FRANCISCO H. ESCAÑO, JR. AND LYDIA T. ESCAÑO, PETITIONERS, VS. COURT OF APPEALS AND LAND BANK OF THE PHILIPPINES, RESPONDENTS.

G.R. No. 101932. January 24, 2000

Ponente: QUISUMBING, J.

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QUISUMBING, J.:

This petition for review on certiorari seeks: (1) to set aside the decision of respondent Court of Appeals in CA G.R. SP 24585, promulgated on July 18, 1991; (2) to set aside its resolution dated September 11, 1991; and (3) to order the Special Agrarian Court of Bohol to continue hearing Civil Case 4644.

Petitioners owned 63.6226 hectares of agricultural land in Vallehermoso, Carmen, Bohol. They offered 59.6237 hectares of the land to the government through the Department of Agrarian Reform (DAR) pursuant to E.O. No. 229. DAR twice fixed the value, which petitioners also twice rejected for being much lower than the actual fair value. After the second rejection, DAR stopped communicating with petitioners. Petitioners claimed that during the hiatus, farm production fell by 80% because the farmers were allegedly advised by Provincial Agrarian Reform Officers (PARO) to deliberately reduce their production to depress the land value.

On November 29, 1989, petitioners filed a petition for just compensation, docketed as Civil Case No. 4644, in the Special Agrarian Court in Bohol. On April 10, 1990, respondent Land Bank filed a motion to dismiss on two grounds: (1) that the plaintiffs had not exhausted administrative remedies and (2) that plaintiffs were not the real parties in interest, but were merely lessees and not the registered owners. The land, according to the Land Bank was owned by the Development Bank of the Philippines. But the motion to dismiss was denied, upon a showing of a Confirmation of the Deed of Sale executed August 25, 1989 by the DBP in favor of petitioners.

Thereafter, pre-trial conferences were held. On October 31, 1990, Presiding Judge Pacito Yape issued a Pre-Trial Order, and with the concurrence of the parties, the legal issue was limited to the question of the amount of just compensation. Respondents were ordered to file responsive pleadings.[1]

Meanwhile, on June 14, 1990, President Corazon C. Aquino issued E.O. No. 405, which vested on the Land Bank primary responsibility to determine land valuation and the compensation for all private lands suitable for agriculture under either the Voluntary Offer to Sell (VOS) or Compulsory Acquisition (CA) arrangement as governed by Republic Act 6657, known as the "Comprehensive Agrarian Reform Law of 1988."[2]

On December 5, 1990, Land Bank moved to suspend proceedings or dismiss the Escaños' petition. It reiterated the two aforecited grounds stated in their April 10, 1990 motion to dismiss. Additionally, Land Bank explained that as a land reform matter, the case falls within the primary jurisdiction of the DAR; that valuation by the PARO was not the final determination since it still was subject to the final determination of the Department of Agrarian Reform Adjudication Board (DARAB), which had original and appellate jurisdiction; and that since the matter had not passed through all the required stages, there was no exhaustion of administrative remedies, hence, no cause of action.

On January 16, 1991, the lower court issued another order, denying Land Bank's second motion to suspend proceedings and/or dismiss despite the latter's added ground that it had not been given the opportunity to exercise its legal mandate to determine the land valuation. The lower court found that the Land Bank had been given sufficient opportunity to sit down with petitioners to arrive at a true and proper valuation.[3]

On April 2, 1991, Land Bank filed its petition before the Court of Appeals. It claimed that the lower court issued the orders dated August 17, 1990, January 16 and January 18, 1991 without jurisdiction, or with grave abuse of discretion, amounting to lack or excess of jurisdiction.

In resolving the issue of jurisdiction in the determination of land valuation and compensation, the appellate court granted Land Bank's petition. It disposed as follows:

> "WHEREFORE, the petition is hereby granted and the Orders dated August 17, 1990, January 16, 18 and February 18, 1991 are set aside. Further, the petition before the Special Agrarian Court is hereby ordered dismissed."[4]

The appellate court, accepted the argument that the effectivity of the Revised Rules of Procedure of R.A. 6657 was earlier than the date when the Escaños filed their petition to fix just compensation before the Special Agrarian Court on December 14, 1989. Said Revised Rules took effect on December 26, 1988. According to the Court of Appeals, the lower court could not "feign" jurisdiction because Section 1, Rule XVII of the Transitory Provisions of the Revised Rules states:

> "SECTION 1. Transitory Provisions. All agrarian cases pending before the regular courts of law at the time of the effectivity of these Rules shall remain with such courts until their final termination.
>
> Cases pending in the Office of the Secretary of Agrarian Reform before the effectivity of these Rules may be decided and finally disposed of thereat in accordance with the principle of continuing jurisdiction. The Secretary, however, may, in his discretion sort out said cases and refer the justiceable and adversarial ones to the Adjudication Board for Section 1, Rule 11 hereof."[5]

The appellate court further explained that when an administrative agency promulgates rules and regulations it "makes" a new law with the force and effect of a valid law. It added that the Supreme Court in Association of Small Landowners vs. Secretary of Agrarian Reform, 175 SCRA 343, had emphasized the indispensable role of the Department of Agrarian Reform and the Land Bank in fixing preliminary valuation.

