *accion reivindicatoria* with damages against petitioner. In *Republic*, sometime in 1956, the Air Transportation Office (ATO) took possession and control of a portion of a lot situated in Aklan, registered in the name of respondent, without initiating expropriation proceedings. Several structures were erected thereon, including the control tower, the Kalibo crash fire rescue station, the Kalibo airport terminal, and the Headquarters of the PNP Aviation Security Group. In 1995, several stores and restaurants were constructed on the remaining portion of the lot. In 1997, respondent filed a complaint for recovery of possession with damages against the storeowners wherein ATO intervened claiming that the storeowners were its lessees.

¹⁰ 594 Phil. 10 (2008).

¹¹ G.R. No. 162474, October 13, 2009, 603 SCRA 576.

¹² 518 Phil. 750, 757 (2006).

¹³ 505 Phil. 253 (2005).

These cases stemmed from similar background, that is, government took control and possession of the subject properties for public use without initiating expropriation proceedings and without payment of just compensation; while the landowners failed for a long period of time to question such government act and later instituted actions for recovery of possession with damages. In these cases, the Court has uniformly ruled that the fair market value of the property at the time of taking is controlling for purposes of computing just compensation.

In *Forfom*, the payment of just compensation was reckoned from the time of taking in 1973; in *Eusebio*, the Court fixed the just compensation by determining the value of the property at the time of taking in 1980; in *MIAA*, the value of the lot at the time of taking in 1972 served as basis for the award of compensation to the owner; and, in *Republic*, the Court was convinced that the taking occurred in 1956 and was thus the basis in fixing just compensation.

As in the aforementioned cases, just compensation due respondents-movants in this case should, therefore, be fixed not as of the time of payment but at the time of taking in 1940 which is Seventy Centavos (₱0.70) per square meter, and not One Thousand Five Hundred Pesos (₱1,500.00) per square meter, as valued by the RTC and CA.

While disparity in the above amounts is obvious and may appear inequitable to respondents-movants as they would be receiving such outdated valuation after a very long period, it should be noted that the purpose of just compensation is not to reward the owner for the property taken but to compensate him for the loss thereof. As such, the true measure of the property, as upheld by a plethora of cases, is the market value at the time of the taking, when the loss resulted. This principle was plainly laid down in *Apo Fruits Corporation and Hijo Plantation, Inc. v. Land Bank of the Philippines*,¹⁴ to wit:

x x x In *Land Bank of the Philippines v. Orilla*, a valuation case under our agrarian reform law, this Court had occasion to state:

Constitutionally, "just compensation" is the sum equivalent to the market value of the property, broadly described as 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 the one who receives and the one who desires to sell, *it being fixed at the time of the actual taking by the government*. **Just compensation is defined as the full and fair equivalent of the property taken from its owner by the**

¹⁴ G.R. No. 164195, October 12, 2010, 632 SCRA 727.

expropriator. It has been repeatedly stressed by this Court 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.** [Emphasis supplied.]¹⁵

Indeed, the State is not obliged to pay premium to the property owner for appropriating the latter's property; it is only bound to make good the loss sustained by the landowner, with due consideration of the circumstances availing at the time the property was taken. More, the concept of just compensation does not imply fairness to the property owner alone. Compensation must also be just to the public, which ultimately bears the cost of expropriation.¹⁶

Notwithstanding the foregoing, we recognize that the owner's loss is not only his property but also its income-generating potential.¹⁷ Thus, when property is taken, full compensation of its value must immediately be paid to achieve a fair exchange for the property and the potential income lost.¹⁸ Accordingly, in *Apo*, we held that the rationale for imposing the interest is to compensate the petitioners for the income they would have made had they been properly compensated for their properties at the time of the taking.¹⁹ Thus:

We recognized in *Republic v. Court of Appeals* the need for prompt payment and the necessity of the payment of interest to compensate for any delay in the payment of compensation for property already taken. We ruled in this case that:

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, i[f] 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[s] on its just value to be computed from the time the property is taken to the time when compensation is actually paid or deposited with the court. In fine, between the taking of the property and the actual***

¹⁵ *Apo Fruits Corporation and Hijo Plantation, Inc. v. Land Bank of the Philippines*, *supra*, at 741. (Italics supplied)

¹⁶ *Republic v. Court of Appeals*, 494 Phil. 494, 510 (2005).

