

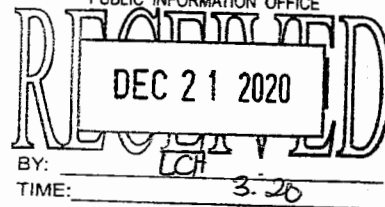


Republic of the Philippines
Supreme Court
Manila

THIRD DIVISION

NOTICE

SUPREME COURT OF THE PHILIPPINES
PUBLIC INFORMATION OFFICE



Sirs/Mesdames:

Please take notice that the Court, Third Division, issued a Resolution dated **September 9, 2020**, which reads as follows:

“G.R. No. 187789 (*Land Bank of the Philippines v. Heirs of Jaime De Los Angeles, namely Gloria, Eduardo, Rosario, Sixto III and Antonio – all surnamed De Los Angeles*). – This Petition for Review on *Certiorari*¹ under Rule 45 of the Rules of Court assails the Decision² dated February 27, 2009 and the Resolution³ dated April 30, 2009 of the Court of Appeals (CA) in CA-G.R. SP No. 104904, which affirmed with modification the Decision⁴ dated November 20, 2007 and the Orders dated December 4, 2001⁵ and August 1, 2008⁶ of the Regional Trial Court (RTC) of Urdaneta City, Pangasinan, Branch 45, sitting as Special Agrarian Court (SAC).

Facts of the Case

Respondents are Heirs of Jaime De Los Angeles, the registered co-owner of five parcels of land with a total area of 236 hectares, situated in Barrio Villanueva, Municipality of Bautista, Province of Pangasinan. The land is covered by Transfer Certificate of Title (TCT) No. 18634⁷ registered in the names of Jaime, Leonor, Federico, Adelaida, Aranzazu and Josefina, all surnamed De Los Angeles. They inherited the property from their late father Sixto De Los Angeles, Sr. Upon the death of Leonor, Federico, Adelaida, Aranzazu, and Josefina, Jaime became the sole owner of the property. Upon Jaime’s death on January 30, 1996, herein respondents, who are his surviving spouse and legitimate children, became the owners of the property.⁸

Sometime in 1981, the Department of Agrarian Reform (DAR) acquired 216 hectares of Jaime’s property under the Operation Land Transfer

¹ *Rollo*, pp. 3-82.

² Penned by Associate Justice Remedios A. Salazar-Fernando, with the concurrence of Associate Justices Fernanda Lampas-Peralta and Apolinario D. Bruselas, Jr.; id. at 87-105.

³ Id. at 108-109.

⁴ Penned by Judge Joven F. Costales; id. at 184-198.

⁵ Penned by Judge Joven F. Costales; id. at 183.

⁶ Penned by Judge Designate Edgardo M. Caldoná; id. at 289-290.

⁷ Id. at 164-165.

⁸ Id. at 89.

of the government pursuant to Presidential Decree No. (P.D.) 27.⁹ Since then, the tenants stopped paying rents to the landowners. Emancipation Patents were issued to farmer-beneficiaries. In a meeting conducted by the Barangay Committee on Land Production (BCLP) in 1981, the 216-hectare property was valued at ₱451,676.07, later increased to ₱1,628,931.32 due to imputed interest. Respondents outright rejected said valuation for being unconsciously and ridiculously low.¹⁰

Respondents then filed a petition¹¹ on June 27, 2000 before the RTC-SAC to fix the just compensation of the subject land.¹² They stated that with the production capacity of the property, the just compensation be fixed at the rate of ₱200,000.00 to ₱250,000.00 per hectare.¹³

DAR alleged that respondents' property, which is primarily devoted to rice and secondarily to onions and tomatoes, was subject to P.D. 27 and acquired by the government thru the DAR for distribution to qualified farmers/beneficiaries and valued pursuant to Executive Order No. (E.O.) 228.¹⁴

On August 31, 2000, petitioner Land Bank of the Philippines (LBP) filed a Motion to Dismiss¹⁵ on the ground that respondents' petition states no cause of action by their failure to exhaust administrative remedies. LBP contends that respondents should have first filed the case before the Department of Agrarian Reform Adjudication Board (DARAB) before filing their petition with the RTC-SAC. This motion was denied by the RTC-SAC in the Order¹⁶ dated December 4, 2001.¹⁷

On motion of respondents, the case was referred to Commissioners to determine the market value of the subject land and whether it is irrigated. The RTC appointed Atty. Max G. Pascua, Branch Clerk of Court, as Chairman, and Mr. Amado Adviento (nominee for DAR), Mr. Marlo M. Junio (nominee for petitioner LBP), and Mr. Jaime Estrella (nominee for respondents), as members.¹⁸

After conducting an evaluation, the Commissioners found that: (1) the subject land is irrigated; (2) the roads inside the property are cemented and most of the houses are made of concrete, hollow blocks, and strong materials; (3) the farm lots harvest twice a year and produce an average of 80 cavans per

⁹ Decreeing the Emancipation of Tenants from the Bondage of the Soil, Transferring to Them the Ownership of the Land They Till and Providing the Instruments and Mechanism Therefor.

¹⁰ *Rollo*, p. 89.

¹¹ *Id.* at 158-163. The petition was subsequently amended naming therein the Heirs of Jaime Delos Angeles as petitioners, which was admitted by the RTC-SAC in its Order dated November 15, 2000 (*id.* at 346).

