

LAND BANK OF THE PHILIPPINES, PETITIONER, VS. HEIRS OF ELEUTERIO CRUZ, RESPONDENTS.

G.R. No. 175175. September 29, 2008

Ponente: TINGA, J.

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TINGA, J.:

This is a Petition for Review on Certiorari[1] under Rule 45 of the 1997 Rules of Civil Procedure, assailing the Decision[2] and Resolution[3] of the Court of Appeals (CA) in CA-G.R. SP No. 93207. The CA decision affirmed the decision of the Regional Trial Court (RTC) of Tuguegarao City, Branch 1 sitting as a Special Agrarian Court (SAC), which approved and ordered the payment of the amount of just compensation fixed by the Cagayan Provincial Agrarian Reform Adjudicator (PARAD) in favor of herein respondents.[4] The CA resolution denied petitioner's motion for reconsideration of the decision.[5]

The following factual antecedents are matters of record.

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.

Respondent Heirs of Eleuterio Cruz are Anicia Cruz-Papa, Resurreccion Cruz-Pagcaliwagan, Antonio D. Cruz, Lourdes Cruz-Doma, Lorna Cruz-Felipe, Mamerto D. Cruz, Eduardo D. Cruz and Victoria Cruz-Dumlao. Eleuterio Cruz is the registered owner of an unirrigated riceland situated in Lakambini, Tuao, Cagayan per Transfer Certificate of Title No. T-368. Of the total 13.7320 hectares of respondents' landholding, an area of 13.5550 hectares was placed by the government under the coverage of the operation land transfer program under Presidential Decree (P.D.) No. 27.[6]

Petitioner pegged the value of the acquired landholding at P106,935.76 based on the guidelines set forth under P.D. No. 27[7] and Executive Order (E.O.) No. 228.[8] Respondents rejected petitioner's valuation and instituted an action for a summary proceeding for the preliminary determination of just compensation before the PARAD. On 23 November 1999, the PARAD rendered a decision fixing the just compensation in the amount of P80,000.00 per hectare.[9] Petitioner sought reconsideration but was unsuccessful.

Thus, on 28 January 2000, petitioner filed a petition for the determination of just compensation before the RTC of Tuguegarao City.[10] The petition was docketed as Agrarian Case No. 0058 and entitled Land Bank of the Philippines v. Heirs of Eleuterio Cruz, represented by Lorna Cruz, et al.[11]

Petitioner's evidence consisted of the testimonies of Benedicta Simon, head of the LBP Evaluation Division of Land Owner's Compensation Department, and Francisco de la Cruz, Chief, PARAD, Cagayan. Simon testified that as the officer charged with reviewing claims under the agrarian reform program, she computed the valuation of respondents' landholdings based on the formula set forth in P.D. No. 27, E.O. No. 228 and Administrative Order (A.O.) No. 13, series of 1994 and arrived at the value of P106,935.76. As the PARAD Chief tasked to oversee the implementation of the agrarian reform program, De la Cruz testified that the subject landholding was

tenanted and covered by production agreements between the owner and various tenants.[12] Petitioner offered in evidence Exhibit "H" to prove that the subject landholding had an average production of 25 and 40 cavans per hectare annually.

For their part, respondents presented Lorna Cruz Felipe, who testified that as one of the heirs of Eleuterio Cruz, she knew that the subject landholding was planted with rice two or three times a year and had a production capacity of 80 to 100 cavans per hectare. Felipe also claimed that the current market value of the property was between P150,000.00 to P200,000.00 per hectare.[13]

On 07 December 2005, the RTC, sitting as an Special Agrarian Court (SAC), rendered a decision, the dispositive portion of which reads:

WHEREFORE, in the light of the foregoing ratiocination, judgment is hereby rendered fixing the amount of P80,000.00 to be the just compensation of the land subject of this case with an area of 13.7320 hectares situated at Lakambini, Tuao, Cagayan and covered under TCT No. T-368 and ordering Land Bank of the Philippines to pay respondent represented by Lorna Cruz-Felipe the amount of P1,098,560.00 in the manner provided by R.A. No. 6657 by way of full payment of the said just compensation.

