

LAND BANK OF THE PHILIPPINES, PETITIONER, VS. PERFECTO OBIAS, ET. AL., RESPONDENTS.

G.R. No. 184406. March 14, 2012

Ponente: PEREZ, J.

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PEREZ, J.:

Before the Court is a Petition for Review on Certiorari[1] of the Decision[2] dated 31 January 2008 and Resolution[3] dated 8 September 2008 of the Ninth Division of the Court of Appeals (CA) in CA-G.R. CV No. 69644, vacating the Decision of the Regional Trial Court (RTC) of Naga City. The dispositive portion of the assailed decision reads:

WHEREFORE, the appealed decision of the Regional Trial Court of Naga City (Branch 21) is VACATED and SET ASIDE and a new one rendered fixing the just compensation for the subject land at P371,015.20 and ordering the defendant-appellant Land Bank of the Philippines to pay said amount to plaintiffs-appellants plus interest thereon at the rate of 6% per annum, compounded annually, from October 21, 1972 until fully paid.[4]

The facts as gathered by this Court follow:

Pursuant to the Operation Land Transfer (OLT) Program of Presidential Decree (P.D.) No. 27, an aggregate area of 34.6958 hectares composing three parcels of agricultural land located at Himaa, Pili, Camarines Sur owned by Perfecto, Nellie, O'Fe, Gil, Edmundo and Nelly, all surnamed Obias, (landowners) were distributed to the farmers-beneficiaries (farmers) namely: Victor Bagasina, Sr., Elena Benosa, Sergio Nagrampa, Claudio Galon, Prudencio Benosa, Santos Parro, Guillermo Breboneria, Flora Villamer, Felipe de Jesus, Mariano Esta, Benjamin Bagasina, Andres Tagum, Pedro Galon, Clara Padua, Rodolfo Competente, Roberto Parro, Melchor Brandes, Antonio Buizon, Rogelio Montero, Maria Villamer, Claudio Resari, Victor Bagasina, Jr., Francisco Montero and Pedro Montero.

As a result, the owners had to be paid just compensation for the property taken. The Department of Agrarian Reform (DAR), using the formula under P.D. 27 and Executive Order (E.O.) 228, came up with a computation of the value of the acquired property at P1,397,578.72. However, the amount was contested by the landowners as an inadequate compensation for the land. Thus did they filed a complaint for determination of just compensation before the RTC of Naga City, the assigned Special Agrarian Court (SAC) which has jurisdiction over the complaint.

To ascertain the amount of just compensation, a committee was formed by the trial court. The Provincial Assessor of Camarines Sur was appointed as the Chairman and the representatives from the Land Bank of the Philippines (LBP), DAR, the landowners and farmers, were appointed as the Members.

The Provincial Assessor recommended the "above average value of P40,065.31 per hectare" as just compensation; LBP Representative Edgardo Malazarte recommended the amount of P38,533.577 per hectare; and the representative of the landowners, Atty. Fe Rosario P. Bueva[5] submitted a P180,000.00 per hectare valuation of the land.[6]

None of these recommendations was adopted in the 3 October 2000 judgment[7] of the trial court. The dispositive portion reads:

Wherefore, judgment is rendered ordering the following:

(1)

Fixing the Just Compensation of the 34.6958 [hectares] has to be at Ninety One Thousand Six Hundred Fifty Seven and 50/100 (P91,657.50) per hectare or in the total amount of Three Million One Hundred Eighty Thousand One Hundred Thirty and 29/100 (P3,180,130.29);

(2)

Directing the Respondent Land Bank to pay the Plaintiffs the amount of Three Million One Hundred Eighty Thousand One Hundred Thirty and 29/100 (P3,180,130.29) in the manner provided for under R.A. 6657.

No pronouncement as to costs.[8]

Both the landowners and LBP appealed the trial court's decision before the CA.