¹² *Id.* at 89.

¹³ *Id.* at 159-160

¹⁴ *Id.* at 90

¹⁵ *Id.* at 167-171.

¹⁶ *Supra* note 5.

¹⁷ *Rollo*, p. 90.

¹⁸ *Id.* at 90-91.

harvest and 80 cavans of corn per harvest. There are also secondary crops such as tomatoes and onions and fruit-bearing mango trees in some areas; (4) the current assignment/transfer of rights among farmers in the subject property is ₱100,000.00 per hectare; and (5) the prevailing buying price for palay in the area as certified by a rice mill in Carmen, Rosales, Pangasinan is ₱10.00 per kilo (long grain) and ₱11.00 (short grain).¹⁹

Respondents submitted the Affidavits of Arturo Agamao²⁰ and Antonio G. Marcos, Jr.,²¹ farmer-tillers in the subject land stating that: the land is irrigated and has two harvests a year; it produces an average of 80 cavans of rice per hectare; it is planted with tomatoes and onions as secondary crops; and some areas of the subject land are planted with mango trees. A Certification²² from Mr. Alejandro Arcenal, Proprietor of Golden Star Rice Mill in Carmen West, Rosales, Pangasinan, was likewise presented, showing that the average price of rice in the area is ₱10.50 per kilo. They also presented a Certification²³ from the National Food Authority showing that the Government support price for rice is ₱10.00 per kilo.²⁴

Respondents further submitted evidence proving that the prevailing price for the assignment of rights of agricultural lands within the area amounts to ₱100,000.00 per hectare; that the zonal value of irrigated riceland in Brgy. Villanueva, Bautista, Pangasinan is ₱15.00 per square meter while lands with mango trees had a zonal value of ₱25.00 per square meter; a kilo of onion costs ₱15.48, a kilo of tomatoes costs ₱9.78 and mangoes cost ₱22.64 per kilo.²⁵

On the basis of their evidence, respondents averred that the RTC-SAC should use the formula provided in R.A. 6657 and DAR Administrative Order (AO) No. 5, and declare that the just compensation for their property is ₱224,902.70 per hectare plus interest of six percent *per annum*. Even if the formula provided in P.D. 27 and E.O. 228 are used, respondents claimed that they are entitled to just compensation of ₱126,892.94 per hectare, plus interest.

Petitioner LBP and DAR, on the other hand, submitted the valuations of the BCLP and the computations made by LBP under P.D. 27 and E.O. 228, that the compensation due to respondents for their 216-hectare land is ₱451,676.07. After computing the interest, the amount due is ₱1,628,931.32. They further averred that the subject land is not irrigated and even if there are irrigation facilities, the same are not operational; and that the property produces an average of 28 cavans of rice per hectare a year and auxiliary crops of tomatoes totaling 286.37 kilos per hectare per year.²⁶

¹⁹ See Commissioners' Report; *id.* at 402-404, 414-415, 422-423, 436-437.

²⁰ *Id.* at 473.

²¹ *Id.* at 474.

²² *Id.* at 475.

²³ *Id.* at 479.

²⁴ *Id.* at 92-93.

²⁵ *Id.* at 93.

²⁶ *Id.*

Ruling of the RTC-SAC

On November 20, 2007, the RTC-SAC rendered a Decision²⁷ fixing the amount of just compensation at the rate of ₱249,099.99 per hectare or a total of ₱53,805,597.84. The dispositive portion of said Decisions reads:

WHEREFORE, premises considered, judgment is hereby rendered in favor of the plaintiffs and against the defendants, ordering the defendants particularly the Land Bank of the Philippines to:

1. to jointly and severally, pay the plaintiffs JUST COMPENSATION for the subject landholdings, with an area of 216 hectares equivalent to:

a) Its CURRENT FAIR MARKET VALUE computed at the rate of 249,099.99 per hectare of a total of P53,805,597.84; plus

b) TEMPERATE DAMAGES IN THE AMOUNT OF P10,000,000.00 for the share-harvest / profits for palay it failed to obtain for the past years, but the exact amount could not, from the nature of the case be proved with certainty, plus

c) NOMINAL DAMAGES in the amount of P5,000,000.00 in order to recognize the rights of the plaintiffs which has been invaded for the past years by the defendants, but not for the purpose of indemnifying plaintiffs for any losses suffered;

FOR A TOTAL OF P68,805,597.84 with LEGAL INTEREST OF 6% PER ANNUM compounded yearly on said total, to be computed from the time the herein decision shall have become final until it is actually and fully paid unto the plaintiffs by the defendants.

Without Cost.

SO ORDERED.²⁸

The RTC-SAC used the formula stated in DAR AO No. 5:

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

LV = Land Value
CNI = Capitalized Net Income
CS = Comparable Sales
MV = Market Value per Tax declaration²⁹

²⁷ Supra note 4.

²⁸ Id. at 197-198.

²⁹ Id. at 193.

computed as follows:

$$\begin{aligned}
 \text{LV} &= (\text{CNI} \times 0.6) + (\text{CS} \times 0.3) + (\text{MV} \times 0.1) \\
 &= (\text{P}333,333.00 \times 0.6) + (\text{P}100,000 \times 0.3) + \\
 &\quad (\text{P}191,000 \times 0.1) \\
 &= (\text{P}199,999.99) + (\text{P}30,000) + (\text{P}19,100) \\
 &= (\text{P}249,099.99 \text{ per hectare})^{30}
 \end{aligned}$$

LBP and the DAR filed separate motions for reconsideration which were denied in the Order³¹ dated August 1, 2008.

