

**LUCILA YARED AND HEIRS OF THE LATE ERNESTO YARED, SR.,
PETITIONERS, V. LAND BANK OF THE PHILIPPINES, RESPONDENT.***G.R. No. 213945. January 24, 2018*Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-213945/>**REYES, JR., J:**

Before this Court is a petition for review on certiorari[1] under Rule 45 filed by Lucila C. Yared and the Heirs of Ernesto Yared, Sr. namely, Ma. Magdalena Lourdes Y. Ng, Ma. Carmela Y. Malayang, Lucila C. Yared, Mary Anne Martha Y. Naldo, Ma. Teresa Y. de Leon, Ernesto C. Yared, Jr., and Joseph Ray C. Yared (petitioners, for brevity), seeking to set aside the Decision[2] dated April 20, 2012 of the Court of Appeals (CA) in C.A. G.R. SP No. 05773, which affirmed with modification (by deleting the award of legal interest, exemplary damages and attorney's fees) the Decision[3] dated January 31, 2011 of the Regional Trial Court (RTC) of Dumaguete City, Branch 32, directing Land Bank of the Philippines (Land Bank) to pay the remaining balance of just compensation with legal interest and attorney's fees, exemplary damages, unpaid Commissioners' fees and cost of suit.

The Antecedents

Petitioners were the registered owners of a parcel of land covered by Transfer Certificate of Title (TCT) No. ST-27 with a total area of 134.895 hectares located in Bais City, Negros Oriental. Sometime in 1996, the property was placed under the coverage of Comprehensive Agrarian Reform Program (CARP) under Republic Act (R.A.) No. 6657,[4] compulsory acquisition scheme of the government. Land Bank initially valued the property at P7,067,426.91 and deposited the amount, in cash and agrarian reform bonds, to the account of the petitioners, as evidenced by the certification and inscription in TCT No. ST-27 dated September 25, 1996.[5]

Dissatisfied with the valuation, the petitioners initiated a case before the Department of Agrarian Reform Adjudication Board (DARAB) docketed as DARAB Case No. JC-RVII-NEG-22-CO. On August 22, 2001, DARAB directed Land Bank to recompute the initial valuation of the property. In compliance, Land Bank submitted a manifestation and motion dated November 8, 2011 with a re-evaluation of the property in the amount P11,366,366.15.[6]

After seven years from the submission of Land Bank's manifestation and motion and petitioners' several motions to resolve the case, DARAB acted on the resolution of the case on July 1, 2008, by rejecting the amount submitted by Land Bank and reverting to the initial valuation of P7,067,426.91, as the proper amount of just compensation.[7]

Aggrieved, petitioners filed a Petition for the Determination of Just Compensation before the RTC, sitting as Special Agrarian Court (SAC), of Dumaguete City, Negros Oriental and prayed for the following: (1) the determination of just compensation in an amount not less than of P7,067,426.91; (2) payment of legal interest on the basis of recomputed initial valuation of Land Bank from 1996 until the finality of this case due to the delay caused by the inaction of DARAB in resolving the amount of just compensation; and (3) payment of attorney's fees and filing fee.[8]

On its part, Land Bank argued that the valuation of TCT No. ST-27 depends on the data used, including but not limited to the Annual Gross Production (AGP), Selling Price (SP), Market Value per Tax Declaration (MV) and the actual receipt of the claim folder from Department of Agrarian Reform (DAR). Land Bank arrived at the initial valuation of P7,067,426.91 following the provisions of DAR Administrative Order No. 6, Series of 1992 pursuant to the valuation formula as provided for by Sec. 17 of R.A. No. 6657. Rejecting the argument of the petitioners, Land Bank averred that the adjacent property (TCT No. ST-27) may not necessarily be similar in land valuation to the contested property of the petitioners. Finally, Land Bank argued that it was prompt in its deposit of the initial valuation of just compensation on the property and attributed fault on the release due to petitioners' non-compliance with the documentary requirements.[9]

