



Republic of the Philippines
Supreme Court
Manila

Mis-DC Batt
MICHAEL DOMINGO C. BATTUNG III
Deputy Division Clerk of Court
Third Division

APR 26 2018

THIRD DIVISION

LANDBANK OF THE PHILIPPINES,
Petitioner,

G.R. No. 187423

Present:

VELASCO, JR., J.,
Chairperson,
BERSAMIN,
LEONEN,
MARTIRES, and
GESMUNDO, JJ.

- versus -

EDNA MAYO ALCANTARA and
HEIRS OF CRISTY MAYO
ALCANTARA,
Respondents.

Promulgated:

February 28, 2018
Mis-DC Batt

X ----- X

RESOLUTION

MARTIRES, J.:

Petitioner Land Bank of the Philippines (*LBP*) assails,¹ by way of a petition for review by certiorari² the Decision³ dated 31 October 2008 and the Resolution⁴ dated 8 April 2009, of the Court of Appeals (*CA*) in CA-G.R. SP No. 99852, whereby the appellate court affirmed with modification the Decision⁵ dated 3 April 2007, and the Order⁶ dated 4 July 2007, of the Regional Trial Court of Lucena City (*RTC*), sitting as Special Agrarian Court (*SAC*) in Civil Case No. 99-134.

¹ *Rollo*, pp. 14-48.

² Under Rule 45 of the Rules of Court.

³ *Rollo*, pp. 57-70; penned by Associate Justice Normandie B. Pizarro, and concurred in by Associate Justices Edgardo P. Cruz and Fernanda Lampas Peralta.

⁴ *Id.* at 71-72.

⁵ *Rollo*, pp. 134-142; penned by Judge Norma Chionglo-Sia.

⁶ *Id.* at 143-145.

The assailed ruling involves the determination of just compensation for a piece of agricultural land acquired by the government in 1998 for the Comprehensive Agrarian Reform Program (*CARP*) under Republic Act (*R.A.*) No. 6657.⁷ The SAC determined that just compensation for the land was ₱2,267,620.00, a valuation based on its fair market value. The CA sustained this determination. LBP insisted before the CA, as it insists before this Court, that the valuation should be based on the basic formula set by the Department of Agrarian Reform (*DAR*) in its pertinent administrative orders; hence, just compensation for respondents' land should be ₱1,210,252.96.

We required⁸ the parties to file their respective comment and reply. They complied.⁹

THE FACTS

Respondents, Edna Mayo Alcantara and the heirs of Cristy Mayo Alcantara,¹⁰ were the registered owners of the subject agricultural land, which is located in Barangay Tamisian,¹¹ Municipality of Tiaong, Quezon Province (*Tiaong*). The land was originally composed of 34.0807 hectares¹² and was covered by Transfer Certificate of Title No. T-211445.

On 9 February 1998, the DAR issued a Notice of Land Valuation and Acquisition over 22.6762 hectares of the land.¹³ LBP, the financial intermediary of the CARP, thus gave its valuation for the acquired portion, namely ₱1,210,252.96, in accordance with DAR Administrative Order (*A.O.*) No. 6, series of 1992, as amended by A.O. No. 11, series of 1994 (*DAR A.O. No. 6, series of 1992, as amended*). The amount was deposited in respondents' name on 24 March 1998.¹⁴

Respondents did not question their land's acquisition¹⁵ but disagreed with its valuation. They filed a protest with the DAR Adjudication Board, Region IV (*DARAB*),¹⁶ which then began to conduct summary proceedings for the preliminary determination of just compensation, in accordance with

⁷ Also known as the Comprehensive Agrarian Reform Law.

⁸ *Rollo*, p. 232.

⁹ *Id.* at 250-263, Comment; *Id.* at 274-281, Reply.

¹⁰ *Id.* at 134; the Special Agrarian Court in its Decision refers to them as "Edna Alcantara Mayo" and "Cristy Alcantara Mayo."

¹¹ *Id.* at 58; in TCT No. T-211445, the location of the agricultural land is also named as Barrio Quipot. *Id.* at 134.

