

SECOND DIVISION

[G.R. No. 219623. March 27, 2023]

LAND BANK OF THE PHILIPPINES, PETITIONER, VS. HEIRS OF FERNANDO ALSUA, REPRESENTED BY RAMON ALSUA, ET AL., RESPONDENTS.

DECISION

KHO, JR., J.:

Before this Court is a Petition for Review^[1] on *certiorari* under Rule 45 of the Rules of Court assailing the Decision^[2] dated August 7, 2015 of the Court of Appeals (CA) in CA-G.R. SP No. 124604, which set aside the Decision^[3] dated February 28, 2012 of the Regional Trial Court of Legazpi City, Branch 3 (RTC), acting as a Special Agrarian Court (SAC), in Agrarian Case No. 02-20, for its failure to consider the factors enumerated under Section 17 of Republic Act No. (RA) 6657,^[4] as amended, and accordingly, remanded the case to the RTC for the proper determination of just compensation.

The Facts

Respondents Heirs of Fernando Alsua, represented by Ramon Alsua, *et al.* (respondents), are the owners of coconut lands denominated as Lot Nos. 5114 and 5362, covered by Transfer Certificate of Title (TCT) Nos. T-10520 and T-10529 in the name of Fernando Alsua (Fernando), with respective areas of 6.9922 and 9.7719 hectares, or an aggregate area of 16.7641 hectares, located in Lomacao, Guinobatan, Albay (subject lands). The subject lands were placed under the Comprehensive Agrarian Reform Program (CARP) through the voluntary offer to sell (VOS) scheme.^[5]

After a field investigation conducted by petitioner Land Bank of the Philippines (LBP), together with the representatives from the Department of Agrarian Reform (DAR), the Municipal Agrarian Reform Officer (MARO), and the Barangay Agrarian Reform Council (BARC), it was found that only 6.6435 hectares out of the 6.9922 hectares of Lot No. 5114 were fit for acquisition, while the entirety of the 9.7719 hectares of Lot No. 5362 was fit for acquisition.^[6] In October 1995, the LBP received the claim folders.^[7]

Thereafter, Fernando's certificates of title were cancelled and new titles were issued by the Register of Deeds of Albay in the name of the Republic of the Philippines (Republic), represented by the DAR,^[8] *i.e.*, TCT No. T-98239^[9] for the 9.7719 hectares acquired area of Lot No. 5362, and TCT No. T-125590^[10] for the 6.6435 hectares acquired area of Lot No. 5114, on June 28, 1996 and February 13, 2001, respectively.

The LBP valued the acquired portions for Lot Nos. 5114 and 5362 at P170,164.48 and P455,386.27, respectively, using the two-factor formula^[11] under DAR Administrative Order (A.O.) No. 6, series of 1992,^[12] as amended by A.O. No. 11, series of 1994.^[13] The DAR offered the said compensation to respondents who, however, rejected the same.^[14] Hence, on June 27, 1996, the amounts were deposited in respondents' name as provisional compensation for the subject lands in accordance with Section 16 (e) of RA 6657, and subsequently released to respondents on December 9, 2004.^[15]

After the summary administrative proceedings for the determination of just compensation, the Office of the Provincial Adjudicator fixed the just compensation for Lot Nos. 5114 and 5362 at P388,102.37^[16] and P1,036,276.89,^[17] respectively. LBP moved for reconsideration but the same was denied by the DARAB.^[18] Dissatisfied, the LBP filed a petition for determination of just compensation with the RTC, acting as a SAC, praying that the RTC uphold its valuation of the subject lands.^[19]

In an Order^[20] dated January 31, 2011, the RTC designated the LBP's Agrarian Operations Center, in conjunction with the MARO and the BARC, to conduct a re-investigation on the annual gross production (AGP) and selling price (SP) data of the properties within the twelve-month period preceding June 30, 2009. The LBP sought reconsideration of the said Order, contending that RA 9700^[21] and DAR A.O. No. 1, series of 2010^[22] on which the Order was based are not applicable to the subject lands since the LBP received the claim folders prior to July 1, 2009, and as such, the valuation of the properties should follow the formula under DAR A.O. No. 5, series of 1998^[23] and its precursor administrative orders.^[24] However, the RTC denied the motion for reconsideration.^[25]

On October 7, 2011, the LBP filed a Petition for *Certiorari* and Prohibition^[26] with prayer for the issuance of a temporary restraining order (TRO) and/or preliminary injunction before the CA, assailing the January 31, 2011 and March 23, 2011 Orders of the RTC. In a Resolution^[27] dated November 28, 2011, the CA granted the LBP's prayer for the issuance of a TRO, enjoining the RTC from implementing its January 31, 2011 Order.^[28] After the lapse of the 60-day period of the TRO, the RTC proceeded to rule on the merits of the case.^[29]