Now before us, petitioners assert that the Court of Appeals erred:

> I
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> IN HOLDING THE SPECIAL AGRARIAN COURT OF BOHOL WITHOUT JURISDICTION FROM THE BEGINNING TO ENTERTAIN CIVIL CASE NO. 4644 WHICH CIVIL CASE IS FOR "DETERMINATION OF JUST COMPENSATION;
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> II
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> IN HOLDING THAT SECTION 59 OF R.A. 6657 IS NOT A BAR TO THE PETITION FOR CERTIORARI (CA-G.R. S.P. 24585) INSTITUTED BEFORE IT BY PRIVATE RESPONDENT WHILE CIVIL CASE NO. 4644 REMAINS PENDING BEFORE THE SPECIAL AGRARIAN COURT;
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> III
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> IN HOLDING THAT E.O. 405 HAS TO BE COMPLIED WITH BEFORE THE FILING OF CIVIL CASE NO. 4644, NOTWITHSTANDING THE FACT THAT CIVIL CASE NO. 4644 WAS FILED BEFORE THE ISSUANCE OF E.O. 405 AND IN HOLDING FURTHER THAT FAILURE TO SO COMPLY IS A

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> GROUND FOR THE DISMISSAL OF CIVIL CASE NO. 4644;
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> IV
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> IN HOLDING THAT PRIVATE RESPONDENT LBP IS AN INSTRUMENTALITY OF STATE AND AS SUCH IS EXEMPT FROM THE EFFECTS OF ESTOPPEL;
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> V
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> IN PASSING UPON ISSUES NOT RAISED IN THE PETITION THEREBY DENYING PETITIONERS THE OPPORTUNITY TO TRAVERSE AND CONTROVERT THEM.

Of these assigned errors, let us focus on the first three, jointly.

Recall that on May 30, 1994, the Department of Agrarian Reform Adjudication Board (DARAB) adopted its new Rules of Procedure. Rule 13 Sec. 11 clearly states that in the event that a landowner is not satisfied with a decision of an agrarian adjudicator, the landowner could bring the matter directly to the Regional Trial Court sitting as Special Agrarian Court. Thus, DARAB recognized that jurisdiction on just compensation cases for the taking of lands under R.A. No. 6657 is vested in the courts.[6]

In Republic vs. Court of Appeals, we held:

> "...Special Agrarian Courts which are Regional Trial Courts, are given original and exclusive jurisdiction over two categories of cases, to wit: (1) 'all petitions for the determination of just compensation to landowners' and (2) 'the prosecution of all criminal offenses under [R.A. No. 6657].' The provision of Section 50 must be construed in harmony with this provision by considering cases involving the determination of just compensation and criminal cases for violations of R.A. No. 6657 as excepted from the plenitude of power conferred on the DAR. Indeed, there is reason for this distinction. The DAR is an administrative agency which cannot be granted jurisdiction over cases of eminent domain (for such are taking under R.A. No. 6657) and over criminal cases. Thus, in EPZA v. Dulay and Sumulong v. Guerrero we held that the valuation of property in eminent domain is essentially a judicial function which cannot be vested in administrative agencies, while in Scoty's Department Store v. Micaller we struck down a law granting the then Court of Industrial Relations jurisdiction to try criminal cases for violations of the Industrial Peace Act.
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> ...It would subvert the "original and exclusive" jurisdiction of the RTC [Regional Trial Court] for the Department of Agrarian Reform to vest original jurisdiction in compensation cases in administrative officials and make the RTC an appellate court for the review of administrative decisions.
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> x x x
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> 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."[7]

E.O. No. 405, issued June 14, 1990, vested in the Land Bank the initial responsibility of determining the value of lands placed under land reform and the compensation for their taking. Thereafter, in notices sent to the landowner, the DAR makes an appropriate offer to buy the land. If the landowner rejects the offer, a summary administrative proceeding is held and afterwards the Provincial (PARAD), the Regional (RARAD) or the central (DARAB) adjudicator as the case may be, depending on the value of the land, fixes the price to be paid for the land. If the landowner does not agree to said price, he may bring the matter before the RTC acting as a Special Agrarian Court.[8]

Recalling the steps taken by petitioners as earlier discussed, vis-à-vis the procedural rules, it is our view that

petitioners had complied with the procedural requirements up to its filing of the petition for just compensation before the regional trial court.