¹⁷ *Apo Fruits Corporation and Hijo Plantation, Inc. v. Land Bank of the Philippines*, *supra* note 14, at 747.

¹⁸ *Id.*

¹⁹ *Id.* at 754-755.

payment, legal interest[s] 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. [Emphasis supplied]²⁰

In other words, the just compensation due to the landowners amounts to an effective forbearance on the part of the State—a proper subject of interest computed from the time the property was taken until the full amount of just compensation is paid—in order to eradicate the issue of the constant variability of the value of the currency over time.²¹ In the Court's own words:

The Bulacan trial court, in its 1979 decision, was correct in imposing interests on the zonal value of the property to be computed from the time petitioner instituted condemnation proceedings and "took" the property in September 1969. *This allowance of interest on the amount found to be the value of the property as of the time of the taking computed, being an effective forbearance, at 12% per annum should help eliminate the issue of the constant fluctuation and inflation of the value of the currency over time x x x.*²²

On this score, a review of the history of the pertinent laws, rules and regulations, as well as the issuances of the Central Bank (*CB*) or Bangko Sentral ng Pilipinas (*BSP*) is imperative in arriving at the proper amount of interest to be awarded herein.

On May 1, 1916, **Act No. 2655**²³ took effect prescribing an interest rate of six percent (6%) or such rate as may be prescribed by the Central Bank Monetary Board (*CB-MB*) for loans or forbearance of money, in the absence of express stipulation as to such rate of interest, to wit:

Section 1. The rate of interest for the loan or forbearance of any money goods, or credits and the rate allowed in judgments, in the absence of express contract as to such rate of interest, *shall be six per centum per annum or such rate as may be prescribed by the Monetary Board of the Central Bank of the Philippines for that purpose in accordance with the authority hereby granted.*

Sec. 1-a. The Monetary Board is hereby authorized to prescribe the maximum rate or rates of interest for the loan or renewal thereof or the forbearance of any money, goods or credits, and to change such rate or rates whenever warranted by prevailing economic and social conditions.

²⁰ *Id.* at 743-744 (Citations omitted; italics ours)

²¹ *Id.* at 745.

²² *Republic of the Philippines v. Court of Appeals*, 433 Phil. 106, 123 (2002). (Emphasis ours; citations omitted)

²³ An Act Fixing Rates of Interest on Loans Declaring the Effect of Receiving or Taking Usurious Rates and For Other Purposes.

In the exercise of the authority herein granted, the Monetary Board may prescribe higher maximum rates for loans of low priority, such as consumer loans or renewals thereof as well as such loans made by pawnshops finance companies and other similar credit institutions although the rates prescribed for these institutions need not necessarily be uniform. The Monetary Board is also authorized to prescribe different maximum rate or rates for different types of borrowings, including deposits and deposit substitutes, or loans of financial intermediaries.²⁴

Under the aforesaid law, any amount of interest paid or stipulated to be paid in excess of that fixed by law is considered usurious, therefore unlawful.²⁵

On July 29, 1974, the CB-MB, pursuant to the authority granted to it under the aforesaid provision, issued Resolution No. 1622. On even date, **Circular No. 416** was issued, implementing MB Resolution No. 1622, increasing the rate of interest for loans and forbearance of money to twelve percent (12%) per annum, thus:

By virtue of the authority granted to it under Section 1 of Act No. 2655, as amended, otherwise known as the "Usury Law," the Monetary Board, in its Resolution No. 1622 dated July 29, 1974, has prescribed that *the rate of interest for the loan or forbearance of any money, goods or credits and the rate allowed in judgments, in the absence of express contract as to such rate of interest, shall be twelve per cent (12%) per annum.*²⁶

The foregoing rate was sustained in CB **Circular No. 905**²⁷ which took effect on December 22, 1982, particularly Section 2 thereof, which states:

²⁴ Emphasis supplied.

²⁵ *Spouses Puerto v. Court of Appeals*, 432 Phil. 743, 752 (2002).

²⁶ Emphasis supplied.

