

Title: Heirs of Pablo Feliciano, Jr. vs. Land Bank of the Philippines

Facts:

The Heirs of Pablo Feliciano, Jr., co-owned a 300-hectare agricultural land, of which 135.2583 hectares were placed under the agrarian reform coverage by Presidential Decree No. 27 in 1972. Certificates of Land Transfer were distributed to tenant-beneficiaries in 1973, and Emancipation Patents were issued in 1989. The Department of Agrarian Reform (DAR) initially valued the land at P1,301,498.09, which the Feliciano heirs rejected. Subsequently, various legal and administrative proceedings ensued regarding the just compensation for the land.

The case underwent several rounds of valuation and legal proceedings from the Office of the Provincial Agrarian Reform Adjudicator (PARAD) to the Regional Trial Court (RTC) and finally, to the Court of Appeals (CA). The Feliciano heirs assigned their rights over the just compensation claims to Victoria Aida Reyes Espiritu, who continued the legal battle. Despite accepting the revalued amount of P7,725,904.05 as per DAR Administrative Order No. 1, Series of 2010, Espiritu insisted on an entitlement to interest due to the delay in payment.

Issues:

1. The correct determination and calculation of just compensation for the land under agrarian reform coverage.
2. The applicability and impact of various DAR Administrative Orders on the procedure for valuation.
3. Whether or not interest should be imposed for delays in payment and, if so, the appropriate rate and period for such interest.

Court's Decision:

The Supreme Court clarified that just compensation should be determined based on the condition and value of the property at the time of taking, which in this case, was when the Emancipation Patents were issued in 1989. The determination should consider all relevant factors under Section 17 of RA 6657 as amended, prior to its amendment by RA 9700, due to the "cut-off rule." The Supreme Court found that the CA and the RTC failed to adhere to these directives and decided to remand the case to the RTC for proper determination of just compensation following specific guidelines provided by the Supreme Court. Additionally, it adjusted the legal interest rates applicable due to delay in payment to 12% per annum until June 30, 2013, and 6% per annum thereafter until full payment.

Doctrine:

The “cut-off rule” dictates that DAR AO 2, Series of 2009 clarifies RA 9700’s non-applicability to claims where the LBP received claim folders before July 1, 2009. Moreover, the determination of just compensation is a judicial function that must consider factors listed in Section 17 of RA 6657, as amended, based on values at the time of the taking. Adjustments in interest rates on delayed payments were also clarified, aligning with prevailing jurisprudence and amendments introduced by BSP-Monetary Board Circular No. 799, Series of 2013.

Class Notes:

1. **Just Compensation**: Determined at the time of taking, considering the fair market value and specific factors under Section 17 of RA 6657.
2. **DAR Administrative Orders and “Cut-off Rule”**: Legal provisions and guidelines applicable are determined based on when the claim folder was received by LBP.
3. **Legal Interest for Delay in Payment**: Interest due to delay is enforceable, with rates transitioning from 12% to 6% per annum following June 30, 2013, as prescribed by BSP Circular No. 799.

Historical Background:

This case exemplifies the complex legal journey of agrarian reform in the Philippines, particularly emphasizing the legal mechanisms involved in determining just compensation for lands under Presidential Decree No. 27. It highlights the evolving legal landscape, influenced by amendments and administrative orders aimed at ensuring fairness and legality in agrarian land revaluation and compensation.