

ANACLETO R. MENESES, FRANCISCO C. MENESES, CECILIA C. MEMESES, RAMON M. VASCO, CARMENCITA M. VASCO-ALIVIA, VICTOR A. MENESES, MA. ROSARIO MENESES-CARREON, GAVINO A. MENESES, ART...

G.R. NO. 156304. October 23, 2006

Ponente: AUSTRIA-MARTINEZ, J.

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AUSTRIA-MARTINEZ, J.:

Petitioners were co-owners pro-indiviso of an irrigated rice land in Barangay Batasan, San Miguel, Bulacan, measuring 60.8544 hectares and registered in the name of their grandparents, the spouses Ramon Meneses and Carmen Rodriguez-Meneses. On October 21, 1972, the property was distributed to farmer-beneficiaries by virtue of Presidential Decree No. 27 (P.D. No. 27).

On July 16, 1993, petitioners filed with the Regional Trial Court (RTC) of Bulacan, Branch 13, a complaint for determination and payment of just compensation. Petitioners alleged that from the time the land was distributed to farmer-beneficiaries in 1972 up to the time of the filing of the complaint, no payment or rentals has been made, and titles have already been issued to the farmer-beneficiaries. Petitioners also alleged that the fair market value of the property is P6,000,000.00.[1]

The farmer-beneficiaries, the Land Bank of the Philippines-Land Valuation and Landowners' Compensation III (LBP-LVLCO III), the Department of Agrarian Reform (DAR) Secretary, and the DAR all filed their respective Answers. For their part, the farmer-beneficiaries alleged that the land valuation establishing the average gross production per hectare by the Barangay Committee on Land Production (BCLP) based on three normal crop years before P.D. No. 27 is in accordance with the existing guidelines and procedure on Operation Land Transfer; they have no unpaid rentals; and jurisdiction over the case lies with the Department of Agrarian Reform Adjudication Board (DARAB).[2]

Meanwhile, the LBP-LVLCO III averred that it has been acting in good faith in discharging its obligations, and that the computation was obtained through the valuation processes of the DAR on lands covered by P.D. No. 27 and Executive Order No. 228 (E.O. No. 228). The LBP-LVLCO III likewise alleged that jurisdiction over the case lies with the DARAB.[3]

The DAR Secretary, on the other hand, alleged that the valuation of the property was pursuant to the Operation Land Transfer under P.D. No. 27 and the reckoning date should be at the time of the taking of the property, i.e., October 21, 1972.[4]

Lastly, the DAR claimed that the filing of the case is premature since there is no valuation yet made by the DAR based on E.O. No. 228, and petitioners must cooperate with the DAR by submitting all the necessary papers for proper valuation and expeditious payment of the land. The DAR also claimed that it must first determine the valuation before resort to the court can be made.[5]

Thereafter, in an Order dated June 22, 1994, the RTC dismissed the complaint for lack of cause of action. According to the RTC, the determination of just compensation must first be filed with the DAR and not the Special Agrarian Court.[6]

Petitioners filed a motion for reconsideration, which was partially granted by the RTC in its Order dated September 7, 1994, setting aside its order of dismissal, ordering the suspension of the proceedings and archiving the case until primary determination has been made on the issue of just compensation.[7]

On October 5, 1994, petitioners filed a complaint for determination and payment of just compensation with the DARAB. The DARAB, however, dismissed the complaint on the ground that it has no jurisdiction to hear and decide valuation cases covered by P.D. No. 27, as the same is within the exclusive administrative powers of the Office of the Secretary.[8] Because of the foregoing dismissal, petitioners filed with the RTC a motion to re-open and calendar case for hearing,[9] which was granted by the RTC.

