

LANDBANK OF THE PHILIPPINES, PETITIONER, VS. SPOUSES VICENTE BANAL AND LEONIDAS ARENAS-BANAL, RESPONDENTS.

G.R. No. 143276. July 20, 2004

Ponente: SANDOVAL-GUTIERREZ, J.

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SANDOVAL-GUTIERREZ, J.:

Spouses Vicente and Leonidas Banal, respondents, are the registered owners of 19.3422 hectares of agricultural land situated in San Felipe, Basud, Camarines Norte covered by Transfer Certificate of Title No. T-6296. A portion of the land consisting of 6.2330 hectares (5.4730 of which is planted to coconut and 0.7600 planted to palay) was compulsorily acquired by the Department of Agrarian Reform (DAR) pursuant to Republic Act (R.A.) No. 6657,[1] as amended, otherwise known as the Comprehensive Agrarian Reform Law of 1988.

In accordance with the formula prescribed in DAR Administrative Order No. 6, Series of 1992,[2] as amended by DAR Administrative Order No. 11, Series of 1994,[3] the Land Bank of the Philippines[4] (Landbank), petitioner, made the following valuation of the property:

Acquired property Area in hectares

Value

Coconut land 5.4730

P148,675.19

Riceland 0.7600

25,243.36

=====

P173,918.55

Respondents rejected the above valuation. Thus, pursuant to Section 16(d) of R.A. 6657, as amended, a summary administrative proceeding was conducted before the Provincial Agrarian Reform Adjudicator (PARAD) to determine the valuation of the land. Eventually, the PARAD rendered its Decision affirming the Landbank's valuation.

Dissatisfied with the Decision of the PARAD, respondents filed with the Regional Trial Court (RTC), Branch 40, Daet, Camarines Norte, designated as a Special Agrarian Court, a petition for determination of just compensation, docketed as Civil Case No. 6806. Impleaded as respondents were the DAR and the Landbank. Petitioners therein

prayed for a compensation of P100,000.00 per hectare for both coconut land and riceland, or an aggregate amount of P623,000.00.

During the pre-trial on September 23, 1998, the parties submitted to the RTC the following admissions of facts: (1) the subject property is governed by the provisions of R.A. 6657, as amended; (2) it was distributed to the farmers-beneficiaries; and (3) the Landbank deposited the provisional compensation based on the valuation made by the DAR.[5]

On the same day after the pre-trial, the court issued an Order dispensing with the hearing and directing the parties to submit their respective memoranda.[6]

In its Decision dated February 5, 1999, the trial court computed the just compensation for the coconut land at P657,137.00 and for the riceland at P46,000.00, or a total of P703,137.00, which is beyond respondents' valuation of P623,000.00. The court further awarded compounded interest at P79,732.00 in cash. The dispositive portion of the Decision reads:

“WHEREFORE, judgment is hereby rendered as follows:

- Ordering respondent Landbank to pay the petitioners, the spouses Dr. Vicente Banal and Leonidas Arenas-Banal, for the 5.4730 hectares of coconut land the sum of SIX HUNDRED FIFTY-SEVEN THOUSAND ONE HUNDRED THIRTY-SEVEN PESOS (P657,137.00) in cash and in bonds in the proportion provided by law;
- Ordering respondent Landbank to pay the petitioners for the .7600 hectares of riceland the sum of FORTY-SIX THOUSAND PESOS (P46,000.00) in cash and in bonds in the proportion provided by law; and
- Ordering respondent Landbank to pay the petitioners the sum of SEVENTY-NINE THOUSAND SEVEN HUNDRED THIRTY-TWO PESOS (P79,732.00) as the compounded interest in cash.

