

LAND BANK OF THE PHILIPPINES, PETITIONER, VS. HEIRS OF HONORATO DE LEON, REPRESENTED BY AMBROCIO DE LEON, RESPONDENT.

G.R. No. 164025. May 08, 2009

Ponente: TINGA, J.

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TINGA, J.:

This is a petition for review[1] on certiorari under Rule 45 of the 1997 Rules of Civil Procedure, assailing the decision[2] and resolution[3]

of the Court of Appeals in CA-G.R. SP No. 77619. The assailed decision dismissed for lack of merit petitioner's appeal from the decision[4] of the Regional Trial Court (RTC), Branch 26, Cabanatuan City ordering the payment of just compensation to respondents while the resolution denied petitioner's motion for reconsideration.[5]

The following factual antecedents are undisputed.

Petitioner Land Bank of the Philippines (LBP) is a government banking institution designated under Section 64 of Republic Act (R.A.) No. 6654 as the financial intermediary of the agrarian reform program of the government.

Respondents are the heirs of the late Honorato De Leon, the registered owner of an agricultural land situated at Barangay Carmen, Zaragoza, Nueva Ecija and covered by Transfer Certificate of Title (TCT) No. 10918-R. The whole area measuring 36.1238 hectares was acquired by the Department of Agrarian Reform (DAR) and placed under the coverage of Presidential Decree (P.D.) No. 27. Respondents received the notice of coverage sometime in 1988.

Finding the land valuation offered by the DAR to be very low, respondents filed a complaint for the fixing of just compensation before the RTC of Cabanatuan City, sitting as a Special Agrarian Court (SAC). The complaint dated 20 February 1995 was docketed as Agrarian Case No. 98-AF and entitled, Heirs of Honorato De Leon, represented by Ponciano R. De Leon v. Department of Agrarian Reform, as representative of the Republic of the Philippines, and Land Bank of the Philippines.

Respondents prayed that just compensation be computed based on the following values: (a) an average gross production (AGP) of 195 cavans per hectare per year or 17,610.35 cavans for the entire 36.1238 hectares; (b) plus simple interest of 6% per annum for 20 years on the 17,610.35 cavans or 21,132.41 cavans; and (c) government support price of P500.00. Using the aforementioned values, respondents claimed that the total just compensation due them should be in the amount of P19,371,385.00.[6]

DAR adopted petitioner's exhibits, among them a DAR order for petitioner to pay respondents the amount of P195,971.60 exclusive of the benefits under DAR A.O. No. 13, series of 1994. Also submitted in evidence were a Certification dated 07 June 1991 showing that the total compensation in the amount of P195,971.60 due respondents had been deposited on 31 January 1991 in cash and bonds and a letter dated 29 March 2000, informing respondents that the balance of their claim remained at P706,754.00, inclusive of interest provided

under DAR A.O. No. 13, series of 1994.[7]

Acting under a written authority issued by Atty. Federico Poblete, DAR Undersecretary for Legal Affairs, a certain Atty. Benjamin Bauí, the Legal Officer of DAR-Cabanatuan City, entered into a compromise agreement with herein respondents. The agreement, which was approved by the SAC on 29 June 2001 after petitioner failed to file a comment thereto, provided the payment of just compensation in the amount of P19,371,385.00.[8]

However, on 9 November 2001, the SAC denied the motion for execution of the compromise judgment on the ground of oversight on the part of Atty. Bauí regarding his authority to enter into a settlement.

On 14 January 2003, the SAC rendered a decision, the dispositive portion of which states:

WHEREFORE, judgment is hereby rendered ordering the Department of Agrarian Reform through the Land Bank of the Philippines to pay petitioners the total amount of ONE MILLION EIGHT HUNDRED NINETY-SIX THOUSAND FOUR HUNDRED NINETY-NINE PESOS and FIFTY CENTAVOS (P1,896,499.50), Philippine Currency without interests, representing the just compensation of the property with the total area of 36.1238 hectares located in Barangay Carmen, Zaragoza, Nueva Ecija, covered by TCT No. 10218.

SO ORDERED.[9]

In arriving at the amount of just compensation, the SAC used a value of P175.00 as the government support price for palay based on the certification by the provincial manager of the National Food Authority (NFA) in Cabanatuan City. The SAC no longer imposed interest on account of a higher value of government support price.

With regard to the compromise judgment, the SAC declared in its decision that the same had been set aside and considered without effect on the ground that Atty. Poblete cannot authorize Atty. Bauí to enter into a stipulation of facts binding upon the DAR.