¹² *Id.* at 58.

¹³ *Id.* at 135.

¹⁴ *Id.* at 58 and 189.

¹⁵ *Id.* at 173.

¹⁶ *Id.* at 167; docketed as DARAB Case No. V-0408-031-98 and titled "In the Matter of Land Valuation of Agricultural Land Under Compulsory Acquisition owned by Christie & Edna A. Mayo with Title No. T-211445 Located at Tamisian, Tiaong, Quezon."

the primary jurisdiction conveyed unto DAR by Section 16 (d)¹⁷ of R.A. No. 6657.¹⁸

The Ruling of the DARAB

During the summary proceedings, respondents filed a motion for a re-valuation of the subject land, this time in accordance with DAR A.O. No. 5, series of 1998.¹⁹ The re-valuation came up with a figure that was significantly reduced: ₱976,875.85.²⁰

On 16 August 1999, the DARAB rendered a decision²¹ upholding the valuation of LBP. It found that respondents had failed to present clear and convincing evidence to support their protest; on the other hand, LBP established all the factors necessary for a valuation based on DAR A.O. No. 6, Series of 1992, as amended. Incidentally, the DARAB noted that the re-valuation respondents had requested was prejudicial to them.²²

The Proceedings and Ruling of the SAC

With the administrative determination not in their favor, respondents sought the judicial determination of just compensation. They filed a complaint,²³ dated 8 September 1999, before the SAC, naming the DAR and

¹⁷ Section 16 (d) of R.A. No. 6657 states:

Section 16. *Procedure for Acquisition of Private Lands.* — For purposes of acquisition of private lands, the following procedures shall be followed:

x x x x

(d) In case of rejection or failure to reply, the DAR shall conduct summary administrative proceedings to determine the compensation for the land requiring the landowner, the LBP and other interested parties to submit evidence as to the just compensation for the land, within fifteen (15) days from the receipt of the notice. After the expiration of the above period, the matter is deemed submitted for decision. The DAR shall decide the case within thirty (30) days after it is submitted for decision.

¹⁸ *Rollo*, p. 20.

¹⁹ Also known as the Revised Rules and Regulations Governing the Valuation of Lands Voluntarily Offered or Compulsorily Acquired Pursuant to R.A. No. 6657.

²⁰ *Rollo*, p. 167.

²¹ Id. at 167 to 169; Penned by Provincial Adjudicator Marcocheo S. Camporedondo. The dispositive of the DARAB Decision reads:

WHEREFORE, premises considered, judgment is hereby rendered:

1. Dismissing the instant protest for lack of merit;
2. Ordering the Land Bank of the Philippines to pay herein landowner the amount of One Million Two Hundred Ten Thousand Two Hundred Fifty-Two Pesos & Ninety-Six Centavos (P1,210,252.96) as just compensation of the 22.6762 hectares, more or less, covered by TCT No. T-21145; and
3. Ordering further the Clerk of the Board to cause the immediate transmission of the Claim Folder to DAR Operations for further appropriate action.

²² Id. at 168.

²³ Id. at 170-174.

LBP as defendants. In the complaint, they reiterated that just compensation for their agricultural land should be based on its fair market value and fixed at ₱2,267,620.00.²⁴

In their Answer,²⁵ the DAR and LBP pointed out that their valuation abided by DAR A.O. No. 6, Series of 1992, as amended.

Trial on the merits ensued.