The RTC Ruling

In a Decision^[30] dated February 28, 2012, the RTC fixed the just compensation for Lot No. 5114 at P660,425.17 and for Lot No. 5362 at P820,256.51, and directed the LBP to pay the said amounts to respondents within thirty days from notice of its Decision free of interest, and with interest at the rate of twelve percent per annum if not compensated within the mandated thirty-day period, which payment of interest shall commence on the 31st day from notice of the Decision until the amount of just compensation is fully satisfied or received by respondents.^[31]

The RTC refused to adopt the LBP's valuation, which used the production data or values within the twelve-month period preceding the conduct of the field investigation.^[32] It held that RA 9700 should apply to all cases pending before the SAC,^[33] and thus, used the presumptive date of taking, *i.e.*, June 30, 2009, pursuant to DAR A.O. No. 1, series of 2010,^[34] in computing the just compensation, utilizing production data or values within the twelve-month period preceding June 30, 2009, and applying the three-factor formula, $LV = (CNI \times 0.60) + (CS \times 0.30) + (MV \times 0.10)$, for Lot No. 5114,^[35] and the two-factor formula, $LV = (CNI \times 0.90) + (MV \times 0.10)$, for Lot No. 5362.^[36]

The LBP filed a Motion for Reconsideration^[37] which was, however, denied in an Order^[38] dated April 18, 2012, prompting the LBP to file a Petition for Review before the CA.^[39]

The CA Ruling

In a Decision^[40] dated August 7, 2015, the CA set aside the RTC Decision dated February 28, 2012 for failure to consider the factors enumerated in Section 17 of RA 6657, as amended, and remanded the case to the RTC for the proper determination of just compensation in accordance with the guidelines it set forth.^[41]

The CA declared that the RTC erred in computing just compensation for the subject lands using the production data or values within the twelve-month period preceding the presumptive date of taking on June 30, 2009 in accordance with RA 9700 and DAR A.O. No. 1, series of 2010.^[42] It held that the said A.O. is inapplicable as it only applies to tenanted rice and corn lands acquired under Presidential Decree No. 27^[43] and Executive Order No. 228,^[44] citing the Court's ruling in *LBP v. Heirs of Alsua (Alsua)*.^[45] It further pointed out that the RTC failed to establish that it considered the factors enumerated in Section 17 of RA

6657, as amended, in the computation of just compensation.^[46]

Accordingly, the CA ordered the remand of the case to the RTC for the proper determination of just compensation in accordance with the guidelines in *Alsua*, to wit: (a) just compensation must be valued at the time of taking, *i.e.*, upon the issuance of TCTs in the name of the Republic on June 28, 1996 for Lot No. 5362 and February 13, 2001 for Lot No. 5114; (b) evidence must conform to Section 17 of RA 6657, as amended, prior to its amendment by RA 9700, considering that the claim folders were received prior to July 1, 2009, hence, outside the coverage of RA 9700; and (c) the RTC may impose legal interest on the just compensation at the rate of twelve percent per annum from the time of taking until June 30, 2013, and henceforth, at six percent until full payment.^[47] Lastly, the CA, citing *LBP v. Heirs of Puyat*,^[48] pronounced that while the RTC should be mindful of the different formulae created by the DAR in arriving at just compensation, it is not strictly bound to adhere thereto if the situations before it does not warrant their application.^[49]

Aggrieved, the LBP filed the instant Petition before the Court.

The Issue Before the Court

The core issue for the Court's resolution is whether or not the CA erred in setting aside the RTC Decision dated February 28, 2012, and remanding the case for proper determination of just compensation.

The LBP contends that the CA gravely erred in finding that it failed to establish that it considered the factors under Section 17 of RA 6657, as amended, considering that it utilized the formula under DAR A.O. No. 5, series of 1998 in computing the just compensation for the subject lands.^[50] It likewise avers that the CA incorrectly declared that the RTC, acting as a SAC, was not strictly bound by the different formulae under DAR A.O. No. 5, series of 1998,^[51] contrary to the ruling in *LBP v. Barrido*,^[52] which held that "[SACs] are not at liberty to disregard the formula laid down in DAR A.O. No. 5, series of 1998, because unless an administrative order is declared invalid, courts have no option but to apply it."^[53]

On the other hand, respondents counter that the CA committed no error in finding that the LBP did not take into consideration all the factors in Section 17 of RA 6657, as amended, pointing out that the minuscule amount of roughly P3.73/square meter is unacceptable to any landowner who has been deprived by the government of his property.^[54] Similarly, no error can be imputed on the CA when it ruled that the SAC is not strictly bound by the

different formulae under Section 17 of RA 6657, as amended, as implemented by DAR A.O. No. 5, series of 1998, since the determination of just compensation is not an administrative matter but a judicial function.^[55]

The Court's Ruling

The petition lacks merit.