A petition for review³² under Rule 42 was thereafter filed by petitioner LBP before the CA, docketed as CA-G.R SP No. 104904. DAR similarly filed a petition for review to the CA, docketed as CA-G.R. SP No. 104904.³³

Ruling of the CA

On February 27, 2009, the CA affirmed with modification the Decision of the RTC-SAC by deleting the award of 10,000,000.00 temperate damages. The dispositive portion of the Decision reads:

WHEREFORE, premises considered, the assailed decision dated November 20, 2007 and Orders dated December 4, 2001 and August 1, 2008 of the RTC, Branch 45, Urdaneta City, Pangasinan, sitting as Special Agrarian Court in Agrarian Case No. U-1504 are hereby **AFFIRMED** with **MODIFICATION** that the award of temperate damages is hereby **DELETED**.

SO ORDERED.³⁴ (Emphasis supplied)

The CA ruled that the RTC-SAC has original and exclusive jurisdiction over all petitions for the determination of just compensation; thus, there is no need for respondents to exhaust administrative remedies.³⁵ Further, the CA declared that R.A. 6657 is the applicable law in this case, with P.D. 27 and E.O. 228 having only suppletory effect.³⁶ While this case was initiated under P.D. 27, the agrarian reform process with respect to respondents' land was still incomplete since there was yet no payment of just compensation at the time R.A. 6657 took effect. The CA, likewise, affirmed the computation of the

³⁰ Id. at 195.

³¹ Supra note 6.

³² Id. at 199-271.

³³ The CA rendered a Decision dated February 25, 2009 affirming with modification the RTC ruling by deleting the award of nominal damages. The DAR elevated the case to the Court via Rule 45, docketed as G.R. No. 188297. In a Minute Resolution dated July 29, 2009, the Court denied the petition for late filing, and that there was reversible error on the part of the CA rendering the assailed Decision.

³⁴ Id. at 104-105.

³⁵ Id. at 95-97.

³⁶ Id. at 100.

RTC using the formula stated in DAR AO No. 5, Series of 1992, as amended, using a more recent data and not the old one. It further affirmed the imposition of six percent legal interest and ₱5,000,000.00 nominal damages, but deleted the award of ₱10,000,000.00 million temperate damages, as temperate damages cannot be awarded along with nominal damages.³⁷

LBP moved for reconsideration, but it was denied in the Resolution³⁸ dated April 30, 2009 of the CA.

Hence, this petition for review on *certiorari* under Rule 45 filed by LBP.

Issues

LBP submits that the CA committed serious errors of law in the following instances:

-A-

WHEN IT RENDERED THE CHALLENGED DECISION AND THE QUESTIONED RESOLUTION AFFIRMING THE COURT *A QUO'S* COGNIZANCE OF RESPONDENTS' PETITION FOR DETERMINATION OF JUST COMPENSATION WITHOUT EXHAUSTION OF ADMINISTRATIVE REMEDIES BEFORE THE DEPARTMENT OF AGRARIAN REFORM ADJUDICATION BOARD (DARAB).

-B-

WHEN IT RENDERED THE CHALLENGED DECISION AND THE QUESTIONED RESOLUTION AFFIRMING THE RETROACTIVE APPLICATION OF R.A. NO. 6657 IN THE DETERMINATION OF JUST COMPENSATION FOR THE PROPERTY UNQUESTIONABLY ACQUIRED PURSUANT TO P.D. NO. 27/E.O. NO. 228, IN EFFECT DISREGARDING THE AFOREMENTIONED LAWS AND THE SUPREME COURT RULING IN G.R. NO. 148223 TITLED "FERNANDO GABATIN, ET AL., V. LAND BANK OF THE PHILIPPINES" (25 NOVEMBER 2005).

-C-

WHEN IT RENDERED THE CHALLENGED DECISION AND THE QUESTIONED RESOLUTION AFFIRMING THE ASSAILED DECISION AND QUESTIONED ORDER OF THE COURT *A QUO*, THE COMPENSATION FIXED BY THE COURT *A QUO* NOT BEING IN ACCORD WITH THE VALUATION FACTORS MANDATED UNDER SECTION 17 OF R.A. NO. 6657 (*ASSUMING ARGUENDO THAT IT APPLIES*) AS TRANSLATED INTO A BASIC FORMULA IN DAR. A.O. NO. 5, SERIES OF 1998, AND AS RULED BY THE SUPREME COURT IN THE CASES OF SPS. BANAL, G.R. NO. 143276 (JULY 20, 2004), CELADA, G.R. NO.

³⁷

Id. at 103.

³⁸

Supra note 2.

164876 (JANUARY 23, 2006) AND LUZ LIM, G.R. NO.171941 (AUGUST 2, 2007).

