

LAND BANK OF THE PHILIPPINES, PETITIONER, VS. HEIRS OF SALVADOR ENCINAS AND JACOB DELGADO, RESPONDENTS.

G.R. No. 167735. April 18, 2012

Ponente: BRION, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-167735/>

BRION, J.:

We resolve the petition for review on certiorari,[1] filed by the Land Bank of the Philippines (petitioner), that challenges the July 22, 2004 decision[2] and the April 6, 2005 resolution[3] of the Court of Appeals (CA) in CA-G.R. SP No. 78596. The CA decision dismissed the petitioner's petition for review for lack of merit. The CA resolution denied the petitioner's subsequent motion for reconsideration.

The Factual Antecedents

The late Spouses Salvador and Jacoba Delgado Encinas were the registered owners of a 56.2733-hectare agricultural land in Tinago, Juban, Sorsogon, under Original Certificate of Title (OCT) No. P-058. When Republic Act No. (RA) 6657[4] took effect,[5] the heirs of the spouses Encinas, Melchor and Simon (respondents), voluntarily offered to sell the land to the government through the Department of Agrarian Reform (DAR).

On August 21, 1992, the DAR conducted a field investigation of the land.[6] On October 27, 1997, the DAR submitted the respondents' claimfolder to the petitioner for computation of the land's valuation.[7] The petitioner valued the land at P819,778.30 (or P22,718.14 per hectare) for the acquired area of 35.9887 hectares (subject land).[8]

Upon the DAR's application, accompanied by the petitioner's certification of deposit of payment,[9] the Register of Deeds of Sorsogon partially cancelled OCT No. P-058 corresponding to the 35.9887-hectare covered area, and issued Transfer Certificate of Title Nos. 49948 and 49949 in the name of the Republic of the Philippines on December 5, 1997.[10]

Meanwhile, since the respondents rejected the petitioner's valuation of P819,778.30, the DAR Adjudication Board (DARAB) undertook a summary administrative proceeding for the determination of just compensation.[11] On February 6, 2001, Adjudicator Manuel M. Capellan fixed the value of just compensation at P3,590,714.00, adopting the DARAB's valuation on the property of Virginia Balane in Rangas, Juban, Sorsogon that fixed the just compensation at P99,773.39 per hectare.[12]

Following the denial of its motion for reconsideration,[13] the petitioner filed on September 26, 2003 a petition for determination of just compensation with the Regional Trial Court (RTC) of Sorsogon City, Branch 52, sitting as a Special Agrarian Court (SAC).[14]

At the trial, the petitioner's witnesses[15] testified on the condition of the subject land when the DAR conducted the field investigation in 1992,[16] and that the petitioner based its P819,778.30 valuation on DAR AO No. 11, series of 1994. The petitioner offered as documentary evidence the DAR field investigation report,[17] the claims

and processing form, a copy of DAR AO No. 11, series of 1994, and the field investigation report on Balane's property.[18]

On the other hand, the respondents' witnesses[19] testified on the current number of trees in the subject land and the estimated board feet each tree could produce as lumber,[20] the cost of each fruit-bearing tree,[21] and the previous offer to sell the land.[22] The respondents offered as documentary evidence the recent private field investigation report of their witness, Wilfredo Embile, and the Commissioner's Report of Provincial Assessor Florencio Dino in Civil Case No. 6331 (Vivencio Mateo, et al. v. DAR, et al.) on the just compensation involving another property.