The Land Bank now avers that on December 19, 1989, a Notice of Acquisition signed by the DAR Secretary was issued to petitioners offering a higher value of P480,137.81 for 63.6226 hectares. It allegedly gave petitioners time to reply, and for DAR to conduct summary administrative proceedings wherein petitioners, the Land Bank, and other parties were requested to submit evidence on what should be the just compensation to be paid for petitioners' land. The summary administrative proceedings, however, did not take place allegedly because petitioners by then had filed Civil Case No. 4644 in the Special Agrarian Court in Bohol on November 29, 1989.[9]

Land Bank further claims it had not been given the opportunity to exercise its legal mandate to fix just compensation under the land reform law, as mandated by E.O. No. 405, pursuant to R.A. 6657, Sections 17 and 18. R.A. 6657 took effect June 15, 1988, earlier than the filing of Civil Case No. 4644, according to the Land Bank. Thus it argues that, on the basis of guidelines provided under Administrative Order No. 17, series of 1989, even before E.O. No. 405, the proper procedure was for DAR to make its own valuation of the land and for the Land Bank to also conduct a separate valuation. Both would compare their valuation and if necessary both would agree to a common valuation. The case would then be "ripe for summary proceedings." Land Bank in its Comment before us sums up developments below as follows:

> "On April 3, 1988, petitioners filed with the Department of Agrarian Reform (DAR), a voluntary offer to sell (VOS) of the 59.6237 hectares of the questioned land; the smaller portion of about (6) hectares having been already covered by the operation land transfer (OLT) under P.D. 27. After the usual processing by the DAR, including an ocular inspection of the questioned land, on March 20, 1989, the provincial Agrarian Reform Office (PARO) initially computed the value of the said land at P345,343.52 pursuant to Section 6 of E.O. No. 229. Petitioners rejected the said valuation.
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> "On July 20, 1989, the PARO made another preliminary computation of the value of the said land under Sections 17, and 18 of R.A. 6657, for a higher amount of P429, 938.15. Again, petitioners rejected the valuation.
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> "On December 19, 1989, a Notice of Acquisition ...was issued to petitioners offering a higher value of P480, 137.81....
>
> "But the summary administrative proceedings stated in the said Notice of Acquisition did not take place because Petitioners had by then in haste, already filed the case for just compensation with the court a quo."[10]

Land Bank was apparently not notified nor consulted by the DAR in fixing the amount of land value in their first and second offers to the Escaños. Petitioners counter that a second valuation offer could not have been made if summary proceedings were not conducted. The Notice of Acquisition was sent to petitioners, five months after DAR's second offer on July 20, 1989, which petitioners had rejected. Was this Notice an afterthought designed to show that summary proceedings had not yet been done? Or was it issued to remedy the inter-agency oversight concerning Land Bank's non-participation? Whatever the reason might be, it is established fact that the Notice was sent to petitioners only after they had filed their petition for just compensation before the Special Agrarian Court in Bohol.

By that time, this special court had already acquired jurisdiction over the controversy. Land Bank had no basis to insist on dismissing or suspending the proceedings before said court so it could first exercise its mandate to participate in fixing the land valuation. But nothing prevents the Land Bank from participating in judicial proceedings therein. In fact, in its Pre-Trial Order dated October 31, 1990, the lower court rightly ordered the

herein respondents to submit responsive pleadings. Note, however, that in its Order dated August 17, 1990 said court observed that the proper administrative officials were already given the opportunity to act upon the petitioners' case but failed to do so for quite some time, so that there was unreasonable delay or official inaction.[11]

Having decided the principal issue, that jurisdiction properly belongs to the Special Agrarian Court, the remaining assigned errors need not now delay us. Suffice it to declare now that respondent Court of Appeals committed reversible errors of law in issuing its assailed decision and resolution. Hence, both have to be set aside.

WHEREFORE, the petition is GRANTED. The Decision of the Court of Appeals dated July 18, 1991 in CA GR S.P. No. 24585 entitled "Land Bank of the Philippines vs. Hon. Pacito A. Yape and Sps. Francisco and Lydia Escaño," is REVERSED and SET ASIDE. Its Order dated September 11, 1991 is likewise SET ASIDE. The Special Agrarian Court is hereby ORDERED to continue hearing Civil Case No. 4644 without further delay.

No pronouncement as to costs.

SO ORDERED.

Bellosillo, (Chairman), Mendoza, Buena, and De Leon, Jr., JJ., concur.

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[1] Rollo, p. 56.

[2] Sec. 1, E.O. No. 405.

[3] Rollo, pp. 77-78.

[4] Id. at 110.

[5] Revised Rules of Procedure, Department of Agrarian Reform Adjudication Board, December 26, 1988.

[6] Republic v. Court of Appeals, et al., 263 SCRA 758, 764 (1996).

[7] Id. at 763.

[8] Id. at 765. Citing Vinzons-Magana v. Estrella, 201 SCRA 536 (1991); Association of Small Landowners in the Philippines, Inc. v. Secretary of Agrarian Reform, 175 SCRA 343, 382 (1989).

[9] Rollo, p. 126.

[10] Id. at 126-127.

[11] Id. at 56.

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