-D-

WHEN IT RENDERED THE CHALLENGED DECISION AND THE QUESTIONED RESOLUTION AFFIRMING THE GRANT BY THE COURT *A QUO*, IN THE ASSAILED DECISION AND THE QUESTIONED ORDER, OF NOMINAL DAMAGES, AS WELL AS THE LEGAL INTEREST OF 6% PER ANNUM COMPOUNDED YEARLY IN FAVOR OF THE RESPONDNET AS THE SAME ARE NOT ONLY CONTRARY TO LAW BUT ALSO AVERSE TO THE SOCIAL JUSTICE OBJECTIVES OF THE CONSTITUTION.³⁹

LBP argues that respondents' petition should have been dismissed for their failure to exhaust administrative remedies, claiming that respondents should have first filed the case before the DARAB before filing their petition with the SAC.⁴⁰ A preliminary determination of just compensation by the DARAB precedes the judicial determination of just compensation by the SAC. Likewise, petitioner LBP claims that it was erroneous for the RTC SAC and CA to retroactively apply R.A. 6657 in the determination of just compensation of the subject property which was acquired pursuant to P.D. 27/E.O. 228. Assuming that R.A. 6657 applies, LBP contends that the RTC-SAC and the CA totally disregarded the guidelines provided in DAR AO No. 5, Series of 1998 for the proper appreciation of the factors to be considered in the determination of just compensation.⁴¹ The values used in determining the CNI, CS and MV were those of 2003 when it should be those in 1992, or within one year from receipt of the Claim folder by LBP. Further, the mathematical computation made by the RTC-SAC were erroneous resulting in a bloated just compensation. Lastly, petitioner LBP posits that the court *a quo* should not have granted nominal damages as well as legal interest of six percent *per annum* compounded yearly in favor of respondents.⁴²

In the Resolution⁴³ dated August 24, 2009, the Court, without giving due course to the petition, required respondents to Comment thereon, not to file a motion to dismiss, within 10 days from notice.

Respondents filed its Comment⁴⁴ on January 31, 2012. They averred that: direct resort to the RTC-SAC is valid; the CA did not err in applying R.A. 6657 and the formula provided in DAR AO No. 5; and the grant of nominal damages and interest at the rate of six percent *per annum* is proper.

³⁹ Id. at 19-20.

⁴⁰ Id. at 21-22.

⁴¹ Id. at 49.

⁴² Id. at 68-69.

⁴³ Id. at 804.

⁴⁴ Id. at 861-891.

LBP submitted its Reply⁴⁵ on April 22, 2010 reiterating its arguments in the petition.

Ruling of the Court

Original and Exclusive Jurisdiction of the RTC-SAC

At the outset, the Court would like to resolve the issue as to the exclusive and original jurisdiction of the SAC in just compensation cases.

LBP vigorously asserts that respondents' petition should have been dismissed for their failure to exhaust administrative remedies before recourse to the regular courts. It claims that while the RTC-SAC has the exclusive and original jurisdiction to judicially determine the amount of just compensation pursuant to Section 57 of R.A. 6657, the DARAB's primary jurisdiction to administratively determine just compensation precedes the judicial determination by the SAC. LBP further contends that the preliminary determination of just compensation by the DARAB is a condition *sine qua non* before a case of this nature with the SAC can be filed.⁴⁶

The original and exclusive jurisdiction of the SAC in just compensation cases is not a novel issue⁴⁷ and is in fact, well settled.⁴⁸ The valuation of property or determination of just compensation is essentially a judicial function which is vested with the courts and not with administrative agencies.⁴⁹ This matter has been extensively discussed in *Land Bank of the Philippines v. Belista*,⁵⁰ where the Court explained:

Sections 50 and 57 of RA No. 6657 provide:

Section 50. *Quasi-judicial Powers of the DAR.* - The DAR is hereby vested with 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)
x x x

Section 57. *Special Jurisdiction.* - The Special Agrarian Court shall have original and exclusive jurisdiction over all petitions for the determination of just compensation to

⁴⁵ Id. at 9442-982.

⁴⁶ Id. at 21-24.

⁴⁷ *Heirs of Lorenzo v. Land Bank of the Philippines*, 634 Phil. 9, 27 (2010).

⁴⁸ See *Land Bank of the Philippines v. Honeycomb Farms Corporation*, 683 Phil 247 (2012).

⁴⁹ *Land Bank of the Philippines v. Celada*, 515 Phil. 467, 477 (2006).

⁵⁰ 608 Phil. 658 (2009).

landowners, and the prosecution of all criminal offenses under this Act. x x x

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

Clearly, under Section 50, DAR has 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 exclusive jurisdiction of the DA and the DENR. Further exception to the DAR's original and exclusive jurisdiction are all petitions for the determination of just compensation to landowners and the prosecution of all criminal offenses under RA No. 6657, which are within the jurisdiction of the RTC sitting as a Special Agrarian Court. Thus, jurisdiction on just compensation cases for the taking of lands under RA No. 6657 is vested in the courts.⁵¹

In the case of *Land Bank of the Philippines v. Wycoco*,⁵² the Court upheld the RTC's jurisdiction over Wycoco's petition for determination of just compensation even where no summary administrative proceedings was held before the DARAB which has primary jurisdiction over the determination of land valuation. The Court stressed therein that although no summary administrative proceeding was held before the DARAB, LBP was able to perform its legal mandate of initially determining the value of Wycoco's land pursuant to E.O. 405, Series of 1990.⁵³

It is clear from Section 57 that the RTC, sitting as a Special Agrarian Court, has "original and exclusive jurisdiction over all petitions for the determination of just compensation to landowners." This "original and exclusive" jurisdiction of the RTC would be undermined if the DAR would vest in administrative official original jurisdiction in compensation cases and make the RTC an appellate court for the review of administrative decisions. Thus, although the new rules speak of directly appealing the decision of adjudicators to the RTCs sitting as Special Agrarian Courts, it is clear from Section 57 that the original and exclusive jurisdiction to determine just compensation lies with the RTCs. Any effort to transfer such jurisdiction to the adjudicators and to convert the original jurisdiction of the RTCs into an appellate jurisdiction would be contrary to Section 57 and therefore would be void.⁵⁴ Thus, direct resort to the SAC by herein respondents is valid.