Respondents' evidence included the testimonies of Renato Robles, the husband of respondent Cristy Mayo Alcantara; Nelia V. Cortez, the Municipal Assessor of Tiaong; Victor Vasquez, a businessman who purchases coconut tree trunks at Brgy. Tamisian; and Nicasio Gutierrez, a Coconut Conservation Officer at the Philippine Coconut Authority (PCA). The husband testified that the subject land was planted with coconut, mango, and banana trees; the coconut trees, numbering around 3,200, were believed to be 100 years old. He averred that respondents had rejected LBP's valuation because, at the time, a prospective buyer was offering ₱100,000.00 to ₱120,000.00 per hectare for the property.²⁶ The municipal assessor testified, among others, that in 1998 the Barangay Council of Brgy. Tamisian issued a *Kapasiyahan Blg. 4* fixing the selling price for coconut lands in Brgy. Tamisian at ₱100,000.00 per hectare.²⁷ On cross-examination, she averred that she had visited the subject property and saw that it had been "converted" into a subdivision with electricity and cemented roads. For his part, the businessman testified that the prevailing price of coconut trees in the area if sold as lumber was ₱750.00 per tree.²⁸

Finally, the Coconut Conservation Officer testified that he assessed the state of the coconut trees in the landholdings of Edna Mayo Alcantara in Brgy. Tamisian. At a distance of 8 by 8 meters in between the trees, the number of trees on the property should average at 150 to 160 trees per hectare. Many of these were 100 years old, thus ancient yet productive as lumber. There were also many newly planted trees, about four years old, on the property; respondents' farmer-tenants had requested the seedlings from the PCA nursery. On cross-examination, the officer answered that these newly planted trees outnumbered the old trees.²⁹

LBP presented two witnesses: Januarío Bondad, Chief of the Field Investigation Division of the Agrarian Operations Center of LBP in Los Baños, who testified on the findings of the field investigation LBP had

²⁴ Id. at 173-174.

²⁵ Id. at 180-183

²⁶ Id. at 135-136.

²⁷ Id. at 136-137.

²⁸ Id. at 138.

²⁹ Id.



caused to be conducted on the subject land; and Desideria Leonor, bank personnel, who testified as to how LBP had computed its valuation. Both averred that the valuation was based on the income approach, which involved the probable income that a tenant beneficiary could generate out of the land.³⁰

LBP also presented the Field Investigation Report, which contained data on the average annual production per hectare and the net income of the subject land. The SAC summarized these data as follows:

The average number of coconut trees is 120 trees per hectare intercropped with bananas at 400 hills per hectare. The average annual production per hectare of the subject property is: palay (40 cav.), cocos (12,000 nuts) and bananas (36,000 pcs) and the net income per hectare is: palay (P12,000.00), cocos (P12,000.00) and bananas (P10,800.00). The fifth page of the same report gives the unit values per SUMV (schedule of unit market value): cocal with banana P26,250.00 (3rd class), unirrigated Riceland P24,500.00 (1st class) and banana land P26,250.00 (3rd class).³¹

Several other documents were also offered to prove, among others, that LBP's valuation made use of data obtained from the PCA and the Department of Agriculture, including data on the coconut production (whole nut and copra) and farmgate prices of the subject property.³²

After trial, the SAC ruled in respondents' favor. We quote below the pertinent portions of its decision:

Considering the evidence in this case, the Court finds that the computation of the Land Bank based on the production data or income approach of the coconut land of [respondents] would not result in just compensation for the landowner, since, as the PCA Conservation Officer observed, there were many trees the age of which was from 70 to 100 years old, and were therefore senile and unproductive but were in fact productive as coco lumber (TSN of 17 March 2005, p. 5). Verily, the income approach will not result in just compensation for the property owner, since the trees are no longer fruit-bearing but can command a higher price for other purposes. As a matter of fact, as the Municipal assessor pointed out on the witness stand, the property has been converted into a subdivision, and the subdivision lots are now sold at P30 to P40 per square meter. By simple mathematical computation, this would total P300,000 to P400,000 per hectare ASIDE from income derived from the sale of the coconut trunks as coco lumber.

x x x x



³⁰ Id. at 139-140.

³¹ Id. at 139.

³² Id. at 187-189.

The Government cannot insist on adopting a uniform policy of production income in computing the remuneration for property under coverage of the CARP. To do so in this case will be anomalous and will result in a definite disadvantage to the landowner and forfeit his right to obtain for his property just compensation that is “substantial, and ample”, in the words of the Supreme Court. The fact that the property is now a subdivision shows that the income approach is no longer relevant, because the land, which is no longer productive has in fact increased its value three hundredfold, when converted to other uses.

