

LAND BANK OF THE PHILIPPINES PETITIONER, VS. ORLANDO R. BALDOZA AND HEIRS OF SPOUSES JAIME R. BALDOZA AND VIOLETA BALDOZA, NAMELY: VINCENT BALDOZA, JUAN BALDOZA, CATHERINE BALDO...

G.R. No. 221571. July 29, 2019

Ponente: REYES, J. JR., J.

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REYES, J. JR., J.:

Assailed before this Court, through a Petition for Review on Certiorari[1], are the Decision[2] dated February 18, 2015 and Resolution[3] dated October 29, 2015, of the Court of Appeals-Cebu City (CA) in CA-G.R. CEB SP No. 06200, which reversed and set aside the ruling of the Regional Trial Court of Dumaguete City, Branch 32, sitting as a Special Agrarian Court (RTC-SAC).

The Relevant Antecedents

Orlando Baldoza (Baldoza) is the owner of one-half undivided portions of Lot No. 42, GSS-620[4] and Lot No. 49, GSS-620[5], situated in Cabcaban, Manjuyod, Negros Oriental. The undivided one-half portions of Lot Nos. 42 and 49 are owned in common by the heirs of Spouses Jaime Baldoza and Violeta Baldoza (Heirs of Baldoza).[6] Baldoza and the Heirs of Baldoza are hereafter collectively referred to as respondents.

On September 2, 2005, respondents offered that their lots be placed under the coverage of the Comprehensive Agrarian Reform Program (CARP). Such offer was duly accepted by the Department of Agrarian Reform (DAR). Pursuant to the voluntary offer for sale (VOS) by respondents, DAR acquired the aforementioned lots.[7]

Per Claims Valuation and Processing Form[8] dated October 9, 2008, the Land Bank of the Philippines (petitioner) fixed the initial valuation of Lot No. 42 with an area of 20.8788 hectares in the amount of P2,832,691.23 while Lot No. 49 with an area of 22.6958 hectares was valued at P2,018,008.99. The total amount of said lots amounted to P4,850,700.22.[9]

On the bases of the valuations made by the petitioner, DAR offered to buy the subject lots. However, respondents refused to accept the offer as they maintained that the initial valuation was way below the fair, reasonable, and just compensation of the lots. Thus, respondents elevated the determination of just compensation of the subject lots before the DAR Adjudication Board (DARAB) of the Province of Negros Oriental.[10]

Ruling against the respondents, the DARAB affirmed the valuation of the petitioner in an Order[11] dated February 27, 2009. Respondents sought the reversal of the valuation by filing a Motion for Reconsideration, but the same was denied in an Order[12] dated July 3, 2009.

Aggrieved, respondents filed a petition for determination of just compensation before the RTC-SAC.[13]

The RTC-SAC sought the aid of the Commissioners, after agreement of the parties, in ascertaining all factors in properly valuating the subject lots. Subsequently, the Commissioners considered the valuation factors taking into

account Republic Act (R.A.) No. 6657, as amended, and the Philippine Valuation Standards with the aim of approximating as close as possible the definition of highest and best use of the property which is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued. In this regard, the Commissioners took the average of the subject lots' selling price for sugar and molasses in the course of three years (from 2008 to 2011). Hence, the valuation amounted to P6,852,695.86. Moreover, an interest of 12% was imposed.[14]

Based on the findings and recommendation of the appointed Commissioners, the RTC-SAC, in a Decision[15] dated June 29, 2011 resolved in this wise:

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 Two Million One Thousand Nine Hundred Ninety-Five and 64/100 Pesos ([PhP]2,001,995.64) with legal interest of 12% per annum, reckoned from August 18, 2009 up to the time when the whole amount is actually paid; and (2) its share in the Commissioners' fees in the amount of [PhP]30,000.00. Finally, Petitioners are likewise directed to pay its share in the Commissioners' fees in the same amount.