In an Order dated May 9, 1996, the RTC, with the agreement of the parties, constituted Commissioners to determine just compensation,[10] but the same was dissolved per its Report and Recommendation dated October 9, 1996, [11] as granted by the RTC in its Order dated October 11, 1996.[12]

Pre-trial was terminated on July 10, 1997, and petitioners were scheduled to present their evidence.[13] During the hearing held on August 14, 1997, the parties agreed as to the issue to be resolved - "whether or not the plaintiffs [petitioners] are entitled to just compensation as provided for in Republic Act No. 6657 (R.A. No. 6657) and the Constitution of 1987 and not P.D. No. 27 which was the basis of valuation made by defendants Secretary of Agrarian Reform and the Land Bank of the Philippines of the subject parcel of land which was acquired in October 21, 1972." [14] The parties were then given a period within which to file their respective motions for judgment on the pleadings and comment/opposition thereto, after which the case shall be deemed submitted for resolution.[15]

On February 7, 1998, the RTC rendered its Decision dismissing the complaint. It was the RTC's ruling that since the subject property was taken from petitioners on October 21, 1972 under the DAR's Operation Land Transfer pursuant to P.D. No. 27, then just compensation must be based on the value of the property at the time of taking.

Thus, petitioners filed an appeal with the Court of Appeals (CA), docketed as CA-G.R. CV No. 60355, where petitioners prayed for a remand of the case to the RTC for further proceedings and/or reception of evidence on the just and fair market value of the property.

On May 30, 2002, the CA[16] rendered its Decision dismissing the appeal.[17] Petitioners filed a motion for reconsideration, but the same was denied on the grounds that it was filed 44 days late and the CA found no cogent reason to reverse or modify its Decision.[18]

Hence, this petition for review on certiorari based on the following reasons:

I -

THAT THE APPEALED DECISION (sic) IS RENDERED BY THE COURT OF APPEALS NOT IN ACCORDANCE WITH LAW OR WITH APPLICABLE DECISIONS OF THE SUPREME COURT.[19]

II -

THAT THE COURT OF APPEALS HAS DEPARTED FROM THE ACCEPTED AND USUAL COURSE OF JUDICIAL PROCEEDINGS OR HAS SANCTIONED SUCH DEPARTURE BY THE LOWER COURT.[20]

Petitioners argue that the CA erred in sustaining the propriety of the motion for judgment on the pleadings filed by respondents with the RTC. It was the CA's ruling that the motion for judgment on the pleadings was proper since respondents can be considered as plaintiffs in a counter-claim. Petitioners also impute error in the CA's ruling that the RTC properly dismissed the case since it appears that there was no initial valuation yet made by the DARAB.

Respondents, however, argue that the CA Decision dated May 30, 2002 is already final and executory due to petitioners' failure to seasonably file a motion for reconsideration. Respondents also argue, among others, that the applicable law in this case is P.D. No. 27 and E.O. No. 228, which provides for the formula for the determination of just compensation, as recognized in the cases of *Land Bank of the Philippines v. Court of Appeals*, 378 Phil. 1248 (1999), and *Gabatin v. Land Bank of the Philippines*, G.R. No. 148223, November 25, 2004, 444 SCRA 176.

The Courts finds merit in the petition.

It is true that petitioners' failure to file their motion for reconsideration within the reglementary period rendered the CA Decision dated May 30, 2002 final and executory. For all intents and purposes, said Decision should now be immutable and unalterable; however, the Court relaxes this rule in order to serve substantial justice considering (a) matters of life, liberty, honor or property, (b) the existence of special or compelling circumstances, (c) the merits of the case, (d) a cause not entirely attributable to the fault or negligence of the party favored by the suspension of the rules, (e) a lack of any showing that the review sought is merely frivolous and dilatory, and (f) the other party will not be unjustly prejudiced thereby.[21]

The explanation of petitioners' counsel for the delayed filing of the motion for reconsideration was that their law firm secretary failed to inform the court of their change of address.[22] This, of course, is not a valid excuse. As a general rule, a client is bound by the acts of his counsel, including even the latter's mistakes and negligence. But where such mistake or neglect would result in serious injustice to the client, a departure from this rule is warranted. To cling to the general rule is to condone rather than rectify a serious injustice to petitioners whose only fault was to repose his faith and entrust his innocence to his lawyer.[23]

In *Ginete v. Court of Appeals*,[24] the Court disregarded the failure of the petitioners to file a motion for reconsideration of the CA's dismissal, and instead, ruled that their counsel's negligence should not prejudice the merits of their case, as they were bound to lose their alleged rightful share in their inheritance to a 59-hectare property.