For purposes of determining just compensation, the fair market value of an expropriated property is determined by its character and its price at the time of taking, or the time when the landowner was deprived of the use and benefit of his property,^[56] such as when the title is transferred in the name of the Republic,^[57] as in this case.

However, it bears pointing out that while Congress passed RA 9700 on August 7, 2009, further amending certain provisions of RA 6657, as amended, among them, Section 17, and declaring “[t]hat all previously acquired lands wherein valuation is subject to challenge by landowners shall be completed and finally resolved pursuant to Section 17 of [RA 6657], as amended,”^[58] DAR A.O. No. 2, series of 2009,^[59] which is the implementing rules for RA 9700, had clarified that the said law shall not apply to claims/cases **where the claim folders were received by the LBP prior to July 1, 2009.**^[60] “In such a situation, **just compensation shall be determined in accordance with Section 17 of RA 6657, as amended, prior to its further amendment by RA 9700.**”^[61]

The factors enumerated under Section 17 of RA 6657, as amended to determine just compensation are: “(a) the acquisition cost of the land, (b) the current value of like properties, (c) the nature and actual use of the property, and the income therefrom, (d) the owner’s sworn valuation, (e) the tax declarations, (f) the assessment made by government assessors, (g) the social and economic benefits contributed by the farmers and the farmworkers, and by the government to the property, and (h) the nonpayment of taxes or loans secured from any government financing institution on the said land, if any, must be equally considered.”^[62] Thus, the RTC should have computed the just compensation using pertinent DAR regulations applying Section 17 of RA 6657, as amended, prior to its further amendment by RA 9700,^[63] instead of adopting the formula under DAR A.O. No. 1, series of 2010. Jurisprudence holds that courts are obligated to apply both the compensation valuation factors enumerated by the Congress under Section 17 of RA 6657 and the formula laid down by the DAR.^[64] Nonetheless, the RTC, acting as a SAC, is not strictly bound by the

different formula created by the DAR since the valuation of property or the determination of just compensation is ***essentially a judicial function*** which is vested with the courts, and not with the administrative agencies. However, “it must explain and justify in clear terms the reason for any deviation from the prescribed factors and the applicable formula”^[65] grounded on the evidence on record.

In this case, the Court has gone over the records and found that the CA correctly ruled that the just compensation for the subject lands should be valued in accordance with Section 17 of RA 6657, as amended, prior to its further amendment by RA 9700 since the claim folders were undisputedly received by the LBP in October 1995.^[66] Likewise, the CA correctly pegged the date of taking on June 28, 1996 for Lot No. 5362 and on February 13, 2001 for Lot No. 5114 when the TCTs were issued in the name of the Republic.^[67] Thus, “the valuation of the subject lands must be based on the values prevalent on such time of taking for like agricultural lands.”^[68]

While the LBP claimed that its valuation was computed in accordance with Section 17 of RA 6657, as amended, as implemented by DAR AO No. 5, series of 1998,^[69] a perusal of the records reveal that it failed to show that the economic and social benefits of the subject lands, and the current value of like properties were considered in arriving at its valuation of the subject lands. Hence, the Court cannot uphold the LBP’s valuation in the total amount of P625,550.75 as just compensation for the subject lands, considering further that “[t]he veracity of the facts and figures which it used in arriving at the amount of just compensation under the circumstances involves the resolution of questions of fact which is, as a rule, improper in a petition for review on *certiorari*.”^[70]

Accordingly, the Court concurs with the CA that there is a need to ***remand the case to the RTC for the determination of just compensation to ensure compliance with the law, and to give everyone — the landowner, the farmers, and the State — their due.*** To this end, the RTC is hereby directed to observe the following guidelines in the remand of the case:

1. *Just compensation must be valued at the time of taking*, or the time when the owner was deprived of the use and benefit of his or her property, in this case, when the titles to the subject lands were transferred in the name of the Republic on June 28, 1996 for Lot No. 5362, and on February 13, 2001 for Lot No. 5114.^[71] Hence, the evidence to be presented by the parties before the RTC for the valuation of the subject lands must be based on the values prevalent on such time of taking for like agricultural lands.

