

LAND BANK OF THE PHILIPPINES, PETITIONER, VS. JAIME K. IBARRA, ANTONIO K. IBARRA, JR., LUZ IBARRA VDA. DE JIMENEZ, LEANDRO K IBARRA, AND CYNTHIA IBARRA-GUERRERO, RESPONDENTS.

G.R. No. 182472. November 24, 2014

Ponente: PERALTA, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-182472/>

PERALTA, J.:

Before the Court is a petition for review under Rule 45 of the Rules of Court seeking to reverse and set aside the Decision[1] dated April 10, 2008 of the Court Appeals (CA) which affirmed, with modification, the Amended Decision[2] dated May 11, 2007 and Order[3] dated August 2, 2007 of the Regional Trial Court (RTC) in Agrarian Case No. 02-001.

The antecedent facts are as follows:

Respondents Jaime K. Ibarra, Antonio K. Ibarra, Jr., Luz Ibarra Vda. de Jimenez, Leandro K. Ibarra, and Cynthia Ibarra-Guerrero are the registered owners of a parcel of agricultural land consisting of a total area of 6.2773 hectares, situated in San Pablo 2nd, Lubao, Pampanga, and covered by Transfer Certificate of Title (TCT) No. 227612-R.[4] Pursuant to the government's Land Reform Program, the Department of Agrarian Reform (DAR) acquired 6.0191 hectares of said property and placed it under the coverage of Presidential Decree (PD) No. 27.[5]

On March 1, 2001, respondents filed a Complaint for the Determination of Just Compensation before the Regional Trial Court (RTC) of San Fernando City, Pampanga, docketed as Agrarian Case No. 02-001.[6] Thereafter, on October 15, 2003, they filed with the RTC an Omnibus Motion for the Issuance of an Order Authorizing Plaintiffs to Withdraw Amount Deposited in their Name and Amount to be Withdrawn Must be Fixed in Accordance with Section 18 of Republic Act (RA) No. 6657.[7]

On January 12, 2004, the RTC issued an Order directing petitioner Land Bank of the Philippines to make a provisional payment to respondents in the amount of P136,106.64. On March 17, 2005, petitioner filed its Compliance manifesting its conformity with said Order.

On March 21, 2007, the RTC rendered a Decision, which it later amended in its Amended Decision dated May 11, 2007, the dispositive portion of which reads:

WHEREFORE, premises considered, judgment is hereby rendered in favor of the plaintiff by modifying the computation of the respondent Department of Agrarian Reform (DAR), as approved by respondent Land Bank of the Philippines (LBP), for reasons aforesated by ordering respondent Land Bank of the Philippines:

- To pay the petitioners the sum of five hundred thirty-nine thousand one hundred sixty and 88/100 (P539,160.08) (sic) in cash and bond pursuant to Section 18 of R. A. No. 6657 less the amount received in cash and bond as provisional payment pending the determination on the merits of this case with savings bank rate of interest from April 2001 until the date of finality of this Decisions;

- To pay the petitioners the sum of thirty thousand (P30,000.00) pesos as attorney's fees and cost of suit.

SO ORDERED.

When the RTC denied petitioner's Motion for Reconsideration in an Order dated August 2, 2007, petitioner filed a Petition for Review with the Court of Appeals (CA) alleging that based on our ruling in *Gabatin v. Land Bank of the Philippines*,^[8] it is the value of the land at the time of the taking, or on October 21, 1972, the effectivity date of PD No. 27, and not at the time of the rendition of judgment which should be taken into consideration in computing the just compensation for expropriation proceedings. Hence, the formula for the determination of just compensation applicable in the present case is not that provided in RA No. 6657 but in PD No. 27 and Executive Order (EO) No. 228^[9] which shall be as follows: $\text{Land Value} = \text{Average Gross Production} \times 2.5 \times \text{Government Support Price}$.

