

LAND BANK OF THE PHILIPPINES, PETITIONER, VS. JOSE T. LAJOM, REPRESENTED BY PORFIRIO RODRIGUEZ, FLORENCIA LAJOM GARCIA-DIAZ, FRANCISCO LAJOM GARCIA, JR., FERNANDO LAJOM RODRIGUE...

G.R. No. 184982. August 20, 2014

Ponente: PERLAS-BERNABE, J.

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PERLAS-BERNABE, J.:

Assailed in these consolidated[1] petitions for review on certiorari[2] are the Decision[3] dated February 26, 2008 and the Resolution[4] dated October 17, 2008 of the Court of Appeals (CA) in CA-G.R. SP No. 89545 which affirmed with modification the Decision[5] dated March 11, 2004 and the Order[6] dated April 15, 2005 of the Regional Trial Court of Cabanatuan City, Branch 23 (RTC) in SP. Civil Case No. 1483-AF, deleting the award of interest at the rate of 6% per annum (p.a.) and imposing interest by way of damages, at the rate of 12% p.a. on the just compensation for the land in controversy at P3,858,912.00, from March 11, 2004 until fully paid.

The Facts

Jose T. Lajom (Lajom)[7] and his mother Vicenta Vda. De Lajom (Vda. De Lajom)[8] were the registered owners of several parcels of land with an aggregate area of 27 hectares (ha.), more or less, located at Alua, San Isidro, Nueva Ecija and covered by Transfer Certificate of Title (TCT) No. NT-70785[9] issued by the Registry of Deeds of Nueva Ecija (subject land).

Sometime in 1991, a 24-ha., more or less, portion of the subject land (subject portion) was placed under the government's Operation Land Transfer Program pursuant to Presidential Decree No. (PD) 27,[10] otherwise known as the "Tenants Emancipation Decree," as amended. Accordingly, the Department of Agrarian Reform (DAR), through the Land Bank of the Philippines (LBP), offered to pay Lajom the following amounts as just compensation for the following constitutive areas of the subject portion: (a) P19,434.00 for 11.3060 has.; (b) P17,505.65 for 2.4173 has.; and (c) P80,733.45 for 10.3949 has. (DAR valuation).[11] Records show, however, that despite non-payment of the offered just compensation, DAR granted twelve (12) Emancipation Patents[12] between 1994 and 1998 in favor of the following farmer-beneficiaries: Vicente Dela Cruz, Donato Magno,[13] Eutiquio Gablao,[14] Ricardo Bulos, Proceso Julian, Ceferino Dela Cruz, Rufino Gripal, Simplicio Pataleta,[15] Jovita Vda. De Bondoc, and Julian Pataleta[16] (farmer-beneficiaries).[17]

Lajom rejected the DAR valuation and, instead, filed an amended petition[18] for determination of just compensation and cancellation of land transfers against the DAR, the LBP, and the said farmer-beneficiaries, docketed as SP. Civil Case No. 1483-AF.[19] He alleged, inter alia, that in computing the amount of just compensation, the DAR erroneously applied the provisions of PD 27 and Executive Order No. (EO) 228, Series of 1997, that have been repealed by Section 17 of Republic Act No. (RA) 6657,[20] otherwise known as the "Comprehensive Agrarian Reform Law of 1988," which took effect on June 15, 1988. Thus, he asserted that the value of the subject portion should be computed based on the provisions of RA 6657, and not of PD 27 and/or EO

228. He likewise claimed that the Barrio Committee on Land Production (BCLP) resolution – which fixed the average gross production (AGP) per ha. per year at 120 cavans of palay, and which the DAR used in arriving at its valuation – was falsified and therefore cannot validly serve as basis for determining the value of the land. In sum, Lajom stressed that the DAR valuation was arrived at without due process, highly prejudicial and inimical to his and his heirs' property rights.[21]

For its part, the LBP agreed with the DAR valuation and insisted that PD 27 and EO 228, on which the DAR valuation was based, were never abrogated by the passage of RA 6657, contrary to Lajom's stance.[22]