There is evidence in this case that in Brgy. Tamisian where [respondents’] property is located [at] Barangay Kapasiyahan Blg. 4 places the price of coconut land at P100,000.00 per hectare including improvements. If we multiply the 22.6762 hectares of plaintiffs by P100,000.00 per hectare we arrive at the amount of P2.2676 million.

WHEREFORE, in view of the foregoing considerations, the valuation of [respondents’] property by the Land Bank in the amount of P1,210,252.96 based on the income approach is hereby set aside and valuation therefor based on the fair market value, is fixed at **P2,267,600.00** for the 22.6762 hectares as the just compensation for [respondents’] property. The amount shall earn interest reckoned from the notice of land valuation and acquisition on February 9, 1998.³³

LBP filed a motion for reconsideration.³⁴ It was denied. In the order denying the motion, the SAC gave a more detailed presentation of the rationale behind its ruling. We thus quote the order in full:

Before the [c]ourt is [d]efendant Land Bank’s motion for reconsideration of this [c]ourt’s decision finding just compensation for [respondents’] property in the amount of P2,267,600.00 from Land Bank’s finding of P1,210,252.96, on the main contention that the Decision does not conform with Administrative Order No. 5, series of 1998 of the DAR, nor Sec. 17 of R.A. 6657.

The formula under DAR A.O. No. 5, series of 1998 states:

$$LV = (CNI \times 0.60) + (CS \times 0.30) + (MV \times 0.10)$$

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 the three factors are present, relevant and applicable.

The [c]ourt finds however that the land subject of this case is no longer productive, as the trees are over 100 years old and are more

³³ Id. at 141-142.

³⁴ Id. at 146-153; Motion for Reconsideration.

productive if utilized as coconut lumber that as a matter of fact the property at present has been converted or part thereof converted into a subdivision.

The [c]ourt finds therefore, that gauged by the above formula, the CNI (capitalized net income) and comparable sales (CS) are not present, and therefore, the formula cannot be considered relevant nor applicable.

On the other hand, Sec. 17 of R.A 6657 provides as follows:

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 assessments made by the government assessors, should 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.

Kapasiyahan Blg. 4 of Barangay Tamisian closely approximates the requirement of "current value of like properties" specified above, testified to by Nelia Cortez, Municipal Assessor of Tiaong, Quezon, for no less than 21 years.

The [c]ourt finds her testimony forthright and unbiased and finds that she has a working knowledge of the duties and functions of her office as she cites the revisions of tax declarations and their specific dates. Her testimony, however, that the price per square meter of the property now a subdivision is now P20 to P30 was not followed by the [c]ourt because a) there is no evidence as to how big a portion of the 22 hectares has been converted into such a residential subdivision, and b) the compensation should be reckoned indeed at the time of taking and not at the time of its enhancement.

The land was taken at the time of coverage while it was agricultural land. On the estimate of the number of coconut trees found by the [c]ourt, the [c]ourt took particular notice that it was Land Bank's evidence (Exh. 4) that the average number of coconut trees per hectare is 150 and not only 120.

The [c]ourt takes judicial notice of the fact that at 8 meters distance between the trees, a hectare may be planted to an average of 200 coconut trees.

Kapasiyahan Blg. 4 of the Barangay Tamisian submitted to the Municipal Assessor of Tiaong, Quezon, is a more accurate estimation of the current value of property in Brgy. Tamisian regardless of the age of the trees as the valuation was culled from the different landowners and barangay captains who have firsthand knowledge of the situation in their barangays.

A.O. No. 5 Series of 1998 itself recognizes in its prefatory statement that just compensation is mandated by the Constitution (Art.



XIII, par. 3 no. 4) that both Proclamation No. 131 and R.A 6657 provides that the principle in Agrarian Reform is “a more equitable distribution and ownership of land, with due regard to the rights of landowners to just compensation” that under Supreme Court jurisprudence, just compensation is the fair market value of the land or the price at which a buyer will pay without coercion and a seller will accept without compulsion.