The CA, however, ruled on the basis of our more recent ruling in *Land Bank of the Philippines v. Hon. Natividad*,^[10] wherein We categorically held that the seizure of landholdings in expropriation proceedings under PD No. 27 did not take place on the date of effectivity of PD No. 27, but will actually take effect on the payment of just compensation. The CA explained that in the present case, although the expropriation proceeding was initiated under PD No. 27, the agrarian reform process was still incomplete considering that the just compensation to be paid to respondents has yet to be settled. Taking into account the passage of RA No. 6657 before the completion of the agrarian reform process, the CA, therefore, held that the just compensation should be determined in accordance with said law, and not with PD No. 27 and EO No. 228. Hence, the formula should necessarily be as follows: $\text{Land Value} = (\text{Capitalized Net Income} \times 0.6) + (\text{Comparable Sales} \times 0.3) + (\text{Market Value per Tax Declaration} \times 0.1)$.^[11]

However, considering that the RTC arrived at the valuation of the subject portion of the property in the amount of P539,160.88 based on the formula provided by PD No. 27 and EO No. 228 instead of RA No. 6657, the CA remanded the case back to the RTC for the final determination of just compensation in accordance with RA No. 6657. Moreover, the appellate court deleted the award of attorney's fees as it is a settled rule that no premium should be placed on the right to litigate and that the RTC must first make findings of fact and law to justify the award of attorney's fees. Furthermore, it ruled that petitioner cannot be made to pay for the costs of the suit for since it is an instrumentality charged with the disbursement of public funds, it is not liable for costs unless otherwise provided by law.

On May 26, 2008, petitioner filed the instant petition essentially invoking the following argument:

I.

THE HONORABLE COURT OF APPEALS COMMITTED SERIOUS ERROR OF LAW WHEN IT REFUSED TO RESOLVE THE ISSUE OF VALUATION FOR THE ACQUIRED PROPERTY IN ACCORDANCE WITH P.D. NO. 27 AND E.O. NO. 228 AND JURISPRUDENCE APPLICABLE THERETO.

Petitioner is adamant in its contention that since the subject property was acquired by the government pursuant to the Operation Land Transfer Program under PD No. 27, which required the compulsory acquisition of private lands for distribution among tenant-farmers, its value should therefore be computed in accordance with EO No. 228, which specified the valuation of the subject private lands. It alleged that because of said program, tenant-farmers became owners of the land they tilled on October 21, 1972, or the effectivity date of PD No. 27, and thus, the value of just compensation should be computed as of said date. It further insisted that PD No. 27 and RA No. 6657 operate distinctly from each other - the former is applicable to tenanted rice and corn lands as of October 21, 1972, while the latter is applicable to untenanted rice and corn lands. Hence, petitioner faulted the CA

in retroactively applying RA No. 6657 to the valuation of the subject property when it was acquired under PD No. 27, a prior law.

In their Comment, respondents essentially counter that based on settled jurisprudence, the CA was correct in applying RA No. 6657 in the computation of just compensation and not PD No. 27 in relation to EO No. 228, considering the fact that the agrarian reform process is still incomplete.

We rule in favor of respondents.

The issue in this case has long been laid to rest by this Court. In numerous rulings, We have repeatedly held that the seizure of landholdings or properties covered by PD No. 27 did not take place on October 21, 1972, but upon the payment of just compensation.[12] Indeed, acquisition of property under the Operation Land Transfer Program under PD No. 27 does not necessarily mean that the computation of just compensation thereof must likewise be governed by the same law.[13] In determining the applicable formula, the date of the payment of just compensation must be taken into consideration for such payment marks the completion of the agrarian reform process. If the agrarian reform process is still incomplete as when just compensation is not settled prior to the passage of RA No. 6657, it should be computed in accordance with said law despite the fact that the property was acquired under PD No. 27.[14] Clearly, by law and jurisprudence, R.A. No. 6657, upon its effectivity, became the primary law in agrarian reform covering all then pending and uncompleted processes, with P.D. No. 27 and E.O. No. 228 being only suppletory to the said law.[15]

Such ruling is founded not only on Section 17[16] of RA No. 6657 providing guidelines for the determination of just compensation but also on equitable considerations, as We explained in *Land Bank of the Philippines v. Natividad*[17] in the following wise:

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.[18]

It is, therefore, on equitable considerations that We base the retroactive application of RA No. 6657 for it would be highly inequitable on the part of the landowners to compute just compensation using the values not at the time of the payment but at the time of the taking in 1972, considering that the government and the farmer-beneficiaries have already benefitted from the land.[19]

Moreover, petitioner's contention that RA No. 6657 does not apply to tenanted rice and corn lands is erroneous. We have had several occasions[20] in which we expressly recognized the applicability of RA No. 6657 to rice and corn lands covered by PD No. 27 on the basis of our ruling in *Paris v. Alfeche*,[21] the pertinent portions of which state:

