Republic of the Philippines
Supreme Court
Manila

THIRD DIVISION

LAND BANK OF THE PHILIPPINES,	**G.R. No. 208004**
Petitioner,	
- versus -	
PRADO VERDE CORPORATION,	
Respondent.	

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PRADO VERDE CORPORATION,	**G.R. No. 208112**
Petitioner,	
- versus -	
LAND BANK OF THE PHILIPPINES,	
Respondent.	

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LAND BANK OF THE PHILIPPINES,	**G.R. No. 210243**
Petitioner,	Present:
	VELASCO, *J., Chairperson,*
	BERSAMIN,
- versus -	LEONEN,
	MARTIRES,* and
	GESMUNDO, *JJ.*
PRADO VERDE CORPORATION,	Promulgated:
Respondent.	July -30, 2018

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* On leave.

DECISION

GESMUNDO, *J.*:

The instant petitions are rooted from the March 21, 2012 Decision[1] and June 11, 2012 Resolution[2] of the Regional Trial Court of Legazpi City, Branch 3 *(RTC)*, in Agrarian Case No. 08-04, a case for just compensation filed by Prado Verde Corporation *(Prado)*, formerly United Plaza Properties, Inc., against Land Bank of the Philippines *(Land Bank)* whereby the trial court directed Land Bank to pay Prado the amount of ₱294,495.20 as just compensation, an amount which was higher than Land Bank's revalued amount of ₱214,026.38.

After both parties' respective motions for reconsideration were denied, each party filed its separate petition for review before the Court of Appeals *(CA)*. Prado's petition was raffled to the Sixth Division and was docketed as CA-G.R. SP No. 125525, while Land Bank's petition was raffled to the First Division, docketed as CA-G.R. SP No. 125471.

Learning of the two petitions, both parties moved for consolidation in CA-G.R. SP No. 125471, said case having the lower docket number. However, pending resolution of the motion, the CA Sixth Division rendered a Decision[3] on January 31, 2013, and later a Resolution[4] on July 8, 2013, affirming the decision of the RTC and denying the parties' motions for reconsideration, respectively. Thus, Land Bank and Prado filed their separate petitions for review before the Court, docketed as **G.R. No. 208004** and **G.R. No. 208112**. Both petitions were later consolidated.

Subsequently, the CA First Division denied the motion for consolidation, the same having been mooted by the January 31, 2013 Decision of the Sixth Division. Thus, it later rendered a Resolution[5] on December 4, 2013 dismissing Land Bank's petition for lack of merit. Hence, Land Bank filed a petition for review before the Court, docketed as **G.R. No. 210243**.

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[1] *Rollo* (G.R. No. 208004), pp. 99-112; penned by Judge Frank E. Lobrigo.
[2] Id. at 113-114.
[3] Id. at 32-53; penned by Associate Justice Marlene Gonzales-Sison, with Associate Justices Hakim S. Abdulwahid and Edwin D. Sorongon, concurring.
[4] Id. at 54-55.
[5] *Rollo* (GR No. 210243), pp. 46-48; penned by Associate Justice Normandie B. Pizarro, with Associate Justices Andres B. Reyes, Jr. and Manuel M. Barrios, concurring.

Since all three petitions are not simply intertwined, but involve the very same parties, facts and issues, consolidation is therefore in order.

Antecedents

Prado was the owner of an agricultural land known as Lot 5834-A, covered by Transfer Certificate of Title *(TCT)* No. 4141 issued in the name of Legazpi Oil Company, Inc. *(Legazpi Oil)*, from which Prado bought said property in 1979. The property remained registered in the name of Legazpi Oil and the sale was not annotated on the TCT. However, on July 9, 1980, the deed of absolute sale in favor of United Plaza Properties, Inc. was presented for registration and was duly registered before the Registry of Deeds of Legazpi. The said property was placed within the coverage of the Agrarian Reform Program under Presidential Decree *(P.D.)* No. 27 and a portion thereof, with an area of 2.4975 hectares, was placed within the coverage of Operation Land Transfer on December 4, 1995. As of August 2010, the landowner of the agricultural property had not yet been compensated. Prado received the claims folder from the Department of Agrarian Reform *(DAR)* on January 24, 1996.

Meanwhile, on April 21, 1988 and pursuant to Emancipation Patent issued by DAR, the Registry of Deeds entered in its registry TCT Nos. 58 and 59 over portions of Lot 5834-A, which portions were then known as Lot No. 5834-A-1, issued in the name of farmer-beneficiary Salustiano Arcinue and Lot No. 5834-2 issued in the name of farmer-beneficiary Agapito Azupardo, respectively. Thus, TCT No. 4141 was partially cancelled with regard to the 2.4975 hectare portion, which portion was previously classified as riceland, of Lot No. 5834-A.

On January 1996, Land Bank initially valued the acquired property in the amount of ₱38,885.04 pursuant to P.D. No. 27. Then, a revaluation was made and the compensation was pegged in the amount of ₱59,457.05 which amount, for unknown reason, was not received by the landowner. Thus, Prado filed an agrarian suit before the RTC.

During the pendency of the case, Land Bank further revalued the property using the reckoning dates of production data and values pursuant to Administrative Order *(A.O.)* No. 1, series of 2010, which the DAR issued under Republic Act *(R.A.)* No. 9700, and the two-factor formula prescribed therein [(LV = (CNI x 0.90) + (MV x 0.10)], thus arriving at the amount of ₱214,026.38. However, Prado rejected the revalued compensation.