Ruling of the RTC

In a Decision[10] dated January 31, 2011, the trial court recomputed the initial valuation of Land Bank due to the bank's failure to reconsider the other relevant factors of sales transactions, cost of acquisition and mortgage value in the computation of just compensation. The trial court noted the bank's disregard of the other mandatory factors in the computation of just compensation due to lack of earnest efforts in ensuring the procurement of the necessary data. In arriving at the total land compensation, the trial court followed the alternative formula of Land Value (LV) = [Capitalized Net Income (CNI) x 0.9] + [Market Value (MV) x 0.1], considering the absence of comparable sales data.[11]

As compensation for the time lost and delay, an award of legal interest was imposed on the difference between the initial deposit of P7,067,426.91 and judicially determined compensation of P18,604,478.00 from September 25, 1996 until full payment of just compensation. The trial court likewise awarded attorney's fees and exemplary damages considering that the petitioners were compelled to litigate in court for the payment of just compensation and to serve as an example for "public good as a form of deterrent to the repetition of this oppressive practice by government agencies." [12] Finally, the RTC ordered the payment of P15,000.00 as Commissioner's fee, in view of the indispensability of the appointment of Commissioners to aid in the judicial determination of just compensation.[13]

The dispositive portion of the RTC ruling reads:

WHEREFORE, premises considered, the Court finds for the Petitioners, and hereby DIRECTS the Respondent Land Bank to pay the following: (1) the remaining balance of the just compensation to the Petitioners in the amount of Eleven Million Five Hundred Thirty-Seven Thousand Four Hundred Seventy-Eight Pesos (P11,537,478.00), with legal interest of 12% per annum reckoned from September 25, 1996 up to the time when the whole amount is actually paid; (2) to pay attorney's fees in the amount of Fifty Thousand Pesos (P50,000.00); (3) exemplary damages in the amount of One Hundred Thousand Pesos (P100,000.00); (4) unpaid Commissioner's fees in the amount of Fifteen Thousand (P15,000.00); and (5) cost of suit.

SO ORDERED.[14]

Ruling of the CA

In a Decision[15] dated April 20, 2012, the CA affirmed with modification the decision of the trial court. While the CA upheld the applied formula in determining the land valuation, the CA nonetheless deleted legal interest due to the absence of any delay in the payment of just compensation. The appellate court likewise deleted the award of exemplary damages and attorney's fees in the absence of bad faith on the part of Land Bank. The dispositive portion of the decision reads:

WHEREFORE, premised considered, the petition is PARTLY GRANTED. The January 31, 2011 Decision of the [RTC] Branch 32 of Dumaguete City is AFFIRMED with MODIFICATION. The award of 12% interest,

one hundred thousand pesos (PhP 100,000.00) exemplary damages and fifty thousand pesos (PhP 50, 000.00) attorney's fees shall be DELETED.

SO ORDERED.[16]

Discontented, Land Bank filed its Petition for Review on Certiorari before this Court entitled as "Land Bank of the Philippines v. Lucila Yared, Heirs of Ernesto Yared, Sr. "[17] disputing the decision of the CA. On July 30, 2012, the Court denied the petition for failure to sufficiently show any reversible error in the assailed CA decision to warrant the exercise of the Court's discretionary appellate jurisdiction. On December 18, 2012, the denial of the petition became final and executory.[18]

Meanwhile, the petitioners filed a Motion for Reconsideration before the CA on May 28, 2012 but the same was denied in a Resolution dated July 3, 2014. Hence, this present petition.

The Issue

The lone issue before the Court is whether or not legal interest shall be imposed on the unpaid balance of P11,537,478.00 reckoned from the time of taking until full payment of just compensation.

Ruling of the Court

The petitioners allege that the CA erred when it deleted the award of legal interest on the unpaid balance of just compensation despite the incurred delay on the part of the government. They argue on the imposition of legal interest on the payment of unpaid balance of just compensation, following the Court's decisions in Apo Fruits Corporation, et al. v. Land Bank of the Philippines,[19] Land Bank of the Philippines v. Rivera, et al.,[20] Land Bank of the Philippines v. Santiago, Jr.[21] and Land Bank v. Nable.[22]

In its Comment, Land Bank disputes the award considering the absence of delay upon immediate deposit of P7,067,426.91 on September 25, 1996. In the same way, Land Bank stressed on the earned interest of the deposited amount of just compensation, thus, there is no more reason to grant additional interest.

The petition is granted.