The RTC Ruling

In its April 23, 2003 decision,[23] the RTC fixed the just compensation at P4,470,554.00, based on: (1) comparable transactions in the nearby locality; (2) the DARAB's valuation on Balane's property; (3) the updated schedule of fair market value of real properties in the Province of Sorsogon (Sanggunian Panlalawigan Resolution No. 73-99); (4) the value and the produce of coconuts, fruits, narra, and other trees, and the number of board feet extractable from said trees; and (5) the land's current condition and potential productivity, thus:

Taking into consideration x x x the comparable sale transactions of similar nearby places as admissible in evidence (MRR vs. Velasco case), the decision of the DARAB on VOS of Virginia Balane located at Rangas, Juban, Sorsogon whereby the Board fixed the valuation at P99,773.39 per hectare, the number of nuts produced from the 1500 coconut trees found by the representative of the Petitioner Land Bank as per Field Investigation Report (Exh. "B") so that after ten years since its inspection on August 21, 1992 all coconut trees are fruit bearing now and granting that each tree can produce nuts per 45 days, then 45 nuts can be produced per tree per year, 1500 trees can produce 67,500 nuts in eight harvest per year and when converted to copra can produce 16,750 kilos, 540,000 nuts per year for the 1500 coconut trees on the 35,9887 hectares equals 108,000 kilos at P8.00 per kilo, the land can get P864,000.00 yearly and one/half of that shall go to landowner which is P432,000.00, the Court also considers the value of the fruit bearing trees consisting of 6 guava trees for a total value of P34,000.00, 3 avocado trees for a total value of P6,000.00, 10 langka trees for a total value of P4,000.0 and 300 banana hills for the total value of P78,000.00, and or a grand total of P194,880.00 and the timber producing trees consisting of 100 narra trees with an extractable lumber of no less 5,000 bd. ft at P55.00 per bd. ft or a total value of P275,000.00 and other trees with a total bd. ft. of 2,700 bd. ft at P27.00 per bd. ft or a total value of P172,900.00. The Field Investigation Report (Exh. "B") state also that in the portion for acquisition, there is a hectare of Nipa and according to the Sanggunian Panlalawigan Provincial Ordinance No. 73-99, Sec. 10-Valuation of Perennial Trees, Plants and Other Improvements on Agricultural Land, the value of Nipa Improvement in a 5th class Municipality is P13,400.00 per hectare and summing all of the valuation on the above improvements, the Court hereby fixes the just compensation for the area of 35.9887 hectares subject for acquisition in the total value of P4,470,554.00.[24]

The RTC did not consider the petitioner's P819,778.30 valuation because it was "unrealistically low," [25] based on a field investigation report made 11 years ago, compared to the report of the respondents' representative on the current condition of the property.[26]

With the denial[27] of its motion for reconsideration,[28] the petitioner elevated its case to the CA via a petition for review under Rule 42 of the Rules of Court.[29]

The CA Ruling

In its July 22, 2004 decision, the CA dismissed the petition for review for lack of merit, recognizing the jurisdiction and supposed expertise of the DARAB and the RTC, as a SAC.[30] It found that the petitioner's P819,778.30 valuation for 35.9887 hectares was unconscionably low[31] and that the RTC's P4,470,554.00

valuation substantially complied with the factors prescribed by Section 17 of RA 6657.[32]

After the denial[33] of its motion for reconsideration,[34] the petitioner came to this Court.

The Petition

The petitioner argues that the RTC failed to use the formula provided by Section 17 of RA 6657 in fixing the land's valuation at P4,470,554.00; the RTC erroneously considered the land's potential, not actual, use, as well as the land's condition in 2003, many years after the DAR conducted the field investigation in 1992.

The Case for the Respondents

The respondents, invoking the RTC's judicial discretion in the determination of just compensation, submit that the RTC's valuation is reasonable, based on the guidelines set by Section 17 of RA 6657.

The Issue

The core issue boils down to whether the CA erred in affirming the RTC decision fixing the just compensation at P4,470,554.00 for the respondents' 35.9887-hectare agricultural land.

Our Ruling

We find merit in the petition.