IT IS SO ORDERED.”[7]

In determining the valuation of the land, the trial court based the same on the facts established in another case pending before it (Civil Case No. 6679, “Luz Rodriguez vs. DAR, et al.”), using the following formula:

For the coconut land

- Average Gross Production (AGP) x .70 x 9.70 (price per kilo of coconut) = Net Income (NI)
- NI / 6% = Price Per Hectare (PPH) (applying the capitalization formula under Republic Act No. 3844[8])

For the riceland

- 2.5 x AGP x Government Support Price (GSP) = Land Value (LV) or PPH (using the formula under Executive Order No. 228[9])
- AGP x 6% compounded annually for 26 years x GSP = Interest (pursuant to DAR AO No. 13, Series of 1994)

Forthwith, the Landbank filed with the Court of Appeals a petition for review, docketed as CA-G.R. SP No. 52163.

On March 20, 2000, the Appellate Court rendered a Decision[10] affirming in toto the judgment of the trial court. The Landbank's motion for reconsideration was likewise denied.[11]

Hence, this petition for review on certiorari.

The fundamental issue for our resolution is whether the Court of Appeals erred in sustaining the trial court's valuation of the land. As earlier mentioned, there was no trial on the merits.

To begin with, under Section 1 of Executive Order No. 405 (1990), the Landbank is charged "primarily" with "the determination of the land valuation and compensation for all private lands suitable for agriculture under the Voluntary Offer to Sell or Compulsory Acquisition arrangement..." For its part, the DAR relies on the determination of the land valuation and compensation by the Landbank.[12]

Based on the Landbank's valuation of the land, the DAR makes an offer to the landowner.[13] If the landowner accepts the offer, the Landbank shall pay him the purchase price of the land after he executes and delivers a deed of transfer and surrenders the certificate of title in favor of the government.[14] In case the landowner rejects the offer or fails to reply thereto, the DAR adjudicator[15] conducts summary administrative proceedings to determine the compensation for the land by requiring the landowner, the Landbank and other interested parties to submit evidence as to the just compensation for the land.[16] These functions by the DAR are in accordance with its quasi-judicial powers under Section 50 of R.A. 6657, as amended, which provides:

"SEC. 50. Quasi-Judicial Powers of the DAR. – The DAR is hereby vested with primary jurisdiction to determine and adjudicate agrarian reform matters and shall have exclusive original jurisdiction over all matters involving the implementation of agrarian reform, except those falling under the exclusive jurisdiction of the Department of Agriculture (DA) and the Department of Environment and Natural Resources (DENR).

x x x."

A party who disagrees with the decision of the DAR adjudicator may bring the matter to the RTC designated as a Special Agrarian Court[17] "for final determination of just compensation." [18]

In the proceedings before the RTC, it is mandated to apply the Rules of Court[19] and, on its own initiative or at the instance of any of the parties, "appoint one or more commissioners to examine, investigate and ascertain facts relevant to the dispute, including the valuation of properties, and to file a written report thereof x x x." [20] In determining just compensation, the RTC is required to consider several factors enumerated in Section 17 of R.A. 6657, as amended, thus:

"Sec. 17. Determination of Just Compensation. – In 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 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."

These factors have been translated into a basic formula in DAR Administrative Order No. 6, Series of 1992, as amended by DAR Administrative Order No. 11, Series of 1994, issued pursuant to the DAR's rule-making power to carry out the object and purposes of R.A. 6657, as amended.[21]

The formula stated in DAR Administrative Order No. 6, as amended, is as follows:

" $LV = (CNI \times 0.6) + (CS \times 0.3) + (MV \times 0.1)$ LV = Land Value
CNI = Capitalized Net Income
CS = Comparable Sales
MV = Market Value per Tax Declaration

The above formula shall be used if all the three factors are present, relevant and applicable.