The RTC Ruling

In a Decision[23] dated March 11, 2004, the RTC rejected the DAR valuation and, using the formula $\text{Land Value} = (\text{AGP} \times 2.5 \text{ Hectares} \times \text{Government Support Price [GSP]} \times \text{Area})$ under PD 27 and EO 228, fixed the just compensation for the subject portion at the total amount of P3,858,912.00, with legal interest at the rate of 6% p.a. from 1991 until fully paid.[24]

The RTC set the AGP at 160 cavans of palay per ha. per year, taking judicial notice of the fact that the normal production of 120 cavans thereof per ha. per year has been increased with the "advent of new modern farm technology" coupled with the utilization of high-breed variety of palay, good weather, and continuous supply of irrigated water.[25] With respect to the GSP, the RTC pegged the same at P400.00, per certification from the National Food Authority fixing the GSP at the same amount as of 1991, when the subject portion was actually expropriated.[26] Using the above formula, therefore, the RTC computed the just compensation as follows: $\text{AGP} (160) \times 2.5 \times \text{GSP} (P400.00) \times \text{Area} (24.1182 \text{ has.}) = P3,858,912.00$.[27]

Dissatisfied, the LBP moved for reconsideration but was, however, denied in an Order[28] dated April 15, 2004, prompting it to elevate the matter before the CA via a petition for review, docketed as CA-G.R. SP No. 89545.

The CA Ruling

In a Decision[29] dated February 26, 2008, the CA affirmed with modification the RTC Decision, deleting the award of 6% interest p.a. and, in lieu thereof, ordered LBP to pay Lajom, through his representatives and/or heirs, interest by way of damages at the rate of 12% p.a. on the just compensation award of P3,858,912.00 from March 11, 2004 until fully paid.[30]

The CA found no error on the part of the RTC in considering 1991 as the time of the subject portion's actual taking, instead of October 21, 1972 when PD 27 took effect, and in consequently using the higher GSP value of P400.00 prevailing in 1991 instead of P35.00, contrary to the LBP's claim.[31] The CA found it inequitable to determine just compensation based on the guidelines provided by PD 27 and EO 228 considering that the actual taking of the subject property took place in 1991. Hence, just compensation, being the "full and fair equivalent of the property taken from its owner by the expropriator, the equivalent being real, substantial, full and ample,"[32] should be determined in accordance with RA 6657, not with PD 27 and EO 228.[33]

However, the CA deleted the award of interest at the rate of 6% p.a. imposed on the amount of just compensation in accordance with DAR Administrative Order No. 13, Series of 1994,[34] because the RTC had already used the higher GSP value of P400.00 in 1991. Nonetheless, the CA deemed it necessary to impose legal interest pegged at the rate of 12% p.a. to serve as damages for the delay incurred in the payment of just compensation to the landowner.[35]

Lajom's representative, Porfirio Rodriguez (Rodriguez), who had substituted him in these proceedings, moved for a partial reconsideration of the CA Decision, while the LBP and the rest of Lajom's heirs filed separate motions

for reconsideration, all of which the CA denied in a Resolution[36] dated October 17, 2008, hence, these consolidated petitions.

The Issues Before the Court

In its petition,[37] the LBP contends that the CA committed reversible error in: (a) retroactively applying the provisions of RA 6657 to land acquired under PD 27 and EO 228; (b) reckoning the period to determine just compensation on the date of actual payment instead of the date of taking; and (c) imposing interest at the rate of 12% p.a. on the just compensation award in the nature of damages from March 11, 2004 until full payment.

On the other hand, Lajom, through his representatives, raises in his petition[38] the sole question of whether or not the CA erred in deleting the award of 6% interest p.a. on the just compensation award from the time of taking until full payment.

The Court's Ruling

The petitions are meritorious.

Case law instructs that when the agrarian reform process under PD 27 remains incomplete and is overtaken by RA 6657, such as when the just compensation due the landowner has yet to be settled, as in this case, such just compensation should be determined and the process concluded under RA 6657, with PD 27 and EO 228 applying only suppletorily.[39] Hence, where RA 6657 is sufficient, PD 27 and EO 228 are superseded.[40]

Records show that even before Lajom filed a petition for the judicial determination of just compensation in May 1993, RA 6657 had already taken effect on June 15, 1988. Similarly, the emancipation patents had been issued in favor of the farmer-beneficiaries prior to the filing of the said petition, and both the taking and the valuation of the subject portion occurred after the passage of RA 6657. Quite evidently, the matters pertaining to the correct just compensation award for the subject portion were still in contention at the time RA 6657 took effect; thus, as correctly ruled by the CA, its provisions should have been applied, with PD 27 and EO 228 applying only suppletorily.

