

Title:

Land Bank of the Philippines v. Phil-Agro Industrial Corporation

Facts:

The case revolves around the valuation and compensation for 19 parcels of land situated in Baungon, Bukidnon, with an aggregate area of 267.0043 hectares, owned by Phil-Agro Industrial Corporation (respondent). These landholdings were placed under the Comprehensive Agrarian Reform Program (CARP) by the Department of Agrarian Reform (DAR).

1. Land Bank of the Philippines (LBP, petitioner) initially valued the land at P2,139,996.57. This valuation was rejected by Phil-Agro.
2. A summary hearing before the DAR Adjudication Board followed.
3. On January 4, 1999, Phil-Agro filed an Amended Complaint against the DAR Secretary and LBP in the Regional Trial Court (RTC), seeking compensation of not less than P26,700,000.00.
4. On June 7, 2000, both parties agreed on creating a commission to determine the fair market value.
5. Reports were submitted with varied valuations:
  - Respondent's nominated commissioner: P63,045,000.00
  - Petitioner's nominated commissioner: P11,640,730.68
  - Chairman of the Commission: P20,589,373.00
6. On November 21, 2001, the RTC sided with the Chairman's report.
7. LBP appealed to the Court of Appeals (CA), which modified the RTC's decision, reducing the compensation to P11,640,730.68.
8. Both parties filed motions for reconsideration.
9. On September 30, 2010, the CA amended its previous decision, awarding 1% annual interest from the time of taking, plus 12% legal interest from the decision's finality in case of delayed payment.

Issues:

1. Whether the CA's award of 1% interest per annum on just compensation from the time of the taking was appropriate.
2. Whether delaying payment entitled Phil-Agro to legal interest.

Court's Decision:

The Supreme Court partly granted the petition, significantly addressing the issues

regarding compensation interest.

1. **1% Annual Interest**:

- The Court found that this interest, intended to cover the property's increased value, was unwarranted. The rationale is that delayed payment of compensation is already remedied by interest on the market value from the taking.

2. **Imposition of Legal Interest due to Delay**:

- The Court determined the delay in full payment warranted the imposition of legal interest.  
- It confirmed LBP did partially deposit the initial valuation; however, this amount was far below the adjudged just compensation.  
- Legal interest of 12% per annum would accrue from the taking on September 16, 1992, until June 30, 2013. From July 1, 2013, until full payment, the interest rate would be 6% per annum in line with new legal interest rates.

Doctrine:

The Court reiterated two doctrines:

1. "Just compensation" must be immediate, full, and fair to the landowner, considering the time of the property's taking to prevent undue financial loss, as per legislative intent in R.A. No. 6657.
2. Legal interest must be imposed to compensate for delayed payments from the date of taking until actual payment, ensuring the landowner is restored to an equivalent financial position.

Class Notes:

- **Just Compensation**: Fair value must be paid promptly. Delay necessitates interest as damages.
- **Interest Rate on Delayed Payments**: Legal rates are applied progressively (12% p.a. until June 30, 2013; 6% p.a. from July 1, 2013).
- **Relevant Statutes**: R.A. No. 6657, which provides guidelines for land valuation under agrarian reform.

Historical Background:

The case underscores the ongoing challenges in implementing agrarian reform in the Philippines, ensuring landowners' rights are balanced against agrarian policy objectives. The 1988 Comprehensive Agrarian Reform Program (CARP) aimed to promote social justice through land redistribution, yet procedural issues have persistently led to judicial

scrutiny—highlighting the role of courts in ensuring fairness amidst state expropriations.