On March 21, 2012, the RTC, acting as a Special Agrarian Court *(SAC)*, rendered a Decision[6] fixing the amount of just compensation at ₱294,495.20. The trial court held that just compensation of the subject properties should be computed pursuant to A.O. No. 5, Series of 1998, as amended by A.O. No. 2, Series of 2009 and A.O. No. 1, Series of 2010, which reckoned the determination of just compensation based on the condition of the property prevailing within the 12-month period preceding June 30, 2009, the presumptive date of taking.[7] The computation was as follows:

LV = (CNI x 0.60) + (CS x 0.30) + (MV x 0.10)

Where: LV = Land Value
CNI = Capitalized Net Income which refers to the gross sales
(AGP x SP) with assumed net income rate of 20%
Capitalized at 0.12
CS = Comparable Sales (based on fair market value equivalent to 70% of BIR Zonal Value)
MV = Market Value per Tax Declaration

$$CNI = \frac{(AGP \times SP) \times 0.20}{0.12}$$
$$= \frac{(5,900 \times ₱9.00) \times 0.20}{0.12}$$
$$= ₱88,500.00$$

CS = ₱20.00 zonal value/square meter x 10,000 sq. m.
= **₱200,000.00**

MV = ₱30,100.00 x 100% x 1.60
= **₱48,160.00**

LV = (CNI x 0.60) + (CS x 0.30) + (MV x 0.10)
= (88,500.00 x 0.60) + (200,000.00 x 0.30) + (48,160.00 x 0.10)
= 53,100.00 + 60,000.00 + 4,816.00
= **₱117,916.00** per hectare

Total LV = LV x area acquired
= 117,916.00 x 2.4975 hectares
= **₱294,495.20**

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[6] Supra note 1.
[7] *Rollo* (G.R. No. 208004), p. 35.

Unsatisfied, both parties moved for reconsideration. Prado claimed that the valuation of the property should be based on the zonal value of the residential lots within the vicinity where the property is located, while Land Bank argued that its revaluation should be upheld.

The parties' motions for reconsideration were denied. Thus, Prado and Land Bank filed their respective petitions for review before the CA.

CA's Ruling

CA-G.R. SP No. 125525

Prado insisted that the trial court violated the equal protection clause when it did not compute the valuation of its landholding based on the zonal value of the residential lots within the vicinity where it is situated. Prado further claimed that the fair market value of the land should have been used as basis for the computation of just compensation, citing *Hacienda Luisita Incorporated, et al. v. Presidential Agrarian Reform Council, et al.*[8]

The CA Sixth Division, however, denied Prado's petition ruling that the trial court correctly applied the three-factor formula prescribed under A.O. No. 1, Series of 2010. It also did not agree with Prado's contention that the Court use the fair market value of the land as basis for the computation of just compensation. Instead, the appellate court agreed with the Land Bank's observation that nowhere in the decision of the Court was it found that the fair market value was used as basis. The CA, citing *Allied Banking Corp. v. LBP*,[9] ruled that a market data approach cannot replace the factors enumerated in the agrarian law and the computation in accordance with the DAR administrative order implementing it;[10] and that the measure of just compensation in agrarian reform is different from ordinary expropriation where lands are likewise taken for public use.[11]

The CA further ruled that contrary to Land Bank's stance, the three-factor formula prescribed under the aforementioned A.O. was correctly applied by the court *a quo* in the valuation of Prado's landholding.[12] It held that:

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[8] 676 Phil. 518 (2011).
[9] 600 Phil. 346 (2009).
[10] *Rollo* (G.R. No. 208004), p. 49.
[11] Id. at 51A.
[12] Id. at 43.

Indeed, the Court a quo's findings closely conformed to the factors listed in Section 17 of RA No. 6657 especially the factors of *actual use and income of the subject properties*. It has been consistently ruled that the ascertainment of just compensation by the RTC as SAC on the basis of the landholding's nature, location, market value, assessor's value and the volume and the value of produce is valid and accords with Section 17, *supra*. In the absence of proof to show that the Court *a quo*, acting as Special Agrarian Court, committed grievous error in the appreciation and weighing of the evidence, We respect its findings. *Accordingly*, the determined amount by the Court *[a quo]*, in eminent domain terms, is the *"real, substantial, full and ample" compensation the government must pay to be "just" to the landowner, herein petitioner*.[13] (citations omitted)

Unsatisfied with the decision, Prado and Land Bank filed their respective motions for reconsideration. However, both motions were denied. Thus, they sought relief before the Court.

CA-G.R. SP No. 125471

Land Bank contended that the RTC's valuation of the subject land did not consider the pertinent guidelines issued by the Department of Agrarian Reform *(DAR)* but instead created its own version of the applicable guidelines, which is not allowed under settled jurisprudence.[14]

The CA First Division, however, was not convinced, ruling in this wise:

As the law now stands, it is clear that the RTC, acting as Special Agrarian Court, is duty-bound to take into consideration the factors fixed by Section 17 of Republic Act (RA) No. 6657, as amended, and apply the basic formula prescribed and laid down in the pertinent administrative regulations.