SO ORDERED.[16]

The Motion for Reconsideration filed by petitioner was denied in an Order[17] dated July 22, 2011.

In a petition for review filed before the CA, petitioner impugned the RTC-SAC's ruling on the valuation of the property, the imposition of legal interest, and payment of commissioners' fees.[18]

Resolving the issues in favor of the petitioner, the CA granted the petition and affirmed the previous order of the DARAB in a Decision[19] dated February 18, 2015. The CA likewise deleted the imposition of interest but retained the liability of the respondent to pay commissioners' fees.

The CA took note of the difference in valuation in the Capitalized Net Income (CNI) of the subject lots. To properly value said lots, the CA instead, used the average of the latest available 12-month selling price, which is in accordance with Administrative Order (A.O.) No. 5 of the DAR. Moreover, the CA deleted the 12% interest on the amount of just compensation in the absence of delay on the part of petitioner. Finally, as to the payment of commissioners' fees, the CA remanded the case to the RTC-SAC as the records are devoid of proof as to the actual number of days that the Commissioners spent in relation to the case. The fallo thereof provides:

WHEREFORE, the Petition for Review is hereby GRANTED. The Decision of the RTC-SAC dated June 29, 2011 in Civil Case No. 2010-14518 is REVERSED and SET ASIDE. A new one is entered as follows:

1. AFFIRM the Order of the DARAB dated February 27, 2009 in DARAB CASE NO. VII-LV407-NO-09 and DARAB CASE NO. VII-LV- 408-NO-09;
2. DELETE the imposed twelve percent (12%) interest on just compensation determined;
3. REMAND the instant case to the Regional Trial Court for the determination of the Commissioners' fees in compliance with prescribed rules.

SO ORDERED.[20]

In a Resolution[21] dated October 29, 2015, the CA denied the separate Motions for Reconsideration, respectively, filed by the parties.

Seeking to find relief from this Court, petitioner filed a Petition for Review on Certiorari, contending its liability to pay commissioners' fees.

The Issue

The sole issue in this case is whether or not petitioner, an entity performing a governmental function, is liable to pay commissioners' fees in an agrarian expropriation proceeding.

The Court's Ruling

Generally, "fees" is defined as charge fixed by law or by an institution for certain privileges or services. Among those fees exacted for the rendition of services by the court in connection with an action instituted before it is commissioners' fees.[22]

Section 16, Rule 141 of the Rules of Court (Rules) deemed commissioners' fees as compensation to be received by the appointed commissioners in eminent domain proceedings for the time actually and necessarily employed in the performance of their duties and in making their report to the court.

In eminent domain proceedings under the Rules, the appointment of commissioners is mandatory.[23] However, in agrarian expropriation proceedings under R.A. No. 6657 as in this case, the appointment of commissioners is discretionary on the part of the court or upon the instance of any of the parties.[24]

In both cases, these fees are considered as part of the costs of the proceedings.[25]

Unlike in the Rules, R.A. No. 6657 does not categorically identify the party responsible for the payment of commissioners' fees. However, this gap was supplied by Section 57[26] of R.A. No. 6657 which states that the Rules shall apply suppletorily in agrarian reform proceedings, including the exercise of the State of its eminent domain power.

Relevantly, Section 12 of Rule 67 of the Rules categorically identifies that the "plaintiff is the party responsible for the payment of the commissioners' fees as part of the costs of the proceedings, to wit:

SEC. 12. Costs, by whom paid. — The fees of the commissioners shall be taxed as a part of the costs of the proceedings. All costs, except those of rival claimants litigating their claims, shall be paid by the plaintiff, unless an appeal is taken by the owner of the property and the judgment is affirmed, in which event the costs of the appeal shall be paid by the owner.