On 31 January 2008, the appellate court vacated the decision of the trial court. It relied heavily on *Gabatin v. Land Bank of the Philippines*[9] ruling wherein this Court fixed the rate of the government support price (GSP) for one cavan of palay at P35.00, the price of the palay at the time of the taking of the land. Following the formula, "Land Value= 2.5 multiplied by the Average Gross Production (AGP) multiplied by the Government Support Price (GSP)," provided by P.D. No. 27 and E.O. 228, the value of the total area taken will be P371,015.20 plus interest thereon at the rate of 6% interest per annum, compounded annually, starting 21 October 1972, until fully paid. [10]

The Court's Ruling

In their petition, LBP does not contest the valuation of the property and the amount to be paid as just compensation. It raised only the issue of "Whether or not the provisions of DAR Administrative Order (A.O.) No. 13,[11] series of 1994, as amended by DAR A.O. No. 2, series of 2004, as further amended by DAR A.O. No. 6, series of 2008, are mandatory insofar as the computation of interest for P.D. 27-acquired properties is concerned." [12]

To put it simply, LBP is alleging error on the part of the appellate court when it ruled that the payment of interest shall be made until full payment thereof. The bank contends that it should have been until the time of actual payment as defined by the DAR A.O. No. 13, as amended.

LBP's main contention rests upon the strict application of Item III, No. 3 of DAR A.O. No. 13, series of 1994, as amended, by A.O. No. 2, series of 2004 as further amended by A.O. No. 6, series of 2008, with regard to the extent of the period of application of the incremental interest. We quote the relevant portion of the Administrative Order, as amended:

3. The grant of six percent (6%) yearly interest compounded annually shall be reckoned as follows:

3.1 Tenanted as of 21 October 1972 and covered under OLT

- From 21 October 1972 up to the time of actual payment but not later than December 2009.

3.2 Tenanted after 21 October 1972 and covered under OLT

-From the date when the land was actually tenanted (by virtue of Regional Order of Placement issued prior to August 18, 1987) up to the time of actual payment but not later than December 2009.

Time of actual payment – is the date when the Land Bank of the Philippines (LBP) approves payment of the land

transfer claim and deposits the compensation proceeds in the name of the landowner (LO) in cash and in bonds. The release of payment can be claimed by the landowner upon compliance with the documentary requirements for release of payment.

This case does not present a novel issue.

It is correct that rules and regulations issued by administrative bodies to interpret the law which they are entrusted to enforce, have the force of law, and are entitled to great respect. Administrative issuances partake of the nature of a statute and have in their favor a presumption of legality.[13] And a literal reading of A.O. No. 13, as amended, will be in favor of the LBP.

However, these administrative issuances or orders, though they enjoy the presumption of legalities, are still subject to the interpretation by the Supreme Court pursuant to its power to interpret the law. While rules and regulation issued by the administrative bodies have the force and effect of law and are entitled to great respect, courts interpret administrative regulations in harmony with the law that authorized them and avoid as much as possible any construction that would annul them as invalid exercise of legislative power.[14]

The rationale for the interpretation that the payment of interest shall be up to the time of full payment and not up to actual payment as defined by the Administrative Order is well pronounced in the case of *Land Bank of the Philippines v. Soriano*,[15] we quote:

The concept of just compensation embraces not only the correct determination of the amount to be paid to the owners of the land, but also payment within a reasonable time from its taking. Without prompt payment, compensation cannot be considered “just” inasmuch as the property owner is made to suffer the consequences of being immediately deprived of his land while being made to wait for a decade or more before actually receiving the amount necessary to cope with his loss.[16]

To condition the payment upon LBP’s approval and its release upon compliance with some documentary requirements would render nugatory the very essence of “prompt payment.” Therefore, to expedite the payment of just compensation, it is logical to conclude that the 6% interest rate be imposed from the time of taking up to the time of full payment of just compensation. (Emphasis supplied)[17]

The LBP sought support in the 19 December 2007 Resolution of the Court in the case of *APO Fruits Corporation v. Court of Appeals*[18] wherein the Court declared that the payment of interest for delay of payment cannot be applied where there is prompt and valid payment of just compensation even if the amount of just compensation was later on increased pursuant to the Court’s judgment.[19] A review of this Resolution will reveal that this Court, through the Third Division, deleted the 12% interest on the balance of the awarded just compensation due to the finding that the LBP did not delay the payment of just compensation as it had deposited the pertinent amounts due to AFC and HPI within fourteen months after they filed their complaints for just compensation with the RTC.