After a judicious evaluation of the petition, as well as the evidence on record, We find and so hold that the Petitioner failed to sufficiently show that the RTC ignored, misconstrued, or misapplied any cogent facts and circumstances which, if considered, would warrant a modification or reversal of the outcome of the case. On the contrary, it conformed with the factors listed in Section 17 of the above law in determining just compensation. In the absence of proof to show that it committed grievous error in its dispositions, We have to respect its findings.[15]

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[13] Id. at 48.
[14] *Rollo* (G.R. No. 210243), p. 47.
[15] Id.

Undaunted, Land Bank proceeded before the Court *via* a petition for review questioning the above disposition.

Collectively, the issues for resolution are as follows:

I.

WHETHER OR NOT THE COURT OF APPEALS ERRED IN AFFIRMING THE SAC'S DETERMINATION OF JUST COMPENSATION.

II.

WHETHER OR NOT THE COURT OF APPEALS ERRED IN AFFIRMING THE JUDGMENT OF THE SAC ORDERING THE IMMEDIATE PAYMENT OF ITS ADJUDGED JUST COMPENSATION, WITH INTEREST AT 12% IF UNHEEDED WITHIN 30 DAYS FROM NOTICE, EVEN IF THE ORDER IS NOT YET FINAL AND EXECUTORY.

Court's Ruling

The Court finds the petition filed by Land Bank partly meritorious.

In eminent domain, the determination of just compensation is principally a judicial function of the Regional Trial Court, acting as a Special Agrarian Court.[16] It exercises original and exclusive jurisdiction over all petitions for the determination of just compensation to landowners.[17] The RTC-SAC, however, must comply with the Court's ruling in *Alfonso v. Land Bank of the Philippines*[18] necessitating compliance with the guidelines and factors laid down by law in determining just compensation, where the Court specifically emphasized that:

> For the guidance of the bench, the bar, and the public, we reiterate the rule: Out of regard for the DAR's expertise as the concerned implementing agency, **courts should henceforth consider the factors stated in Section 17 of RA 6657, as amended, as translated into the applicable DAR formulas in their determination of just compensation for the properties covered by the said law.** If, in the exercise of their

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[16] *Spouses Mercado v. Land Bank of the Phils.*, 760 Phil. 846, 856 (2015).
[17] *Land Bank of the Philippines v. Dalauta*, G.R. No. 190004, August 8, 2017.
[18] G.R. Nos. 181912 & 183347, November 29, 2016.

judicial discretion, courts find that a strict application of said formulas is not warranted under the specific circumstances of the case before them, they may deviate or depart therefrom, provided that this departure or deviation is supported by a reasoned explanation grounded on the evidence on record. In other words, courts of law possess the power to make a final determination of just compensation.[19] (emphasis supplied)

Parties' respective arguments
before the Court

In its Memorandum,[20] Land Bank avers that while the SAC recognized that the Administrative Orders implementing R.A. No. 6657, as amended by R.A. No. 9700, should be followed in the determination of just compensation, yet it did not follow the factors and formula under DAR A.O. No. 1, S. 2010 for a P.D. No. 27 covered land, such as in this case, where the valuation is challenged by the landowner.[21] Instead, the SAC erroneously used the formula for P.D. No. 27 lands **that are still to be covered under the new law**,[22] thus, the adjudged compensation was violative of agrarian reform laws and established jurisprudence.[23] Land Bank argues that the SAC cannot invoke judicial discretion in justifying its decision disregarding the prescribed formula for the determination of just compensation. While the discretion of just compensation involves the exercise of judicial discretion, such discretion must be discharged within the bounds of the law, and must be viewed in the light of the rulings of the Court in the cases of *Celada, Luz Lim and Allied Bank*.[24] Therefore, in upholding the decision of the SAC, the appellate court committed reversible error.

Land Bank also questions the SAC's order of immediate payment of the adjudged just compensation, with interest of 12% if unheeded within 30 days from notice, even if the order is not yet final and executory. It argues that Section 16 of R.A. No. 6657 merely allows Land Bank to pay the amount equivalent to its initial valuation of the subject property.[25] Pending final determination of just compensation, it is not liable to pay the compensation determined by the court.[26] When the adjudged just compensation is not yet final, the court cannot impose interest.[27]

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[19] Id.
[20] Id. at 414-435.
[21] Id. at 420-421.
[22] Id. at 422.
[23] Id. at 421.
[24] Id. at 429.
[25] Id. at 432.
[26] Id. at 431.
[27] Supra note 25.

Land Bank further contends that, even assuming *arguendo*, it is liable to pay interests, the current legal rate of interest is no longer 12% but 6%, as per Monetary Board Circular No. 799, series of 2013, and as enunciated in *Nacar v. Gallery Frames*.[28]

On the other hand, Prado, in its Memorandum,[29] alleges that the procedure for the determination of just compensation under R.A. No. 6657, as summarized by the Supreme Court in *LBP v. Sps. Banal*, was not followed by the DAR and Land Bank. The instant case must be remanded to the SAC for the determination of just compensation.[30]

Prado also insists that Land Bank's revaluation amounting to ₱214,026.38 is too iniquitous for 2.4975 hectares of land. Evidence would show that a directly adjacent one (1) hectare property was mortgaged with Metrobank for ₱21,500,000.00.[31] Land Bank's revaluation was not in accordance with Sec. 17 of R.A. No. 6657 for lack of proper substantiation and validation. It was based on outdated data gathered by the DAR which, expectedly, were irrelevant or off-tangent to the factors laid down under Sec. 17 of R.A. No. 6657.[32]