Petitioner filed an appeal docketed as CA-G.R. SP No. 77619, arguing that just compensation should be fixed based on the formula in P.D. No. 27 in relation to Executive Order No. 228, providing a government support price of P35.00. Using the said formula and the provision on interest under DAR A.O. No. 13, series of 1994, petitioner prayed that just compensation be fixed at P706,754.90.

Respondents questioned the authority of the Court of Appeals to give due course to the appeal, considering that the compromise judgment had not been set aside under Rule 38 of the Rules of Court. In a Resolution dated 8 October 2004, the Court of Appeals affirmed its jurisdiction to take cognizance of petitioner's appeal.[10]

On 19 March 2, 2004, the Court of Appeals rendered the assailed decision, dismissing the appeal for lack of merit. On 9 June 2004, the appellate court denied petitioner's motion for reconsideration.

Hence, the instant petition, raising a lone issue for the Court's consideration:

THE HONORABLE COURT OF APPEALS COMMITTED A GRAVE ERROR OF LAW WHEN IT USED DIFFERENT FACTORS/DATA IN THE DETERMINATION OF JUST COMPENSATION OF SUBJECT RICELAND, IN UTTER DISREGARD OF THE EVIDENCE ON RECORD AND THE PERTINENT PROVISIONS OF PRESIDENTIAL DECREE NO. 27 AND EXECUTIVE ORDER NO. 228.

For their part, respondents elevated to this Court a petition for certiorari and prohibition, docketed as G.R. No. 166972. The petitioner prayed for the nullification of the assumption of jurisdiction by the Court of Appeals in CA-G.R. SP No. 77619 and the declaration that the compromise judgment is final and executory.

In a Resolution dated 22 June 2005, the Court resolved to dismiss G.R. No. 166972 for the failure to submit a

verified statement of the material dates of the receipt of the decision and filing of the motion for reconsideration and failure to verify the petition and submit a valid certification of nonforum shopping.[11] The resolution became final and executory on 22 August 2005.[12]

The only question that remains for resolution is the value of just compensation to be paid to respondents. Petitioner maintains that the formula should be based under the provisions of P.D. No. 27 and E.O. No. 228, which fix the Land Value to be equal to $(2.5 \times \text{AGP} \times \text{P35}) \times A$, where AGP is the average gross production per hectare; P35.00 is the government support price for palay in 1972; and A is the total land area. Petitioner argues that "P35.00 was used in the foregoing formula as the support price of palay per cavan because it was the selling price of palay per cavan on October 21, 1972, when the government took over the ownership of the subject land."

The petition lacks merit.

On 15 June 1988, the Comprehensive Agrarian Reform Law (CARL) or R.A. No. 6657 was enacted to promote special justice to the landless farmers and provide "a more equitable distribution and ownership of land with due regard to the rights of landowners to just compensation and to the ecological needs of the nation." [13]

Section 4 of R.A. No. 6657 provides that the CARL shall cover all public and private agricultural lands including other lands of the public domain suitable for agriculture. Section 7 provides that rice and corn lands under P.D. No. 27, among other lands, will comprise phase one of the acquisition plan and distribution program. Section 75 states that the provisions of P.D. No. 27 and E.O. Nos. 228 and 229, and other laws not inconsistent with R.A. No. 6657 shall have suppletory effect.[14]

Furthermore, in *Land Bank of the Philippines v. Heirs of Domingo*, [15] the Court stressed the duty of the Court to balance the interests of both the landowner and the farmer-beneficiaries, to wit:

Section 9, Article III of the 1987 Constitution provides that no private property shall be taken for public use without just compensation. As a concept in the Bill of Rights, just compensation is defined as the fair market value of the property as between one who receives, and one who desires to sell.

Section 4, Article XIII of the 1987 Constitution mandates that the redistribution of agricultural lands shall be "subject to the payment of just compensation." The deliberations of the 1986 Constitutional Commission on this subject reveal that just compensation should not also make an insurmountable obstacle to a successful agrarian reform. Hence, the landowner's right to just compensation should be balanced with agrarian reform. In *Land Bank v. Court of Appeals*, we declared that it is the duty of the court to protect the weak and the underprivileged, but this duty should not be carried out to such an extent as to deny justice to the landowner whenever truth and justice happen to be on his side.[16]

In the instant case, respondents were furnished with the notice of coverage sometime in 1988 only. Even if respondents' property were acquired pursuant to P.D. No. 27, the fixing of just compensation based on the values under P.D. No. 27/E.O. No. 228 would render meaningless respondents' right to a just compensation.