A.1 When the CS factor is not present and CNI and MV are applicable, the formula shall be: $LV = (CNI \times 0.9) +$

(MV x 0.1)A.2 When the CNI factor is not present, and CS and MV are applicable, the formula shall be: $LV = (CS \times 0.9) + (MV \times 0.1)$ A.3 When both the CS and CNI are not present and only MV is applicable, the formula shall be: $LV = MV \times 2$ ”

Here, the RTC failed to observe the basic rules of procedure and the fundamental requirements in determining just compensation for the property. Firstly, it dispensed with the hearing and merely ordered the parties to submit their respective memoranda. Such action is grossly erroneous since the determination of just compensation involves the examination of the following factors specified in Section 17 of R.A. 6657, as amended:

- the cost of the 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;
- the assessment made by government assessors;
- the social and economic benefits contributed by the farmers and the farmworkers and by the government to the property; and
- the non-payment of taxes or loans secured from any government financing institution on the said land, if any.

Obviously, these factors involve factual matters which can be established only during a hearing wherein the contending parties present their respective evidence. In fact, to underscore the intricate nature of determining the valuation of the land, Section 58 of the same law even authorizes the Special Agrarian Courts to appoint commissioners for such purpose.

Secondly, the RTC, in concluding that the valuation of respondents’ property is P703,137.00, merely took judicial notice of the average production figures in the Rodriguez case pending before it and applied the same to this case without conducting a hearing and worse, without the knowledge or consent of the parties, thus:

“x x x. In the case x x x of the coconut portion of the land 5.4730 hectares, defendants determined the average gross production per year at 506.95 kilos only, but in the very recent case of Luz Rodriguez vs. DAR, et al., filed and decided by this court in Civil Case No. 6679 also for just compensation for coconut lands and Riceland situated at Basud, Camarines Norte wherein also the lands in the above-entitled case are situated, the value fixed therein was 1,061.52 kilos per annum per hectare for coconut land and the price per kilo is P8.82, but in the instant case the price per kilo is P9.70. In the present case, we consider 506.95 kilos average gross production per year per hectare to be very low considering that farm practice for coconut lands is harvest every forty-five days. We cannot also comprehend why in the Rodriguez case and in this case there is a great variance in average production per year when in the two cases the lands are both coconut lands and in the same place of Basud, Camarines Norte. We believe that it is more fair to adapt the 1,061.52 kilos per hectare per year as average gross production. In the Rodriguez case, the defendants fixed the average gross production of palay at 3,000 kilos or 60 cavans per year. The court is also constrained to apply this yearly palay production in the Rodriguez case to the case at bar.

x x x x x x x x

“As shown in the Memorandum of Landbank in this case, the area of the coconut land taken under CARP is 5.4730 hectares. But as already noted, the average gross production a year of 506.96 kilos per hectare fixed by Landbank is too low as compared to the Rodriguez case which was 1,061 kilos when the coconut land in both cases are in the same town of Basud, Camarines Norte, compelling this court then to adapt 1,061 kilos as the average gross production a year of the coconut land in this case. We have to apply also the price of P9.70 per

kilo as this is the value that Landbank fixed for this case.

“The net income of the coconut land is equal to 70% of the gross income. So, the net income of the coconut land is $1,061 \times .70 \times 9.70$ equals P7,204.19 per hectare. Applying the capitalization formula of R.A. 3844 to the net income of P7,204.19 divided by 6%, the legal rate of interest, equals P120,069.00 per hectare. Therefore, the just compensation for the 5.4730 hectares is P657,137.00.

“The Riceland taken under Presidential Decree No. 27 as of October 21, 1972 has an area of .7600 hectare. If in the Rodriguez case the Landbank fixed the average gross production of 3000 kilos or 60 cavans of palay per year, then the .7600 hectare in this case would be 46 cavans. The value of the riceland therefore in this case is $46 \text{ cavans} \times 2.5 \times \text{P}400.00$ equals P46,000.00.[22]

“PARC Resolution 94-24-1 of 25 October 1994, implemented by DAR AO 13, granted interest on the compensation at 6% compounded annually. The compounded interest on the 46 cavans for 26 years is 199.33 cavans. At P400.00 per cavan, the value of the compounded interest is P79,732.00.”[23] (emphasis added)

Well-settled is the rule that courts are not authorized to take judicial notice of the contents of the records of other cases even when said cases have been tried or are pending in the same court or before the same judge.[24] They may only do so “in the absence of objection” and “with the knowledge of the opposing party,”[25] which are not obtaining here.