²⁷ CB Circular 905 was issued by the Central Bank's Monetary Board pursuant to P.D. 1684 empowering them to prescribe the maximum rates of interest for loans and certain forbearances, to wit:

Sec. 1. Section 1-a of Act No. 2655, as amended, is hereby amended to read as follows:

Sec. 1-a. The Monetary Board is hereby authorized to prescribe the maximum rate of interest for the loan or renewal thereof or the forbearance of any money, goods or credits, and to change such rate or rates whenever warranted by prevailing economic and social conditions: Provided, That changes in such rate or rates may be effected gradually on scheduled dates announced in advance.

In the exercise of the authority herein granted, the Monetary Board may prescribe higher maximum rates for loans of low priority, such as consumer loans or renewals thereof as well as such loans made by pawnshops, finance companies and other similar credit institutions although the rates prescribed for these institutions need not necessarily be uniform. The Monetary Board is also authorized to prescribe different maximum rate or rates for different types of borrowings, including deposits and deposit substitutes, or loans of financial intermediaries.

Sec. 2. The rate of interest for the loan or forbearance of any money, goods or credits and the rate allowed in judgments, in the absence of express contract as to such rate of interest, *shall continue to be twelve per cent (12%) per annum.*²⁸

Recently, the BSP Monetary Board (*BSP-MB*), in its Resolution No. 796 dated May 16, 2013, approved the amendment of Section 2 of Circular No. 905, Series of 1982, and accordingly, issued **Circular No. 799**, Series of 2013, effective July 1, 2013, the pertinent portion of which reads:

The Monetary Board, in its Resolution No. 796 dated 16 May 2013, approved the following revisions governing the rate of interest in the absence of stipulation in loan contracts, thereby amending Section 2 of Circular No. 905, Series of 1982:

Section 1. The rate of interest for the loan or forbearance of any money, goods or credits and the rate allowed in judgments, in the absence of an express contract as to such rate of interest, shall be six percent (6%) per annum.

Section 2. In view of the above, Subsection X305.1 of the Manual of Regulations for Banks and Sections 4305Q.1, 4305S.3 and 4303P.1 of the Manual of Regulations for Non-Bank Financial Institutions are hereby amended accordingly.

This Circular shall take effect on 01 July 2013.²⁹

Accordingly, the prevailing interest rate for loans and forbearance of money is six percent (6%) per annum, in the absence of an express contract as to such rate of interest.

In summary, the interest rates applicable to loans and forbearance of money, in the absence of an express contract as to such rate of interest, for the period of 1940 to present are as follows:

Law, Rule and Regulations, BSP Issuances	Date of Effectivity	Interest Rate
Act No. 2655	May 1, 1916	6%
CB Circular No. 416	July 29, 1974	12%
CB Circular No. 905	December 22, 1982	12%
CB Circular No. 799	July 1, 2013	6%

It is important to note, however, that interest shall be compounded at the time judicial demand is made pursuant to Article 2212³⁰ of the Civil

²⁸ Emphasis supplied.

²⁹ Emphasis supplied.

Code of the Philippines, and sustained in *Eastern Shipping Lines v. Court of Appeals*,³¹ then later on in *Nacar v. Gallery Frames*,³² save for the reduction of interest rate to 6% for loans or forbearance of money, thus:

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.³³

Applying the foregoing law and jurisprudence, respondents-movants are entitled to interest in the amount of **One Million Seven Hundred Eighteen Thousand Eight Hundred Forty-Eight Pesos and Thirty-Two Centavos (₱1,718,848.32)** as of September 30, 2014,³⁴ computed as follows:

January 1, 1940 ³⁵ to July 28, 1974	₱ 10,553.49 ³⁷
July 29, 1974 to March 16, 1995	26,126.31 ³⁸
March 17, 1995 ³⁶ to June 30, 2013	232,070.33 ³⁹
July 1, 2013 to September 30, 2014	<u>250,098.19⁴⁰</u>

³⁰ **Art. 2212.** Interest due shall earn legal interest from the time it is judicially demanded, although the obligation may be silent upon this point.

³¹ G.R. No. 97412, July 12, 1994, 234 SCRA 78 (1994).