The Administrative Order admits that valuation is “not an exact science but an exercise fraught with inexact estimates. What is important, it emphasizes, is that the land value approximates as closely as possible, what is broadly considered to be just.”

The [c]ourt finds in this case, that the blind application of the formula under A.O. 5, series of 1998 will not result in just compensation for the landowner. At hindsight, it will even encourage the cutting of the trees sans government supervision, by landowners and farmworkers alike. Just Compensation, as stressed in the case of Association of Small Landowners vs. Sec. of Agrarian Reform (175 SCRA 343) “is the full and fair equivalent of the property taken from its owner... the equivalent to be rendered for the property shall be real, substantial, full, ample.”

The motion for reconsideration is therefore DENIED as it veers away from the very intent of Sec. 17 of R.A. 6657 and considering that the factors set down by Administrative Order No. 5, Series of 1998 are no longer obtaining in view of the conditions of the property at the time of taking.³⁵


Unsatisfied with the SAC’s determination of just compensation, LBP filed an appeal³⁶ with the appellate court.

The Ruling of the CA

The CA affirmed the SAC’s ruling on the amount of just compensation but modified the ruling on the payment of interest. It held:

WHEREFORE, the assailed dispositions are **AFFIRMED with MODIFICATION**. The award of twelve percent (12%) interest per annum shall only be imposed on the deficiency or the difference between the amount of the just compensation assigned by the Regional Trial Court, Br. 56 of Lucena City, Quezon, in its April 3, 2007 decision, and the amount already paid to the Private Respondents, computed from April 29, 1998 until the amount due is fully paid. No costs.³⁷

LBP’s motion for reconsideration was denied.³⁸ Hence, the present petition.



³⁵ Id. at 143-145.

³⁶ Id. at 100-133; filed under Rule 42 of the Rules of Court dated 10 August 2007, and docketed as CA-G.R. SP No. 99852.

³⁷ Id. at 69.

³⁸ Id. at 73-87.

The Petition for Review

Before this Court, LBP posits that the CA erred, first, in upholding the amount of just compensation as determined by the SAC and, second, in ordering the payment of interest. It proposes the issues to be resolved in this review as:

1. Whether or not the valuation factors under Section 17 of RA 6657 and the legal formula provided for under DAR A.O. No. 6, series of 1992, as amended by DAR A.O. No. 11, series of 1994, are MANDATORY insofar as lands acquired under R.A. No. 6657 are concerned; and
2. Whether or not interest on the compensation can still be validly imposed when prompt payment had already been made.³⁹

To support its positions on these issues, LBP reasserts that it had observed the basic formula for the valuation of CARP lands set in DAR A.O. No. 6, Series of 1992, as amended, which formula corresponds to the valuation factors of Section 17, R.A. No. 6657. LBP thus computed its valuation for the subject land in this wise:⁴⁰

7.05. The aforesaid administrative orders, which have the force and effect of law, were observed by LBP in computing the value of the subject property using the following formula:

$$LV = (CNI \times 0.9) + (CS \times 0.3) + (MV \times 0.1)$$

LV = Land Value
CNI = Capitalized Net Income
CS = Comparable Sales
MV = Market Value per Tax Declaration

The above formula shall be used if all of the three factors are present, relevant and applicable.

A.1 When the CS factor is not present and CNI and MV are applicable, the formula shall be:

$$LV = (CNI \times 0.9) + (MV \times 0.1)$$

A.2 When the CNI factor is not present, and CS and MV are applicable, the formula shall be:

$$LV = (CS \times 0.9) + (MV \times 0.1)$$

A.3 When both CS and CNI are not present, and only MV is applicable, the formula shall be:

$$LV = MV \times 2$$



³⁹ Id. at 23.

⁴⁰ Id. at 25-27.

7.06. Following the above formula, the total value of the subject property amounted to **₱1,210,252.96**, computed as follows:

For Cocal/Banana Land

Area = 21.3687 has.
 CNI = ₱58,401.71/ha.
 MV = ₱24,208.80/ha.

