



Republic of the Philippines
Supreme Court
 Manila

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 WILFREDO V. LANTIAN
 Division Clerk of Court
 Third Division
 FEB 15 2017

THIRD DIVISION

**VIVENCIO, EUGENIO, JOJI
 AND MYRNA, ALL SURNAMED
 MATEO,**

Petitioners,

- versus -

**DEPARTMENT OF AGRARIAN
 REFORM, LAND BANK OF THE
 PHILIPPINES AND MARIANO T.
 RODRIGUEZ, ET AL.,**

Respondents.

G.R. No. 186339

Present:

VELASCO, JR., J.,
Chairperson,
 BERSAMIN,
 REYES,
 JARDELEZA, and
 CAGUIOA,* JJ.

Promulgated:

February 15, 2017

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DECISION

REYES, J.:

For review¹ is the Decision² rendered on August 4, 2008 and Resolution³ issued on January 28, 2009 by the Court of Appeals (CA) in CA-G.R. CV No. 79581. The CA granted the appeal filed by the herein respondents, Department of Agrarian Reform (DAR), Land Bank of the Philippines (LBP)⁴ and Mariano T. Rodriguez, et al., seeking to reverse the Decision⁵ dated July 4, 2002 of the Regional Trial Court (RTC) of Sorsogon City, Sorsogon, Branch 52, sitting as Special Agrarian Court (SAC), in Civil Case No. 97-6331, a complaint for

* Designated Fifth Member of the Third Division per Special Order No. 2417 dated January 4, 2017.

¹ *Rollo*, pp. 10-50.

² Penned by Associate Justice Ricardo R. Rosario, with Associate Justices Rebecca De Guia-Salvador and Vicente S.E. Veloso concurring; *id.* at 51-63.

³ *Id.* at 64-65.

⁴ As “*financial intermediary*” in the implementation of the land reform program pursuant to Section 64 of Republic Act No. 6657.

⁵ Rendered by Executive Judge Honesto A. Villamor; *rollo*, pp. 120-127.

determination of just compensation filed by the herein petitioners, Vivencio Mateo (Vivencio), Eugenio Mateo, Joji Mateo Morales and Myrna Mateo Santos (collectively, the Mateos). The SAC ordered the LBP to pay the Mateos the amount of ₱71,143,623.00 as just compensation for 112.3112 hectares of coconut and rice lands (subject property) covered by Transfer Certificate of Title (TCT) No. T-22822, which was expropriated by the DAR for distribution to farmer-beneficiaries under the provisions of Republic Act (R.A.) No. 6657,⁶ otherwise known as the Comprehensive Agrarian Reform Program (CARP) Law of 1988.

Antecedents

The CA aptly summed up the facts of the case before the rendition of the SAC decision as follows:

[The Mateos] were the registered owners of [coconut and rice lands] with [a total area] of 1,323,112 square meters situated at Fabrica, Bacon, Sorsogon and [were] covered by TCT No. T-22822. A portion of the land[s] was brought under the coverage of the [CARP] of the government and for this reason[,] the [DAR] entered the premises sometime in June 1994. [LBP] valued [the Mateos'] land at fifty-two thousand pesos (P52,000.00) per [ha]. [The Mateos,] however[,] rejected the LBP's valuation.

On April 30, 1997, [the Mateos] filed a complaint against LBP, [DAR], and the farmer beneficiaries of the land for just compensation. The case was docketed as Civil Case No. 97-6331 and raffled to the [SAC], presided by respondent Judge Honesto A. Villamor.⁷

The LBP and DAR filed their respective answers arguing that since no summary administrative proceedings to determine the amount of just compensation had been conducted yet, the complaint of the Mateos was premature.⁸

Pre-trial ensued and was terminated. The SAC granted the request of the parties for the appointment of two commissioners, namely, Mr. Jesus Empleo and Engr. Florencio Dino (Engr. Dino), to represent the LBP and the Mateos, respectively.⁹

⁶ Effective June 15, 1988.

⁷ *Rollo*, p. 54.

⁸ Please *see* LBP's Answer, *id.* at 114-117, and DAR's Answer, *id.* at 95-99.

⁹ *Id.* at 121.

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Among the evidence offered by the Mateos during the trial were: (a) the testimonies of their father, Dr. Eleseo Mateo, Engr. Dino, farmer Manuel Docot and caretaker Danilo Federio; (b) TCT No. T-22822; (c) Memorandum of Valuation (MoV), Claim Folder Profile and Valuation Summary of Agricultural Land; (d) deeds of sale covering two parcels of land less than two ha in size in Sorsogon, which were purchased for ₱300,000.00 and ₱400,000.00 per ha; (e) newspaper clipping of Eduardo Cojuangco, who was selling his land in Sorsogon for ₱350,000.00 per ha; (f) Engr. Dino's Report; and (g) deed of sale of a lot in Cabi-an, Sorsogon bought by the government for ₱245,000.00 per ha.¹⁰

On the other hand, the DAR presented: (a) the testimonies of agriculturist Romeo Brotamante, government employee Ireneo Defeo and farmer Cresenciano Lagajeno; (b) a Field Investigation Report dated March 29, 1996; (c) ledger cards bearing dates from December 2, 1994 to June 9, 1997; and (d) two pass books, the second of which indicated withdrawals in the total amount of ₱601,789.97.¹¹ The LBP, on its part, offered (a) the testimony of Monita Balde, and (b) a Claims Valuation and Processing Form.¹²

Ruling of the SAC

The decretal portion of the SAC Decision¹³ dated July 4, 2002 reads:

WHEREFORE, premises considered, judgment is hereby rendered:

1. Fixing the amount of SEVENTY-ONE MILLION, ONE HUNDRED FORTY-THREE THOUSAND, SIX HUNDRED TWENTY-THREE ([P]71,143,623.00) Pesos, Philippine currency[,] to be the just compensation for the 112[.]3112 [has] of agricultural land situated at Fabrica, District of Bacon, City of Sorsogon covered by TCT No. T-22822 owned by the [Mateos] which property was taken by the government pursuant to the [CARP] of the government [as] provided by R.A. N[o]. 6657.
2. Ordering the [LBP] to pay the [Mateos] the amount of Seventy-One Million, one Hundred forty-three thousand[,] six hundred twenty-three (P71,143,623.00) 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 [was] previously received by the [Mateos] from the [LBP] as part of the just compensation.