In *Philippine Ports Authority v. Sargasso Construction & Development Corp.*,[25] the Court excused the Office of the Government Corporate Counsel's belated filing of the notice of appeal because sustaining the finality of the CA's dismissal of the appeal would leave the petitioner no other remedy to assail the decision of the trial court, and it would then have to implement the award of the reclamation project to the respondents for the enhancement of the San Fernando, La Union port for the price of P30,794,230.89 without the benefit of a public bidding, and sans the approval of its Board of Directors.

After reviewing the records of this case, the Court resolves to give due course to the case in order to put to rest the issues herein presented, specially in light of the Court's ruling in *Solmayor v. Arroyo*,[26] to wit:

Furthermore, we must bear in mind that procedural rules are intended to ensure the proper administration of law and justice. The rules of procedure ought not to be applied in a very rigid, technical sense, for they are adopted to help secure, not override, substantial justice. A deviation from its rigid enforcement may thus be allowed to attain its prime objective, for after all, the dispensation of justice is the core reason for the existence of courts. Moreover, we cannot shy away from our constitutionally mandated duty to questions of law set forth

in this petition which hinges on the determination of the rights of herein litigants in the light of a very important piece of social legislation, Presidential Decree No. 27, which aims for the equitable distribution and ownership of land, without disregarding the property rights of landowners. Thus, for pragmatic reasons and consideration of justice and equity, the Court must put to rest the issues presented before us. (Emphasis supplied)

If the Court sustains the CA Decision, which affirmed the RTC Decision, petitioners will be left holding an empty bag, so to speak. It should be noted that the property subject of this case has already been distributed to the farmer-beneficiaries way back in 1972, and up to now, 34 years later, petitioners have yet to enjoy the fruits of its value. Moreover, petitioners will be left without any recourse as regards the resolution of the issue of just compensation since both the RTC and the DARAB already dismissed the separate complaints for just compensation filed before them. Indeed, the "Court has the power to except a particular case from the operation of the rule whenever the purposes of justice requires it because what should guide judicial action is that a party is given the fullest opportunity to establish the merits of his action or defense rather than for him to lose life, honor, or property on mere technicalities." [27]

On the propriety of the filing of a motion for judgment on the pleadings by the LBP and adopted by the DAR Secretary - the Court finds that the CA erred in sustaining its propriety.

Rule 34, Section 1 of the Rules of Court, [28] provides that a judgment on the pleadings is proper when an answer fails to render an issue or otherwise admits the material allegations of the adverse party's pleading. The essential question is whether there are issues generated by the pleadings. A judgment on the pleadings may be sought only by a claimant, who is the party seeking to recover upon a claim, counterclaim or cross-claim; or to obtain a declaratory relief. [29]

In this case, the separate Answers filed by the respondents definitely tendered issues, as it made specific denials of the material allegations in the complaint and asserted affirmative defenses, which would bar recovery by petitioners. Moreover, it was erroneous for the RTC to require the filing of a motion for judgment on the pleadings and for the LBP and the DAR Secretary to file the same since in the first place, the latter are neither plaintiffs in the case nor counter-claimants or cross-claimants.