2. Just compensation must be arrived at pursuant to the guidelines set forth in Section 17 of RA 6657, as amended, prior to its amendment by RA 9700. However, the RTC is reminded that while it should take into account the different formulae created by the DAR in arriving at the just compensation for the subject lands, it is not strictly bound thereto if the situations before it does not warrant their application. In any event, should the RTC find the said guidelines to be inapplicable, it must clearly explain the reasons for deviating therefrom, and for using other factors or formula in arriving at the reasonable just compensation for the acquired lands.

3. Interest may be awarded as may be warranted by the circumstances of the case and based on prevailing jurisprudence. In previous cases, the Court has allowed the grant of legal interest in expropriation cases where there is delay in the payment since the just compensation due to the landowners was deemed to be an effective forbearance on the part of the State. Legal interest on the unpaid balance shall be pegged at the rate of twelve percent per annum from the time of taking, as abovementioned, when titles were issued in the name of the Republic, until June 30, 2013; and henceforth, or beginning July 1, 2013, at six percent per annum until fully paid in line with the amendment introduced by Bangko Sentral ng Pilipinas-Monetary Board Circular No. 799,^[72] Series of 2013.

ACCORDINGLY, the Petition is **DENIED**. The Decision dated August 7, 2015 of the Court of Appeals in CA-G.R. SP No. 124604 is **AFFIRMED**. Agrarian Case No. 02-20 is hereby **REMANDED** to the Regional Trial Court of Legazpi City, Branch 3 (RTC) for reception of evidence on the issue of just compensation in accordance with the guidelines set in this Decision. The RTC is **DIRECTED** to conduct the proceedings in the said case with reasonable dispatch, and to submit to the Court a report on its findings and recommended conclusions within sixty days from notice of this Decision.

SO ORDERED.

Lazaro-Javier^{**} (Acting Chairperson), *M. Lopez*, and *J. Lopez, JJ.*, concur.
Leonen,^{*} *SAJ.* (Chairperson), on official leave.

^{*} On Official Leave.

^{**} Acting Chairperson per Special Order No. 2950 dated March 22, 2023.

^[1] *Rollo*, pp. 12-39.

^[2] *Id.* at 44-53. Penned by Associate Justice Noel G. Tijam (former Member of the Court) and concurred in by Associate Justices Francisco P. Acosta and Eduardo B. Peralta, Jr.

^[3] *Id.* at 217-239. Penned by Judge Frank E. Lobrigo.

^[4] Entitled “AN ACT INSTITUTING A COMPREHENSIVE AGRARIAN REFORM PROGRAM TO PROMOTE SOCIAL JUSTICE AND INDUSTRIALIZATION, PROVIDING THE MECHANISM FOR ITS IMPLEMENTATION, AND FOR OTHER PURPOSES” (June 10, 1988).

^[5] *Id.* at 45.

^[6] *Id.* See also portions of the Field Investigation Reports; *id.* at 189-190 and 194-195.

^[7] See *id.* at 218.

^[8] See *id.*

^[9] *Id.* at 212-213, including reverse side.

^[10] *Id.* at 211, including reverse side.

^[11] See *id.* at 218.

^[12] Re: RULES AND REGULATIONS AMENDING THE VALUATION OF LANDS VOLUNTARILY OFFERED AND COMPULSORILY ACQUIRED AS PROVIDED FOR UNDER ADMINISTRATIVE ORDER NO. 17, SERIES OF 1989, AS AMENDED, ISSUED PURSUANT TO REPUBLIC ACT NO. 6657, issued on October 30, 1992

^[13] Re: REVISING THE RULES AND REGULATIONS COVERING THE VALUATION OF LANDS VOLUNTARILY OFFERED OR COMPULSORY ACQUIRED AS EMBODIED IN ADMINISTRATIVE ORDER NO. 06, SERIES OF 1992, issued on September 13, 1994.

^[14] *Rollo*, p. 218.

^[15] *Id.* at 45-46.

^[16] *Id.* at 77.

^[17] *Id.* at 82.

^[18] See Resolution dated September 26, 2002 signed by Provincial Adjudicator Virgil G. Alberto; *id.* at 84-86.

^[19] *Id.* at 46.

^[20] *Id.* at 97. Penned by Judge Frank E. Lobrigo.

^[21] Entitled “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,” approved on August 7, 2009.

^[22] RE: 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, issued on February 12, 2010.

^[23] RE: REVISED RULES AND REGULATIONS GOVERNING THE VALUATION OF LANDS VOLUNTARILY OFFERED OR COMPULSORY ACQUIRED PURSUANT TO REPUBLIC ACT NO. 6657, issued on April 15, 1998.

^[24] *Rollo*, pp. 46-47.

^[25] See Order dated March 23, 2011; *id.* at 104.