¹⁰ Id.
¹¹ Id. at 121-122.
¹² Id. at 122.
¹³ Id. at 120-127.

3. Without pronouncement as to cost.

SO ORDERED.¹⁴

In rendering its judgment, the SAC rationalized as follows:

Under R.A. No. 6657, it provides that in determining the just compensation, the initial determination thereof may be agreed upon by the [LBP], the official entity made responsible under Executive Order No. 405, series of 1990 to determine the valuation and compensation of agricultural landholdings made under the coverage of the CARP and the [l]andowner. In the event of disagreement, the matter is referred to the DAR Adjudication Board for further determination. If no agreement is reached, the landowner may elevate the matter for judicial determination.

Initially, the [DAR] Adjudicat[i]on Board x x x valued the property in question adopting the [LBP's] valuation in the amount of P6,112,598.86 for the 72.2268 [has] and the amount of P2,949,313.14 for the 36.3196 [ha] but these valuation was rejected by [the Mateos].

After due consideration of [Engr. Dino's] Report submitted to the Court[,] as well as the [Report of Empleo] and the Pass Book evidencing the Lease Rentals presented by the defendant DAR, as well as the testimon[ies] of [the Mateos] and their witnesses and also considering the applicable law, the Sanggunian Panlalawigan Resolution No. [0]3-99 providing for an updated schedule of fair market value of real properties in the Province of Sorsogon and the jurisprudence on the matter, the Court hereby adopts the commissioner's report submitted by Engr. [Dino] as part of this decision. The Court also took into consideration the evidence submitted on comparable sales transaction of the nearby landholdings executed by Jose Maria Simo, Jr. in favor of the National Housing Authority selling the property at Two Million[,] Three Hundred Thirty-three Thousand[,] One Hundred Seventy Pesos (P2,335,170.00) Philippine currency, for the 159,968 square meters land x x x.¹⁵ The report of [Engr. Dino] x x x represents only the fair market value of the land but does not include the value of the coconut trees and the actual production of the coconut trees. Although it valued the improvements in the property for acquisition, it did not include the value of the trees/hectare and the actual production of the coconut trees as well as the potentials of the land in term[s] of productivity and proximity to the center of commerce, the City of Sorsogon.

Commissioner's Report of [Engr.] Dino:

x x x x

¹⁴ Id. at 127.

¹⁵ The parcel of land was thus sold at ₱145,927.00 per ha.

ACCESSIBILITY AND LOCATION

The subject property is located in Barangay San Isidro, Sorsogon. It is barely one kilometer away from the Bacon Airport and the Sorsogon-Bacon Highway. It could be reached through the San Vicente-Buhatan Road – a dormant overland artery linking the district of Bacon to the City of Sorsogon.

PROPERTY APPRAISAL

Provincial Ordinance No. 03-99, also known as “An Ordinance Providing for an Updated Schedule of Fair Market Values of Real Properties in the Province of Sorsogon” was used as the basis for determining the unit values of lands and other improvements found in the subject real property. However, with respect to the appraisal of timber producing tree species, the approximate extractable lumber was multiplied by the prevailing market price per board foot.

[Engr. Dino made a detailed assessment computing the subject property’s Fair Market Value to be P4,764,323.00, and the fruit-bearing and timber-producing trees found thereon amounting to P806,870.00 and P445,110.00, respectively. Engr. Dino, thus, concluded that just compensation for the subject property should amount to P6,016,303.00.]

On the matter of the land valuation submitted by [Engr. Dino] for the [Mateos], the Court considers said land valuation too low considering that the land subject for acquisition is within the city limit of the City of Sorsogon and as shown by the evidence of the [Mateos], the land was a subject of a housing subdivision and can command a price of not less than P350,000.00 per [ha]. The area for acquisition is ideal not only for housing subdivision but as expansion for commercial district of the City of Sorsogon. It has all the potentials of a city within the city. It has abundant water supply and accessible to the center of commerce. The [Mateos] also submitted evidence of comparable sales transactions of the nearby landholdings executed by Jose Maria Simo, Jr. in favor of the National Housing Authority selling the property with an area of 159,968 sq. m. for the amount of P2,335,170.00 x x x. As the property is within the city of Sorsogon, the selling price of land is P1,000.00 per square meter. The land subject of acquisition is an agricultural land but it cannot be denied that [in] the present time[,] the land commands [a] higher price especially that the exchange rate of peso to dollar is 1 dollar to 50 pesos. Evidence also show that the [parents of the Mateos] acquired the property for P1,000.00 per [ha] and it took them three (3) years to clear the property and after another three years, they planted coconuts which are now fruit bearing trees. x x x[.]

x x x x

[The SAC then adopted Engr. Dino’s valuation of the improvements found in the subject property and made estimates of the total amount the coconuts, copra and rice harvested therefrom could have fetched from 1994-2002. The SAC also assessed the price of the subject property to be P500,000.00 per ha.]