³² G.R. No. 189871, August 13, 2013, 703 SCRA 439 (2013).

³³ *Id.* at 457-458.

³⁴ The amount of interest shall be computed from the time of actual taking until full payment. Considering that the date of full payment cannot be determined at the moment, We ought to peg the same on September 30, 2014 for purposes of illustration and to assign an absolute value to the same.

³⁵ Considering that the actual date of taking cannot be determined from the records of the case, the date of taking is pegged on January 1, 1940. Consequently, the interest accruing therefrom shall be for the entire year of 1940.

³⁶ This pertains to the date of the Complaint filed by respondents-movants to recover the possession of their property with damages.

³⁷ [(₱5,087.60 * 6% * 34 years) + (₱5,087.60 * 6% * 209 days/365 days)]. For accuracy, the period from January 1, 1940 to December 31, 1973 is determined by number of years, while the period from January 1, 1974 to July 28, 1974 is determined by number of days.

³⁸ [(₱10,553.49 * 12% * 155 days/365 days) + (₱10,553.49 * 12% * 20 years) + (₱10,553.49 * 12% * 75 days/365 days)]. For accuracy, the periods from July 29, 1974 to December 31, 1974 and January 1, 1995 to March 16, 1995 is determined by number of days while the period from January 1, 1975 to December 31, 1994 is determined by number of years.

³⁹ [₱26,126.31 * (1 + 1%)^{219.5 months}]. For accuracy and in view of the complications of compounding the interest, the period from March 17, 1995 to June 30, 2013 is determined by number of months. Accordingly, the rate of interest of 12% is divided by 12 to get the applicable monthly interest rate. The formal equation to calculate monthly compounded interest is $P(1+m)^t$, where P is the starting or average balance; m is the monthly interest rate; t is the number of months; and PI is the balance after monthly interest is added.

⁴⁰ [₱232,070.33 * (1 + 0.5%)^{15 months}]. For accuracy and in view of the complications of compounding the interest, the period from July 1, 2013 to September 30, 2014 is determined by number of months. Accordingly, the rate of interest of 6% is divided by 12 to get the applicable monthly interest rate. The formal equation to calculate monthly compounded interest is $P(1+m)^t$, where P is the starting or average balance; m is the monthly interest rate; t is the number of months; and PI is the balance after monthly interest is added.

Market Value of the Property at the time of taking including interest	<u>₱ 518,848.32</u>
Market value of the property at the time of taking including interest	₱ 518,848.32
Add: Exemplary damages	1,000,000.00
Attorney's fees	200,000.00
Total Amount of Interest due to Respondents-Movants as of September 30, 2014	<u>₱1,718,848.16</u>

Considering that respondents-movants only resorted to judicial demand for the payment of the fair market value of the land on March 17, 1995, it is only then that the interest earned shall itself earn interest.

Lastly, from finality of the Court's Resolution on reconsideration until full payment, the total amount due to respondents-movants shall earn a straight six percent (6%) legal interest, pursuant to Circular No. 799 and the case of *Nacar*. Such interest is imposed by reason of the Court's decision and takes the nature of a judicial debt.

Clearly, the award of interest on the value of the land at the time of taking in 1940 until full payment is adequate compensation to respondents-movants for the deprivation of their property without the benefit of expropriation proceedings. Such interest, however meager or enormous it may be, cannot be inequitable and unconscionable because it resulted directly from the application of law and jurisprudence—standards that have taken into account fairness and equity in setting the interest rates due for the use or forbearance of money.⁴¹ Thus, adding the interest computed to the market value of the property at the time of taking signifies the *real, substantial, full and ample* value of the property. Verily, the same constitutes due compliance with the constitutional mandate on eminent domain and serves as a basic measure of fairness.

In addition to the foregoing interest, additional compensation shall be awarded to respondents-movants by way of exemplary damages and attorney's fees in view of the government's taking without the benefit of expropriation proceedings. As held in *Eusebio v. Luis*,⁴² an irregularity in an expropriation proceeding cannot ensue without consequence. Thus, the Court held that the government agency's illegal occupation of the owner's property for a very long period of time surely resulted in pecuniary loss to the owner, to wit:

⁴¹ *Apo Fruits Corporation and Hijo Plantation, Inc. v. Land Bank of the Philippines*, *supra* note 14, at 758.