⁵¹ Id. at 665.

⁵² 464 Phil. 83 (2004).

⁵³ Id. at 96.

⁵⁴ *Heirs of Lorenzo v. Land Bank of the Philippines*, supra at note 47.

Application of R.A. 6657 to Properties
Acquired under P.D. 27/E.O. 228

In a number of cases, such as *Land Bank of the Philippines v. Hon. Natividad*,⁵⁵ *Lubrica v. Land Bank of the Philippines*,⁵⁶ *Land Bank of the Philippines v. Gallego, Jr.*,⁵⁷ *Land Bank of the Philippines v. Heirs of Maximo and Gloria Puyat*,⁵⁸ and *Land Bank of the Philippines v. Santiago, Jr.*,⁵⁹ the Court definitively ruled that when the agrarian reform process is still incomplete as the just compensation due the landowner has yet to be settled, just compensation should be determined, and the process concluded, under Section 17 of R.A. 6657, which contains the specific factors to be considered in ascertaining just compensation, viz.:

Section 17. *Determination of Just Compensation.* – In determining just compensation, the cost of acquisition of the land, the current value of like properties, its nature, actual use and income, the sworn valuation by the owner, the tax declarations, the assessment made by government assessors shall be considered. The social and economic benefits contributed by the farmers and the farmworkers and by the Government to the property as well as the non-payment of taxes or loans secured from any government financing institution on the said land shall be considered as additional factors to determine its valuation.

In *Land Bank of the Philippines v. Gallego, Jr.*,⁶⁰ We explained that:

The Court has already ruled on the applicability of agrarian laws, namely, P.D. No. 27/E.O. No. 228 in relation to Republic Act (R.A.) No. 6657, in prior cases concerning just compensation.

In *Paris v. Alfeche*, the Court held that the provisions of R.A. No. 6657 are also applicable to the agrarian reform process of lands placed under the coverage of P.D. No. 27/E.O. No. 228, which has not been completed upon the effectivity of R.A. No. 6657. x x x⁶¹ (Citations omitted)

With the passage of R.A. 9700⁶² which took effect on July 1, 2009, it becomes clear that R.A. 6657 applies even to P.D. 27 acquired lands. R.A. 9700 applies to landholdings that are yet to be acquired and distributed by the

⁵⁵ 497 Phil. 738, 746, 747 (2005).

⁵⁶ 537 Phil. 571, 581, 582 (2006).

⁵⁷ 596 Phil. 742, 753-754 (2009).

⁵⁸ 659 Phil. 505, 515 (2012).

⁵⁹ 696 Phil. 142, 156-157 (2012).

⁶⁰ *Supra* note 57.

⁶¹ *Id.* at 753.

⁶² 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."

DAR. In addition, R.A. 9700 itself contains the qualification that “previously acquired lands wherein valuation is subject to challenge,” such as the property subject of this case, “shall be completed and resolved pursuant to Section 17 of RA 6657, as amended.”⁶³

While LBP, at first, questioned the application of R.A. 6657 in the determination of just compensation in this case and insisted on using the formula mandated under P.D. 27/E.O. 228, in its Manifestation and Motion⁶⁴ it averred that said issue has been rendered moot by the enactment of R.A. 9700. Petitioner LBP submits that Section 17 of R.A. 6657 is the applicable law to this case pursuant to Section 5 of R.A. 9700. However, LBP maintains that the valuation of the property is not compliant with the valuation factors under R.A. 6657 and the pertinent valuation guidelines of the DAR.

On Just Compensation

The core issue in this petition is the correctness of the valuation of the subject property as determined by the RTC-SAC and affirmed by the CA.

In the determination of just compensation, the rule is that the RTC-SAC must consider the guidelines set forth in Section 17 of R.A. 6657 and as translated into a formula embodied in DAR AO No. 5, as abovementioned. However, it may deviate from these factors/formula if the circumstances warrant or, “if the situations before it do not warrant its application.”⁶⁵

LBP insists that just compensation should be determined by its character and its price at the time of taking which is on October 21, 1972 pursuant to P.D. 27 and E.O. 228. However, We agree with the CA, which used a more recent data and not the old one, ratiocinating that to use the old data “would be unjust and unfair to respondents who were deprived of the use and fruits of the property for so long.”⁶⁶ That just compensation – equivalent to its fair market value – should be paid at the time of taking remains a hypothetical ideal. In reality, We recognize that expropriation takes some time.⁶⁷

In *Lubrica v. Land Bank of the Philippines*,⁶⁸ a case involving the acquisition of land pursuant to P.D. 27, this Court held therein that expropriation of the landholding did not take place on the effectivity of P.D. 27 on October 21, 1972 but seizure would take effect on the payment of just compensation judicially determined, viz.:

⁶³ *Land Bank of the Philippines v. Sps. Chu*, 808 Phil. 179, 202 (2017).