However, this Resolution has already been overturned by an *En Banc* ruling of the Court in its 12 October 2010 Resolution.[20] The dispositive portion states:

WHEREFORE, premises considered, we GRANT the petitioners’ motion for reconsideration. The Court En Banc’s Resolution dated December 4, 2009, as well as the Third Division’s Resolutions dated April 30, 2008 and December 19, 2007, are hereby REVERSED and SET ASIDE. (Emphasis supplied)

The respondent Land Bank of the Philippines is hereby ORDERED to pay petitioners Apo Fruits Corporation and Hijo Plantation, Inc. interest at the rate of 12% per annum on the unpaid balance of the just compensation, computed from the date the Government took the properties on December 9, 1996, until the respondent Land Bank of the Philippines paid on May 9, 2008 the balance on the principal amount.[21]

To answer the contention of LBP that there should be no payment of interest when there is already a prompt payment of just compensation, the High Court discussed that even though the LBP immediately paid the remaining balance on the just compensation due to the petitioners after this Court had fixed the value of the expropriated properties, it overlooks one essential fact – from the time that the State took the petitioners' properties until the time that the petitioners were fully paid, almost 12 long years passed. This is the rationale for imposing the 12% interest – in order to compensate the petitioners for the income they would have made had they been properly compensated for their properties at the time of the taking.

This Court is not oblivious of the purpose of our agrarian laws particularly P.D. No. 27,[22] that is, to emancipate the tiller of the soil from his bondage; to be lord and owner of the land he tills.

Section 4, Article XIII of the 1987 Constitution mandates that the State shall, by law, undertake an agrarian reform program founded on the right of farmers and regular farm workers who are landless, to own directly or collectively the lands they till or, in the case of other farm workers, to receive a just share of the fruits thereof. It also provides that the State shall encourage and undertake the just distribution of all agricultural lands subject to the payment of just compensation.

Further, the deliberations of the 1986 Constitutional Commission on this subject reveal that just compensation should not do violence to the Bill of Rights, but should also not make an insurmountable obstacle to a successful agrarian reform program. Hence, the landowner's right to just compensation should be balanced with agrarian reform.[23]

The mandate of determination of just compensation is a judicial function,[24] hence, we exert all efforts to consider and interpret all the applicable laws and issuances in order to balance the right of the farmers to own a land subject to the award the proper and just compensation due to the landowners.

WHEREFORE, the appeal is DENIED. The 31 January 2008 Decision of the Court of Appeals in CA-G.R. CV No. 69644, vacating the Decision of the Regional Trial Court of Naga City acting as Special Agrarian Court is hereby AFFIRMED. No cost.

SO ORDERED

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

[1] Rollo, pp. 19-36.

[2] Id. at 42-51. Penned by Associate Justice Edgardo P. Cruz with Associate Justices Fernanda Lampas Peralta and Normandie B. Pizarro concurring.

[3] Id. at 52-54.

[4] Id. at 50.

[5] Records, p. 139. As per Order dated 3 October 1995.

[6] Rollo, p. 44. CA Decision.

[7] Records, pp. 381-391

[8] Id. at 391.

[9] G.R. No. 148223, 25 November 2004, 444 SCRA 176, 178.

[10] Rollo, p. 50

[11] Rules and Regulations Governing the Grant of Increment of Six Percent (6%) Yearly Interest Compounded Annually on Lands Covered by Presidential Decree No. 27 and Executive Order No. 228.

[12] Rollo, pp. 26-27.

[13] Allied Banking Corporation v. Land Bank of the Philippines, G.R. No. 175422, 13 March 2009, 581 SCRA 301, 314.

[14] Philippine Bank of Communications v. Commissioner of Internal Revenue, G.R. No. 112024, 28 January 1999, 302 SCRA 241, 252.

[15] G.R. Nos. 180772 and 180776, 6 May 2010, 620 SCRA 347.

[16] Id. at 356 citing Land Bank of the Philippines v. Orilla, G.R. No. 157206, 27 June 2008, 556 SCRA 103, 117.

[17] Id. at 356-357.

[18] G.R. No. 164195, 19 December 2007, 541 SCRA 117.

[19] Rollo, p. 31. Petition for Review on Certiorari of Land Bank of the Philippines.

[20] APO Fruits Corporation v. Land Bank of the Philippines, 12 October 2010, 632 SCRA 727.

[21] Id. at 764.

[22] 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," October 21, 1972.

[23] Land Bank of the Philippines v. Soriano, *supra* note 15 at 355.

[24] Heirs of Lorenzo and Carmen Vidad and Agvid Construction Co., Inc. v. Land Bank of the Philippines, G.R. No. 166461, 30 April 2010, 619 SCRA 609, 630.

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