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RECAPITULATION:

P54,000,000.00	– Fair Market Value of 108 hectares coconut land at P500,000.00
13,057,397.00	– Net produce of copra from 1994 to 2002
806,820.00	– Value of the improvements inside the 108.0000 hectares
445,110.00	– Value of the coconut trunk[s]
P68,309,327.00	– Total value of the 108 [has] coconut land
1,750,000.00	– Fair Market Value of 3.7649 [has] of Riceland at P500,000.00
1,686,085.00	– Net Produce of the Riceland from year 1994 to 2002
P71,745,412.00	– Grand Total Value of the Coconut land and Riceland with an area of 112.3112 [has]
- 601,789.00	– less the amount previously received by [the Mateos] as lease rentals
P71,143,623.00	– Total amount of Just Compensation ¹⁶

Proceedings Before the CA

The LBP and the DAR both filed notices of appeal, but no brief was filed by the latter before the CA.¹⁷

On the LBP's part, it mainly argued that the complaint of the Mateos was premature as the DAR Adjudication Board (DARAB) had not yet made an administrative valuation of the subject property and that the SAC, in determining just compensation, failed to consider the guidelines provided for in Section 17¹⁸ of R.A. No. 6657.¹⁹

The Mateos sought the dismissal of the appeal. They claimed that had the DAR promptly sent them notices of acquisition and made preliminary valuation of the subject property, they would have complied with the administrative procedures and found no need to institute an action before the SAC. Further, while Section 50²⁰ of R.A. No. 6657 grants the DAR the

¹⁶ *Rollo*, pp. 123-126.

¹⁷ *Id.* at 55-56.

¹⁸ **Section 17. Determination of Just Compensation.** - In determining just compensation, the cost of acquisition of the land, the current value of the like properties, its nature, actual use and income, the sworn valuation by the owner, the tax declarations, and 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 nonpayment of taxes or loans secured from any government financing institution on the said land shall be considered as additional factors to determine its valuation.

¹⁹ *Rollo*, pp. 56-57.

²⁰ **Section 50. Quasi-Judicial Powers of the DAR.** - The DAR is hereby vested with the primary jurisdiction to determine and adjudicate agrarian reform matters and shall have exclusive original jurisdiction over all matters involving the implementation of agrarian reform, except those falling under the exclusive jurisdiction of the Department of Agriculture (DA) and the Department of Environment and Natural Resources (DENR).



primary jurisdiction to adjudicate agrarian reform matters, Section 57²¹ of the same statute confers original and exclusive jurisdiction over the RTCs as SACs to take cognizance of petitions for determination of just compensation of landowners.²²

On August 4, 2008, the CA rendered the herein assailed Decision²³ setting aside the SAC's judgment and dismissing without prejudice the complaint of the Mateos. The CA explained that:

Since the DARAB is clothed with quasi-judicial authority to make a preliminary determination of just compensation of lands acquired under R.A. No. 6657, x x x and it appearing from the records and [the Mateos'] own admission that [the] said administrative agency had not yet taken cognizance of, and passed upon the issue of just compensation when [the Mateos] prematurely filed with the court *a quo* the complaint for determination of just compensation, thus failing to exhaust the prescribed administrative remedy and, in the process, preventing the DARAB from complying with [the] said administrative process which is mandatory, We resolve to grant the appeal.

Jurisprudence teems with pronouncements that before a party is allowed to seek the intervention of the court, it is a pre-condition that he should have availed of all the means of administrative processes afforded him. x x x The premature invocation of [the] court's intervention is fatal to one's cause of action[.] x x x[.]

x x x x

Anent the issue on just compensation, Section 17 of [R.A.] No. 6657 provides the guideposts for its determination[.] x x x[.]

x x x x

As defined, just compensation is the full and fair equivalent of the property taken from its owner by the expropriator. While We agree with the trial court's submission that "the measure is not the taker's gain but the owner's loss", and that the word "just" is used to intensify the meaning of the word "compensation" to convey the idea that the equivalent to be rendered for the property to be taken shall be real, substantial, full and ample, We likewise subscribe to appellant LBP's contention that "just compensation", in contemplation of agrarian reform, is quite different from just compensation involving an ordinary exercise of the power of eminent domain. Thus, as correctly pointed out by LBP, just compensation must be viewed in the context of social justice enshrined in

²¹ **Section 57. Special Jurisdiction.** - The Special Agrarian Courts shall have original and exclusive jurisdiction over all petitions for the determination of just compensation to landowners, and the prosecution of all criminal offenses under this Act. The Rules of Court shall apply to all proceedings before the Special Agrarian Courts, unless modified by this Act.

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

²² *Rollo*, p. 58.

²³ *Id.* at 51-63.

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the fundamental law to make it easier for the disadvantaged to be able to obtain land.

Moreover, it is clear from the decision of the trial court that aside from the court *a quo*'s lack of jurisdiction to take cognizance of the present case, its computation totally disregarded Section 17 of R.A. No. 6657, which, as earlier reproduced, prescribes the factors for determining just compensation of lands acquired thereunder.²⁴ (Citations omitted)

In the Resolution²⁵ dated January 28, 2009, the CA denied the motion for reconsideration²⁶ filed by the Mateos.

Issues

Aggrieved, the Mateos are before this Court essentially raising the following issues:²⁷

1. Whether or not the CA erred in negating the jurisdiction of the RTC, as a SAC, to determine in the first instance and in the absence of the conduct of prior administrative proceedings, questions of just compensation to be paid to landowners.
2. Whether or not the CA erroneously held that the SAC disregarded the provisions of Section 17 of R.A. No. 6657 in determining the amount of just compensation to be paid for the subject property.

In support of the instant petition, the Mateos, citing *LBP v. Wycoco*,²⁸ reiterate that even without the DAR's final valuation of the agricultural land for expropriation, the RTC, as a SAC, can validly take cognizance of a case for determination of just compensation in accordance with Section 57 of R.A. No. 6657. Otherwise, if the DAR would vest in administrative officials' original jurisdiction in compensation cases, the jurisdiction conferred upon the RTC, as a SAC, by the said Section 57 is undermined.²⁹

²⁴ Id. at 60-62.

²⁵ Id. at 64-65.

²⁶ Id. at 66-87.

²⁷ Id. at 24.

²⁸ 464 Phil. 83 (2004).

²⁹ *Rollo*, pp. 26-29.