⁶⁴ *Rollo*, pp. 919-934.

⁶⁵ *Sps. Mercado v. Land Bank of the Philippines*, 706 Phil. 846 (2015).

⁶⁶ *Rollo*, p. 101.

⁶⁷ See Dissenting Opinion of J. Leonen in the case of *Secretary of DPWH v. Spouses Tecson*, 713 Phil. 55 (2015).

⁶⁸ 537 Phil. 571 (2006).

In the case of *Land Bank of the Philippines v. Natividad*,⁶⁹ the Court ruled thus:

Land Bank's contention that the property was acquired for purposes of agrarian reform on October 21, 1972, the time of the effectivity of PD 27, ergo just compensation should be based on the value of the property as of that time and not at the time of possession in 1993, is likewise erroneous. In *Office of the President, Malacañang, Manila v. Court of Appeals*, we ruled that the seizure of the landholding did not take place on the date of effectivity of PD 27 but would take effect on the payment of just compensation.

The *Natividad* case reiterated the Court's ruling in *Office of the President v. Court of Appeals*⁷⁰ that the expropriation of the landholding did not take place on the effectivity of P.D. No. 27 on October 21, 1972 but seizure would take effect on the payment of just compensation judicially determined.

Likewise, in the recent case of *Heirs of Francisco R. Tantoco, Sr. v. Court of Appeals*,⁷¹ we held that expropriation of landholdings covered by R.A. No. 6657 take place, not on the effectivity of the Act on June 15, 1988, but on the payment of just compensation.⁷²

Respondents were deprived of their property in 1981 but have yet to receive the just compensation therefor. Tenants had stopped paying rents. Emancipation patents had been issued to farmer-beneficiaries. Respondents had been deprived of the use and fruits of the property. Yet, respondents remain unpaid. Under the circumstances, it would be highly inequitable to compute the just compensation using the values at the time of the taking in 1972 (according to LBP), or in 1981, considering that the government and the farmer-beneficiaries have already benefited from the land. Respondents were deprived of their properties without payment of just compensation which, under the law, is a prerequisite before the property can be taken away from its owners.⁷³

Land valuation is not an exact science, but an exercise fraught with inexact estimates requiring integrity, conscientiousness and prudence on the part of those responsible for it. What is important ultimately is that the land value approximates, as closely as possible, what is broadly considered to be

⁶⁹ 497 Phil. 737 (2005).

⁷⁰ 413 Phil. 711 (2011).

⁷¹ 523 Phil. 257 (2006).

⁷² Supra note 68 at 579-580.

⁷³ See *Lubrica v. Land Bank of the Philippines*, supra note 68.

just.⁷⁴

In this case, the RTC-SAC, as affirmed by the CA, arrived at the just compensation *with due consideration of the factors provided in Section 17 of R.A. 6657*. They took into account the nature of the property, its actual use or the crops planted thereon, the volume of its produce, and its value according to government assessors, among others. Specifically, the RTC-SAC considered the following pieces of evidence which were used to determine the CNI (capitalized net income), CS (comparable sales), and MV (market value), to wit:

Schedule of Market Values issued by Engr. Julius B. Dona, Municipal Assessor of Bautista, Pangasinan, covering the period 1997-2000 and 2001 to October 5, 2004.⁷⁵

Deeds of Absolute Sale (of adjacent properties) dated May 21, 2004 and July 5, 2004.⁷⁶

The *Affidavits* of Arturo Agamao and Antonio G. Marcos, Sr. stating that: the property is irrigated and has two (2) harvests a year; the property produces an average of 80 cavans of rice and 80 cavans of corn per hectare per year; it is planted with tomatoes and onions and mango trees; and the value of assignment of rights in the area amount to ₱100,000.00.⁷⁷

The statement of Alejandro Arcenal, Proprietor of Golden Star Rice Mill in Carmen West Rosales, Pangasinan stating that the prevailing buying price for *palay* in the area in 2003 is ₱10.00 per kilo for long grain and ₱11.00 per kilo for short grain.⁷⁸

The Letter from Director Conrado DL. Ibañez of the National Food Authority (NFA) certified on the existing NFA's prices for *palay* and rice as of October 10, 2003.⁷⁹

The values stated in the above pieces of evidence which were used to determine the CNI (capitalized net income), CS (comparable sales), and MV (market value) approximate, as closely as possible, to the date when the payment of just compensation was *judicially determined*. Be it noted that respondents filed a petition for the determination and payment of just compensation on June 27, 2000.

This Court has held that if a strict application of the DAR formula is

⁷⁴ *Alfonso v. Land Bank of the Philippines*, 801 Phil. 217, 298 (2016). See also *Land Bank of the Philippines v. Uy*, G.R. No. 221313, December 5, 2019.

⁷⁵ *Rollo*, pp. 438-442.

⁷⁶ *Id.* at 443-447.

⁷⁷ *Id.* at 473-474.

⁷⁸ *Id.* at 475.

⁷⁹ *Id.* at 479.

not warranted under the specific circumstances of the case, courts may deviate or depart therefrom, provided that this departure or deviation is supported by a reasoned explanation grounded on the evidence on record.⁸⁰ In other words, courts of law possess the power to make a final determination of just compensation.⁸¹ As explained in *Land Bank of the Philippines v. Franco*:⁸²

Administrative Order No. 5 provides a comprehensive formula that considers several factors present in determining just compensation.

