LAND BANK OF THE PHILIPPINES, PETITIONER, VS. RIZALINA GUSTILO BARRIDO AND HEIRS OF ROMEO BARRIDO, RESPONDENTS.

G.R. No. 183688. August 18, 2010

Ponente: NACHURA, J.

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NACHURA, J.:

For review is the Court of Appeals (CA) Decision[1] dated February 20, 2008 and its Resolution[2] dated July 8, 2008 in CA-G.R. CEB-SP No. 01641. The assailed decision affirmed the Decision[3] of the Regional Trial Court (RTC), Branch 34, Iloilo City in Civil Case No. 04-28093; while the assailed resolution denied petitioner Land Bank of the Philippines' motion for reconsideration.

The undisputed facts are as follows:

Respondents Rizalina Gustilo Barrido and the Heirs of Romeo Barrido are the registered owners of a parcel of land with an area of 89,204 square meters covered by Original Certificate of Title No. 0-6318, situated in Barangay Apologista, Sara, Iloilo. On April 30, 2003, the government expropriated a portion of the property consisting of 43,461[4] sq m for distribution to the farmer-beneficiaries under the Land Reform Program. Petitioner offered respondents a total amount of P60,385.49 as just compensation, but respondents rejected the offer. Respondents instituted an original action before the RTC for the judicial determination of just compensation. The case was docketed as Civil Case No. 04-28093.[5]

In their separate Answers, petitioner and the Department of Agrarian Reform (DAR) insisted that the valuation made is correct, it being based on the formula laid down in Presidential Decree (P.D.) No. 27 as supplemented by Executive Order (E.O.) No. 228.[6] Under these issuances, the prescribed formula is as follows:

> Land Value = Average Gross Production (AGP) x 2.5 x Government Support Price (GSP)

On December 8, 2005, the RTC rendered a Decision[7] fixing the just compensation at P94, 797.09 per hectare, the dispositive portion of which reads:

> WHEREFORE, based on the foregoing premises, judgment is hereby rendered fixing the just compensation of land at P94,797.09 per hectare and ordering the LBP to pay plaintiffs Rizalina Gustilo Barrido and Heirs of Romeo Barrido the total sum of P411,997.63 as just compensation for the 4.3461 hectares taken by the government pursuant to P.D. No. 27 and E.O. No. 228 plus 12% interest per annum from March 21, 2003 until full payment.
>
> SO ORDERED.[8]

The RTC arrived at the valuation by taking the average between the amount found by the DAR using the formula prescribed by E.O. No. 228 and the market value of the property which is P175,700.00 per hectare. In addition, the court also awarded 12% interest in the form of damages in view of the delay in the payment of just compensation.[9] Petitioner's motion for reconsideration was denied on March 1, 2006.[10]

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On appeal, the CA affirmed the RTC decision in its entirety. Hence, the instant petition for review which assigns the following errors:

> I.
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> THE HONORABLE COURT OF APPEALS COMMITTED SERIOUS ERRORS OF LAW WHEN IT AFFIRMED THE DECISION DATED DECEMBER 8, 2005 AND ORDER DATED MARCH 1, 2006 OF THE REGIONAL TRIAL COURT OF ILOILO CITY, BRANCH 34 IN CIVIL CASE NO. 04-28093, FINDING THAT THE APPLICABLE LAW IN THE INSTANT CASE IS R.A. NO. 6657 AND NOT P.D. NO. 27 AND E.O. NO. 228.
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> II.
>
> ASSUMING ARGUENDO THAT R.A. NO. 6657 IS THE APPLICABLE LAW, STILL THE HONORABLE COURT OF APPEALS COMMITTED SERIOUS ERRORS OF LAW WHEN IT AFFIRMED THE SAID DECISION AND ORDER OF THE TRIAL COURT THAT FIXED THE JUST COMPENSATION WHICH IS NOT IN ACCORDANCE WITH THE PROVISIONS OF R.A. NO. 6657 AS TRANSLATED INTO A BASIC FORMULA UNDER DAR ADMINISTRATIVE ORDER NO. 5, SERIES OF 1998.
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> III.
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> THE HONORABLE COURT OF APPEALS COMMITTED SERIOUS ERRORS OF LAW WHEN IT AFFIRMED THE SUBJECT DECISION AND ORDER OF THE TRIAL COURT THAT AWARDED IN FAVOR OF THE RESPONDENT TWELVE PERCENT (12%) INTEREST PER ANNUM FOR ALLEGED DELAY IN PAYMENT.[11]