RTCs, acting as Special Agrarian Courts, are mandated to apply Sec. 17 of R.A. No. 6657, as amended, in determining just compensation

In *Alfonso v. Land Bank of the Philippines*,[33] the Court explicitly emphasized that:

> The determination of just compensation *is* a judicial function. The "justness" of the enumeration of valuation factors in Section 17, the "justness" of using a basic formula, and the "justness" of the components (and their weights) that flow into the basic formula, are all matters for the courts to decide. As stressed by *Celada*, however, until Section 17 or the basic formulas are declared invalid in a proper case, they enjoy the presumption of constitutionality. This is more so now, with Congress, through RA 9700, expressly providing for the mandatory consideration of the DAR basic formula. In the meantime, *Yatco*, akin to a legal safety net,

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[28] Id. at 433.
[29] Id. at 478-495.
[30] Id. at 490.
[31] Id.
[32] Id. at 491.
[33] Supra note 18.

has tempered the application of the basic formula by providing for deviation, where supported by the facts and reasoned elaboration.[34]

Undoubtedly, the courts are not at liberty to deviate from the DAR basic formula, unless such deviations are amply supported by facts and reasoned justification.

In this case, both the SAC and the Land Bank properly relied on Sec. 17, R.A. No. 6657, as amended by R.A. No. 9700, which states that:

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

The factors to be considered in fixing the amount of just compensation were translated into a basic formula. A.O. No. 5, series of 1998, A.O. No. 2, series of 2009 and even the most recent DAR A.O. No.7, series of 2011 all provide that the basic formula shall be:

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

Where: LV   = Land Value
CNI^{35} = Capitalized Net Income (based on land use and productivity)
CS^{36} = Comparable Sales (based on fair market value
Equivalent to 70% of BIR zonal value)

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[34] Id.
[35] Factors enumerated in Section 17 of RA No. 6657, such as the nature, actual use and income are considered in the determination of the CNI of a particular landholding.
[36] Factors, such as the cost of acquisition of the land, the current value of like properties, loans secured from any government financing institution and 70% of the zonal valuation of the Bureau of Internal Revenue are considered as the CS sub-factors.

MV^{37} = Market Value per Tax Declaration (based on Government assessment)

1.1 If the three factors are present

When the CNI, CS and MV are present, the formula shall be:

$$LV = (CNI \times 0.60) + (CS \times 0.30) + (MV \times 0.10)$$

1.2 If two factors are present

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

$$LV = (CNI \times 0.90) + (MV \times 0.10)$$

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

$$LV = (CS \times 0.90) + (MV \times 1.10)$$

1.3 If only one factor is present

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

$$LV = MV \times 2$$

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

The DAR also issued DAR A.O. No. 1, series of 2010, which the SAC and the Land Bank relied upon in determining which applicable formula should be used. A.O. No. 1 series of 2010 specifically covers "Rules and Regulations on Valuation and Landowners Compensation involving Tenanted Rice and Corn Lands under Presidential Decree *(P.D.)* No. 27 and Executive Order *(E.O.)* No. 228." It appears, then, that said administrative order specially applies to tenanted rice and corn lands under P.D. No. 27 and E.O. No. 228. In said order, the lands/claims covered are the following:

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[37] On the other hand, factors, such as the tax declarations and assessment made by government assessors were considered in the determination of the MV factor.

II. COVERAGE

    A. Lands already distributed by the DAR to the farmer-beneficiaries where documentation and/or valuation are/is not yet complete (Distributed But Not Yet Documented [DNYD] claims).

    B. PD 27/EO 228 claims with the Land Bank of the Philippines where:

        1. The DAR valuation is rejected by the landowner OR

        2. The DAR valuation is undergoing summary proceeding with the DARAB or just compensation case with the Court OR

        3. The landowner accepts the original valuation under protest or without prejudice to the determination of just compensation OR

        4. The landowner refuses or fails to submit or comply with the pre-payment/documentary requirements under PD 27/EO 228 formula despite receipt of notice of demand.

    C. Rice and Corn lands under PD 27 falling under Phase 1 of RA 9700.

Here, the subject properties are rice lands placed under the coverage of and acquired pursuant to the Operation Land Transfer program under P.D. No. 27.[38] Thus, the SAC and the Land Bank correctly relied on A.O. No. 1, series of 2010 in governing the valuation of the subject 2.4975-hectare rice land.

There was, however, a disagreement as to which formula to use. A.O. No. 1 series of 2010 provided two formulas, each covering a different set of lands. Item IV. 1 thereof refers to lands already distributed by the DAR to the farmer-beneficiaries where documentation and/or valuation are/is not yet complete (DNYD) AND for claims with the Land Bank. The formula shall be:

LV = (CNI x 0.90) + (MV x 0.10)

Where:

    LV   = Land Value

    CNI = Capitalized Net Income which refers to the gross sales (AGP x SP) with assumed net income rate of 20% capitalized at 0.12

    Expressed in equation form:

$$\text{CNI} = \frac{(AGP \times SP) \times 0.20}{}$$

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[38] *Rollo* (G.R. No. 208004), p. 100.

                                    0.12

Where:

    AGP = Annual Gross Production corresponding to the latest
available 12 month's gross production immediately preceding 30
June 2009. The AGP shall be secured from the Department of
Agriculture (DA) or Bureau of Agriculture Statistics (BAS). The
AGP data shall be gathered from the barangay or municipality where
the property is located. In the absence thereof, AGP may be secured
within the province or region.