Considering the passage of RA 6657 before the completion of the application of the agrarian reform process to the subject lands, the same should now be completed under the said law, with PD 27 and EO 228 having only suppletory effect. This ruling finds support in *Land Bank of the Philippines v. CA*, wherein the Court stated: We cannot see why Sec. 18 of RA 6657 should not apply to rice and corn lands under PD 27. Section 75 of RA 6657 clearly states that the provisions of PD 27 and EO 228 shall only have a suppletory effect. Section 7 of the Act also provides -
Sec. 7. Priorities. - The DAR, in coordination with the PARC shall plan and program the acquisition and distribution of all agricultural lands through a period of ten (10) years from the effectivity of this Act. Lands shall be acquired and distributed as follows:

Phase One: Rice and Corn lands under P.D. 27; all idle or abandoned lands; all private lands voluntarily offered by the owners for agrarian reform; x x x and all other lands owned by the government devoted to or suitable for agriculture, which shall be acquired and distributed immediately upon the effectivity of this Act, with the implementation to be completed within a period of not more than four (4) years.

This eloquently demonstrates that RA 6657 includes PD 27 lands among the properties which the DAR shall acquire and distribute to the landless. And to facilitate the acquisition and distribution thereof, Sees. 16, 17, and 18 of the Act should be adhered to. In *Association of Small Landowners of the Philippines v. Secretary of Agrarian Reform*, this Court applied the provisions (of) RA 6657 to rice and corn lands when it upheld the constitutionality of the payment of just compensation for PD 27 lands through the different modes stated in Sec. 18.[22]

The CA was, therefore, correct in ruling that the agrarian reform process in this particular case was still incomplete for just compensation due to respondents had yet to be settled. Considering that R.A. No. 6657 was already in effectivity before the completion of the process, the just compensation should be determined and the process concluded under this law, notwithstanding the fact that the subject property was acquired under PD27.

We likewise do not find any error in the CA's deletion of the award of attorney's fees in favor of respondents for it is a settled rule that attorney's fees and litigation expenses cannot automatically be recovered as part of damages in light of the policy that the right to litigate should bear no premium. An adverse decision does not ipso facto justify an award of attorney's fees to the winning party.[23] Counsel's fees are awarded only in those cases enumerated in Article 2208[24] of the Civil Code, which must always be reasonable.[25] Thus, in the absence of facts which will justify the award of attorney's fees to respondents herein, We find the deletion of the same proper. Petitioner's belief in the righteousness of its claim does not necessarily connote ill motive.

Neither do we find error in the CA's ruling that petitioner cannot be made to pay for the costs of the suit for since it is an instrumentality performing a governmental function in agrarian reform proceedings, charged with the disbursement of public funds, it is exempt from the payment of costs of suit under Section 1, Rule 142 of the Rules of Court.[26]

WHEREFORE, premises considered, the instant petition is DENIED. The Decision of the Court of Appeals, dated April 10, 2008, is AFFIRMED. This case is hereby REMANDED to the Regional Trial Court, Branch 48, San Fernando City, Pampanga, acting as Special Agrarian Court in Agrarian Case No. 02-001, for the proper computation of the final valuation of the subject property in accordance with RA No. 6657.

SO ORDERED.

Velasco, Jr., (Chairperson), Mendoza,[*] Villarama, Jr., and Jardeleza, JJ., concur.

December 4, 2014

NOTICE OF JUDGMENT

Sirs/Mesdames:

Please take notice that on ___November 24, 2014___ a Decision, copy attached herewith, was rendered by the Supreme Court in the above-entitled case, the original of which was received by this Office on December 4, 2014 at 2:55 p.m.

Very truly yours,

(SGD)

WILFREDO V. LAPITAN

Division Clerk of Court

[*] Designated Acting Member in lieu of Associate Justice Bienvenido L. Reyes, per Special Order No. 1878 dated November 21, 2014.

[1] Penned by Associate Justice Juan Q. Enriquez, Jr., with Associate Justices Arcangelita Romilla-Lontok and Ramon R. Garcia, concurring; Annex "A" to Petition, rollo, at 48-56.

[2] Penned by Judge Serafin B. David; CA rollo, pp. 49-65.

[3] Id. at 66-67.

[4] Rollo, p. 49.

[5] Presidential Decree No. 27, otherwise known as 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, October 21, 1972.

[6] Rollo, p. 50.

[7] Republic Act No. 6657, otherwise known as An Act Instituting a Comprehensive Agrarian Reform Program to Promote Social Justice and Industrialization, Providing the Mechanism for its Implementation, and for Other Purposes, June 10, 1988.

[8] 486 Phil. 366, 383 (2004).