SO DECIDED.[14]

The SAC held that the value of P80,000.00 per hectare fixed by the PARAD should be accorded weight and probative value and that the SAC is guided by the various factors enumerated in Section 17[15] of R.A. No. 6657 in determining just compensation. It disregarded respondents' claim that the valuation should be based on the current market value of the landholding since no evidence was adduced in support of the claim. The SAC also did not accept petitioner's valuation as it was based on P.D. No. 27, in which just compensation was determined at the time of the taking of the property.[16]

Petitioner filed a motion for reconsideration, which was denied in a Resolution dated 26 January 2006,[17] prompting petitioner to elevate the matter to the CA. In its petition for review,[18] petitioner questioned the total land area as well as the amount of just compensation adjudged by the SAC.[19]

On 17 August 2006, the CA rendered the assailed decision partly granting petitioner's appeal.[20] The appellate court ruled that the total area covered by the agrarian reform program as was duly established before the PARAD and expressly stated in the pre-trial order was only 13.5550 hectares and not 13.7320 hectares as was stated in the dispositive portion of the decision of the SAC.[21] However, the appellate court affirmed the SAC decision fixing just compensation at P80,000.00 per hectare. Petitioner sought reconsideration but was denied in the assailed Resolution dated 30 October 2006.[22]

Hence, the instant petition, arguing that the formula set forth in P.D. No. 27/E.O. No. 228 should be applied in fixing just compensation since respondents' landholding was acquired under P.D. No. 27. Citing Section 2[23] of E.O. No. 228 and *LBP v. Hon. David C. Naval*,[24] petitioner posits that the correct formula in determining the just compensation should be $\text{Land Value} = (2.5 \times \text{AGP} \times \text{P35}) \times A$, 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 insists that the values in E.O. No. 228 are applicable to lands acquired under P.D. No. 27 in cognizance of the well-settled rule that just compensation is the value of the property at the time of the taking on 21 October 1972, when the ownership of the subject property was transferred from the landowner to the farmers-beneficiaries and when the former was effectively deprived of dominion and possession over said land.

The petition lacks merit.

The Court laid down in *Paris v. Alfeche*[25] the applicability of P.D. No. 27 and E.O. No. 228 in relation to R.A. No. 6657 in the matter of the payment of just compensation. There the Court explained that while under P.D. No. 27 tenant farmers are already deemed owners of the land they till, they are still required to pay the cost of the land before the title is transferred to them and that pending the payment of just compensation, actual title to the tenanted land remains with the landowner.

In *Paris*, the application of the process of agrarian reform was still incomplete thus, the Court held therein that with the passage of R.A. No. 6657 before its completion, the process should now be completed under R.A. No. 6657, with P.D. No. 27 and E.O. No. 228 applying only suppletorily.[26]

In *Land Bank of the Philippines v. Natividad*,[27] the Court explained why the guidelines under P.D. No. 27 and E.O. No. 228 are no longer applicable to the delayed payment of lands acquired under P.D. No. 27, to wit:

It would certainly be inequitable to determine just compensation based on the guideline provided by PD No. 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.[28]

The decisive backdrop of the instant case coincides with that in *Paris*, that is, the amount of just compensation due to respondents had not yet been settled by the time R.A. No. 6657 became effective. Following the aforementioned pronouncement in *Paris*, the fixing of just compensation should therefore be based on the parameters set out in R.A. No. 6657, with P.D. No. 27 and E.O. No. 228 having only suppletory effect.

Section 17 of R.A. No. 6657 states:

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 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*,[29] 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[30] should be applied in computing just compensation.

Likewise, in *Land Bank of the Philippines v. Sps. Banal*,[31] 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 object 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.

The mandatory application of the aforementioned guidelines in determining just compensation has been reiterated recently in *Land Bank of the Philippines v. Lim*,[32] where the Court also ordered the remand of the case to the SAC for the determination of just compensation strictly in accordance with DAR A.O. No. 6, series of 1992, as amended.

A perusal of the PARAD's Decision dated 23 November 1999, which mandated payment of just compensation in

the amount of P80,000.00 per hectare, reveals that the PARAD did not adhere to the formula prescribed in any of the aforementioned regulations issued by the DAR or was at least silent on the applicability of the aforementioned DAR regulations to the question of just compensation. The PARAD decision also did not refer to any evidence in support of its finding.