The "taking of private lands under the agrarian reform program partakes of the nature of an expropriation proceeding." [35] In computing the just compensation for expropriation proceedings, the RTC should take into consideration the "value of the land at the time of the taking, not at the time of the rendition of judgment." [36] "The 'time of taking' is the time when the landowner was deprived of the use and benefit of his property, such as when title is transferred to the Republic." [37]

In determining the just compensation, the RTC is also required to consider the following factors enumerated in Section 17[38] of RA 6657: (1) the acquisition cost of the land; (2) the current value of the properties; (3) its nature, actual use, and income; (4) the sworn valuation by the owner; (5) the tax declarations; (6) the assessment made by government assessors; (7) the social and economic benefits contributed by the farmers and the farmworkers, and by the government to the property; and (8) the non-payment of taxes or loans secured from any government financing institution on the said land, if any.

Pursuant to its rule-making power under Section 49 of RA 6657, the DAR translated these factors into the following basic formula in computing just compensation:[39]

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

Where: LV = Land Value

CNI = Capitalized Net Income

CS = Comparable Sales

MV = Market Value per Tax Declaration

We have repeatedly stressed[40] that these factors and formula are mandatory and not mere guides that the SAC may disregard. "While the determination of just compensation is essentially a judicial function vested in the RTC acting as a [SAC], the judge cannot abuse his discretion by not taking into full consideration the factors specifically identified by law and implementing rules. [SACs] are not at liberty to disregard the formula laid down [by the DAR], because unless an administrative order is declared invalid, courts have no option but to apply it. The [SAC] cannot ignore, without violating the agrarian law, the formula provided by the DAR for the

determination of just compensation.”[41]

In this case, we cannot accept the RTC’s P4,470,554.00 valuation for the respondents’ 35.9887-hectare agricultural land as it failed to comply with the mandated requirements of the law and applicable DAR regulation on the fixing of just compensation.

Instead of taking into account the condition of the subject land at the time of taking on December 5, 1997 when the title was transferred to the Republic of the Philippines,[42] the RTC considered the respondents’ evidence on the condition of the subject land at the time of rendition of the judgment, as well the updated schedule of fair market value of real properties in the Province of Sorsogon (Sanggunian Panlalawigan Resolution No. 73-99). The RTC made use of no computation or formula to arrive at the P4,470,554.00 figure. In fact, it simply enumerated the respondents’ evidence and plucked out of thin air the amount of P4,470,554.00.

In the same vein, we cannot accept the petitioner’s P819,778.30 valuation since it was based on the condition of the subject land at the time of the field investigation in 1992, not at the time of the taking of the subject land in 1997. Besides, the petitioner offered no testimony to show how the P819,778.30 figure was arrived at; its witness merely stated that the P819,778.30 valuation was based on DAR AO No. 11, series of 1994.[43]

In the absence of sufficient evidence for the determination of just compensation, we are constrained to remand the present case to the SAC for the determination of just compensation, in accordance with Section 17 of RA 6657 and DAR AO No. 02-09 dated October 15, 2009, the latest DAR issuance on fixing just compensation.

WHEREFORE, the petition is GRANTED. The July 22, 2004 decision and the April 6, 2005 resolution of the Court of Appeals in CA-G.R. SP No. 78596 are hereby REVERSED and SET ASIDE. The case is REMANDED to the Regional Trial Court of Sorsogon City, Branch 52 to determine the just compensation in Civil Case No. 2001-6911, strictly in accordance with Section 17 of Republic Act No. 6657 and Department of Agrarian Reform Administrative Order No. 02-09 dated October 15, 2009.

No pronouncement as to costs.

SO ORDERED.

Carpio, (Chairperson), Perez, Sereno, and Reyes, JJ., concur.

[1] Filed under Rule 45 of the 1997 Rules of Civil Procedure; rollo, pp. 20-53.

[2] Penned by Associate Justice Amelita G. Tolentino, with the concurrence of Associate Justices Roberto A. Barrios and Vicente S.E. Veloso; Id. at 7-14.

[3] Id. at 15-16.

[4] The Comprehensive Agrarian Reform Law of 1988.

[5] Effective June 15, 1988.

[6] Rollo, pp. 129-131.

[7] Id. at 131 (back).