However, as this Court held in *Apo Fruits Corporation and Hijo Plantation, Inc. v. The Honorable Court of Appeals and Land Bank of the Philippines*, and *Export Processing Zone Authority*, it is not adequate to merely use the formula in an administrative order of the Department of Agrarian Reform or rely on the determination of a land assessor to show a final determination of the amount of just compensation. Courts are still tasked with considering all factors present, which may be stated in formulas provided by administrative agencies.

In *Land Bank v. Yatco Agricultural Enterprises* this Court held that when acting within the bounds of the Comprehensive Agrarian Reform Law, special agrarian courts “are not strictly bound to apply the [Department of Agrarian Reform] 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.”

In *Apo Fruits Corporation v. Land Bank*, this Court held that Section 17 of the Comprehensive Agrarian Reform Law merely provides for guideposts to ascertain the value of properties. Courts are not precluded from considering other factors that may affect the value of property.

x x x x

Thus, while the formula prescribed by the Department of Agrarian Reform requires due consideration, the determination of just compensation shall still be subject to the final decision of the special agrarian court. Most recently, in *Alfonso v. Land Bank*:

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

⁸⁰ *Alfonso v. Land Bank of the Philippines*, supra note 74 at 322.

⁸¹ *Id.*

⁸² G.R. No. 203242, March 12, 2019.

of just compensation for the properties covered by the said law. If, in the exercise of their judicial discretion, courts find that a strict application of said formulas is not warranted under the specific circumstances of the case before them, they may deviate or depart therefrom, provided that this departure or deviation is supported by a reasoned explanation grounded on the evidence on record. In other words, courts of law possess the power to make a final determination of just compensation. (Citation omitted)

The special agrarian court sitting in a condemnation action may adopt the value computed using the guidelines promulgated by the Department of Agrarian Reform. In its exercise of original jurisdiction, the special agrarian court may deviate from the formulas if it can show that the value is not equivalent to the fair market value at the time of the taking. However, an allegation is not enough. The landowner must allege and prove why the formula provided by the Department of Agrarian Reform does not suffice.⁸³ (citations omitted)

In any case, the RTC-SAC applied the prescribed formula stated in DAR AO No. 5 in arriving at the amount of just compensation:

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

Where

LV = Land Value
CNI = Capitalized Net Income
CS = Comparable Sales
MV = Market Value per Tax Declaration

computed as follows:

$$\begin{aligned} LV &= (CNI \times 0.6) + (CS \times 0.3) + (MV \times 0.1) \\ &= (P333,333.00 \times 0.6) + (P100,000 \times 0.3) + (P191,000 \times 0.1) \\ &= (P199,999.99) + (P30,000) + (P19,100) \\ &= (P249,099.99 \text{ per hectare}) \end{aligned}$$

In coming up with the CNI (Capitalized Net Income),⁸⁴ the RTC

⁸³

Id.

⁸⁴

Below is the formula provided under DAR AO No. 05, Series of 1998 to obtain the CNI:

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

Where:

CNI - Capitalized Net Income

AGP - Annual Gross Production corresponding to the latest available 12-months' gross production immediately preceding the date of FI.

SP - The average of the latest available 12-months' selling prices prior to the date of receipt of the CF by LBP for processing, such prices to be secured from the Department of Agriculture (DA) and other appropriate regulatory bodies, or in their absence, from the Bureau of Agricultural Statistics. If possible,

summed up the average production per year of rice (*i.e.*, ₱50,000.00) and the average production per year of tomatoes and onions (*i.e.*, ₱3,612.18.00), to come up with ₱53,612.18 which is the gross agricultural production per year. Since there was no proof of the cost of operations, an assumed rate of 20% shall be used pursuant to DAR AO No. 05, Series of 1998. The net income per hectare is ₱42,889.75. After capitalizing this at 12%, the CNI per hectare is ₱333,333.33.

In getting the CS (comparable sales), the RTC-SAC took into account the value of assignment of right of agricultural lands in the area which is ₱100,000.00.

For the MV (market value per tax declaration), the RTC-SAC averaged the valuations given by the Municipal Assessor of Bautista, Pangasinan, stating that the market value is ₱32,000.00 per hectare, and the zonal valuation for the property which is ₱150,000.00. The MV is pegged at ₱91,000.00.

This Court observes that the RTC-SAC mistakenly used the figure ₱191,000.00 instead of the ₱91,000.00 as MV (market value), in computing the LV (land value) of the subject property. Considering that this involves a simple mathematical computation, this Court will just re-compute the LV (land value) using the correct amount of ₱91,000.00 as MV (market value).

The LV (land value) of the property should be computed as follows:

$$\begin{aligned}
 LV &= (CNI \times 0.6) + (CS \times 0.3) + (MV \times 0.1) \\
 &= (₱333,333.00 \times 0.6) + (₱100,000 \times 0.3) \\
 &\quad + (₱91,000 \times 0.1) \\
 &= (₱199,999.99) + (₱30,000.00) + \\
 &\quad (₱9,100.00) \\
 &= (₱239,099.99 \text{ per hectare})
 \end{aligned}$$

Since the landholding subject of expropriation has an area of 216 hectares, the just compensation due is **₱51,645.597.80**.