As to the proper reckoning point, it is fundamental that just compensation should be determined at the time of the property's taking.[41] Taking may be deemed to occur, for instance, at the time emancipation patents are issued by the government. As enunciated in *LBP v. Heirs of Angel T. Domingo*:[42]

The date of taking of the subject land for purposes of computing just compensation should be reckoned from the issuance dates of the emancipation patents. An emancipation patent constitutes the conclusive authority for the issuance of a Transfer Certificate of Title in the name of the grantee. It is from the issuance of an emancipation patent that the grantee can acquire the vested right of ownership in the landholding, subject to the payment of just compensation to the landowner.[43] (Emphasis supplied)

Since the emancipation patents in this case had been issued between the years 1994 and 1998, the just compensation for the subject portion should then be reckoned therefrom, being considered the "time of taking" or the time when the landowner was deprived of the use and benefit of his property.[44] On this score, it must be emphasized that while the LBP is charged with the initial responsibility of determining the value of lands placed under the land reform and, accordingly, the just compensation therefor, its valuation is considered only as an initial determination and, thus, not conclusive. Verily, it is well-settled that it is the RTC, sitting as a Special Agrarian Court, which should make the final determination of just compensation in the exercise of its judicial function.[45] In this respect, the RTC is required to consider the factors enumerated in Section 17 of RA 6657, as amended, viz.:

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.

After a punctilious review of the records, however, the Court finds that none of the aforementioned factors had been considered by the RTC in determining the just compensation for the subject portion. Thus, the Court must reject the valuation pronounced in the RTC Decision, as affirmed by the CA, and consequently direct the remand of the case to the trial court in order to determine the proper amount of just compensation anew in accordance with the following guidelines:

First. Just compensation must be valued at the time of the taking, or the “time when the landowner was deprived of the use and benefit of his property”[46] which, in this case, is reckoned from the date of the issuance of the emancipation patents.[47] Hence, the valuation of the subject portion must be based on evidence showing the values prevalent on such time of taking for like agricultural lands.[48]

Second. The evidence must conform to Section 17 of RA 6657, as amended, prior to its amendment by RA 9700.[49] While RA 9700 took effect on July 1, 2009, which amended further certain provisions of RA 6657, as amended, among them Section 17, declaring “[t]hat all previously acquired lands wherein valuation is subject to challenge by landowners shall be completed and finally resolved pursuant to Section 17 of [RA 6657], as amended,”[50] the law should not be applied retroactively to pending cases. Considering that the present consolidated petitions had been filed before the effectivity of RA 9700, or on December 8, 2008 for G.R. No. 184982 and May 18, 2009 for G.R. No. 185048, Section 17 of RA 6657, as amended, prior to its further amendment by RA 9700, should therefore apply.

Third. With respect to the commonly raised issue on interest, the RTC may impose the same on the just compensation award as may be justified by the circumstances of the case and in accordance with prevailing jurisprudence.[51] The Court has previously allowed the grant of legal interest in expropriation cases where there was delay in the payment of just compensation, deeming the same to be an effective forbearance on the part of the State.[52] To clarify, this incremental interest is not granted on the computed just compensation; rather, it is a penalty imposed for damages incurred by the landowner due to the delay in its payment.[53]

Thus, legal interest shall be pegged at the rate of 12% p.a. from the time of taking until June 30, 2013. Thereafter, or beginning July 1, 2013, until fully paid, just compensation shall earn interest at the new legal rate of 6% p.a., conformably with the modification on the rules respecting interest rates introduced by Bangko Sentralng Pilipinas Monetary Board Circular No. 799, Series of 2013.[54]

Fourth. The RTC, sitting as a Special Agrarian Court, is reminded that while it should take into account the various formulae created by the DAR in arriving at the just compensation for the subject land, it is not strictly bound thereby if the situations before it do not warrant their application. The RTC, in the exercise of its judicial function of determining just compensation, cannot be restrained or delimited in the performance thereof. As explained in *LBP v. Heirs of Maximo Puyat*:^[55]