The SAC, meanwhile, referred to DAR A.O. No. 6, series of 1992, as amended, as the controlling guideline in fixing just compensation. Pertinently, to obtain the land value, the formula^[33] under said regulation requires that the values for the Capitalized Net Income, Comparable Sales and Market Value based on the tax declaration must be shown. Moreover, said formula has been superseded by DAR A.O. No. 05, series of 1998, which also requires values for Capitalized Net Income, Comparable Sales and Market Value, the same parameters laid down in the prior regulation.

Stating that no evidence was presented by respondents on the aforementioned parameters, the SAC ruled that it was constrained to adopt the finding of the PARAD, which fixed the value of the land at P80,000.00 per hectare. On appeal, the CA adopted the same finding.

The general rule is that factual findings of the trial court, especially when affirmed by the CA, are binding and conclusive on the Court. However, the rule admits of exceptions, as when the factual findings are grounded entirely on speculation, surmises, or conjectures or when the findings are conclusions without citation of specific evidence on which they are based.^[34]

A perusal of the PARAD decision, which was adopted by both the SAC and the CA, shows that its valuation of P80,000.00 per hectare is sorely lacking in any evidentiary or legal basis. While the Court wants to fix just compensation due to respondents if only to write finis to the controversy, the evidence on record is not sufficient for the Court to do so in accordance with DAR A.O. No. 5, series of 1998.

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. 93207 are REVERSED and SET ASIDE. Agrarian Case No. 0058 is REMANDED to the Regional Trial Court, Branch 1, Tuguegarao City, Cagayan, 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.

Quisumbing, (Chairperson), Carpio-Morales, Velasco, Jr., and Brion, JJ., concur.

[1] Rollo, pp. 23-48.

[2] Id. at 49-61. Dated 17 August 2006 and penned by J. Lucas P. Bersamin and concurred in by JJ. Martin S. Villarama, Jr., chairman of the Eighth Division, and Celia C. Librea-Leagogo.

[3] Id. at 63. Dated 30 October 2006.

[4] Id. at 114-120.

[5] Supra note 3.

[6] Id. at 49-50.

[7] 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;" effective 21 October 1972.

[8]Entitled, "Declaring Full Land Ownership To Qualified Farmer Beneficiaries Covered By Presidential Decree No. 27; Declaring The Value Of Remaining Unvalued Rice And Corn Lands Subject To P.D. No. 27; And Providing For The Manager Of Payment By The Farmer Beneficiary And Mode Of Compensation By The Landowner;" Effective 17 July 1987.

[9] CA rollo, p. 59-60.

[10]Id. at 61-64.

[11] Rollo, p. 114.

[12] Id. at 115-116.

[13]Id. at 117.

[14]Rollo, p. 120.

[15] Sec. 17. Determination of Just Compensation. â€- 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.

[16]Id. at 117-120.

[17] Id. at 121.

[18] Id. at 86-113.

[19]Id. at 96.

[20] Supra note 2.

[21] Rollo, p. 54.

[22] Supra note 3.

[23]Section 2. Henceforth, the valuation of rice and corn lands covered by P.D. No. 27 shall be based on the average gross production determined by the Barangay Committee on Land Production in accordance with Department Memorandum Circular No. 26, series of 1973 and related issuances and regulations of the Department of Agrarian Reform. The average gross production per hectare shall be multiplied by two and a 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 palay on October 21, 1972, or Thirty One Pesos (P31.00), 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.

[24]Rollo, pp. 35-36.

[25]416 Phil. 473 (2001).

[26] Id. at 488.

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

[28]Id. at 452.

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

[30] Department of Agrarian Reform Administrative Order No. 5 (1998), entitled "Revised Rules and Regulations Governing the Valuation of Lands Voluntarily Offered or Compulsorily Acquired to Republic Act;" effective 15 April 1998.

[31]478 Phil. 701 (2004).

[32] G.R. No. 171941, 02 August 2007, 529 SCRA 129.

[33] $LV = (CNI \times 0.6) + (CS \times 0.3) + (MV \times 0.1)$, where LV = Land Value; CNI = Capitalized Net Income; CS = Comparable Sales; and MV = Market Value per declaration.

[34] 385 Phil. 720, 729 (2000).

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