[8] Pursuant to Executive Order No. 405 (dated June 14, 1990) and DAR Administrative Order (AO) No. 11, series of 1994.

[9] Rollo, p. 128.

[10] Id. at 121-127.

[11] In accordance with Section 16(d) of RA 6657.

[12] Rollo, pp. 149-151.

[13] Id. at 152-153.

[14] Docketed as Civil Case No. 2001-6911, entitled “Land Bank of the Philippines, represented by Alex A. Lorayes, Head, Agrarian Operations Center v. Heirs of Salvador Encinas and Jacoba Delgado, namely Melchor Encinas and Simon Encinas, Secretary of Department of Agrarian Reform and Atty. Manuel M. Capellan, in his capacity as Provincial Adjudicator of Sorsogon”; id. at 144-148.

[15] Ferdinand Abraham (Agrarian Affairs Specialist), Sheila Higola (Agrarian Affairs Specialist), Rogelio Erebe, Eduardo Batalesco, Jose Grefalda (Tinago Barangay Captain), Renato Gacias, Augusto Delloso and DARAB Adjudicator Capellan.

[16] That (a) the land is situated in a coastal area; (b) the terrain is mostly hilly and mountainous; (c) the land can be reached by motorized boat or a three (3) kilometer hike; (d) the land has no infrastructure and electricity, and the water is supplied by a deep well; (e) there are 1,400 20-year old coconut trees, 400 7-year old non-fruit bearing trees, 1,000 nipa palms, 20 santol trees, and 2 narra trees; and (f) the land’s average annual production is 608.89 kgs. of coconut per hectare and 2,400 nipa shingles; Rollo, pp. 109-110.

[17] Id. at 129-131.

[18] Id. at 131-134.

[19] Romeo Guab (former Mayor of Juban, Sorsogon), Wilfredo Embile, and Rogelio Encinas.

[20] That (a) 100 narra trees can produce 5,000 board feet at P55.00 per board foot; (b) 13 dita trees can produce 500 board feet; (c) six antipolo trees can produce 300 board feet; (d) three alaw-haw trees can produce 200 board feet; (e) four mara-mara trees can produce 100 board feet; (f) eight anonang trees can produce 100 board feet; (g) two hagbuyo trees can produce 100 board feet; (h) five tarihan trees can produce 200 board feet; (i) two talisay trees can produce 100 board feet; (j) four tabgon trees can 200 board feet; (k) three amidling trees can produce 100 board feet, all (except narra trees) at P27.00 per board feet; Rollo, p. 110.

[21] There are six guava trees at P430.00 each, 37 santol trees at P1,900.00 each, two mango trees at P17,000.00 each, three avocado trees at P2,000.00 each, 20 langka trees at P400.00 each, 300 banana hills at P260.00 per hill, and 100 coconut trees per hectare; *ibid.*

[22] From P150,000.00, lowered to P120,000.00, per hectare in 1970 and 1975; *ibid.*

[23] Id. at 108-113.

[24] Id. at 112.

[25] Id. at 111.

[26] Id. at 111-112.

[27] July 29, 2003 order; id. at 114-115.

[28] Id. at 116-120.

[29] *Id.* at 87-107.

[30] *Supra* note 2 at 14.

[31] *Supra* note 2 at 11.

[32] *Supra* note 2 at 13.

[33] April 6, 2005 resolution; *supra* note 3.

[34] *Rollo*, pp. 66-82.

[35] *Land Bank of the Philippines v. Department of Agrarian Reform*, G.R. No. 171840, April 4, 2011, 647 SCRA 152, 169; and *Land Bank of the Philippines v. Imperial*, G.R. No. 157753, February 12, 2007, 515 SCRA 449, 458.

[36] *Gabatin v. Land Bank of the Philippines*, 486 Phil. 366, 383-384 (2004).

[37] *Land Bank of the Philippines v. Livioco*, G.R. No. 170685, September 22, 2010, 631 SCRA 86, 112-113; see *Eusebio v. Luis*, G.R. No. 162474, October 13, 2009, 603 SCRA 576, 586-587.