    SP = The average of the latest available 12 months' selling prices
prior to 30 June 2009 such prices to be secured from the Department
of Agriculture (DA) or Bureau of Agricultural Statistics (BAS). If
possible, SP data shall be gathered from the barangay or
municipality where the property is located. In the absence thereof,
SP may be secured within the province or region.

    MV = Market Value per Tax Declaration which is the latest Tax
Declaration and Schedule of Unit of Market Value (SUMV) issued
prior to 30 June 2009. MV shall be grossed-up up to 30 June 2009.

The reckoning date of the AGP and SP shall be June 30, 2009.[39]

    On the other hand, item IV. 2 of A.O. No. 1 refers to lands falling under
Phase 1 of R.A. No. 9700, where the basic formula shall be:

$$LV = (CNI \times 0.60) + (CS \times 0.30) + (MV \times 0.10)$$

Where:

    LV = Land Value

    CNI = Capitalized Net Income which refers to the gross sales
(AGP x SP) with assumed net income rate of 20%
capitalized at 0.12.

    Expressed in equation form:

$$CNI = \frac{(AGP \times SP) \times 0.20}{0.12}$$

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[39] Rules and Regulations on Valuation and Landowners Compensation Involving Tenanted Rice and Corn
Lands Under Presidential Decree No. 27 and Executive Order No. 228, DAR Administrative Order No. 001-
10, February 12, 2010.

Where:

AGP = Annual Gross Production corresponding to the latest available 12 month's gross production immediately preceding 01 July 2009. The AGP shall be secured from the Department of Agriculture (DA) or Bureau of Agriculture Statistics (BAS). The AGP data shall be gathered from the barangay or municipality where the property is located. In the absence thereof, AGP may be secured within the province or region.

CS = Comparable Sales (based on fair market value Equivalent to 70% of BIR Zonal Value).

SP = The average of the latest available 12 months' selling prices prior to 01 July 2009 such prices to be secured from the Department of Agriculture (DA) or Bureau of Agricultural Statistics (BAS). If possible, SP data shall be gathered from the barangay or municipality where the property is located. In the absence thereof, SP may be secured within the province or region.

MV = Market Value per Tax Declaration which is the latest Tax Declaration and Schedule of Unit of Market Value (SUMV) issued prior to 01 July 2009. MV shall be grossed-up up to 01 July 2009.

In case CS is not present, the formula shall be:
LV = (CNI x 0.90) + (MV x 0.10)

The reckoning date of the AGP and SP shall be July 01, 2009.[40]

The SAC, which the CA affirmed, held that, as per report of the commissioner, all three (3) relevant factors mentioned in either A.O. No. 2, series of 2009 and/or A.O. No. 1, series of 2010 are present. Thus, the three-factor formula prescribed in A.O. No. 1, series of 2010 is applicable.[41] The SAC then arrived at the following computation:

$$CNI = \frac{(AGP \times SP) \times 0.20}{0.12}$$

$$= \frac{(5{,}900 \times ₱9.00) \times 0.20}{0.12}$$

$$= ₱88{,}500.00$$

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[40] Id.
[41] *Rollo* (G.R. No. 208004), p. 111.

$$CS = \text{P}20.00 \text{ zonal value/square meter x } 10,000 \text{ sq. m.}$$

$$= \textbf{P200,000.00}$$

$$MV = \text{P}30,100.00 \text{ x } 100\% \text{ x } 1.60$$

$$= \textbf{P48,160.00}$$

$$LV = (CNI \text{ x } 0.60) + (CS \text{ x } 0.30) + (MV \text{ x } 0.10)$$

$$= (88,500.00 \text{ x } 0.60) + (200,000.00 \text{ x } 0.30) + (48,160.00 \text{ x } 0.10)$$

$$= 53,100.00 + 60,000.00 + 4,816.00$$

$$= \textbf{P117,916.00 per hectare}$$

Total LV $= LV \text{ x area acquired}$

$$= 117,916.00 \text{ x } 2.4975 \text{ hectares}$$

$$= \underline{\textbf{P294,495.20}}$$

The Land Bank opposed the computation, arguing that the subject properties fall under II. B of DAR A.O. No. 1, series of 2010 – those P.D. No. 27 claims with the Land Bank where the DAR valuation is rejected or undergoing just compensation case in court. Hence, the formula that should be used is that provided in IV. 1 of the said administrative order, to wit:

$$LV = (CNI \text{ x } 0.90) + (MV \text{ x } 0.10)$$

Thus, Land Bank arrived at the recomputed value of the subject properties, taking into consideration the relevant factors, as follows:

A. Land Use / Production - twelve (12) months prior to date of field investigation

1. Capitalized Net Income (CNI):

CROPS PLANTED	ANNUAL GROSS PRODUCTION (AGP)	SELLING PRICE (P)	N I R	CAPITALIZATION RATE	CNI
Rice-irrigated	5,900 kg.	9.00/kg.	20%	.12	P88,500.00

2. Market Value per Tax Declaration (MVTD):

ACTUAL LAND USE	PRODUCTIVITY CLASSIFICATION	UNIT MARKET VALUE (P)	LOACTION ADJ. FACTOR	REGIONAL CONSUMER PRICE INDEX (RCPI)	ADJUSTED UMV
Rice-irrigated		43,750.00	100%	1.382	₱60,462.50

3. Unit Land Value (ULV) Computation:

ULV = (CNI x 0.90) + (MV x 0.10)

Area = 2.4975 has.

