LAND BANK OF THE PHILIPPINES, PETITIONER, VS. GLENN Y. ESCANDOR, GEROME Y. ESCANDOR, EMILIO D. ESCANDOR AND VIOLETA YAP, RESPONDENTS.

G.R. No. 171685. October 11, 2010

Ponente: VILLARAMA, JR., J.

Read online (full-text search, related cases, audio case brief): https://batas.org/library/g-r-no-171685/

VILLARAMA, JR., J.:

Challenged in this petition for review on certiorari under Rule 45 of the 1997 Rules of Civil Procedure, as amended, are the Decision[1] dated September 23, 2004 and Resolution[2] dated February 10, 2006 of the Court of Appeals (CA) in CA-G.R. SP No. 79027. The CA had directed the Regional Trial Court (RTC) of Davao City, Branch 15, acting as Special Agrarian Court (SAC), to recompute the amount of just compensation due to respondents.

The facts are as follows:

Respondents Glenn and Gerome Y. Escandor are the registered owners of four parcels of agricultural land located in Tuban and Saliducon, Sta. Cruz, Davao del Sur while respondents Emilio Escandor and Violeta Yap are the registered owners of two parcels of agricultural land situated in Dalagbong and Bulacan in Malalag, Davao del Sur.[3]

In 1995, the Department of Agrarian Reform (DAR) placed the aforesaid lands under compulsory acquisition of the Comprehensive Agrarian Reform Program (CARP) pursuant to Republic Act (R.A.) No. 6657. Petitioner Land Bank of the Philippines (LBP) through its Land Valuation Office conducted a field investigation and came up with its valuations in the aggregate amount of P927,895.97 for the properties of Glenn and Gerome Y. Escandor, and P849,611.01 for the properties of Emilio Escandor and Violeta Yap.[4]

Since respondents rejected the LBP's valuation, the DAR instituted summary administrative proceedings for the determination of just compensation while petitioner deposited in the name of respondents the amount of compensation in cash and bonds.[5] In the meantime, respondents' titles were cancelled and emancipation patents were issued to farmer-beneficiaries. After due proceedings, the DAR sustained the valuation made by petitioner.

On October 8, 1998, respondents filed their respective complaints for determination and payment of just compensation against petitioner and the DAR before the RTC of Davao City, Branch 15, acting as SAC.[6] With the agreement of the parties, the cases were jointly tried. The trial court also ordered the parties to submit the names of their respective commissioners who submitted their reports.

On March 3, 2003, the RTC rendered its Decision,[7] the fallo of which reads:

> WHEREFORE, judgment is hereby rendered as follows:
>
> The Defendants shall pay:
>
> Glenn and Gerome Escandor in Civil Case No. 26,832 the following sums:

1. TCT No. 19216 - 2.7918 hectares Two Hundred Fifty Thousand Pesos

TCT No. 19217 - 0.5887 hectares Forty Thousand Pesos
TCT No. 19218 - 3.7417 hectares Four Hundred Thousand Pesos
TCT No. 19219 - 14.178 hectares One Million Four Hundred Thousand Pesos

2. Violeta Yap and Emilio Escandor in Civil Case N[o]. 26,833

TCT No. 18903 - 13.7413 hectares One Million One Hundred Thousand Pesos
TCT No. 4093 - 8.8992 hectares One Million Four Hundred Thousand Pesos

3. Costs of Suits.

SO ORDERED. [8]

The SAC addressed the issue of whether just compensation should be based on the market value formula which respondents endorsed or the income value formula which the DAR used. All things being equal, according to the trial court, if the price is based mainly on the average yearly fruit/income product for five years immediately before the taking of the owner-farmer's yearly income then it depends principally on unpredictable weather and on widely volatile fluctuating prices of the farm products both of which are beyond the owner's capability to control and to foresee. Thus, the market value approach "gives the owner a better chance to survive because the money might be enough to tide him over until he regains his composure after losing his cherished farm and to start hopefully all over again even though he is already in [his] 50's or 60's and is already over the hill physically." The SAC thus justified the award of the higher amount of just compensation, stating that "fair and full equivalent of the losses sustained, all the facts of the property and its surroundings, its improvements and capabilities should be considered."[9]

A motion for reconsideration was filed by petitioner but the same was denied by the trial court in its Order dated August 1, 2003.[10]

Petitioner filed a petition for review before the CA arguing that the SAC gravely erred in fixing the just compensation for the properties of respondents in the aggregate amount of P4,590,000.00, in clear violation of the provisions of R.A. No. 6657 and its implementing regulations, particularly DAR Administrative Order (AO) No. 06, series of 1992, as amended by DAR AO No. 11, series of 1994.