^[26] *Rollo*, pp. 117-151.

^[27] Not attached to the *rollo*.

^[28] *Rollo*, p. 47.

^[29] *Id.* at 233.

^[30] *Id.* at 217-239. Penned by Judge Frank E. Lobrigo.

^[31] *Id.* at 238-239.

^[32] See *id.* at 223-224.

^[33] See *id.* at 227.

^[34] See *id.* at 231.

^[35] See *id.* at 234-236.

^[36] See *id.* at 236-238.

^[37] *Id.* at 240-247.

^[38] *Id.* at 249.

^[39] See *id.* at 22 and 48.

^[40] *Id.* at 44-53.

^[41] *Id.* at 52.

^[42] *Rollo*, pp. 48-49.

^[43] Entitled “DECREEING THE EMANCIPATION OF TENANT FROM THE BONDAGE OF THE SOIL, TRANSFERRING TO THEM THE OWNERSHIP OF THE LAND THEY TILL AND PROVIDING THE INSTRUMENTS AND MECHANISM THEREFOR” (October 21, 1972).

^[44] Entitled “DECLARING FULL LAND OWNERSHIP TO QUALIFIED FARMER BENEFICIARIES COVERED BY PRESIDENTIAL DECREE NO. 27; DETERMINING THE VALUE OF REMAINING UNVALUED RICE AND CORN LANDS SUBJECT OF P.D. NO. 27; AND PROVIDING FOR THE MANNER OF PAYMENT BY THE FARMER BENEFICIARY AND MODE OF COMPENSATION TO THE LANDOWNER” (July 17, 1987).

^[45] 753 Phil. 323 (2015) [Per J. Perlas-Bernabe, First Division].

^[46] See *rollo*, p. 49.

^[47] *Id.* at 49-51.

^[48] 689 Phil. 505 (2012) [Per J. Del Castillo, First Division].

^[49] *Rollo*, pp. 51-52.

^[50] See *id.* at 24-25.

^[51] See *id.* at 30.

^[52] 642 Phil. 595 (2010) [Per J. Nachura, Second Division].

^[53] *Id.* at 600. See also *rollo*, p. 31.

^[54] See *rollo*, pp. 260-262.

^[55] See *id.* at 263-265.

^[56] **LBP v. Heirs of Alsua**, *supra* note 44.

^[57] **LBP v. Paliza, Sr., G.R. Nos. 236772-73**, June 28, 2021 [Per J. J. Lopez, Third Division].

^[58] See Section 5 of RA 9700 which further amended Section 7 of RA 6657, as amended on the “Priorities” in the acquisition and distribution of agricultural lands.

^[59] Re: RULES AND PROCEDURES GOVERNING THE ACQUISITION AND DISTRIBUTION OF AGRICULTURAL LANDS UNDER REPUBLIC ACT (R.A.) NO. 6657, AS AMENDED BY R.A. NO. 9700, issued on October 15, 2009.

^[60] Item VI of DAR A.O. No. 2, series of 2009.

^[61] **LBP v. Kho**, 787 Phil. 478, 490 (2016) [Per J. Perlas-Bernabe, First Division].

^[62] *Id.* at 489. See also **LBP v. Heirs of Alsua**, *supra* note 44.

^[63] See **Heirs of Feliciano, Jr. v. LBP**, 803 Phil. 253, 255 (2017) [Per J. Perlas-Bernabe, First Division].

^[64] **LBP v. Paliza**, *supra*, citing **Alfonso v. LBP**, 801 Phil. 217 (2016) [Per J. Jardeleza, *En Banc*].

^[65] **Heirs of Feliciano, Jr. v. LBP**, *supra* at 263, citing **LBP v. Kho**, *supra* at 481.

^[66] *Rollo*, p. 218.

^[67] *Id.* at 49-50.

^[68] **Heirs of Feliciano, Jr. v. LBP**, *supra* at 264, citing **DAR v. Sps. Sta. Romana**, 738

Phil. 590, 601 (2014) [Per J. Perlas-Bernabe, Second Division] and **DAR v. Beriña**, 738 Phil. 605, 620 (2014) [Per J. Perlas-Bernabe, Second Division].

^[69] *Rollo*, pp. 24-25.

^[70] See **LBP v. Hilado, G.R. No. 204010**, September 23, 2020 [Per J. Gaerlan, Third Division], citing **LBP v. Heirs of Tañada**, 803 Phil. 103, 114 (2017) [Per J. Gaerlan, Third Division].

^[71] *Rollo*, pp. 49-50.

^[72] Re: RATE OF INTEREST IN THE ABSENCE OF STIPULATION (June 21, 2013).