⁴² *Supra* note 11, at 585.

However, in taking respondents' property without the benefit of expropriation proceedings and without payment of just compensation, the City of Pasig clearly acted in utter disregard of respondents' proprietary rights. Such conduct cannot be countenanced by the Court. ***For said illegal taking, the City of Pasig should definitely be held liable for damages to respondents.*** Again, in *Manila International Airport Authority v. Rodriguez*, the Court held that the government agency's illegal occupation of the owner's property for a very long period of time surely resulted in pecuniary loss to the owner. The Court held as follows:

Such pecuniary loss entitles him to adequate compensation in the form of actual or compensatory damages, which in this case should be the legal interest (6%) on the value of the land at the time of taking, from said point up to full payment by the MIAA. This is based on the principle that interest "runs as a matter of law and follows from the right of the landowner to be placed in as good position as money can accomplish, as of the date of the taking."

The award of interest renders unwarranted the grant of back rentals as extended by the courts below. In *Republic v. Lara, et al.*, the Court ruled that the indemnity for rentals is inconsistent with a property owner's right to be paid legal interest on the value of the property, for if the condemnor is to pay the compensation due to the owners from the time of the actual taking of their property, the payment of such compensation is deemed to retroact to the actual taking of the property; and, hence, there is no basis for claiming rentals from the time of actual taking. More explicitly, the Court held in *Republic v. Garcellano* that:

The uniform rule of this Court, however, is that this compensation must be, not in the form of rentals, but by way of 'interest from the date that the company [or entity] exercising the right of eminent domain take possession of the condemned lands, and the amounts granted by the court shall cease to earn interest only from the moment they are paid to the owners or deposited in court x x x.

x x x x

For more than twenty (20) years, the MIAA occupied the subject lot without the benefit of expropriation proceedings and without the MIAA exerting efforts to ascertain ownership of the lot and negotiating with any of the owners of the property. To our mind, **these are wanton and irresponsible acts which should be suppressed and corrected. Hence, the award of exemplary damages and attorneys fees is in order.** However, while Rodriguez is entitled to such exemplary damages and attorney's fees, the award granted by the courts below should be equitably reduced. We hold that Rodriguez is entitled only to P200,000.00 as exemplary damages, and attorney's fees equivalent to one percent (1%) of the amount due.⁴³

⁴³

Eusebio v. Luis, supra, at 587-588. (Italics ours; emphasis in the original; citations omitted)

Similarly, in *Republic v. CA*,⁴⁴ We held that the failure of the government to initiate an expropriation proceeding to the prejudice of the landowner may be corrected with the awarding of exemplary damages, attorney's fees and costs of litigation. Thus:

The Court will not award attorney's fees in light of respondent's choice not to appeal the CA Decision striking down the award. ***However, we find it proper to award temperate and exemplary damages in light of NIA's misuse of its power of eminent domain.*** Any arm of the State that exercises the delegated power of eminent domain must wield that power with circumspection and utmost regard for procedural requirements. ***A government instrumentality that fails to observe the constitutional guarantees of just compensation and due process abuses the authority delegated to it, and is liable to the property owner for damages.***

Temperate or moderate damages may be recovered if pecuniary loss has been suffered but the amount cannot be proved with certainty from the nature of the case. Here, the trial and appellate courts found that the owners were unable to plant *palay* on 96,655 square meters of the Property for an unspecified period during and after NIA's construction of the canals in 1972. The passage of time, however, has made it impossible to determine these losses with any certainty. NIA also deprived the owners of the Property of possession of a substantial portion of their land since 1972. Considering the particular circumstances of this case, an award of P150,000 as temperate damages is reasonable.