The concept of just compensation has long been settled by the Court as the full and fair equivalent of the property which must be paid to the owners of the land within a reasonable time from its taking.[23] This is because without prompt payment, "compensation cannot be considered "just" inasmuch as the property owner is being 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." [24]

In Republic of the Philippines, et al. v. Judge Mupas, et al.,[25] the Court elucidated that just compensation does not only refer to the full and fair equivalent of the property taken; it also means, equally if not more than anything else, payment in full without delay. It is presumed that there is delay if the government failed to pay the property owner the full amount of just compensation on the date of taking. Accordingly, to equalize the effect of losing the income-generating potential of the property, the Court imposed an interest on the unpaid compensation from the time of taking until full payment.[26]

Similar ruling on the imposition of interest was concurred with in the 2010 Resolution of Apo Fruits:[27]

[I]f property is taken for public use before compensation is deposited with the court having jurisdiction over the case, the final compensation must include interest[s] on its just value to be computed from the time the property is taken to the time when compensation is actually paid or deposited with the court. In fine, between the taking of the property and the actual payment, legal interests] accrue in order to place the owner in a position as good as (but not better than) the position he was in before the taking occurred.

While 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.[28] (Emphasis Ours)

The Court recognizes that the owner's loss is not limited to his property alone but includes its income-generating potential. The government, upon its taking of the landholding, must properly compensate the landowner through its payment of the full valuation of the property with imposition of legal interest. This is the only way to achieve a fair exchange for the property and the potential income loss of the landowner.[29]

In the recent case of *Land Bank v. Phil-Agro Industrial Corporation*,[30] the Court explained that the award of interest is in the nature of damages for delay in payment which makes the obligation on the part of the government one of forbearance to ensure prompt payment of the value of the land and limit the opportunity loss of the owner.

From the foregoing, the Court agrees with the trial court that the petitioners have been painstakingly waiting for a very long time for the payment of their property. Land Bank could have expedited the proceedings had it considered all the relevant factors mandated by law in its determination of just compensation. To make the matters worse for the petitioners, DARAB ordered Land Bank to recompute the property valuation only to revert back to the initial valuation of P7,067,426.91 after for more than six years of inaction. Clearly, these factual circumstances fall within the purview of the contemplated delay in just compensation.

In contrast, the Court cannot subscribe to the contention of Land Bank that there is no need to impose additional interest on just compensation since the deposited amount of initial valuation is already earning interest since 1996. It is worth stressing that while indeed there was an immediate deposit of partial payment in the name of the petitioners, it is significant to point out that 21 years have already passed since the taking of the property. A lost opportunity in the interest-earning potential of the difference between the initial valuation and final amount adjudged is too substantial to be considered as the full requirement of just compensation.

As to the rate of imposable interest and reckoning period, the Court concurs with the recent jurisprudential doctrines imposing legal interest on just compensation reckoned from the time of taking. In

Land Bank v. Edgardo Santos,[31] an interest of 12% per annum on the unpaid balance of the just compensation reckoned from the time of taking was imposed due to delay in the payment of just compensation to the landowner; the obligation to compensate the landowners is deemed to be an effective forbearance on the part of the State.[32]

In *Land Bank v. Kho*[33] as further affirmed in *Heirs of Pablo Feliciano v. Land Bank*[34] and *Land Bank v. Heirs of Jose Tapulado*,[35] the Court provided a guideline in the award of interest in expropriation cases in line with the amended interest rate pursuant to *Bangko Sentral ng Pilipinas-Monetary Board (BSP-MB) Circular No. 799*, series of 2013, as affirmed in *Nacar v. Gallery Frames, et al.*[36] As held:

3. Interest may be awarded as may be warranted by the circumstances of the case and based on prevailing jurisprudence. In previous cases, the Court has allowed the grant of legal interest in expropriation cases where there is delay in the payment since the just compensation due to the landowners was deemed to be an effective forbearance on the part of the State. Legal interest on the unpaid balance shall be pegged at the rate of 12% p.a. from the time of taking on May 27, 2002 until June 30, 2013 only. Thereafter, or beginning July 1, 2013, until fully paid, the just compensation due the landowners shall earn interest at the new legal rate of 6% p.a. in line with the amendment introduced by *BSP-MB Circular No. 799*, series of 2013.