[9] Executive Order No. 228, otherwise known as Declaring Full Land Ownership to Qualified Farmer Beneficiaries Covered by Presidential Decree No. 27: Determining the Value of Remaining Unvalued Rice and Corn Lands Subject to P.D. No. 27; and Providing for the Manner of Payment by the Farmer Beneficiary and Mode of Compensation to the Landowner, July 17, 1987.

[10] 497 Phil. 738, 746 (2005).

[11] Department of Agrarian Reform Administrative Order No. 03, Series of 1998.

[12] Land Bank of the Philippines v. Ferrer, G.R. No. 172230 and G.R. No. 179421, February 2, 2011, 641 SCRA 414, 422; Land Bank of the Philippines v. Peralta, G. R. No. 182704, April 23, 2014; Land Bank of the Philippines v. Santiago, G.R. No. 182209, October 2, 2012, 682 SCRA 264, 276; Department of Agrarian Reform v. Goduco, G.R. No. 174007, June 27, 2012, 675 SCRA 187, 196; Land Bank of the Philippines v. J. L. Jocson and Sons, 619 Phil. 359, 369 (2009); Land Bank of the Philippines v. Luciano, 620 Phil. 442, 453 (2009); Meneses, et. al, v. Secretary of Agrarian Reform, 535 Phil. 819, 832 (2006), citing Land Bank of the Philippines v. Natividad, supra note 10.

[13] Land Bank of the Philippines v. Bona, G.R. No. 180804, November 12, 2012, 685 SCRA 152, 163.

[14] Department of Agrarian Reform v. Heirs of Domingo, G.R. No. 188670, March 7, 2012, 667 SCRA 716, 723; Land Bank of the Philippines v. Barrido, G.R. No. 183688, August 18, 2010, 628 SCRA 454, 458.

[15] Department of Agrarian Reform v. Goduco, supra note 12, at 199.

[16] Section 17 of RA No. 6657 provides:

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.

[17] Supra note 10.

[18] Land Bank of the Philippines v. Natividad, supra note 10, at 747.

[19] Land Bank of the Philippines v. Gallego, 596 Phil. 742, 754 (2009), citing Lubrica v. Land Bank of the Philippines, 537 Phil. 571, 580 (2006).

[20] Land Bank of the Philippines v. Heirs of Asuncion Anonuevo Vda. de Santos, et al, 614 Phil. 306 (2009); Land Bank of the Philippines v. Court of Appeals, 378 Phil. 1248 (1999); Land Bank of the Philippines v. Dumlao, et al, 592 Phil. 486 (2008).

[21] 416 Phil. 473 (2001).

[22] Paris v. Alfeche, supra, at 488-489. (Emphasis ours)

[23] National Trucking and Forwarding Corporation v. Lorenzo Shipping Corporation, 491 Phil. 151, 158 (2005), citing "J" Marketing Corp. v. Sia, Jr., 349 Phil. 513, 518 (1998).

[24] Art. 2208. In the absence of stipulation, attorney's fees and expenses of litigation, other than judicial costs, cannot be recovered, except:

- (1) When exemplary damages are awarded;
- (2) When the defendant's act or omission has compelled the plaintiff to litigate with third persons or to incur expenses to protect his interest;
- (3) In criminal cases of malicious prosecution against the plaintiff;
- (4) In case of a clearly unfounded civil action or proceeding against the plaintiff;
- (5) Where the defendant acted in gross and evident bad faith in refusing to satisfy the plaintiffs plainly valid, just and demandable claim;
- (6) In actions for legal support;
- (7) In actions for the recovery of wages of household helpers, laborers and skilled workers;
- (8) In actions for indemnity under workmen's compensation and employer's liability laws;
- (9) In a separate civil action to recover civil liability arising from a crime;
- (10) When at least double judicial costs are awarded;
- (11) In any other case where the court deems it just and equitable that attorney's fees and expenses of litigation should be recovered.

In all cases, the attorney's fees and expenses of litigation must be reasonable.

[25] Metropolitan Waterworks and Sewerage System v. Bautista, 572 Phil. 383, 409 (2008).

[26] Land Bank of the Philippines v. Rivera, G.R. No. 182431, November 17, 2010, 635 SCRA 285, 297, citing Section 1, Rule 142 of the Rules of Court which provides:

Section 1. Costs ordinarily follow results of suit. - Unless otherwise provided in these rules, costs shall be allowed to the prevailing party as a matter of course but the court shall have power, for special reasons adjudge that either party shall pay the costs of an action, or that the same be divided, as may be equitable. No costs shall be allowed against the Republic of the Philippines unless otherwise provided by law.

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.