What the RTC obviously meant to be filed was a motion for summary judgment, a procedural device designed for the prompt disposition of actions, which may be rendered if the pleadings, supporting affidavits, depositions and admissions on file show that, after a summary hearing, there is no genuine issue regarding any material fact, except as to the amount of damages, and the moving party is entitled to a judgment as a matter of law, and which may be applied for by either a claimant or a defending party. [30] This is obvious from the fact that although the Answers raised issues, these were not factual ones requiring trial, nor were they genuine issues, [31] as the parties were able to agree to limit the same to whether petitioners are entitled to just compensation under R.A. No. 6657 and not P.D. No. 27. [32]

The Court also finds that the CA erred in sustaining the RTC ruling that just compensation in this case should be based on the value of the property at the time of taking, October 21, 1972, which is the effectivity date of P.D. No. 27.

Respondent correctly cited the case of *Gabatin v. Land Bank of the Philippines*, [33] where the Court ruled that "in computing the just compensation for expropriation proceedings, it is the value of the land at the time of the taking [or October 21, 1972, the effectivity date of P.D. No. 27], not at the time of the rendition of judgment, which should be taken into consideration." Under P.D. No. 27 and E.O. No. 228, the following formula is used to compute the land value for palay:

$LV \text{ (land value)} = 2.5 \times AGP \times GSP \times (1.06)^n$

It should also be pointed out, however, that in the more recent case of *Land Bank of the Philippines vs. Natividad*,^[34] the Court categorically ruled: "the seizure of the landholding did not take place on the date of effectivity of P.D. No. 27 but would take effect on the payment of just compensation." Under Section 17 of R.A. No. 6657, the following factors are considered in determining just compensation, to wit:

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 farm-workers 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. (Emphasis supplied)

Consequently, the question that arises is which of these two rulings should be applied?

Under the circumstances of this case, the Court deems it more equitable to apply the ruling in the *Natividad* case. In said case, the Court applied the provisions of R.A. No. 6657 in computing just compensation for property expropriated under P.D. No. 27, stating, viz.:

Land Bank's contention that the property was acquired for purposes of agrarian reform on October 21, 1972, the time of the effectivity of PD 27, ergo just compensation should be based on the value of the property as of that time and not at the time of possession in 1993, is likewise erroneous. In *Office of the President, Malacañang, Manila v. Court of Appeals*, we ruled that the seizure of the landholding did not take place on the date of effectivity of PD 27 but would take effect on the payment of just compensation.

Under the factual circumstances of this case, the agrarian reform process is still incomplete as the just compensation to be paid private respondents has yet to be settled. Considering the passage of Republic Act No. 6657 (RA 6657) before the completion of this process, the just compensation should be determined and the process concluded under the said law. Indeed, RA 6657 is the applicable law, with PD 27 and EO 228 having only suppletory effect, conformably with our ruling in *Paris v. Alfeche*.

x x x x

It would certainly be inequitable to determine just compensation based on the guideline provided by PD 27 and EO 228 considering the DAR's failure to determine the just compensation for a considerable length of time. That just compensation should be determined in accordance with RA 6657, and not PD 27 or EO 228, is especially imperative considering that just compensation should be the full and fair equivalent of the property taken from its owner by the expropriator, the equivalent being real, substantial, full and ample.

In this case, the trial court arrived at the just compensation due private respondents for their property, taking into account its nature as irrigated land, location along the highway, market value, assessor's value and the volume and value of its produce. This Court is convinced that the trial court correctly determined the amount of just compensation due private respondents in accordance with, and guided by, RA 6657 and existing jurisprudence.^[35] (Emphasis supplied)

As previously noted, the property was expropriated under the Operation Land Transfer scheme of P.D. No. 27 way back in 1972. More than 30 years have passed and petitioners are yet to benefit from it, while the farmer-beneficiaries have already been harvesting its produce for the longest time. Events have rendered the applicability of P.D. No. 27 inequitable. Thus, the provisions of R.A. No. 6657 should apply in this case.

Finally, the Court sustains petitioners' contention that the CA erred in ruling that the RTC correctly dismissed their complaint. Even assuming that the RTC was correct in holding that P.D. No. 27 applies, still it should not

have simply dismissed the complaint after resolving the issue of which law should apply. Instead, it should have proceeded to determine the just compensation due to petitioners.