ULV = ₱88,500.00 (.090) + ₱60,462 (0.10)
= ₱79,650.00 + ₱6,046.25
= ₱85,696.25/ha.

LV = ₱85,696.25/ha. X 2.4975
= **₱214,026.38**

On the other hand, Prado likewise opposes the computation, insisting that Land Bank's revaluation amounting to ₱214,026.38 is too iniquitous for the land.[42] Prado claims that the zonal valuation of its property is ₱2,500.00 per sq. m.[43] It asserts that Land Bank's computation was not in accordance with Sec. 17 of R.A. No. 6657 because it was based on the outdated data gathered by the DAR.[44] Similarly, Prado claims that the SAC also failed to follow its mandate to comply with Sec. 17, R.A. No. 6657 in determining the just compensation for the subject properties.[45]

Consequently, Prado prays that the Court order the farmer-beneficiaries to turn over possession and ownership of the landholding if the reasonable just compensation it prayed for is impossible. Prado avers that it shall, in turn, award the farmer-beneficiaries with reasonable homelots as, and by way of, disturbance compensation allowed under the law.[46]

The Court, however, agrees with the Land Bank.

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[42] Supra note 30.
[43] Id.
[44] Supra note 32.
[45] *Rollo* (G.R. No. 208004), p. 492.
[46] Id.

While we acknowledge the SAC's effort to abide by and conform to the prevailing law and regulations on land valuation, we cannot fully subscribe to its finding and in ultimately fixing the amount of just compensation because of its failure to apply the correct formula.

In its decision, the SAC declared item IV. D. 2. of A.O. No. 2, series of 2009,[47] as void and inapplicable insofar as it distinguishes the applicability of Sec. 17 of R.A. No. 6657, as amended by R.A. No. 9700. It ruled that:

> The Court thus finds and so holds that the provision of AO No. 2, series of 2009, insofar as it distinguishes the applicability of Sec. 17 of RA [No.] 6657, as amended by RA No. 9700, is void and inapplicable in the determination of just compensation because it is contrary to the spirit of RA No. 9700 which never made a distinction on the applicability of Sec. 17; it is contrary to the holding in *LBP v. Dumlao, et al., supra,* which upholds the harmonization of the formulae for the computation of just compensation both under PD No. 27 and RA No. 6657; it is violative of the "equal protection clause" of the Constitution; and it is unreasonable even as it unduly impinges on the prerogative of the special agrarian court to determine the amount of just compensation.[48]

Perusal of A.O. No. 2, series of 2009, would show that the "distinction" made was merely to emphasize that those lands would have to be resolved and finally valued under Sec. 17, R.A. No. 6657, as amended, instead of under P.D. No. 27 and E.O. No. 228. The same *provisos* were reiterated in DAR A.O. No. 01, series of 2010. It was, certainly, in keeping with the harmonization of the formulas in the computation of just compensation.

That being said, as the subject properties are undisputedly lands acquired under P.D. No. 27, they should be valued following the guidelines set forth in DAR A.O. No. 1.

As previously discussed, there were two (2) formulas provided for in DAR A.O. No. 1. We agree with Land Bank that since the subject land has already been distributed by the DAR to the farmer-beneficiaries and the DAR valuation is rejected by the landowner and is undergoing a just compensation case in court, __the first formula – LV = (CNI x 0.90) + (MV x 0.10) – should__

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[47] All previously acquired lands wherein valuation is subject to challenge by landowners shall be completed and finally resolved pursuant to Section 17 of R.A. No. 6657, as amended.

In like manner, claims over tenanted rice and corn lands under P.D. 27 and E.O. 228 whether submitted or not to the Land Bank of the Philippines and not yet approved for payment shall be valued under R.A. 6657, as amended.

Landholdings covered by P.D. 27 and falling under Phase 1 of R.A. No. 9700 shall be valued under R.A. No. 9700.

[48] *Rollo* (G.R. No. 208004), p. 105.

be used in determining just compensation of the 2.4975 hectares of land
subject of this case. Records would show that Land Bank has clearly
presented the relevant factors it considered in fixing the amount of just
compensation. These factors were also sufficiently substantiated.

On the contrary, even with its effort to apply the DAR basic formula of
LV = (CNI x 0.60) + (CS x 0.30) + (MV x 0.10), which is the second formula
under DAR A.O. No. 1, series of 2010, the SAC still erred in using the same.
It is observed that, in arriving at the comparable sales *(CS)* factor, the SAC
merely adopted the commissioner's report that the subject land had a zonal
value of ₱20.00 per square meter or a total amount of ₱200,000.00 per hectare.
The SAC immediately considered such data as the CS, which is one of the
three (3) factors needed in the DAR basic formula.

There are, however, guidelines set forth in determining the CS factor.
DAR A.O. No. 05-98 categorically enumerates them as follows:

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

a.   As a general rule, there shall be at least three (3) Sales
Transactions.
At least one comparable sales transaction must involve land
whose area is at least ten percent (10%) of the area being
offered or acquired but in no case less than one hectare. The
other transaction/s should involve land whose area is/are at
least one hectare each.