Additionally, the Mateos argue that the rule on exhaustion of administrative remedies admits of exceptions, one of which is when there are circumstances indicating the urgency of judicial intervention, like in the case at bar. The Mateos were prematurely deprived of the subject property in 1994, and as compensation therefor, a trust account was belatedly created for them in 1997 or three years after the illegal entry.³⁰

The Mateos likewise assert that the SAC had conscientiously made a fair determination of the subject property's value on the basis of the factors enumerated in Section 17 of R.A. No. 6657. The SAC considered the following: (a) nature and actual use of the subject property; (b) current value of similar property; (c) annual income derived from the subject property at the time of taking by the DAR; (d) cost of acquisition of the land and sworn valuation by the Mateos, both in relation to currency inflations; (e) Provincial Schedule of Fair Market Value (FMV) of Real Property in the Province of Sorsogon; and (f) just compensation for the damages incurred by the Mateos as a consequence of the DAR and the LBP's concerted acts of taking the subject property without compliance with due process. It was, thus, error for the CA to haphazardly conclude, without substantiation, that the SAC disregarded the legal requisites in determining just compensation.³¹

In their comments,³² the DAR and the LBP seek the dismissal of the instant petition.

On its part, the DAR, citing *Republic of the Philippines v. Express Telecommunication Co., Inc.*,³³ emphasizes that the premature invocation of the court's intervention is fatal to a cause of action.³⁴ Further, the Market Data Approach used by the SAC in determining just compensation for the subject property is not in accord with Section 17 of R.A. No. 6657 and the formula fixed by law in arriving at such valuations.³⁵

The LBP, on the other hand, quoting *Hongkong & Shanghai Banking Corporation, Ltd. v. G.G. Sportswear Manufacturing Corporation*,³⁶ stresses that the doctrine of exhaustion of administrative remedies is a cornerstone of our judicial system; hence, it cannot be disregarded.³⁷ The LBP also assailed the valuation of just compensation made by the SAC, which erroneously considered factors not

³⁰ Id. at 36-37.

³¹ Id. at 38-43.

³² DAR's Comment, id. at 145-151, and LBP's Comment, id. at 157-183.

³³ 424 Phil. 372 (2002).

³⁴ *Rollo*, p. 148.

³⁵ Id. at 149-150.

³⁶ 523 Phil. 245 (2006).

³⁷ *Rollo*, pp. 171-173.

provided for in Section 17 of R.A. No. 6657, such as the subject property's potential use and comparative sales of adjacent non-agricultural lots.³⁸ The LBP adds that in determining just compensation, the SAC instead fatally overlooked the mandatory formula prescribed in DAR Administrative Order (AO) No. 6, series of 1992.³⁹

Ruling of the Court

The instant petition is partially meritorious.

On jurisdiction and the doctrine of exhaustion of administrative remedies

Section 50 of R.A. No. 6657, in part, provides that the DAR is vested with "*primary jurisdiction to determine and adjudicate agrarian reform matters*" and "*exclusive original jurisdiction over all matters involving the implementation of agrarian reform*" except those falling under the jurisdiction of the Department of Agriculture (DA) and the Department of Environment and Natural Resources.

Section 57, on the other hand, confers "*special*" and "*original and exclusive*" jurisdiction to the SAC over all petitions of landowners for the determination of just compensation.

In *Wycoco*,⁴⁰ the Court outlined the procedure involved in determining just compensation for agricultural landowners, *viz.*:

Under Section 1 of Executive Order No. 405, Series of 1990, the [LBP] is charged with the initial responsibility of determining the value of lands placed under land reform and the just compensation to be paid for their taking. Through a notice of voluntary offer to sell (VOS) submitted by the landowner, accompanied by the required documents, the DAR evaluates the application and determines the land's suitability for agriculture. The LBP likewise reviews the application and the supporting documents and determines the valuation of the land. Thereafter, the DAR issues the Notice of Land Valuation to the landowner. In both voluntary and compulsory acquisition, where the landowner rejects the offer, the DAR opens an account in the name of the landowner and conducts a summary administrative proceeding. If the landowner disagrees with the valuation, the matter may be brought to the [RTC] acting as a [SAC]. This

³⁸ Id. at 174-175.

³⁹ Rules and Regulations Amending the Valuation of Lands Voluntarily Offered and Compulsorily Acquired as provided for under Administrative Order No. 17, Series of 1989, as amended, issued Pursuant to Republic Act No. 6657. Adopted on October 30, 1992.

⁴⁰ Supra note 28.

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in essence is the procedure for the determination of just compensation.⁴¹
(Citations omitted)

Anent the application of Sections 50 and 57 of R.A. No. 6657, in relation to the proper procedure which must be followed in cases involving determination of just compensation for landowners, *Ramon Alfonso v. LBP and DAR*⁴² is emphatic that:

In *San Miguel Properties, Inc. v. Perez*, we explained the reasons why Congress, in its judgment, may choose to grant primary jurisdiction over matters within the erstwhile jurisdiction of the courts, to an agency:

The doctrine of *primary jurisdiction* has been increasingly called into play on matters demanding the special competence of administrative agencies even if such matters are at the same time within the jurisdiction of the courts. **A case that requires for its determination the expertise, specialized skills, and knowledge of some administrative board or commission because it involves technical matters or intricate questions of fact, relief must first be obtained in an appropriate administrative proceeding before a remedy will be supplied by the courts although the matter comes within the jurisdiction of the courts.** The application of the doctrine does not call for the dismissal of the case in the court but only for its **suspension until after the matters within the competence of the administrative body are threshed out and determined.**

x x x x

Rule 43 of the Revised Rules of Court, which provides for a uniform procedure for appeals from a long list of quasi-judicial agencies to the [CA], is a **loud testament to the power of Congress to vest myriad agencies with the preliminary jurisdiction to resolve controversies within their particular areas of expertise and experience.**

In fact, **our landmark ruling in *Association* has already validated the grant by Congress to the DAR of the primary jurisdiction to determine just compensation.** There, it was held that RA 6657 does not suffer from the vice of the decree voided in *EPZA*, where the valuation scheme was voided by the Court for being an “impermissible encroachment on judicial prerogatives.” x x x[.]

x x x x

⁴¹ Id. at 95.