NIA's irresponsible exercise of its eminent domain powers also deserves censure. For more than three decades, NIA has been charging irrigation fees from respondent and other landowners for the use of the canals built on the Property, without reimbursing respondent a single cent for the loss and damage. NIA exhibits a disturbingly cavalier attitude towards respondent's property rights, rights to due process of law and to equal protection of the laws. Worse, this is not the first time NIA has disregarded the rights of private property owners by refusing to pay just compensation promptly. To dissuade NIA from continuing this practice and to set an example for other agencies exercising eminent domain powers, NIA is directed to pay respondent exemplary damages of P250,000.⁴⁵

Applying the aforequoted doctrines to the present case, considering that respondents-movants were deprived of beneficial ownership over their property for more than seventy (70) years without the benefit of a timely expropriation proceedings, and to serve as a deterrent to the State from failing to institute such proceedings within the prescribed period under the law, a grant of exemplary damages in the amount of One Million Pesos (₱1,000,000.00) is fair and reasonable. Moreover, an award for attorney's fees in the amount of Two Hundred Thousand Pesos (₱200,000.00) in favor of respondents-movants is in order.

⁴⁴ 494 Phil. 494 (2005).

⁴⁵ *Republic v. CA*, *supra*, at 512-513. (Emphasis ours; citations omitted)

In sum, respondents-movants shall be entitled to an aggregate amount of **One Million Seven Hundred Eighteen Thousand Eight Hundred Forty-Eight Pesos and Thirty-Two Centavos (₱1,718,848.32)** as just compensation as of September 30, 2014, computed as follows:

Market value of the property at the time of taking in 1940 including interest	₱ 518,848.32
Add: Exemplary Damages	1,000,000.00
Attorney's fees	<u>200,000.00</u>
Total Amount due to Respondents-movants as of September 30, 2014	<u>₱1,718,848.32</u>

This Court is not unaware that at present, stringent laws and rules are put in place to ensure that owners of real property acquired for national government infrastructure projects are promptly paid just compensation. Specifically, Section 4 of Republic Act No. 8974 (*R.A. 8974*),⁴⁶ which took effect on November 26, 2000, provides sufficient guidelines for implementing an expropriation proceeding, to wit:

Section 4. Guidelines for Expropriation Proceedings. - Whenever it is necessary to acquire real property for the right-of-way or location for any national government infrastructure project through expropriation, the appropriate implementing agency shall initiate the expropriation proceedings before the proper court under the following guidelines:

- (a) *Upon the filing of the complaint, and after due notice to the defendant, the implementing agency shall immediately pay the owner of the property the amount equivalent to the sum of (1) one hundred percent (100%) of the value of the property based on the current relevant zonal valuation of the Bureau of Internal Revenue (BIR); and (2) the value of the improvements and/or structures as determined under Section 7 hereof;*
- (b) In provinces, cities, municipalities and other areas where there is no zonal valuation, the BIR is hereby mandated within the period of sixty (60) days from the date of the expropriation case, to come up with a zonal valuation for said area; and
- (c) *In case the completion of a government infrastructure project is of utmost urgency and importance, and there is no existing valuation of the area concerned, the implementing agency shall immediately pay the owner of the property its proffered value taking into*

⁴⁶ AN ACT TO FACILITATE THE ACQUISITION OF RIGHT-OF-WAY, SITE OR LOCATION FOR NATIONAL GOVERNMENT INFRASTRUCTURE PROJECTS AND FOR OTHER PURPOSES.

consideration the standards prescribed in Section 5 hereof.

Upon compliance with the guidelines abovementioned, the court shall immediately issue to the implementing agency an order to take possession of the property and start the implementation of the project.

Before the court can issue a Writ of Possession, the implementing agency shall present to the court a certificate of availability of funds from the proper official concerned.

In the event that the owner of the property contests the implementing agency's proffered value, the court shall determine the just compensation to be paid the owner within sixty (60) days from the date of filing of the expropriation case. When the decision of the court becomes final and executory, the implementing agency shall pay the owner the difference between the amount already paid and the just compensation as determined by the court.

Failure to comply with the foregoing directives shall subject the government official or employee concerned to administrative, civil and/or criminal sanctions, thus:

Section 11. Sanctions. - Violation of any provisions of this Act shall subject the government official or employee concerned to appropriate administrative, civil and/or criminal sanctions, including suspension and/or dismissal from the government service and forfeiture of benefits.