[T]he determination of just compensation is a judicial function; hence, courts cannot be unduly restricted in their determination thereof. To do so would deprive the courts of their judicial prerogatives and reduce them to the bureaucratic function of in putting data and arriving at the valuation. While the courts should be mindful of the different formulae created by the DAR in arriving at just compensation, they are not strictly bound to adhere thereto if the situations before them do not warrant it. x x x:

“x x x [T]he basic formula and its alternatives – administratively determined (as it is not found in Republic Act No. 6657, but merely set forth in DAR AO No. 5, Series of 1998) – although referred to and even applied by the courts in certain instances, does not and cannot strictly bind the courts. To insist that the formula must be applied with utmost rigidity whereby the valuation is drawn following a strict mathematical computation goes beyond the intent and spirit of the law. The suggested interpretation is strained and would render the law in utile. Statutory construction should not kill but give life to the law. As we have established in earlier jurisprudence, the valuation of property in eminent domain is essentially a judicial function which is vested in the regional trial court acting as a SAC, and not in administrative agencies. The SAC, therefore, must still be able to reasonably exercise its judicial discretion in the evaluation of the factors for just compensation, which cannot be arbitrarily restricted by a formula dictated by the DAR, an administrative agency. Surely, DAR AO No. 5 did not intend to straightjacket the hands of the court in the computation of the land valuation. While it provides a formula, it could not have been its intention to shackle the courts into applying the formula in every instance. The court shall apply the formula after an evaluation of the three factors, or it may proceed to make its own computation based on the extended list in Section 17 of Republic Act No. 6657, which includes other factors[.] x x x”

As a final word, the Court would like to emphasize that while the agrarian reform program was undertaken primarily for the benefit of our landless farmers, this undertaking should, however, not result in the oppression of landowners by pegging the cheapest value for their lands. Indeed, although the taking of properties for agrarian reform purposes is a revolutionary kind of expropriation, it should not be carried out at the undue expense of landowners who are also entitled to protection under the Constitution and agrarian reform laws.[56]

WHEREFORE, the petitions are GRANTED. The Decision dated February 26, 2008 and the Resolution dated October 17, 2008 of the Court of Appeals in CA-G.R. SP No. 89545 which: (a) upheld the valuation of the subject portion computed by the Regional Trial Court of Cabanatuan City, Branch 23 (RTC) without, however, taking into account the factors enumerated under Section 17 of Republic Act No. 6657, as amended; and (b) deleted the interest award pegged at the rate of 6% per annum (p.a.) from 1991 until fully paid and, instead, awarded the interest at the rate of 12% p.a. in the nature of damages from March 11, 2004 until fully paid, are hereby REVERSED and SET ASIDE. SP. Civil Case No. 1483-AF is REMANDED to the RTC for reception of evidence on the issue of just compensation in accordance with the guidelines set in this Decision. The RTC is directed to conduct the proceedings in said case with reasonable dispatch and submit to the Court a report on its findings and recommended conclusions within sixty (60) days from notice of this Decision.

SO ORDERED.

Carpio, (Chairperson), Velasco, Jr.,[*] Del Castillo, Perez, and Perlas-Bernabe, JJ., concur.

[*] Designated Additional Member per Special Order No. 1757 dated August 20, 2014.

[1] See Resolution dated November 19, 2008; rollo (G.R. No. 185048), p. 41.

[2] Rollo (G.R. No. 184982), pp. 39-91; rollo (G.R. No. 185048), pp. 54-70.

[3] Rollo (G.R. No. 184982), pp. 10-35. Penned by Associate Justice Celia C. Librea-Leagogo, with Associate Justices Regalado E. Maambong and Ramon R. Garcia, concurring.

[4] Id. at 7-9.

[5] Id. at 215-221. Penned by Presiding Judge Lydia Bauto Hipolito.

[6] Id. at 222-223. Penned by Pairing Judge Rodrigo S. Caspillo.

[7] Records show that Jose T. Lajom died during the pendency of his petition before the RTC or on June 28, 1999 (see Certificate of Death; *id.* at 289) and that he was substituted by his heirs Porfirio Rodriguez, et al. (see Orders of the RTC dated May 21, 2002 and May 27, 2001; *id.* at 320 and 321, respectively).