Interest on the Payment of Just Compensation

Just compensation in expropriation cases has been held to contemplate just and timely payment, and prompt payment is the payment in full of the just compensation as finally determined by the courts. Thus, just compensation envisions a payment in full of the expropriated property. Absent full payment,

SP data shall be gathered for the barangay or municipality where the property is located. In the absence thereof, SP may be secured within the province or region.

CO - Cost of Operations

Whenever the cost of operations could not be obtained or verified, an assumed net income rate (NIR) of 20% shall be used. Landholdings planted to coconut which are productive at the time of FI shall continue to use the assumed NIR of 70%. DAR and LBP shall continue to conduct joint industry studies to establish the applicable NIR for each crop covered under CARP.

0.12 - Capitalization Rate

interest on the balance would necessarily be due on the unpaid amount.⁸⁵ The reason is that just compensation would not be “just” if the State does not pay the property owner interest on the just compensation from the date of the taking of the property. Without prompt payment, the property owner suffers the immediate deprivation of both his land and its fruits or income. The owner’s loss, of course, is not only his property but also its income-generating potential.⁸⁶

As explained by this Court in the case of *Apo Fruits Corporation v. Land Bank of the Philippines*,⁸⁷ the rationale for imposing interest on just compensation is to compensate the property owners for the income that they would have made if they had been properly compensated – meaning if they had been paid the full amount of just compensation – at the time of taking when they were deprived of their property.

In this case, respondents had been paid the partial amount of ₱1,628,931.32 in 1992. Up to this date, they have not been fully paid. Thus, respondents are entitled to legal interest from the time of the taking of the subject property until the actual payment in order to place them in a position as good as, but not better than, the position that they were in before the taking occurred. The imposition of such interest is to compensate respondents for the income they would have made had they been properly compensated for the properties at the time of the taking.

Legal interest on the unpaid balance shall be pegged at the rate of 12% per annum from the date of taking until June 30, 2013. Thereafter, or beginning July 1, 2013, until fully paid, the just compensation due the landowners shall earn interest at the new legal rate of 6% per annum in line with the amendment introduced by Bangko Sentral ng Pilipinas-Monetary Board Circular No. 799, Series of 2013.

Nominal Damages Deleted

The CA affirmed the award of nominal damages of ₱5,000,000.00 but deleted the award of temperate damages.

Under Article 2221 of the Civil Code, nominal damages are adjudicated in order that the right of the plaintiff, which has been violated or invaded by the defendant, may be vindicated or recognized, and not for the purpose of indemnifying the plaintiff for any loss suffered by him.

These are the damages recoverable where a legal right is technically violated and must be vindicated against an invasion that has produced no actual present loss of any kind, or where there has been a breach of contract and no substantial injury or actual damages whatever have been or can be

⁸⁵ *Evergreem Manufacturing Corporation v. Republic*, 817 Phil. 1048, 1065 (2017).

⁸⁶ *Republic v. Mupas*, 769 Phil. 21, 194-195 (2015).

⁸⁷ 647 Phil. 251 (2010).

shown.⁸⁸ They are not for indemnification of loss but a vindication of a right violated.⁸⁹

This Court deletes the award of nominal damages for lack of basis. The government, through the DAR, acquired the landholdings of respondents for distribution to qualified farmers/beneficiaries. When respondents' property was placed under the Operation Land Transfer pursuant to P.D. 27, there was no violation or invasion of respondents' rights which should be vindicated, since the acquisition was for a laudable purpose under the agrarian reform program of the government. Be it noted that P.D. 27 was enacted for the emancipation of tenants, transferring to them the ownership of the land they till. Hence, nominal damages cannot be awarded to respondents.

A final note.

The Comprehensive Agrarian Reform Program was undertaken primarily for the benefit of our landless farmers. However, the undertaking should not result in the oppression of landowners by pegging the cheapest value for their lands. Indeed, the taking of properties for agrarian reform purposes is a revolutionary kind of expropriation, but not at the undue expense of landowners who are also entitled to protection under the Constitution and agrarian reform laws.⁹⁰ Verily, to pay respondents only the total amount of ₱1,628,931.32 as just compensation for their 216-hectare land today, after they were deprived of it since 1981, would be unjust and inequitable.

WHEREFORE, premises considered, the Decision dated February 27, 2009 and the Resolution dated April 30, 2009 of the Court of Appeals in CA-G.R. SP No. 104904 are hereby **AFFIRMED with MODIFICATION**. Petitioner Land Bank of the Philippines is **ORDERED** to pay respondents:

- a) The amount of **₱50,016,666.48** (*i.e.*, ₱51,645,597.80 [Land Value] less the initial payment of ₱1,628,931.32) as just compensation for the 216-hectare expropriated property;
- b) Said amount shall earn legal interest at the rate of twelve percent (12%) *per annum* from the date of taking until June 30, 2013 and an interest at the rate of six percent (6%) *per annum* from July 1, 2013 until fully paid;
- c) The award of nominal damages is **DELETED**.

⁸⁸ Arturo M. Tolentino, *Commentaries and Jurisprudence on the Civil Code of the Philippines*, Volume Five, 1992 Ed., pp. 660-661.

⁸⁹ *Id.*

⁹⁰ *Land Bank of the Philippines. v. Chico*, 600 Phil. 272 (2009).

SO ORDERED.”

By authority of the Court:

Mis D C Batt
MISAEAL DOMINGO C. BATTUNG III
Division Clerk of Court
GER
12/11/20

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