⁴² G.R. Nos. 181912 and 183347, November 29, 2016.

Unlike *EPZA*, and in answer to the question raised in one of the dissents, **the scheme provided by Congress under RA 6657 does not take discretion away from the courts in determining just compensation in agrarian cases.** Far from it. In fact, the DAR valuation formula is set up in such away that its application is dependent on the existence of a certain set of facts, the ascertainment of which falls within the discretion of the court.

x x x x

x x x Congress thus clearly conceded that courts *have* the power to look into the “justness” of the use of a formula to determine just compensation, and the “justness” of the factors and their weights chosen to flow into it.


In fact, the regulatory scheme provided by Congress in fact sets the stage for a *heightened* judicial review of the DAR’s preliminary determination of just compensation pursuant to Section 17 of RA 6657. In case of a proper challenge, SACs are actually empowered to conduct a *de novo* review of the DAR’s decision. Under RA 6657, a full trial is held where SACs are authorized to (1) appoint one or more commissioners, (2) receive, hear, and retake the testimony and evidence of the parties, and (3) make findings of fact anew. **In other words, in exercising its exclusive and original jurisdiction to determine just compensation under RA 6657, the SAC is possessed with exactly the same powers and prerogatives of [the RTC] under Rule 67 of the Revised Rules of Court.**

In such manner, the SAC thus conducts a more *exacting* type of review, compared to the procedure provided either under Rule 43 of the Revised Rules of Court, which governs appeals from decisions of administrative agencies to the [CA], or under Book VII, Chapter 4, Section 25 of the Administrative Code of 1987, which provides for a default administrative review process. In both cases, the reviewing court decides based on the record, and the agency’s findings of fact are held to be binding when supported by substantial evidence. The SAC, in contrast, retries the whole case, receives new evidence, and holds a full evidentiary hearing.

x x x x

Justice Velasco correctly pointed out this Court’s statement in *Belista* excepting petitions for determination of just compensation from the list of cases falling within the DAR’s original and exclusive jurisdiction. Justice Velasco is also correct when he stated that the Court, in *Heirs of Vidad*, summarized and affirmed rulings which “invariably upheld the [SAC’s] original and exclusive jurisdiction x x x notwithstanding the seeming failure to exhaust administrative remedies before the DAR.” Later on, he would point out, again correctly, the seemingly conflicting rulings issued by this Court regarding the imposition upon the courts of *a* formula to determine just compensation.

x x x x



Justice Velasco reads both *Belista* and *Heirs of Vidad* as bases to show that SACs possess original and exclusive jurisdiction to determine just compensation, regardless of prior exercise by the DAR of its primary jurisdiction.

We do not disagree with the rulings in *Belista* and *Heirs of Vidad*, both of which acknowledge the grant of primary jurisdiction to the DAR, subject to judicial review. We are, however, of the view that the better rule would be to read these seemingly conflicting cases without having to disturb established doctrine.

Belista, for example, should be read in conjunction with *Association*, the landmark case directly resolving the constitutionality of RA 6657. In *Association*, this Court unanimously upheld the grant of jurisdiction accorded to the DAR under Section 16⁴³ to preliminarily determine just compensation. This grant of primary jurisdiction is specific, compared to the general grant of quasi-judicial power to the DAR under Section 50. *Belista*, which speaks of exceptions to the general grant of quasi-judicial power under Section 50, cannot be read to extend to the specific grant of primary jurisdiction under Section 16.

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Considering the validity of the grant of primary jurisdiction, our ruling in *Heirs of Vidad* should also be reconciled with the rationale behind the doctrine of primary jurisdiction. In this sense, neither landowner nor agency can disregard the administrative process provided under the law without offending the already established doctrine of primary jurisdiction:

⁴³ **Section 16. Procedure for Acquisition of Private Lands.** — For purposes of acquisition of private lands, the following procedures shall be followed:

(a) After having identified the land, the landowners and the beneficiaries, the DAR shall send its notice to acquire the land to the owners thereof, by personal delivery or registered mail, and post the same in a conspicuous place in the municipal building and barangay hall of the place where the property is located. Said notice shall contain the offer of the DAR to pay a corresponding value in accordance with the valuation set forth in Sections 17, and 18, and other pertinent provisions hereof.

(b) Within thirty (30) days from the date of receipt of written notice by personal delivery or registered mail, the landowner, his administrator or representative shall inform the DAR of his acceptance or rejection of the offer.

(c) If the landowner accepts the offer of the DAR, the Land Bank of the Philippines (LBP) shall pay the landowner the purchase price of the land within thirty (30) days after he executes and delivers a deed of transfer in favor of the government and surrenders the Certificate of Title and other muniments of title.

(d) In case of rejection or failure to reply, the DAR shall conduct summary administrative proceedings to determine the compensation for the land requiring the landowner, the LBP and other interested parties to submit evidence as to the just compensation for the land, within fifteen (15) days from the receipt of the notice. After the expiration of the above period, the matter is deemed submitted for decision. The DAR shall decide the case within thirty (30) days after it is submitted for decision.

(e) Upon receipt by the landowner of the corresponding payment or, in case of rejection or no response from the landowner, upon the deposit with an accessible bank designated by the DAR of the compensation in cash or in LBP bonds in accordance with this Act, the DAR shall take immediate possession of the land and shall request the proper Register of Deeds to issue a Transfer Certificate of Title (TCT) in the name of the Republic of the Philippines. The DAR shall thereafter proceed with the redistribution of the land to the qualified beneficiaries.

(f) Any party who disagrees with the decision may bring the matter to the court of proper jurisdiction for final determination of just compensation.

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X X X X

Section 18, on the other hand, merely recognizes the possibility that the landowner will disagree with the DAR/LBP's offer. In such case, and where the landowner elevates the issue to the court, the court needs to rule on the offer of the DAR and the LBP. Since the government's offer is required by law to be founded on Section 17, the court, in exercising judicial review, will necessarily rule on the DAR determination based on the factors enumerated in Section 17.