Furthermore, as earlier stated, the Rules of Court shall apply to all proceedings before the Special Agrarian Courts. In this regard, Section 3, Rule 129 of the Revised Rules on Evidence is explicit on the necessity of a hearing before a court takes judicial notice of a certain matter, thus:

“SEC. 3. Judicial notice, when hearing necessary. – During the trial, the court, on its own initiative, or on request of a party, may announce its intention to take judicial notice of any matter and allow the parties to be heard thereon.

“After the trial, and before judgment or on appeal, the proper court, on its own initiative or on request of a party, may take judicial notice of any matter and allow the parties to be heard thereon if such matter is decisive of a material issue in the case.” (emphasis added)

The RTC failed to observe the above provisions.

Lastly, the RTC erred in applying the formula prescribed under Executive Order (EO) No. 228[26] and R.A. No. 3844,[27] as amended, in determining the valuation of the property; and in granting compounded interest pursuant to DAR Administrative Order No. 13, Series of 1994.[28] It must be stressed that EO No. 228 covers private agricultural lands primarily devoted to rice and corn, while R.A. 3844 governs agricultural leasehold relation between “the person who furnishes the landholding, either as owner, civil law lessee, usufructuary, or legal possessor, and the person who personally cultivates the same.”[29] Here, the land is planted to coconut and rice and does not involve agricultural leasehold relation. What the trial court should have applied is the formula in DAR Administrative Order No. 6, as amended by DAR Administrative Order No. 11 discussed earlier.

As regards the award of compounded interest, suffice it to state that DAR Administrative Order No. 13, Series of 1994 does not apply to the subject land but to those lands taken under Presidential Decree No. 27[30] and Executive Order No. 228 whose owners have not been compensated. In this case, the property is covered by R.A. 6657, as amended, and respondents have been paid the provisional compensation thereof, as stipulated during the pre-trial.

While the determination of just compensation involves the exercise of judicial discretion, however, such discretion must be discharged within the bounds of the law. Here, the RTC wantonly disregarded R.A. 6657, as

amended, and its implementing rules and regulations. (DAR Administrative Order No. 6, as amended by DAR Administrative Order No.11).

In sum, we find that the Court of Appeals and the RTC erred in determining the valuation of the subject land. Thus, we deem it proper to remand this case to the RTC for trial on the merits wherein the parties may present their respective evidence. In determining the valuation of the subject property, the trial court shall consider the factors provided under Section 17 of R.A. 6657, as amended, mentioned earlier. The formula prescribed by the DAR in Administrative Order No. 6, Series of 1992, as amended by DAR Administrative Order No. 11, Series of 1994, shall be used in the valuation of the land. Furthermore, upon its own initiative, or at the instance of any of the parties, the trial court may appoint one or more commissioners to examine, investigate and ascertain facts relevant to the dispute.

WHEREFORE, the petition is GRANTED. The assailed Decision of the Court of Appeals dated March 20, 2000 in CA-G.R. SP No. 52163 is REVERSED. Civil Case No. 6806 is REMANDED to the RTC, Branch 40, Daet, Camarines Norte, for trial on the merits with dispatch. The trial judge is directed to observe strictly the procedures specified above in determining the proper valuation of the subject property.

SO ORDERED.

Panganiban, (Chairman), and Carpio-Morales, JJ., concur.
Corona, J., on leave.

[1] Effective June 15, 1988.

[2] 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.

[3] Revising the Rules and Regulations Covering the Valuation of Lands Voluntarily Offered or Compulsorily Acquired as Embodied in Administrative Order No. 6, Series of 1992.