On September 23, 2004, the CA rendered the assailed Decision, the dispositive portion of which reads:

> WHEREFORE, in view of the foregoing, it is premature at this point to rule on the correctness of the special agrarian court's computation of just compensation. The special court is therefore DIRECTED to recompute the just compensation to reflect: 1) the value of the properties at the time of their taking; 2) the basis, formula and/or mathematical computation in arriving at the just compensation; and 3) the interest computed from the time the property is taken to the time when compensation is actually paid.
>
> Forthwith, let the records of this case be remanded to the special agrarian court for further proceedings.
>
> SO ORDERED. [11]

The CA held that Section 17 of R.A. No. 6657 does not limit the sole basis in computing just compensation to the income method nor does it foreclose the use of market value approach. The factors enumerated therein merely serve as a guideline for the court which is not precluded from considering all, some or only one of those factors in computing just compensation. While the LBP and the DAR may determine just compensation, such determination is merely preliminary and administrative, not binding or conclusive upon the agrarian court. The CA also declared that adopting the mathematical computation fixed by the Administrative Order would violate the landowner's

Bar review courses, mock exams and a study planner that keeps you on pace - batas.org

right to due process. The landowner must be given the opportunity to prove the real value of his property and to disprove the valuation of the expropriating agency.[12]

The CA further ruled that the computation of just compensation should be made at the time of the taking, which in this case should be in 1997 when the DAR took the lands and cancelled respondents' titles thereto. Hence, there is a need to recompute the amount of just compensation using as basis the value of the lands in 1997 and reflecting the formula in arriving at the valuation. Lastly, though not mentioned in the SAC decision nor raised in the petition, the CA stated that the final compensation must include interest "to temper the prejudice caused to the landowner on account of the delay in his payment."[13]

Petitioner filed a motion for reconsideration[14] of the aforesaid Decision. In a Resolution dated February 10, 2006, the CA denied the motion.

Hence, this petition anchored on the following grounds:

> - . THE COURT OF APPEALS COMMITTED A SERIOUS ERROR OF LAW IN ORDERING THE REMAND OF THE CASE TO THE SPECIAL AGRARIAN COURT WITHOUT THE CORRESPONDING INSTRUCTION TO COMPUTE THE JUST COMPENSATION IN ACCORDANCE WITH THE VALUATION FACTORS UNDER SECTION 17 OF R.A. 6657 AS TRANSLATED INTO A BASIC FORMULA IN DAR ADMINISTRATIVE ORDER NO. 6, SERIES OF 1992, AND AS HELD IN THE CASE OF SPS. BANAL, G.R. NO. 143276 (JULY 20, 2004).
>
> - THE COURT OF APPEALS COMMITTED A SERIOUS ERROR OF LAW IN ORDERING THE PAYMENT OF INTEREST CONSIDERING THAT THE MODE OF COMPENSATION IN AGRARIAN REFORM IS CLEARLY PRESCRIBED UNDER SECTION 18 OF R.A. 6657.[15]

Petitioner contends that the basis of valuation for the determination of just compensation is provided in Section 17 of R.A. No. 6657 and DAR AO No. 06, series of 1992. Unless they are declared unconstitutional or invalid, petitioner submits that the SAC has no other option but to apply the said laws.

On the other hand, respondents maintain that in eminent domain cases, the power to determine the amount of just compensation is a judicial function. They stress that a reading of Section 17 of R.A. No. 6657 will show that the current market value of the properties expropriated are among the factors to be considered in determining the amount of just compensation. Thus, respondents maintain that the CA did not commit error in remanding the case to the SAC and directing the computation of the market value of respondents' properties at the time they were expropriated in 1997.

We grant the petition.

It is settled that the determination of just compensation is a judicial function.[16] The DAR's land valuation is only preliminary and is not, by any means, final and conclusive upon the landowner or any other interested party. In the exercise of their functions, the courts still have the final say on what the amount of just compensation will be.[17]

Although the DAR is vested with primary jurisdiction under the Comprehensive Agrarian Reform Law (CARL) of 1988 to determine in a preliminary manner the reasonable compensation for lands taken under the CARP, such determination is subject to challenge in the courts.[18] The CARL vests in the RTCs, sitting as SACs, original and exclusive jurisdiction over all petitions for the determination of just compensation.[19] This means that the RTCs do not exercise mere appellate jurisdiction over just compensation disputes.[20]

We have held that the jurisdiction of the RTCs is not any less "original and exclusive" because the question is first passed upon by the DAR. The proceedings before the RTC are not a continuation of the administrative

determination. Indeed, although the law may provide that the decision of the DAR is final and unappealable, still a resort to the courts cannot be foreclosed on the theory that courts are the guarantors of the legality of administrative action.[21]

Since the subject lands were placed under land reform after the effectivity of R.A. No. 6657, it is said law which governs the valuation of lands for the purpose of awarding just compensation. Section 17 of R.A. No. 6657 provides the guideposts for the determination of just compensation:

> 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.