Similar rulings were upheld in *Land Bank v. Miguel Omengan*[37] and *Land Bank v. Dalauta*[38] imposing an interest on just compensation or the balance thereof with a rate of 12% per annum from the time of taking until June 30, 2013. Thereafter, the rate of six percent (6%) interest per annum shall be imposed until full payment, pursuant to the modification introduced by BSP-MB Circular No. 799 as affirmed in *Nacar*.

Applying the foregoing jurisprudence, an interest rate of 12% per annum shall be imposed on the amount of P11,537,478.00 representing the difference between the initial deposit of P7,067,426.91 and actual compensation as judicially determined to be P 18,604,478.00 reckoned from September 25, 1996 until June 30, 2013. Thereafter, an interest rate of six percent (6%) per annum shall be imposed until full payment.

WHEREFORE, after judicious review of the records, the Court resolves to DIRECT the respondent Land Bank of the Philippines to pay the remaining balance of P11,537,478.00 at a rate of twelve percent (12%) legal interest per annum from September 25, 1996 until July 30, 2013 and at a rate of six percent (6%) legal interest per annum from July 1, 2013 until full payment of just compensation.

SO ORDERED.

Carpio (Chairperson), Peralta, Perlas-Bernabe, and Caguioa, JJ., concur.

[1] Rollo, pp. 5-26.

[2] Penned by Associate Justice Abraham B. Borreta, with Associate Justices Edgardo L. Delos Santos and Nina G. Antonio-Valenzuela, concurring; id. at 34-46.

[3] Penned by Judge Roderick A. Maxino; id. at 55-75.

[4] AN ACT INSTITUTING A COMPREHENSIVE AGRARIAN REFORM PROGRAM TO PROMOTE SOCIAL JUSTICE AND INDUSTRIALIZATION, PROVIDING THE MECHANISM FOR ITS IMPLEMENTATION, AND FOR OTHER PURPOSES. Approved on June 10, 1988.

[5] Rollo, pp. 55(B)-56.

[6] Id. at 35 and 56.

[7] Id. at 35-36 and 56.

[8] Id. at 57.

[9] Id. at 57-58.

[10] Id. at 55(B)-75.

[11] Id. at 70-72.

[12] Id. at 74-75.

[13] Id. at 75.

[14] Id. at 75.

[15] Id. at 34-46.

[16] Id. at 45.

[17] Id. at 86.

[18] Id.

[19] 647 Phil. 251 (2010).

[20] 705 Phil. 139 (2013).

[21] 696 Phil. 142 (2012).

[22] 689 Phil. 524 (2012).

[23] Apo Fruits Corp. v. Court of Appeals, 543 Phil. 497, 519 (2007); Republic of the Philippines, et al. v. Judge Mupas, et al., G.R. No. 181892, April 19, 2016, 790 SCRA 217.

[24] Apo Fruits Corp. v. Court of Appeals, id. at 525.

[25] G.R. No. 181892, April 19, 2016, 790 SCRA 217.

[26] Id.

[27] Supra note 19.

[28] Id. at 273-274.

[29] Land Bank of the Philippines v. Avanceña, G.R. No. 190520, May 30, 2016, 791 SCRA 319, citing Heirs of Tantoco, Sr. v. CA, 523 Phil. 257, 278 (2006), Land Bank of the Philippines v. Heirs of Jesus Alsua, 753 Phil. 323 (2015), Secretary of the Department of Public Works and Highways, et al. v. Sps. Tecson, 758 Phil. 604, 635 (2015), Land Bank of the Philippines v. Obias, et al., 684 Phil. 296, 304 (2012).

[30] G.R. No. 193987, March 13, 2017.

[31] G.R. No. 213863, January 2016, 782 SCRA 441.

[32] Id. at 462.

[33] G.R. 214901, June 15, 2016, 793 SCRA 651.

[34] G.R. No. 215290, January 11, 2017.

[35] G.R. No. 199141, March 8, 2017.

[36] 716 Phil. 267 (2013).

[37] G.R. No. 196412, July 19, 2017.

[38] G.R. No. 190004, August 8, 2017.

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