While the foregoing provisions, being substantive in nature or disturbs substantive rights, cannot be retroactively applied to the present case, We trust that this established mechanism will surely deter hasty acquisition of private properties in the future without the benefit of immediate payment of the value of the property in accordance with Section 4 of R.A. 8974. This effectively addresses J. Velasco's concerns that sustaining our earlier rulings on the matter would be licensing the government to dispense with constitutional requirements in taking private properties. Moreover, any gap on the procedural aspect of the expropriation proceedings will be remedied by the aforequoted provisions.

In effect, R.A. 8974 enshrines a new approach towards eminent domain that reconciles the inherent unease attending expropriation proceedings with a position of fundamental equity.⁴⁷

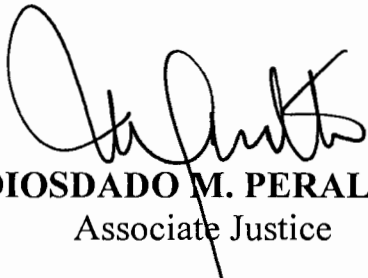
⁴⁷ *Republic v. Gingoyon*, G.R. No. 166429, December 19, 2005.

Despite the foregoing developments, however, We emphasize that the government's failure, to initiate the necessary expropriation proceedings prior to actual taking cannot simply invalidate the State's exercise of its eminent domain power, given that the property subject of expropriation is indubitably devoted for public use, and public policy imposes upon the public utility the obligation to continue its services to the public. To hastily nullify said expropriation in the guise of lack of due process would certainly diminish or weaken one of the State's inherent powers, the ultimate objective of which is to serve the greater good. Thus, the non-filing of the case for expropriation will not necessarily lead to the return of the property to the landowner. What is left to the landowner is the right of compensation.⁴⁸

All told, We hold that putting to rest the issue on the validity of the exercise of eminent domain is neither tantamount to condoning the acts of the DPWH in disregarding the property rights of respondents-movants nor giving premium to the government's failure to institute an expropriation proceeding. This Court had steadfastly adhered to the doctrine that its first and fundamental duty is the application of the law according to its express terms, interpretation being called for only when such literal application is impossible.⁴⁹ To entertain other formula for computing just compensation, contrary to those established by law and jurisprudence, would open varying interpretation of economic policies — a matter which this Court has no competence to take cognizance of. Time and again, we have held that no process of interpretation or construction need be resorted to where a provision of law peremptorily calls for application.⁵⁰ Equity and equitable principles only come into full play when a gap exists in the law and jurisprudence.⁵¹ As we have shown above, established rulings of this Court are in place for full application to the case at bar, hence, should be upheld.

WHEREFORE, the motion for reconsideration is hereby **DENIED** for lack of merit.

SO ORDERED.


DIOSDADO M. PERALTA
Associate Justice

⁴⁸ *Forfom Development Corporation (Forfom) v. Philippine National Railways (PNR)*, *supra* note 10.

⁴⁹ *Quijano v. Development Bank of the Philippines*, 146 Phil. 283, 291 (1970).

⁵⁰ *Id.*

⁵¹ *Apo Fruits Corporation and Hijo Plantation, Inc. v. Land Bank of the Philippines*, *supra* note 14, at 758-759.

WE CONCUR:

MARIA LOURDES P. A. SERENO
Chief Justice

ANTONIO T. CARPIO
Associate Justice

(Pls. see Dissenting Opinion)

PRESBITERO J. VELASCO, JR.
Associate Justice

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

Pls see Separate Concurring Opinion

ARTURO B. BRION
Associate Justice

No part due to prior participation in the CA

LUCAS P. BERSAMIN
Associate Justice

MARIANO C. DEL CASTILLO
Associate Justice

MARTIN S. VILLARAMA, JR.
Associate Justice

JOSE PORTUGAL PEREZ
Associate Justice

JOSE CATRAL MENDOZA
Associate Justice

BIENVENIDO L. REYES
Associate Justice

No part due to prior participation in the CA

ESTELA M. PERLAS-BERNABE
Associate Justice

see dissenting opinion

MARVIC M.V.F. LEONEN
Associate Justice

FRANCIS H. JARDELEZA
Associate Justice

CERTIFICATION

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



MARIA LOURDES P. A. SERENO
Chief Justice