[8] Died on May 2, 1993; *id.* at 13 and 246.

[9] *Id.* at 291-293.

[10] 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.”

[11] Rollo (G.R. No. 184982), p. 217.

[12] *Id.* at 300-311.

[13] “Donito Magno” in some parts of the records.

[14] “Estiquio Cabiao” and “Eutiquio Cablao” in some parts of the records.

[15] “Simplicio Patatela” in some parts of the records.

[16] “Julian Patatela” in some parts of the records.

[17] Rollo (G.R. No. 184982), p. 217. See also Emancipation Patents; *id.* at 300-311.

[18] *Id.* at 245-250. Dated May 12, 1993.

[19] *Id.* at 249.

[20] Entitled “AN ACT INSTITUTING A COMPREHENSIVE AGRARIAN REFORM PROGRAM TO PROMOTE SOCIAL JUSTICE AND INDUSTRIALIZATION, PROVIDING THE MECHANISM FOR ITS IMPLEMENTATION.”

[21] See rollo (G.R. No. 184982), pp. 217, 247-A, and 248.

[22] *Id.* at 218.

[23] *Id.* at 215-221.

[24] See *id.* at 220-221.

[25] *Id.* at 219.

[26] *Id.* at 220.

[27] *Id.*

[28] *Id.* at 222-223.

[29] *Id.* at 10-35.

[30] *Id.* at 31-32.

[31] *Id.* at 29.

[32] *Id.* at 30.

[33] *Id.* at 29-30.

[34] Entitled “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.”

[35] Rollo (G.R. No. 184982), pp. 30-32.

[36] Id. at 7-9.

[37] Id. at 39-91.

[38] Rollo (G.R. No. 185048), pp. 54-70.

[39] See LBP v. Santiago, Jr., G.R. No. 182209, October 3, 2012, 682 SCRA 264, 277-278; citations omitted.

[40] See LBP v. Heirs of Maximo Puyat, G.R. No. 175055, June 27, 2012, 675 SCRA 233, 243-244.

[41] See Secretary of the Department of Public Works and Highways v. Tecson, G.R. No. 179334, July 1, 2013, 700 SCRA 243, 257-258, citing Republic v. Lara, 96 Phil. 170 (1954).

[42] 567 Phil. 593 (2008).

[43] Id. at 608.

[44] LBP v. Heirs of Salvador Encinas, G.R. No. 167735, April 18, 2012, 670 SCRA 52, 60.

[45] See LBP v. Dumlao, 592 Phil. 486, 504 (2008). See also LBP v. Heir of Trinidad S. Vda. De Arieta, G.R. No. 161834, August 11, 2010, 628 SCRA 43, 66.

[46] LBP v. Livioco, G.R. No. 170685, September 22, 2010, 631 SCRA 86, 112-113.

[47] LBP v. Heirs of Angel T. Domingo, supra note 42.

[48] See LBP v. Livioco, supra note 46, at 114.

[49] Entitled “AN ACT STRENGTHENING THE COMPREHENSIVE AGRARIAN REFORM PROGRAM (CARP), EXTENDING THE ACQUISITION AND DISTRIBUTION OF ALL AGRICULTURAL LANDS, INSTITUTING NECESSARY REFORMS, AMENDING FOR THE PURPOSE CERTAIN PROVISIONS OF REPUBLIC ACT NO. 6657, OTHERWISE KNOWN AS THE COMPREHENSIVE AGRARIAN REFORM LAW OF 1988, AS AMENDED, AND APPROPRIATING FUNDS THEREFOR.”

[50] See Section 5 of RA 9700 which further amended Section 17 of RA 6657, as amended on the “Priorities” in the acquisition and distribution of agricultural lands.

[51] LBP v. Livioco, supra note 46, at 116.

[52] See LBP v. Santiago, Jr., supra note 39, at 283-284; citations omitted.

[53] DAR v. Goduco, G.R. Nos. 174007 and 181327, June 27, 2012, 675 SCRA 187, 205.

[54] See Nacar v. Gallery Frames, G.R. No. 189871, August 13, 2013, 703 SCRA 439, 454-456.

[55] Supra note 40, at 250-251; citations omitted.

[56] See LBP v. Spouses Chico, 600 Phil. 272, 291 (2009).

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