Considering that this provision is based on expropriation under the Rules, it is the Republic of the Philippines (Republic) which is referred to as the "plaintiff for it undoubtedly initiates complaints for eminent domain. The Republic files such complaint for the determination of its authority to exercise the power of eminent domain and the propriety of its exercise in the context of the facts involved in the suit. After the court has determined that the Republic has the right to exercise said power, the determination of just compensation shall proceed.[27]

However, in agrarian expropriation cases, the owner of the property may voluntarily offer to sell his land as sanctioned in DAR A.O. No. 03, series of 1989. Appropriately, the initial case filed with the RTC-SAC is not for the determination of the propriety of the exercise of the power of eminent domain, but for the resolution of the proper valuation of the property if the landowner disagrees with the findings of the DAR, thus:

Through a notice of voluntary offer to sell (VOS) submitted by the landowner, accompanied by the required documents, the DAR evaluates the application and determines the land's suitability for agriculture. The [Land Bank of the Philippines] likewise reviews the application and the supporting documents and determines the valuation of the land. Thereafter, the DAR issues the Notice of Land Valuation to the landowner. In both voluntary and compulsory acquisition, where the landowner rejects the offer, the DAR opens an account in the name of the landowner and conducts a summary administrative proceeding. If the landowner disagrees with the valuation, the matter may be brought to the [RTC] acting as a [SAC]. This in essence is the procedure for the determination of just compensation.[28] (Citation omitted)

Clearly, the "plaintiff in this case is not the Republic, but the landowner who refuses to accept the property's valuation by the DAR.

Be that as it may, the Rules shall govern, considering its suppletory application to all proceedings before the SAC.

Thus, the respondents in this case shall pay the costs of commissioners' fees as they are the parties who filed a case for the determination of just compensation after being discontented with the initial valuation of the DARAB.

Nonetheless, in view of the nature of commissioners' fees as part of the costs of suit, petitioner is exempt from paying the same as held in the 2013 case of *Land Bank of the Philippines v. Atty. Gonzales*,^[29] to wit:

x x x the role of LBP in the CARP is more than just the ministerial duty of keeping and disbursing the Agrarian Reform Funds. As the Court had previously declared, the LBP is primarily responsible for the valuation and determination of compensation for all private lands. It has the discretion to approve or reject the land valuation and just compensation for a private agricultural land placed under the CARP. In case the LBP disagrees with the valuation of land and determination of just compensation by a party, the DAR, or even the courts, the LBP not only has the right, but the duty, to challenge the same, by appeal to the Court of Appeals or to this Court, if appropriate.

It is clear from the above discussions that since LBP is performing a governmental function in agrarian reform proceeding, it is exempt from the payment of costs of suit as provided under Rule 142, Section 1 of the Rules of Court. (Emphasis supplied, citation omitted)

This, rule was sustained in the 2014 case of *Land Bank of the Philippines v. Ibarra*.^[30]

Once again, this Court clarifies that under Section 1,^[31] Rule 142 of the Rules, petitioner, as an entity performing a governmental function in agrarian reform proceeding, is exempt from payment of costs of suit, including commissioners' fees as the same are considered part thereof.

While this Court recognizes that after *Atty. Gonzales*, there are still cases ordering petitioner to pay commissioners' fees. However, it bears stressing that these cases did not delve into the propriety of petitioners' liability to pay for the same. In *Apo Fruits Corporation v. The Hon. Court of Appeals*,^[32] the issue on commissioners' fees was actually the correctness of the adjudged amount; and in *Yared v. Land Bank of the Philippines*,^[33] such issue was never raised at all. Even the case cited by the CA, which is *Land Bank of the Philippines v. Nable*,^[34] is misplaced because like in *Apo Fruits*, the issue was the correctness of the amount of commissioners' fees.

Hence, this Court disagrees with the ruling of the CA in ordering both parties to pay for the commissioners' fees.

However, as to the amount thereof, this Court affirms the ruling of the CA insofar as the remand of the case is concerned for the proper computation of said fees.