[4] Executive Order No. 405, dated June 14, 1990, vests the Land Bank of the Philippines the primary responsibility to determine the land valuation and compensation for all private lands covered by R.A. 6657, as amended. See *Philippine Veterans Bank vs. Court of Appeals*, G.R. No. 132767, January 18, 2000, 322 SCRA 139, 145.

[5] Pre-trial Order, Rollo at 76-77.

[6] Rollo at 25, 82.

[7] RTC Decision at 7, *id.* at 68.

[8] Code of Agrarian Reforms of the Philippines.

[9] 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,” dated July 17, 1987.

[10] Penned by Associate Justice Rodrigo V. Cosico and concurred by Associate Justices Ramon Mabutas, Jr. and Delilah Vidallon-Magtolis.

[11] Resolution dated May 16, 2000, Rollo at 60.

[12] Sec. 1, Executive Order No. 405 (1990); Republic vs. Court of Appeals, G.R. No. 122256, October 30, 1996, 263 SCRA 758 and Philippine Veterans Bank vs. Court of Appeals, *supra*.

[13] Sec. 16(a) of R.A. 6657, as amended.

[14] Sec. 16(c), *id*.

[15] The Provincial Agrarian Reform Adjudicator (PARAD) and the Regional Agrarian Reform Adjudicator (RARAD), depending on the value of the land within their respective territorial jurisdiction (Rule II, Sec. 2, DARAB Rules of Procedure).

[16] Sec. 16(d) of R.A. 6657, as amended; Philippine Veterans Bank vs. Court of Appeals, *supra*.

[17] Sec. 56, *id*.

[18] Sec. 16(f), in relation to Sec. 57, *id*.

[19] Sec. 57, *id*.

[20] Sec. 58, *id*.

[21] “Sec. 49. Rules and Regulations. – The PARC and the DAR shall have the power to issue rules and regulations, whether substantive or procedural, to carry out the object and purposes of this Act. Said rules shall take effect ten (10) days after publication in two (2) national newspapers of general circulation.”

[22] The formula used by the trial court in its valuation of the Riceland is taken from Executive Order No. 228. Section 2 of the said EO states that “(t)he average gross production per hectare shall be multiplied by two and half (2.5), the product of which shall be multiplied by Thirty-Five Pesos (P35.00), the government support price for one cavan of 50 kilos of corn on October 21, 1972, and the amount arrived at shall be the value of the rice and corn land, as the case may be, for the purpose of determining its cost to the farmer and compensation to the landowner.” However, instead of using the government support price of P35.00, the trial court used P400.00, the then current price per cavan of palay (RTC Decision, p. 3, Rollo, p. 64).

[23] Rollo at 67.

[24] BPI-Family Savings Bank, Inc. vs. Court of Appeals, G.R. No. 122480, April 12, 2000, 330 SCRA 507, 517; People vs. Kulais, G.R. Nos. 100901-08, July 16, 1998, 292 SCRA 551, 565; Occidental Land Transportation Co., Inc. vs. Court of Appeals, G.R. No. 96721, March 19, 1993, 220 SCRA 167, 175.

[25] People vs. Hernandez, 328 Phil. 1123, 1146 (1996), citing Tabuena vs. Court of Appeals, G.R. No. 85423, May 6, 1991, 196 SCRA 650 and U.S. vs. Claveria, 29 Phil. 527 (1969).

[26] *Supra*.

[27] *Supra*.

[28] Rules and Regulations Governing the Grant of Increment of Six Percent (6%) Yearly Interest Compounded Annually on Lands Covered by Presidential Decree No. 27 and Executive Order No. 228.

[29] Sec. 6, RA 3844, as amended.

[30] Entitled “Decreeing the Emancipation of Tenants from the Bondage of the Soil Transferring To Them The Ownership of the Land They Till and Providing the Instruments and Mechanism Therefor,” dated October 21,

1972.

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