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

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

d.   Depending on the presence of applicable sub-factors, the
following formulae shall be used:

d.1   If there are two or more STs and MVM and/or AC
are present:

$$d.1.1 \quad CS = \frac{STA + MVM + AC}{3} \quad OR$$

$$d.1.2 \quad CS = \frac{STA + MVM}{2} \quad OR$$

$$\text{d.1.3} \quad CS = \frac{STA + AC}{2}$$

WHERE:

STA is the average of available STs or as expressed in equation form:

$$STA = \frac{ST1 + \_\_\_ + STN}{\text{No. of STs}}$$

d.2   If there is only one ST and AC and/or MVM are/is available:

$$\text{d.2.1} \quad CS = \frac{ST + MVM + AC}{3} \quad \text{OR}$$

$$\text{d.2.2} \quad CS = \frac{ST + MVM}{2} \quad \text{OR}$$

$$\text{d.2.3} \quad CS = \frac{ST + AC}{2}$$

d.3   If three or more STs are present and AC and MVM are not available:

$$CS = STA$$

d.4.   If AC and/or MVM are/is present and no ST is available:

$$\text{d.4.1} \quad CS = \frac{AC + MVM}{2} \quad \text{OR}$$

d.4.2   CS =   AC   OR

d.4.3   CS =   MVM

xxxx[49]

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[49] Revised Rules and Regulations Governing the Valuation of Lands Voluntarily Offered or Compulsorily Acquired, DAR Administrative Order No. 05-98.

In this case, the SAC did not take into consideration any comparable sale transactions because records did not show any. The reported ₱20.00/sq. m. zonal value of the land was simply multiplied by 10,000 sq. m. to arrive at the amount of ₱200,000.00 as the CS, a formula that is not one of those abovementioned. The SAC should not have forced using the 3-factor formula considering that no Comparable Sales was reported. Instead, it should have opted using an alternative formula provided by the rules which the data gathered permits. The 2-factor formula of LV = (CNI x 0.90) + (MV x 0.10) would have been the better alternative. Clearly, the SAC failed to abide by the implementing rules of the agrarian law and deviated therefrom without any justification.

As regards the contentions of Prado, the same are without merit.

Although Prado reiterates the mandate of the SAC to comply with agrarian law, which mandate the trial court failed to follow, it did not present or offer any sufficient data relevant in the proper computation of just compensation. Prado only had bare and unsubstantiated claims relating to the value of the subject properties which, in its opinion, the SAC should have used.

Further, Prado's offer of reasonable homelots and disturbance compensation in favor of the farmer-beneficiaries in exchange for its alternative prayer of repossession of the subject properties is utterly baseless. It is to be emphasized that the subject properties were expropriated by the state for which the payment of just compensation is proper.

*Payment of just compensation
with interest is proper*

In *Land Bank of the Philippines v. Phil-Agro Industrial Corp.*,[50] the Court ruled that:

> It is doctrinal that to be considered as just, the compensation must be fair and equitable, and the landowners must have received it without any delay. The requirement of the law is not satisfied by the mere deposit with any accessible bank of the provisional compensation determined by it or by the DAR, and its subsequent release to the landowner after compliance with the legal requirements set forth by R.A. No. 6657.

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[50] G.R. No. 193987, March 13, 2017.

The amount allegedly deposited by the petitioner was only a partial payment that amounted to almost 18% of the actual value of the subject landholdings. It could be the basis for the immediate taking of the subject landholdings but by no stretch of the imagination can said nominal amount be considered substantial enough to satisfy the full requirement of just compensation, taking into account its income potential and the foregone income lost because of the immediate taking.

Notwithstanding the fact that the petitioner had immediately deposited the initial valuation of the subject landholdings after its taking, the fact remains that up to this date, the respondent has not yet been fully paid. Thus, the respondent is entitled to legal interest from the time of the taking of the subject landholdings until the actual payment in order to place it in a position as good as, but not better than, the position that it was in before the taking occurred. The imposition of such interest is to compensate the respondent for the income it would have made had it been properly compensated for the properties at the time of the taking.[51] (emphasis supplied)

Here, records showed that the state did not only immediately take the subject properties without paying just compensation,[52] but it also subsequently distributed such landholdings to the farmer-beneficiaries as evidenced by the TCTs[53] issued in their favor. Prado, as landowner, has been deprived of its properties. The imposition of such interest was to compensate the landowners for the income they would have made had they been properly compensated for their properties at the time of the taking.[54]

The delay in the payment of just compensation is a forbearance of money. As such, it is necessarily entitled to earn interest.[55] The rationale for imposing the interest is to compensate the landowner for the income it would have made had it been properly compensated for its properties at the time of the taking. The need for prompt payment and the necessity of the payment of interest is to compensate for any delay in the payment of compensation for property already taken.[56]

The concept of just compensation embraces not only the correct determination of the amount to be paid to the owners of the land, but also payment within a reasonable time from its taking. Without prompt payment, compensation cannot be considered "just" inasmuch as the property owner is made to suffer the consequences of being immediately deprived of his land

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[51] Id.
[52] *Rollo* (G.R. No. 208004), pp. 183-185.
[53] Id. at 138-145.
[54] *Land Bank of the Phils. v. Spouses Avanceña*, 785 Phil 755, 765 (2016).
[55] *Evergreen Manufacturing Corp. v. Republic*, G.R. Nos. 218628 & 218631, September 6, 2017.
[56] *Land Bank of the Philippines v. Phil-Agro Industrial Corp.*, G.R. No. 193987, March 13, 2017.