Records show that the complaint for just compensation was first filed in the RTC, but this was dismissed in the Order dated June 22, 1994, for the reason that the determination of just compensation must first be filed with the DAR.[36] Conformably with said ruling, petitioners filed the complaint with the DAR, which dismissed the same on the ground that it has no jurisdiction to hear and decide valuation cases covered by P.D. No. 27.[37] Because of said dismissal, petitioners went back to the RTC for the re-opening of the case. Petitioners' case was obviously thrown back and forth between the two venues, and with the RTC's second dismissal, they were left hanging and without any recourse, which, of course, is iniquitous considering that their property has already long been expropriated by the government and its fruits enjoyed by the farmer-beneficiaries.

Given the foregoing conclusion, this case should then be remanded to the Regional Trial Court (RTC) of Bulacan, Branch 13, for the final determination of just compensation.

WHEREFORE, the petition is GRANTED. The Decision dated May 30, 2002 and Resolution dated December 9, 2002 rendered by the Court of Appeals in CA-G.R. CV No. 60355 is REVERSED and SET ASIDE. The records of this case is ordered REMANDED to Regional Trial Court (RTC) of Bulacan, Branch 13, for further proceedings with deliberate dispatch and in accordance with the Court's discussion in this Decision.

No costs.

SO ORDERED.

Panganiban, C.J., (Chairperson), Ynares-Santiago, Callejo, Sr., and Chico-Nazario, JJ., concur.

[1] Records, pp. 10-11.

[2]Id. at 21.

[3] Id. at 45-47.

[4]Id. at 51-52.

[5] Id. at 67-68.

[6]Id. at 106.

[7] Id. at 137.

[8]Id. at 156-157.

[9] Id. at 144-145.

[10] Id. at 177.

[11]Id. at 200.

[12] Id. at 201.

[13]Id. at 228.

[14]Id. at 247.

[15]Id.

[16] Penned by Associate Justice Conchita Carpio-Morales (now a Member of this Court), with Associate Justices Martin S. Villarama, Jr. and Mariano C. Del Castillo, concurring.

[17] CA rollo, p. 104.

[18] Id. at 158.

[19] Rollo, p. 17.

[20] Id. at 18.

[21] Barnes v. Padilla, G.R. No. 160753, September 30, 2004, 439 SCRA 675, 686-687.

[22] CA rollo, pp. 124-125.

[23] Elcee Farms, Inc. v. Semillano, G.R. No. 150286, October 17, 2003, 413 SCRA 669, 678.

[24] 357 Phil. 36 (1998).

[25] G.R. No. 146478, July 30, 2004, 435 SCRA 512.

[26] G.R. No. 153817, March 31, 2006, 486 SCRA 431.

[27] Philippine Commercial and International Bank v. Cabrera, G.R. No. 160368, March 31, 2005, 454 SCRA 792, 801.

[28] Formerly Rule 19, Section 1 of the Rules of Court.

[29] Garcia v. Llamas, G.R. No. 154127, December 8, 2003, 417 SCRA 292.

[30] RULES OF COURT, Rule 35, Secs. 1 and 2, formerly Rule 34, Secs. 1 and 2.

[31] Wood Technology Corporation v. Equitable Banking Corporation, G.R. No. 153867, February 17, 2005, 451 SCRA 724.

[32] Records, p. 247, Order dated August 14, 1997.

[33] G.R. No. 148223, November 25, 2004, 444 SCRA 176.

[34] G.R. No. 127198, May 16, 2005, 458 SCRA 441.

[35] Land Bank of the Philippines v. Natividad, *supra* at 451-453.

[36] Records, p. 106.

[37] The Court subsequently ruled in Land Bank of the Philippines v. Court of Appeals, G.R. No. 128557, December 29, 1999, that: "It seems that the Secretary of Agrarian Reform erred in issuing Memorandum Circular No. I, Series of 1995, directing the DARAB to refrain from hearing valuation cases involving PD 27 lands. For on the contrary, it is the 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."

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