Now, whether the court accepts the determination of the DAR will depend on its exercise of discretion. This is the essence of judicial review. That the court *can* reverse, affirm or modify the DAR/LBP's determination cannot, however, be used to argue that Section 18 excuses observance from Section 17 in cases of disagreement.⁴⁴ (Citations omitted, emphasis ours and italics in the original)

*Alfonso*⁴⁵ is unequivocal that *administrative remedies cannot be dispensed with and direct resort to the SAC is proscribed*. However, the foregoing rule cannot be applied in the case at bar for reasons discussed below.

While the Court recognizes the primacy of the doctrine of exhaustion of administrative remedies in our judicial system, it bears emphasizing that the principle admits of exceptions, among which is when there is unreasonable delay or official inaction that irretrievably prejudices a complainant.⁴⁶ This *exception* is attendant herein where the LBP and the DAR *entered* the property of the Mateos sometime in 1994,⁴⁷ but deposited cash and Agrarian Reform Bonds as payment therefor only on December 13, 1996 and February 11, 1997.⁴⁸ The LBP and the DAR were indisputably aware that the Mateos rejected the price offered as just compensation for the subject property. Still, at the time the Mateos filed their suit before the SAC, no summary administrative proceeding was yet initiated by the DAR to make further valuation. The SAC even had to issue no less than three *orders* dated November 12, 1997, January 7, 1998 and March 18, 1998 for the DAR to conduct the necessary proceedings.⁴⁹ DAR's delay and inaction had unjustly prejudiced the Mateos and precluding them from filing a complaint before the SAC shall result in an injustice, which the law never intends.

⁴⁴ *Ramon Alfonso v. LBP and DAR*, supra note 42.

⁴⁵ Id.

⁴⁶ Please see *Addition Hills Mandaluyong Civic & Social Organization, Inc. v. Megaworld Properties & Holdings, Inc., et al.*, 686 Phil. 76 (2012).

⁴⁷ See Landowner's Reply to Notice of Land Valuation and Acquisition, *rollo*, pp. 105, 125.

⁴⁸ LBP Certifications of Deposit, *id.* at 106, 113.

⁴⁹ Id. at 19.

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It bears stressing as well that on December 21, 2000 and March 22, 2001, while trial before the SAC was underway, the DARAB rendered decisions in the summary administrative proceedings upholding the valuations previously made by the LBP and rejected by the Mateos.⁵⁰ At that point, referring the case back to the DAR would have been completely moot as any challenge raised against the valuation shall be cognizable by the SAC. Clearly, there were no more administrative remedies to exhaust.

Prescinding from the above, the CA erred in ordering the dismissal of the Mateos' complaint before the SAC. The doctrine of exhaustion of administrative remedies finds no application in the instant case where the DAR took no initiative and inordinately delayed the conduct of summary administrative proceedings, and where during the pendency of the case before the SAC, the DARAB rendered decisions affirming the LBP's prior valuations of the subject property.

**On non-compliance with Section 17
of R.A. No. 6657 and DAR AOs,
and the consequent remand of the
case to the SAC**

In *Alfonso*,⁵¹ the Court summed up the guidelines in just compensation cases, viz.:

First, in determining just compensation, courts are obligated to apply both the compensation valuation factors enumerated by the Congress under Section 17 of RA 6657 and the basic formula laid down by the DAR. x x x[.]

x x x x

Second, the formula, being an administrative regulation issued by the DAR pursuant to its rule-making and subordinate legislation power under RA 6657, has the force and effect of law. Unless declared invalid in a case where its validity is directly put in issue, courts must consider their use and application. x x x[.]

x x x x

Third, courts, in the exercise of their judicial discretion, may relax the application of the formula to fit the peculiar circumstances of a case. They must, however, clearly explain the reason for any deviation; otherwise, they will be considered in grave abuse of discretion. x x x[.]

x x x x

⁵⁰ Id. at 19-20.

⁵¹ Supra note 42.

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When acting within the parameters set by the law itself, the RTC-SACs, however, are not strictly bound to apply the DAR formula to its minute detail, particularly when faced with situations that do not warrant the formula's strict application; they may, in the exercise of their discretion, relax the formula's application to fit the factual situations before them. They must, however, clearly explain the reason for any deviation from the factors and formula that the law and the rules have provided.

The situation where a deviation is made in the exercise of judicial discretion should at all times be distinguished from a situation where there is utter and blatant disregard of the factors spelled out by law and by the implementing rules. For in [the latter case], the RTC-SAC's action already amounts to grave abuse of discretion for having been taken outside of the contemplation of the law.⁵² (Citations and emphasis omitted)

In the case at bench, the SAC's deviation from the prescribed procedures in determining just compensation due to the Mateos is evident as discussed hereunder.

The SAC made no exact finding as to when the subject property was taken by the government. Without anything more, the SAC merely mentioned Vivencio's testimony that in the early part of June of 1994, the DAR entered the subject property.⁵³ However, the SAC did not discuss when the subject property was actually transferred through the issuance of emancipation patents, certificates of land ownership awards or any other titles to the farmer beneficiaries. The dates are significant as they are to be considered as the time of taking, and just compensation must be valued in relation thereto.⁵⁴

Reference to any DAR AOs or formulas is conspicuously absent as well. Note that on October 30, 1992, the DAR issued AO No. 6, which was later amended by AO No. 11, series of 1994.⁵⁵ The applicability of AO No. 11 in the case at bar is, however, still uncertain pending the SAC's determination of when the subject property was actually transferred to the farmer beneficiaries. Further, prior to the conclusion of the Mateos' just compensation complaint before the SAC, the DAR issued AO No. 5, series of 1998 on April 15, 1998.⁵⁶ Item II(I) thereof, however, provides that "*all*

⁵² Id.

⁵³ *Rollo*, p. 125.

⁵⁴ *LBP v. Lajom*, G.R. No. 184982, August 20, 2014, 733 SCRA 511, 521.