while being made to wait for a decade or more before actually receiving the amount necessary to cope with his loss.[57]

Consequently, the just compensation as adjudged by the court shall earn an interest rate of 12% *per annum* from the time of taking until June 30, 2013, and 6% *per annum* from July 1, 2013 until finality of this decision.[58] Thereafter, the total amount of just compensation shall earn interest rate of 6% *per annum* from finality of this decision until fully paid, in line with prevailing jurisprudence.[59]

On a final note

The Court reiterates its pronouncement in *Alfonso v. Land Bank of the Philippines*,[60] where we declare that:

> While concededly far from perfect, the enumeration under Section 17 and the use of a basic formula have been the principal mechanisms to implement the just compensation provisions of the Constitution and the CARP for many years. Until a direct challenge is successfully mounted against Section 17 and the basic formulas, they and the collective doctrines in *Banal, Celada* and *Yatco* should be applied to all pending litigation involving just compensation in agrarian reform.[61]

In fixing the just compensation in agrarian cases, courts are duty-bound to apply and consider the factors provided for in Sec. 17 of R.A. No. 6657, as amended, which are translated into the applicable DAR formulas. Although the courts have the power to make a final determination of just compensation as a result of its exercise of judicial discretion, a deviation from prevailing formulas on land valuation would be allowed for as long as such deviation is rational and amply substantiated.

WHEREFORE, the assailed Decision and Resolution of the Court of Appeals in CA-G.R. SP No. 125525 dated January 31, 2013 and July 8, 2013, respectively, and the Resolution in CA-G.R. SP No. 125471 dated December 4, 2013, are **SET ASIDE**. Accordingly, these cases are **REMANDED** to the

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[57] Supra note 54 at 763-764.
[58] Supra note 55.
[59] *Nacar v. Gallery Frames*, 716 Phil. 267 (2013).
[60] G.R. Nos. 181912 & 183347, November 29, 2016.
[61] Id.

Special Agrarian Court for the determination of just compensation in accordance with this ruling, as follows:

1. The 2-factor formula LV = (CNI x 0.90 x 0.10) as provided for under DAR A.O. No. 1, series of 2010, pursuant to Section 17 of R.A. No. 6657, as amended by R.A. No. 9700, shall be applied.

2. The relevant sub-factors necessary for the application of the 2-factor formula shall be taken into consideration, following the guidelines set forth under Section 17 of R.A. No. 6657, as amended.

3. The just compensation as adjudged by the court shall earn an interest rate of 12% *per annum* from the time of taking until June 30, 2013, and 6% *per annum* from July 1, 2013 until finality of this decision. Thereafter, the total amount of just compensation shall earn legal interest of 6% *per annum* from finality of this decision until fully paid,[62] in line with prevailing jurisprudence.
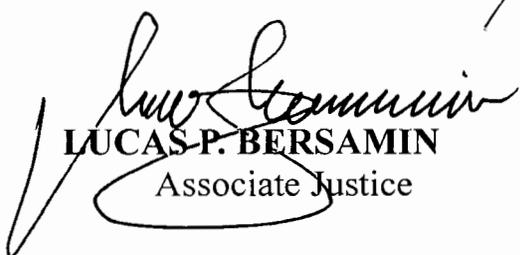
SO ORDERED.
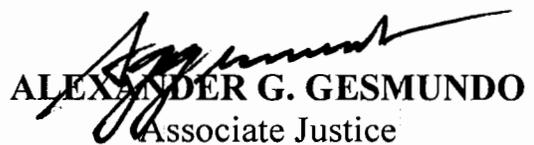
ALEXANDER G. GESMUNDO
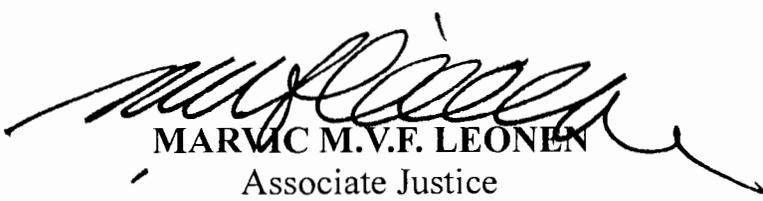Associate Justice

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[62] Supra note 55.

WE CONCUR:

PRESBITERO J. VELASCO, JR.
Associate Justice
Chairperson

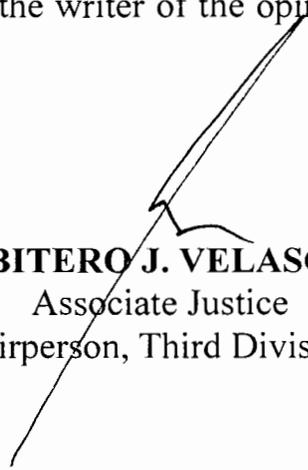**LUCAS P. BERSAMIN**
Associate Justice

MARVIC M.V.F. LEONEN
Associate Justice

(On leave)
SAMUEL R. MARTIRES
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, Third Division

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution and the Division Chairperson's Attestation, I certify that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.

ANTONIO T. CARPIO
Senior Associate Justice
(Per Section 12, R.A. 296)
The Judiciary Act of 1948, as amended