

LAND BANK OF THE PHILS., PETITIONER, VS. SPS. JOSE AND NORMA JAO, RESPONDENTS.

Ponente: SABIO, JR., J.

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SABIO, JR., J.:

The core issue at bar is the determination of just compensation involving two parcels of land identified as OCT P-9971 (Lot 2721) measuring 1.3779 hectares and OCT P-16008 (Lot 3071) measuring 1.3023 hectares and declared in the names of respondents.

Sometime in March of 1996, the Municipal Agrarian Reform Officer of Bulusan, Sorsogon sent Notices of Coverage to the respondents notifying them that under Section 7 of R. A. No. 6657, their landholdings embraced by OCT P-9971 and OCT P-16008 are covered under the Comprehensive Agrarian Reform Program.[1] After conducting Field Investigation of the said parcels of land and considering pertinent documents, to wit, market value per ocular inspection[2], declaration of real property[3], and PCA (Philippine Coconut Authority) Municipal Selling Price for Coconut for the year 1997[4], the petitioner valued the property covered by OCT P-9971 at P60,030.69, while the property covered by OCT P-16008 at P48,405.98.

Not satisfied with these valuations, the respondents filed a complaint for final determination of just compensation pursuant to Section 16 (d) of R. A. No. 6657 before the Department of Agrarian Reform Adjudication Board (DARAB) in Sorsogon City. In a decision of November 6, 2001, Provincial Adjudicator Manuel M. Capellan set aside the valuation of petitioner and instead valued OCT P-9971 at P96,472.72 and OCT P-16008 at P69,787.86.[5]

Thus, on January 31, 2003, the petitioner filed with the Regional Trial Court of Sorsogon City, Branch 52, a complaint for determination of just compensation against the respondents, the Secretary of the Department of Agrarian Reform and Atty. Manuel Capellan, in his capacity as Provincial Adjudicator of Sorsogon, and docketed as Civil Case No. 2003-7139. It alleged, among others, that the determination arrived at by the Provincial Adjudication Board of the Department of Agrarian Reform for the said parcels of land, to wit, P96,472.72 (Lot 2721) and P69,787.86 (Lot 3017) is excessive, unjust and contrary to law and existing administrative regulations and circulars of the said department. It, thus, prayed that its valuation of P60,030.69 for Lot 2721 and P48,405.98 for Lot 3017 be instead approved as it was rendered in accordance with Section 17 of Republic Act No. 6657 and DAR Administrative Order No. 11, Series of 1994.[6]

Respondents, in their answer with special and affirmative defenses and with counterclaim, simply reiterated the valuation previously made by the DARAB.[7]

On April 1, 2003, the Secretary of the Department of Agrarian Reform thru its Bureau of Agrarian Legal Assistance in Balogo, Sorsogon City filed its answer affirming the recommended valuation of the petitioner.[8]

At the pre-trial conference held on October 27, 2003, the parties stipulated the following facts:

“- that the area acquired is 1.3779 under OCT-P-9971 and 1.3023 under OCT-P-16008;

that a Field Investigation was conducted in the area compulsory acquired by the Department of Agrarian Reform participated by the personnel of DAR, LANDBANK, and BARC;

that the funds used in the payment of Just Compensation under the Comprehensive Agrarian Reform Program is provided by the Department of Agrarian Reform known as the Agrarian Reform Fund;

that a deposit was made on the property subject matter of this case and notice was sent to the land owner of that deposit.

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that the DARAB has rendered a decision as to the value of the property in question.” [9]

On April 25, 2005, the trial court promulgated a decision adopting the valuation of the Provincial Adjudicator and rejecting that of the petitioner. The decretal portion reads thus:

“WHEREFORE, premises considered, judgment is hereby rendered:

- Fixing the amount NINETY-SIX THOUSAND AND FOUR HUNDRED SEVENTY TWO and 72/100 (P96,472.72) Pesos, Philippine currency for Lot 2721 OCT No. P-9971 for the acquired area of 1.3779 hectares and the amount of SIXTY NINE THOUSAND SEVEN HUDRED EIGHTY SEVEN and 86/100 for Lot 3017 OCT No. P16008 for the acquired area of 1.3023 hectares, situated at San Roque, Bulusan, Sorsogon in the name of spouses Jose and Norma Jao which property was taken by the government pursuant to the Agrarian Reform Program of the government as provided by R.A. 6657;

- Ordering the Petitioner Land Bank of the Philippines to pay the Private Respondents the amount of Ninety Six Thousand Four Hundred Seventy Two and 72/100 (P96,472.72) Pesos, Philippine currency and the amount of Sixty-Nine Thousand Seven Hundred eighty seven and 86/100 for Lots 2721 and 3017 respectively, in the manner provided by R.A. 6657 by way of full payment of the said just compensation after deducting whatever amount previously received by the private respondents from the Petitioner Land Bank of the Philippines as part of the just compensation.

- Without pronouncement as to costs.

SO ORDERED.” [10]

Hence, the petitioners filed the instant petition for review under Rule 42 of the 1997 Rules of Court raising the sole issue of “whether or not the court a quo committed a reversible error in fixing the just compensation of the subject properties: Lot 2721 and Lot 3017 in the amounts of ninety six thousand four hundred seventy two & 72/100 (Php 96,472.72) and sixty nine thousand seven hundred eight seven pesos & 86/100 (Php 787.86)(sic), respectively.”