⁵⁵ Revising the Rules and Regulations Covering the Valuation of Lands Voluntarily Offered or Compulsorily Acquired as Embodied in Administrative Order No. 6, Series of 1992. Adopted on September 13, 1994.

⁵⁶ Revised Rules and Regulations Governing the Valuation of Lands Voluntarily Offered or Compulsorily Acquired Pursuant to Republic Act No. 6657. Adopted on April 15, 1998.

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claims whose [MoV] have not yet been forwarded to DAR shall be valued in accordance with this [AO].” Considering that in the case of the Mateos, the MoV was forwarded by the LBP to the DAR on September 30, 1996,⁵⁷ AO No. 6 and not AO No. 5, shall apply.

Item II(A) of AO No. 6 provides:

- A. There shall be one basic formula for the valuation of lands covered by [Voluntary Offer to Sell] or [Compulsory Acquisition] regardless of the date of offer or coverage of the claim:

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

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 the three factors are present, relevant, and applicable.

- A.1 When the CS factor is not present and CNI and MV are applicable, the formula shall be:

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

- A.2 When the CNI factor is not present, and CS and MV are applicable, the formula shall be:

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

- A.3 When both the CS and CNI are not present and only MV is applicable, the formula shall be:

$$LV = MV \times 2$$

- A. 4 In all the above, the computed value using the applicable formula or the Declared Value by Landowner (DV), whichever is lower, shall be adopted as the Land Value.

DV shall refer to the amount indicated in the Landowner's offer or the Listasaka declaration, whichever is lower, in case of VOS. In case of CA, this shall refer to the amount indicated in the Listasaka. Both LO's offer and Listasaka shall be grossed-up using the immediately preceding semestral Regional Consumer Price Index (RCPI), from the date of the offer or the date of Listasaka up to the date of receipt of claim folders by LBP from DAR for processing.

⁵⁷ Rollo, pp. 100-103.

Items B, C and D of AO No. 6 also indicate very detailed guidelines on how Capitalized Net Income (CNI), Comparable Sales (CS) and Market Value per Tax Declaration (MV) shall be computed.

However, in the valuation of the subject property owned by the Mateos, the SAC did not even minutely refer to any *formula* mandated to be applied by pertinent DAR regulations. There was also *no explanation at all* as to why the case should be excepted from the application of AO No. 6.

Further, the SAC did not specifically lay down its basis in concluding that the FMV of the subject property is ₱500,000.00 per ha. The SAC referred to *Sanggunian Panlalawigan* Resolution No. 03-99, which provided for an updated schedule of FMVs of real properties in the Province of Sorsogon.⁵⁸ However, it is settled that the valuation of the property should be pegged at the *time of taking*, not of filing of the complaint, pendency of the proceedings or rendition of judgment.⁵⁹

As to the CS transactions which were considered as evidence, the SAC did not elaborate if they had indeed satisfied the guidelines set forth by AO No. 6 as regards their sizes and locations.⁶⁰

Anent the productivity of the subject property, the SAC made estimates, the bases of which are likewise unclear. The estimated earnings were also unwarrantedly cumulated covering the period of 1994 to 2002.⁶¹ Note that in Item II(B) of AO No. 6, in computing CNI, only “*one year’s average gross production immediately preceding the date of offer in case of Voluntary Offer to Sell or date of notice of coverage in case of CA*” is included as among the factors.

Inevitably then, the Court is constrained to remand the case to the SAC to determine the just compensation due to the Mateos. As bases therefor, Section 17 of R.A. No. 6657, AO No. 6 and pertinent DAR AOs explicitly providing for their application over pending cases involving just compensation for lands taken before the effectivity of the AOs, shall be applied.

⁵⁸ Id. at 124.

⁵⁹ *LBP v. Heirs of Spouses Encinas*, 686 Phil. 48, 55 (2012).

⁶⁰ *Rollo*, p. 125.

⁶¹ Id. at 125-126.



It is significant to note that R.A. No. 6657 was first amended by R.A. No. 8532,⁶² which augmented the funds in the implementation of the CARP. Thereafter, Section 7 of R.A. No. 9700⁶³ amended Section 17 of R.A. No. 6657, which now reads 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. (Underscoring ours)

On the other hand, the transitory provision of DAR AO No. 2, series of 2009,⁶⁴ in part, provides that “*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.*” Accordingly then, in *LBP v. Heirs of Jesus Alsua*,⁶⁵ the Court “*excepted from the application of the amended Section 17 all claim folders received by LBP prior to July 1, 2009, which shall be valued in accordance with Section 17 of [R.A. No.] 6657, as amended, prior to its further amendment by [R.A.] No. 9700.*”⁶⁶

In the case of the Mateos, the Claim Folder was received by LBP earlier than July 1, 2009; hence, the amendments in Section 17, as introduced by R.A. No. 9700, shall not be applicable. Just compensation shall be determined in accordance with Section 17 of R.A. No. 6657 prior to its amendment by R.A. No. 9700.

⁶² AN ACT STRENGTHENING FURTHER THE COMPREHENSIVE AGRARIAN REFORM PROGRAM (CARP) BY PROVIDING AUGMENTATION FUND THEREFOR, AMENDING FOR THE PURPOSE SECTION 63 OF REPUBLIC ACT NO. 6657, OTHERWISE KNOWN AS THE CARP LAW OF 1988. Approved on February 23, 1998.

⁶³ 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. Approved on August 7, 2009.

⁶⁴ Rules and Procedures Governing the Acquisition and Distribution of Agricultural Lands Under R.A. No. 6657, as amended by R.A. No. 9700. Issued on October 15, 2009.

⁶⁵ G.R. No. 211351, February 4, 2015, 750 SCRA 121.

⁶⁶ Id. at 139.

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Note too that the LBP valued the subject property at more or less ₱52,000.00 per ha without considering factors relating to productivity and the prices of comparable parcels of land.⁶⁷ Engr. Dino, on his part, determined that the entire subject property is ₱6,016,303.00, *sans* ample substantiation of the amounts used.⁶⁸ The SAC valued the subject property at ₱71,143,623.00, without using any formulas mandated by any DAR AO or explaining why it dispensed with the application thereof.

