

Title:

Republic of the Philippines vs. Leonor Macabagdal: A Case of Compensatory Interest in Expropriation Proceedings

Facts:

The case originates from an expropriation proceeding initiated by the Republic of the Philippines, represented by the Department of Public Works and Highways (DPWH), for the construction of the C-5 Northern Link Road Project. On January 23, 2008, DPWH filed a complaint against an unknown owner regarding a 200-square meter lot in Barangay Ugong, Valenzuela City. A writ of possession was issued on May 5, 2008, with a provisional deposit of P550,000 made by the petitioner.

Leonor Macabagdal, later substituted as respondent, was recognized as the lot's registered owner. She received the provisional deposit but contended the compensation's sufficiency. The board of commissioners recommended P9,000.00/sq. m. as fair compensation, which the RTC agreed with on October 30, 2014, requiring DPWH to pay the balance with 12% per annum interest from the time of property taking.

DPWH appealed to the CA, arguing the interest should be 6% per annum following BSP-MB Circular No. 799, Series of 2013. The CA upheld the RTC's decision. This led to the current petition before the Supreme Court, focusing on the appropriate interest rate.

Issues:

The core issue was determining the correct legal interest rate on the unpaid balance of just compensation for the expropriated property—from the time of taking until full payment.

Court's Decision:

The Supreme Court partly granted the petition. It underscored the principle of full compensation for expropriated property, recognizing both the property's value and its potential income lost. The Court corrected the interest rate to 12% per annum from the time of taking (May 5, 2008) until June 30, 2013, and thereafter, 6% per annum, aligning with BSP-MB Circular No. 799, Series of 2013. Thus, the Court affirmed the CA's decision with modification regarding the imposition of legal interest rates.

Doctrine:

The decision reiterated the doctrine that just compensation entails not only the property's market value at the time of taking but also consideration for the loss of potential income. Furthermore, it confirmed the applicability of differing legal interest rates dependent on the

period: 12% up until June 30, 2013, and 6% thereafter, conforming to changes in BSP Circulars.

Class Notes:

- ****Just Compensation****: Determined as the property's market value at the time of taking, considering loss of income potential.
- ****Legal Interest Rates on Just Compensation****: 12% per annum until June 30, 2013; 6% per annum thereafter, as per BSP-MB Circular No. 799, Series of 2013.
- ****Importance of Date of Taking****: Legal interest accrues from the issuance of the writ of possession, marking the deprivation of property.

Relevant Legal Statutes/Circulars:

- BSP-MB Circular No. 799, Series of 2013, governing the adjustment of legal interest rates.
- Republic Act No. 8974, setting the guidelines for determining just compensation in expropriation cases for national government infrastructure projects.

Historical Background:

This case reflects the evolving legal interpretation of just compensation in the context of government infrastructure projects in the Philippines. It highlights the judiciary's balancing act between public interest in infrastructure development and individual property rights, amidst changing economic conditions reflected in the BSP's interest rate adjustments.