Thus, the Court ruled in *Paris v. Alfeche* [17] that when the passage of R.A. No. 6657 supervened before the payment of just compensation, the provisions of R.A. No. 6657 on just compensation would be applicable. The same pronouncement has been reiterated in *Land Bank of the Philippines v. Natividad*, [18] *Land Bank of the Philippines v. Estanislao*, [19] *Land Bank of the Philippines v. Heirs of Domingo* [20] and *LBP v. Heirs of Cruz*. [21]

Pertinently, Section 17 of R.A. No. 6657 provides:

Sec. 17. Determination of Just Compensation.—In determining just compensation, the cost of acquisition of the land, the current value of the like properties, its nature, actual use and income, the sworn valuation by the

owner, the tax declarations, and the assessments 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.

In *Land Bank of the Philippines v. Celada*, the Court ruled that the factors enumerated under Section 17, R.A. No. 6657 had already been translated into a basic formula by the Department of Agrarian Reform (DAR) pursuant to its rule-making power under Section 49 of R.A. No. 6657. Thus, the Court held in *Celada* that the formula outlined in DAR A.O. No. 5, series of 1998 should be applied in computing just compensation.[22]

Likewise, in *Land Bank of the Philippines v. Sps. Banal*,[23] the Court ruled that the applicable formula in fixing just compensation is DAR A.O. No. 6, series of 1992, as amended by DAR A.O. No. 11, series of 1994, then the governing regulation applicable to compulsory acquisition of lands, in recognition of the DAR's rule-making power to carry out the objectives of R.A. No. 6657. Because the trial court therein based its valuation upon a different formula and did not conduct any hearing for the reception of evidence, the Court ordered a remand of the case to the SAC for trial on the merits.[24]

The mandatory application of the aforementioned guidelines in determining just compensation has been reiterated recently in *Land Bank of the Philippines v. Lim*[25] and *Land Bank of the Philippines v. Heirs of Cruz*,[26] where the Court also ordered the remand of the cases to the SAC for the determination of just compensation strictly in accordance with the applicable DAR regulation.

Conformably with the aforequoted rulings, the instant case must be remanded to the SAC for the determination of just compensation in accordance with DAR A.O. No. 5, series of 1998, the latest DAR issuance on fixing just compensation.

WHEREFORE, the instant petition for review on certiorari is DENIED and the decision and resolution of the court of Appeals in CA-G.R. SP No. 77619 are REVERSED and SET ASIDE. Agrarian Case No. 98-AF is REMANDED to the Regional Trial Court, Branch 26, Cabanatuan City, which is directed to determine with dispatch the just compensation due respondents strictly in accordance with DAR A.O. No. 5, series of 1998.

SO ORDERED.

Carpio-Morales,[*] (Acting Chairperson), Velasco, Jr., Leonardo-De Castro,[**], and Brion, JJ., concur.

[*] Acting Chairperson in lieu of Senior Associate Justice Leonardo A. Quisumbing, who is on official leave, per Special Order No. 618.

[**] Designated as an additional member of the Second Division in lieu of Senior Associate Justice Leonardo A. Quisumbing, who is on official leave, per Special Order No. 618.

[1] Rollo, pp. 2-30.

[2] Dated 19 March 2004 and penned by Justice Andres B. Reyes, Jr. and concurred in by Justices Buenaventura J. Guerrero, Chairman of the Second Division, and Regalado E. Maambong; id. at 31-32.

[3] Dated 9 June 2004; id. at 98-105.rollo,

[4] Dated 14 January 2003 and penned by Judge Evelyn Dimaculangan-Querijero; id. at 98.

[5] Id. at 46-54.

[6] (AGP plus interest) x government support price = (17610.35 cavans plus 21,132.41 cavans) x P500.00 = P19,371,385.00.

[7] Rollo, p. 102.

[8] Id. at 40; G.R. No.166972.

[9] Id. at 105.

[10] Id. at 53.

[11] Id. at 79.

[12] Id. at 89.

[13] Land Bank of the Philippines v. Heirs of Angel T. Domingo, G.R. No. 168533, 4 February 2008, 543 SCRA 627, 638.

[14] Land Bank of the Philippines v. Heirs of Angel T. Domingo, G.R. No. 168533, 4 February 2008, 543 SCRA 627, 639.

[15] Land Bank of the Philippines v. Heirs of Angel T. Domingo, G.R. No. 168533, 4 February 2008, 543 SCRA 627.

[16] Id. at 639-640.

[17] 416 Phil. 473 (2001).

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

[19] G.R. No. 166777, 10 July 2007, 527 SCRA 181.

[20] Supra note 16.

[21] G.R. No. 175175, 29 September 2008.

[22] G.R. No. 164876, 23 January 2006, 479 SCRA 495.

[23] 478 Phil. 701 (2004).

[24] LBP v. Heirs of Cuz, supra note 22.

[25] G.R. No. 171941, 2 August 2007, 529 SCRA 129.

[26] Supra note 22.

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