In recognition of the DAR's rule-making power to carry out the object of R.A. No. 6657, the Court ruled in Land Bank of the Philippines v. Sps. Banal[22] that the applicable formula in fixing just compensation was DAR AO No. 06, series of 1992, as amended by DAR AO No. 11, series of 1994, which was then the governing regulation applicable to compulsory acquisition of lands. In the said case, the trial court based its valuation upon a different formula and did not conduct any hearing for the reception of evidence. Thus, the Court remanded the case to the SAC for trial on the merits.

Subsequently, in Land Bank of the Philippines v. Celada,[23] we held that the factors enumerated under Section 17 of R.A. No. 6657 had already been translated into a basic formula by the DAR pursuant to its rule-making power under Section 49 of R.A. No. 6657. Thus, the formula outlined in DAR AO No. 05, series of 1998[24] should be applied in computing just compensation, to wit:

> LV = (CNI x 0.6) + (CS x 0.3) + (MV x 0.1)
>
> Where: LV = Land Value
> CNI = Capitalized Net Income
> CS = Comparable Sales
> MV = Market Value per Tax Declaration

Likewise, in Land Bank of the Philippines v. Lim[25] and Land Bank of the Philippines v. Heirs of Eleuterio Cruz,[26] the Court, reiterating the mandatory application of the aforementioned guidelines in determining just compensation, also ordered the remand of the cases to the SAC for the determination of just compensation strictly in accordance with the applicable DAR regulation.[27]

In view of the foregoing rulings, we hold that both the SAC and the CA erred in not strictly observing the guidelines provided in Section 17 of RA No. 6657 and adopting DAR administrative orders implementing the same, specifically AO No. 5, series of 1998 which took effect on May 11, 1998 and thus already in force at the time of the filing of the complaints. And contrary to the stance of the CA, we held in Land Bank of the Philippines v. Lim[28] that Section 17 of R.A. No. 6657 and DAR AO No. 6, series of 1992, are mandatory and not mere guides that the RTC may disregard.[29] We have stressed that the special agrarian court cannot ignore, without violating the agrarian law, the formula provided by the DAR for the determination of just compensation. This Court thus rejected the valuation fixed by the RTC because it failed to follow the DAR formula.[30]

This Court recently reiterated in Land Bank of the Philippines v. Barrido[31]:

> While the determination of just compensation is essentially a judicial function vested in the RTC acting as a

> Special Agrarian Court, the judge cannot abuse his discretion by not taking into full consideration the factors specifically identified by law and implementing rules. Special Agrarian Courts are not at liberty to disregard the formula laid down in DAR A.O. No. 5, series of 1998, because unless an administrative order is declared invalid, courts have no option but to apply it. The courts cannot ignore, without violating the agrarian law, the formula provided by the DAR for the determination of just compensation.

Conformably with the aforecited rulings, the instant case must be remanded to the SAC for the determination of just compensation in accordance with DAR AO No. 5, series of 1998, the latest DAR issuance on fixing just compensation.[32]

On the matter of interest on the final compensation, we are unable to agree with the CA's position that it is automatically awarded in agrarian cases involving lands placed under CARP. As we held in Land Bank of the Philippines v. Celada[33]:

> Finally, there is no basis for the SAC's award of 12% interest per annum in favor of respondent. Although in some expropriation cases, the Court allowed the imposition of said interest, the same was in the nature of damages for delay in payment which in effect makes the obligation on the part of the government one of forbearance. In this case, there is no delay that would justify the payment of interest since the just compensation due to respondent has been promptly and validly deposited in her name in cash and LBP bonds. Neither is there factual or legal justification for the award of attorney's fees and costs of litigation in favor of respondent. (Emphasis supplied.)