WHEREFORE, premises considered, the petition is hereby GRANTED. Accordingly, the Decision dated February 18, 2015 and the Resolution dated October 29, 2015 of the Court of Appeals-Cebu City in CA-G.R. CEB SP No. 06200 pertaining to the liability of petitioner Land Bank of the Philippines to pay commissioners' fees are REVERSED and SET ASIDE.

Respondents Orlando R. Baldoza and Heirs of Spouses Jaime R. Baldoza and Violeta Baldoza, namely: Vincent Baldoza, Juan Baldoza, Catherine Baldoza, Joan Baldoza and Girlie Baldoza, are LIABLE to pay commissioners' fees.

The case is REMANDED to the Regional Trial Court of Dumaguete City, Branch 32, sitting as a Special Agrarian Court, for the determination of commissioners' fees strictly in accordance with Section 12, Rule 67 and Section

16, Rule 141 of the Rules of Court.

No pronouncement as to costs.

SO ORDERED.

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

[*] Also spelled as "Jo-an Baldoza" in some parts of the rollo.

[**] Also referred to as "Girly Baldoza-Bugtai" in some parts of the rollo.

[1] Rollo, pp. 3-20.

[2] Penned by Associate Justice Gabriel T. Ingles, with Associate Justices Marilyn B. Lagura-Yap and Jhosep Y. Lopez, concurring; id. at 21-40.

[3] Id. at 44-50.

[4] A parcel of land containing an area of 20.8788 hectares, more or less and bounded as follows: North-Lot 41-A; South-Lots 45 and 46; East- Lot 41-B; and West- Lots 03 and 44; Id. at 22.

[5] A parcel of land containing an area of 22.6958 hectares, more or less, situated in Cabcaban, Manjuyod, Negros Oriental, bounded as follows: North- Lots 95 and 46; South- Lots 50 and 88-A; East- Lot 51 and a creek; and West- Lot 89-A-5; id.

[6] Id. at 22-23.

[7] Id. at 23.

[8] Id. 151-157.

[9] Id. at 23.

[10] Id.

[11] Id. at 170-172.

[12] Id. at 173-175.

[13] Id. at 179-184.

[14] Id. at 24 and 25.

[15] Penned by Judge Roderick A. Maxino; id. at 119-134.

[16] Id. at 134.

[17] Id. at 135.

[18] Id. at 27-28.

[19] Supra note 2.

[20] Id. at 39-40.

[21] Supra note 3.

[22] OCA Circular No. 125-2014.

[23] *Evergreen Manufacturing Corporation v. Republic*, G.R. No. 218628 & 218631, September 6, 2017, 839 SCRA. 200, 217.

[24] Sec. 58. Appointment of Commissioners. – The Special Agrarian Courts, upon their own initiative or at the instance of any of the parties, may appoint one or more commissioners to examine, investigate and ascertain facts relevant to the dispute, including the valuation of properties, and to file a written report thereof with the court.

[25] *Id.*

[26] SEC. 57. Special Jurisdiction. – The Special Agrarian Courts shall have original and exclusive jurisdiction over all petitions for the determination of just compensation to landowners, and the prosecution of all criminal offenses under this Act. The Rules of Court shall apply to all proceedings before the Special Agrarian Courts, unless modified by this Act.

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[27] *National Power Corporation v. Posada*, 755 Phil. 613, 624 (2015).

[28] *Mateo v. Department of Agrarian Reform*, 805 Phil, 707, 722 (2017).

[29] 711 Phil. 98, 119 (2013).

[30] 747 Phil. 691 (2014).

[31] SEC. 1. Cost ordinarily follow results of suit. – Unless otherwise provided in these rules, cost shall be allowed to the prevailing party as a matter of course, but the court shall have power, for special reasons, to 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.

[32] 565 Phil 418, 445-446 (2007).

[33] G.R. No. 213945, January 24, 2018.

[34] 689 Phil. 524 (2012).

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