[38] Section 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.

[39] DAR AO No. 06-92 dated October 30, 1992, as amended by DAR AO No. 11-94 dated September 13, 1994; see also DAR AO No. 05-98 dated April 15, 1998 and DAR AO No. 02-09 dated October 15, 2009.

[40] *Land Bank of the Philippines v. Sps. Banal*, 478 Phil. 701, 715 (2004); *Landbank of the Philippines v. Celada*, 515 Phil. 467 (2006); *Lubrica v. Land Bank of the Philippines*, G.R. No. 170220, November 20, 2006, 507 SCRA 415; *Land Bank of the Philippines v. Lim*, G.R. No. 171941, August 2, 2007, 529 SCRA 129; *Land Bank of the Philippines v. Suntay*, G.R. No. 157903, October 11, 2007, 535 SCRA 605; *Sps. Lee v. Land Bank of the Philippines*, G.R. No. 170422, March 7, 2008, 548 SCRA 52; *Land Bank of the Philippines v. Heirs of Eleuterio Cruz*, G.R. No. 175175, September 29, 2008, 567 SCRA 31; *Land Bank of the Philippines v. Dumlao*, G.R. No. 167809, November 27, 2008, 572 SCRA 108; *Land Bank of the Philippines v. Gallego, Jr.*, G.R. No. 173226, January 20, 2009, 576 SCRA 680; *Allied Banking Corporation v. Land Bank of the Philippines*, G.R. No. 175422, March 13, 2009, 581 SCRA 301; *Land Bank of the Philippines v. Heirs of Honorato de Leon*, G.R. No. 164025, May 8, 2009, 587 SCRA 454; *Land Bank of the Philippines v. Kumassie Plantation Company, Incorporated*, G.R. Nos. 177404 and 178097, June 25, 2009, 591 SCRA 1; *Land Bank of the Philippines v. Rufino*, G.R. Nos. 175644 and 175702, October 2, 2009, 602 SCRA 399; *Land Bank of the Philippines v. Luciano*, G.R. No. 165428, November 25, 2009, 605 SCRA 426; *Land Bank of the Philippines v. Dizon*, G.R. No. 160394, November 27, 2009, 606 SCRA 66; *Heirs of Lorenzo and Carmen Vidad v. Land Bank of the Philippines*, G.R. No. 166461, April 30, 2010, 619 SCRA 609; *Land Bank of the Philippines v. Soriano*, G.R. Nos. 180772 and 180776, May 6, 2010, 620 SCRA 347; *Land Bank of the Philippines v. Barrido*, G.R. No. 183688, August 18, 2010, 628 SCRA 454; *Land Bank of the Philippines v. Colarina*, G.R. No. 176410, September 1, 2010, 629 SCRA 614; *Land Bank of the Philippines v. Livioco*, *supra* note 37; *Land Bank of the Philippines v. Escandor*, G.R. No. 171685, October 11, 2010, 632 SCRA 504; *Land Bank of the Philippines v. Rivera*, G.R. No. 182431, November 17, 2010, 635 SCRA 285; *Land Bank of the Philippines v. Department of Agrarian Reform*,

and supra note 35.

[41] Land Bank of the Philippines v. Escandor, supra, at 515, citing Land Bank of the Philippines v. Barrido, supra, at 459-460.

[42] Supra note 10.

[43] Agrarian Affairs Specialist Sheila Higola; rollo, p. 110.

ABOUT BATAS.ORG

Study smarter at BATAS.org

The Philippine bar review and law-school companion built around how your brain actually remembers.

The complete Philippine law library - free for everyone.

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

Audio case-brief lectures.

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

Bar review built on the science of memory.

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

The full law-school curriculum.

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

Mock exams that tell you where you stand.

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

A study planner that keeps you on pace.

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

Start free at <https://batas.org>

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.