Respondents are not entitled to interest on the final compensation considering that petitioner promptly deposited the compensation for their lands after they rejected petitioner's initial valuation. Such deposit of cash and bonds in the name of the landowners was made in accordance with Sections 16 (e) and 18 of R.A. No. 6657.[34]

WHEREFORE, the petition is GRANTED. The Decision dated September 23, 2004 and Resolution dated February 10, 2006 of the Court of Appeals in CA-G.R. SP No. 79027 are hereby AFFIRMED with MODIFICATION in that the Regional Trial Court, Branch 15, Davao City is specifically DIRECTED to determine just compensation in SP. Civil Case Nos. 26,832-98 and 26,833-98 strictly in accordance with Section 17 of R.A. No. 6657 and DAR Administrative Order No. 05, series of 1998.

No costs.

SO ORDERED.

Carpio Morales, (Chairperson), Brion, Bersamin, and Sereno, JJ., concur.

---

[1] Rollo, pp. 59-72. Penned by Associate Justice Mariflor P. Punzalan Castillo and concurred in by Associate Justices Sesinando E. Villon and Rodrigo F. Lim, Jr.

[2] Id. at 75-76. Penned by Associate Justice Rodrigo F. Lim, Jr. and concurred in by Associate Justices Normandie B. Pizarro and Ricardo R. Rosario.

[3] Records, pp. 295-301.

[4] Id. at 169, 191, 197-199.

[5] Id. at 342, 353, 364, 375, 391 and 397.

[6] Docketed as SP. Civil Case No. 26,832-98 and SP. Civil Case No. 26,833-98.

[7] Rollo, pp. 154-161. Penned by Judge Jesus V. Quitain.

Bar review courses, mock exams and a study planner that keeps you on pace - batas.org

[8] Id. at 161.

[9] Id. at158, 160.

[10] Id. at 162.

[11] Id. at 71.

[12] Id. at 93-96.

[13] Id. at 96-98.

[14] Id. at 104-116.

[15] Id. at 40.

[16] Land Bank of the Philippines v. J.L. Jocson and Sons, G.R. No. 180803, October 23, 2009, 604 SCRA 373, 382; Land Bank of the Philippines v. Kumassie Plantation Company, Incorporated, G.R. Nos. 177404 and 178097, June 25, 2009, 591 SCRA 1, 11; National Power Corporation v. Bongbong, G.R. No. 164079, April 3, 2007, 520 SCRA 290, 307; Land Bank of the Philippines v. Natividad, G.R. No. 127198, May 16, 2005, 458 SCRA 441, 451.

[17] Land Bank of the Philippines v. Dumlao, G.R. No. 167809, November 27, 2008, 572 SCRA 108, 136.

[18] CARL, Section 50.

[19] Id., Section 57.

[20] Land Bank of the Philippines v. Fortune Savings and Loan Association, Inc., G.R. No. 177511, June 29, 2010, p. 4, citing Philippine Veterans Bank v. Court of Appeals, 379 Phil. 141, 148 (2000); see also Republic of the Philippines v. CA, 331 Phil. 1070, 1078 (1996).

[21] Id. at 5.

[22] 478 Phil. 701, 715 (2004).

[23] G.R. No. 164876, January 23, 2006, 479 SCRA 495, 507-508.

[24] Revised Rules and Regulations Governing the Valuation of Lands Voluntarily Offered or Compulsorily Acquired Pursuant to Republic Act No. 6657.

[25] G.R. No. 171941, August 2, 2007, 529 SCRA 129, 142.

[26] G.R. No. 175175, September 29, 2008, 567 SCRA 31, 40, citing Land Bank of the Philippines v. Lim, id.

[27] Land Bank of the Philippines v. Heirs of Honorato De Leon, G.R. No. 164025, May 8, 2009, 587 SCRA 454, 463.

[28] Supra note 25.

[29] Land Bank of the Philippines v. Rufino, G.R. Nos. 175644 & 175702, October 2, 2009, 602 SCRA 399, 407.

[30] Allied Banking Corporation v. Land Bank of the Philippines, G.R. No. 175422, March 13, 2009, 581 SCRA 301, 313, citing LBP v. Celada, supra note 23.

[31] G.R. No. 183688, August 18, 2010.

[32] Land Bank of the Philippines v. Heirs of Honorato De Leon, supra note 27.

Study hands-free: podcast-style lessons with read-along highlighting - batas.org

[33] G.R. No. 164876, January 23, 2006, 479 SCRA 495, 512.

[34] See Land Bank of the Philippines v. Court of Appeals, 319 Phil. 246 (1995). Resolution denying LBP and DAR's motion for reconsideration was promulgated on July 5, 1996 (327 Phil. 1047).

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.