The petition is impressed with merit.

Just compensation is defined as the full and fair equivalent of the property sought to be expropriated.[11] Under the DAR Administrative Order No. 05, Series of 1998, “(j)ust compensation in regard to land cannot be an absolute amount disregarding particularities of productivity, distance to the marketplace and so on. Hence, 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 just.”

It is likewise specifically provided under Section 17 of Republic Act No. 6657 or the Comprehensive Agrarian Reform law that “(i)n 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, and the

assessment made by the 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.” Thus, in order to arrive at a just determination of a parcel of land, the law requires that the process of valuation should involve agrarian reform beneficiaries and their organizations, the Barangay Agrarian Reform Committees, the land owner concerned, the Department of Agrarian Reform and the Land Bank of the Philippines.[12]

What agrarian adjudicators are empowered to do is only to determine in a preliminary manner the reasonable compensation to be paid to landowners, leaving to the courts the ultimate power to decide the question.[13] It is the Department of Agrarian Reform Adjudication Board (DARAB) which has the authority to determine the initial valuation of lands involving agrarian reform although such valuation may only be considered preliminary as the final determination of just compensation is vested in the courts.[14]

However, much to this Court’s dismay, the court a quo failed to make a comprehensive valuation of the subject parcels of land. It simply adopted the recommended valuation of the DARAB without conducting its own in-depth analysis of just compensation pursuant to the applicable laws and regulations of the Department of Agrarian Reform. This should not be the case since the trial court, sitting as a special agrarian court, is empowered to make its own independent and intelligent determination of just compensation of lands taken under the Comprehensive Agrarian Reform Program of the government. It cannot be expected to merely rely on the valuation arrived at by the DARAB. If this were allowed, then the trial court would lose the very essence of its independence in adjudicating the just compensation mandated by law.

This Court finds the valuations arrived at by the petitioner to be more in consonance with DAR Administrative Order No. 11, Series of 1994, as amended by DAR Administrative Order No. 5, Series of 1998. The subject landholdings were taken by the government in the year 1996, thus, the said administrative orders are applicable. The general rule in determining “just compensation” in eminent domain is the value of the property as of the date of the filing of the complaint, which normally coincides with taking.[15]

Under Sections II-A of DAR Administrative Order No. 5, Series of 1998, there is only one basic formula for the valuation of lands covered by VOS (Voluntary Offer to Sell) or CA (Compulsory Acquisition), to wit:

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

Where:

LV = Land Value

CNI = Capitalized Net Income,

CS = Comparable Sales,

MV = Market Value per Tax Declaration.”

However, in the event that the CS or comparable sales factor is not present and the CNI or the Capitalized Net Income and the MV or the Market Value per Tax Declaration are applicable, the following shall be the formula: “LV = (CNI x 0.9) + (MV x 0.1).”[16]

This formula had been observed by the petitioner in its Claims Valuation and Processing Form[17] of the subject parcels of land wherein the capitalized net income was arrived at after considering the selling price of coconut in Bulusan, Sorsogon at P9.60 as determined by the Philippine Coconut Authority. Meanwhile, the market value of the said parcels of land was arrived at after conducting the Market Value per Ocular Inspection,[18] as well as the corresponding Declaration of Real Property[19] for the said land.

In fine, this Court adopts the valuations as found by the petitioner considering that the same were substantiated by credible evidence as opposed to the valuations presented by the DARAB which were not properly supported by the requirements imposed by law.

WHEREFORE, in view of the foregoing, the instant petition is GRANTED and the decision of April 25, 2005 of the Regional Trial Court of Sorsogon City, Branch 52 in Civil Case No. 2003-7139, is REVERSED and SET ASIDE.

Accordingly, the valuations of P60,030.69 for the property covered by OCT P-9971 and P48,405.98 for the property covered by OCT P-16008, as determined by the petitioner, are hereby AFFIRMED. No costs.

SO ORDERED.

Asuncion-Vicente and Villon, JJ., concur.

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- [1] Records, pp. 68, 104.
 - [2] Records, pp. 76, 101.
 - [3] Records, pp. 77, 91.
 - [4] Records, p. 88.
 - [5] Records, pp. 110-115.
 - [6] Records, pp. 2-4.
 - [7] Records, p. 12.
 - [8] Records, p. 16.
 - [9] Records, pp. 42-43.
 - [10] Records, p. 120
 - [11] B.H. Berkenkotter & Co. vs. Court of Appeals, 216 SCRA 584 (1992).
 - [12] Section I-F, DAR Administrative Order No. 05, Series of 1998.
 - [13] Republic vs. Court of Appeals, 263 SCRA 758.
 - [14] Land Bank of the Philippines vs. CA, 321 SCRA 629.
 - [15] National Power Corp. vs. CA, 254 SCRA 577.
 - [16] Section II-A.1, DAR Administrative Order No. 5, Series of 1998.
 - [17] Records, pp. 82, 92.
 - [18] Records, pp. 76, 101.
 - [19] Records, pp. 77, 91.

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