Repetitive as it may be, the SAC is reminded that the valuation shall be based at the time of taking of the subject property, not the date of the filing of or period of pendency of the suit, or the rendition of judgment. While the valuation may prove outdated, it should be stressed that the purpose of payment is not to reward the owners for the property taken but to compensate them for the loss thereof.⁶⁹

In applying the basic formula prescribed by the DAR in determining just compensation, it is important that the values to be used are documented, verified and accurate. In considering CNI as a factor, information obtained from government agencies such as the DA and the Philippine Coconut Authority, tasked to regulate or monitor agricultural production, shall be useful. Anent the determination of MV and CS, the parties' mere allegations, without substantiation, do not suffice.

Moreover, since the Mateos were deprived of the subject property without prompt payment of just compensation, if indeed as alleged the transfers to the farmer beneficiaries were made in 1994, the DAR, as the institution tasked to initiate the summary administrative valuation proceedings, violated proprietary rights. Hence, the Mateos should be entitled to actual or compensatory damages, which in this case should be the legal interest on the value of the subject property at the time of taking up to full payment.⁷⁰

The following facts need to be emphasized: (a) the Mateos claimed that DAR's entry into the subject property occurred in June 1994; (b) the complaint for just compensation was filed before the SAC on April 30, 1997; and (c) deposits by LBP of cash and Agrarian Reform Bonds in favor of the Mateos were made on December 13, 1996 and February 11, 1997.

⁶⁷ *Rollo*, pp. 101-103; 107-110.

⁶⁸ *Id.* at 124.

⁶⁹ Please see *Secretary of the Department of Public Works and Highways and District Engineer Celestino R. Contreras v. Spouses Heracleo and Ramona Tecson*, G.R. No. 179334, April 21, 2015.

⁷⁰ *Id.*

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The Court has allowed the grant of legal interest in expropriation cases where there is 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 shall be pegged at the rate of 12% interest *per annum* from the time of taking until June 30, 2013 only. Thereafter, or beginning July 1, 2013, until fully paid, interest shall be at six percent (6%) *per annum* in line with the amendment introduced by Bangko Sentral ng Pilipinas-Monetary Board Circular No. 799,⁷¹ series of 2013.⁷²

IN VIEW OF THE FOREGOING, the petition is **PARTIALLY GRANTED**. The Decision and Resolution dated August 4, 2008 and January 28, 2009, respectively, of the Court of Appeals in CA-G.R. CV No. 79581 are hereby **REVERSED** only insofar as they dismissed the complaint for just compensation filed by Vivencio Mateo, Eugenio Mateo, Joji Mateo Morales and Myrna Mateo Santos. However, the petition is **DENIED** insofar as it seeks to sustain the valuation of the subject property in Civil Case No. 97-6331 made by the Regional Trial Court of Sorsogon City, Sorsogon, Branch 52, sitting as Special Agrarian Court.

The case is hereby **REMANDED** to the trial court to determine with utmost dispatch the just compensation due to Vivencio Mateo, Eugenio Mateo, Joji Mateo Morales and Myrna Mateo Santos strictly in accordance with Section 17 of Republic Act No. 6657 prior to its amendment by Republic Act No. 9700, pertinent Administrative Orders issued by the Department of Agrarian Reform, and the guidelines set forth in this Decision. To be deducted from the final valuation is the total amount withdrawn by Vivencio Mateo, Eugenio Mateo, Joji Mateo Morales and Myrna Mateo Santos from the cash and Agrarian Reform Bonds deposited in their names by the Land Bank of the Philippines. The remaining balance shall be subject to annual legal interest at the rate of twelve percent (12%) from the time of taking until June 30, 2013, and six percent (6%) from July 1, 2013 until full payment. The trial court is directed to **SUBMIT** a report on its findings and recommendations within **SIX (6) MONTHS** from notice hereof.

⁷¹ Rate of Interest in the Absence of Stipulation, effective July 1, 2013.

⁷² *LBP v. Heirs of Jesus Alsua*, supra note 65.



SO ORDERED.

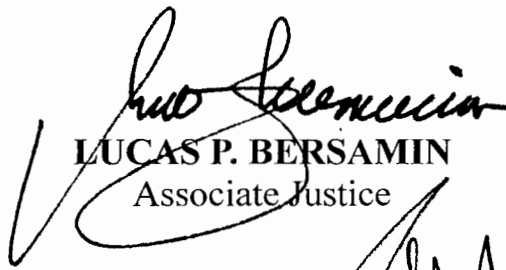


BIENVENIDO L. REYES
Associate Justice

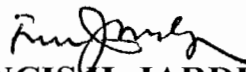
WE CONCUR:



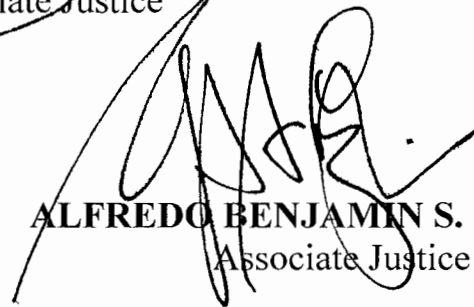
PRESBITERO J. VELASCO, JR.
Associate Justice
Chairperson



LUCAS P. BERSAMIN
Associate Justice




FRANCIS H. JARDELEZA
Associate Justice



ALFREDO BENJAMIN S. CAGUIOA
Associate Justice

ATTESTATION

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.



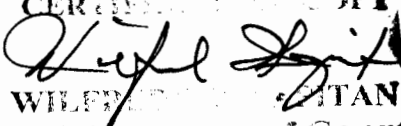
PRESBITERO J. VELASCO, JR.
Associate Justice
Chairperson

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

CERTIFIED TRUE COPY

WILFREDO C. BITAN
Division Chairperson of Court
Third Division
MAR 10 2017

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