The issues raised in the instant case are not novel. We have ruled in a number of cases that if just compensation is not settled prior to the passage of Republic Act (R.A.) No. 6657, it should be computed in accordance with said law even if the property was acquired under P.D. No. 27.[12] The fixing of just compensation should, therefore, be based on the parameters prescribed in R.A. No. 6657, with P.D. No. 27 and E.O. No. 228 having only suppletory effect.[13] Specifically, Section 17[14] of R.A. 6657 is the principal basis of the computation for just compensation.[15] The factors set forth in this section have been translated into a basic formula outlined in DAR Administrative Order No. 5, series of 1998,[16] thus: [17]

> A. There shall be one basic formula for the valuation of lands covered by VOS or CA:
>
> 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
>
> The above formula shall be used if all three factors are present, relevant and applicable.
>
> A1. When the CS factor is not present and CNI and MV are applicable, the formula shall be:
>
> LV = (CNI x 0.9) + (MV x 0.1)
>
> A2. When the CNI factor is not present, and CS and MV are applicable, the formula shall be:
>
> LV = (CS x 0.9) + (MV x 0.1)
>
> A3. When both the CS and CNI are not present and only MV is applicable, the formula shall be:

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> LV = MV x 2
>
> In no case shall the value of the land using the formula MV x 2 exceed the lowest value of land within the same estate under consideration or within the same barangay or municipality (in that order) approved by LBP within one (1) year from receipt of claimfolder.

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.[18] 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.[19] The courts cannot ignore, without violating the agrarian law, the formula provided by the DAR for the determination of just compensation.[20]

In this case, the RTC adopted a different formula in determining land valuation by considering the average between the findings of the DAR using the formula laid down in E.O. 228 and the market value of the property as stated in the tax declaration. This is obviously a departure from the mandate of the law and the DAR administrative order.

As the RTC based its valuation on a different formula and without taking into consideration the factors set forth in Section 17 of R.A. 6657, we are constrained to remand the case to the RTC for the determination of just compensation in accordance with this formula and applicable DAR regulations.

WHEREFORE, the February 20, 2008 Decision and July 8, 2008 Resolution of the Court of Appeals in CA-G.R. CEB-SP No. 01641 are REVERSED and SET ASIDE.

Civil Case No. 04-28093 is REMANDED to the court of origin, Branch 34 of the Regional Trial Court of Iloilo City, which is directed to determine with dispatch the just compensation due respondents Rizalina Gustilo Barrido and the Heirs of Romeo Barrido strictly in accordance with the formula laid down in DAR Administrative Order No. 5, series of 1998.

SO ORDERED.

Carpio, (Chairperson), Peralta, Abad, and Mendoza, JJ., concur.

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[1] Penned by Associate Justice Amy C. Lazaro-Javier, with Associate Justices Pampio A. Abarintos and Francisco P. Acosta, concurring; rollo, pp. 65-75.

[2] Penned by Associate Justice Amy C. Lazaro-Javier, with Associate Justices Priscilla Baltazar-Padilla and Francisco P. Acosta, concurring; id. at 78-79.

[3] Penned by Presiding Judge Ma. Yolanda M. Panaguiton-Gaviño; id. at 120-133.

[4] Initially claimed as 45,461 sq m.

[5] Rollo, p. 65.

[6] Id. at 66-67.

[7] Supra note 3.

[8] Rollo, p. 131.

[9] Id. at 130-131.

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[10] Id. at 132-133.

[11] Id. at 22-23.

[12] Land Bank of the Philippines v. Domingo and Mamerto Soriano, G.R. Nos. 180772 and 180776, May 6, 2010; Land Bank of the Philippines v. Dumlao, G.R. No. 167809, November 27, 2008, 572 SCRA 108.

[13] Land Bank of the Philippines v. Domingo and Mamerto Soriano, supra.

[14] Section 17 of R.A. 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 the Government to the property as well as the nonpayment of taxes or loans secured from any government financing institution on the said land shall be considered as additional factors to determine its valuation.

[15] Land Bank of the Philippines v. Domingo and Mamerto Soriano, supra.

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

[17] Heirs of Lorenzo and Carmen Vidad and Agvid Construction Co., Inc. v. Land Bank of the Philippines, G.R. No. 166461, April 30, 2010.

[18] Land Bank of the Philippines v. Kumassie Plantation Company, Incorporated, G.R. No. 177404, June 25, 2009, 591 SCRA 1.

[19] Land Bank of the Philippines v. Dumlao, supra at 132-133.

[20] Allied Bank Corporation v. Land Bank of the Philippines, G.R. No. 175422, March 13, 2009, 581 SCRA 301, 313 citing Land Bank of the Philippines v. Celada, G.R. No. 164876, January 23, 2006, 479 SCRA 495.

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