ULV/ha = (CNI x 0/90) + (MV x 0.10)
 = (₱58,401.71 x 0.90) + (₱24,208.80 x 0.10)
 = ₱52,561.54 + ₱2,420.88
 = ₱54,982.42/ha.

LV = ULV/ ha. x area
 = ₱54,982.42 x 21.3687 has.
 = **₱1,174,902.84**

For Banana Land

Area = 1.0075 has
 CNI = ₱13,495.62/ha.
 MV = ₱24,208.80/ha.

ULV/ha = (CNI x 0.90) + (MV x 0.10)
 = (₱13,495.62 x 0.90) + (₱24,208.80 x 0.10)
 = ₱12,146.06 + ₱2,420.88
 = **₱14,566.94/ha.**

LV = ULV/ ha. x area
 = ₱14,566.94 x 1.0075 has.
 = **₱14,676.19**

For Unirrigated Riceland

Area = 0.3000 has.
 CNI = ₱73,489.58/ ha.
 MV = ₱22,594.88/ ha.

ULV/ha = (CNI x 0.90) + (MV x 0.10)
 = (₱73,489.58 x 0.90) + (₱22,594.88 x 0.10)
 = ₱66,140.62 x ₱2,259.49
 = ₱68,913.11/ha

LV = ULV/ ha. x area
 = ₱68,913.11 x 0.3000 has.
 = **₱20,673.93**

Summary of Computation:

Cocal/Banana Land = ₱1,174,902.84

Banana Land = ₱14,676.19

Unirritaged Riceland = ₱20,673.93

TOTAL = ₱1,210,252.96⁴¹ (emphasis in the original)

⁴¹ Id. at 25-27.

LBP emphasizes that it has the expertise in the valuation of CARP lands. In the absence of grave error, its findings are entitled to great respect and considered binding on the courts.⁴² Moreover, just compensation in the realm of agrarian reform is different from that in eminent domain. Expropriation for agrarian reform is an act of both eminent domain act and police power; hence, the amount of just compensation under agrarian reform may be made less than the appropriated land's market value.⁴³ The amount of just compensation determined by the SAC for respondents' land was excessive; at any rate, the determination was based solely on the fair market value, in disregard of the factors in Section 17 of R.A. No. 6657, which were translated into the basic formula in DAR A.O. No. 6, series of 1992, as amended. The SAC's ruling was thus not in accord with jurisprudence, specifically *LBP v. Spouses Banal*,⁴⁴ *LBP v. Celada*,⁴⁵ and *LBP v. Luz Lim*.⁴⁶ These decisions underscore that courts should not readily disregard the DAR basic formula.⁴⁷

Finally, LBP opines that the order to pay interest has no legal basis as there was no delay in the payment of just compensation in this case.⁴⁸ Further, the ordered interest amounted to an unwarranted *additional* interest, viz:

7.23. The amount that was deposited by LBP in the name of respondents (representing the compensation that was rejected) already earned interest based on the nature of the deposit: ((a) the cash portion earned interest at the highest prevailing rate from the date of deposit or booking pursuant to existing DAR order and LBP policies; and (b) the bond portion which earned interest aligned with 91-day treasury bill rates from the date of the DAR order to deposit pursuant to Sec. 18 (4) (a) of RA 6657. Thus:

Sec. 18. Valuation and Mode of Compensation. x x x

(4) LBP bonds, which shall have the following features:

- a) Market interest rates aligned with 91-day treasury bill rates. Ten percent (10%) of the face value of the bonds shall mature every year from the date of issuance until the tenth (10th) year: Provided, That should the landowner choose to forego the cash portion, whether in full or in part, he shall be paid correspondingly in LBP bonds."*

7.24. Outside of the legislated interest on LBP bonds and the normal banking interest rates on savings for cash deposit, there is no obligation on the part of the LBP or the Government to pay interest. In

⁴² Id. at 27.

⁴³ Id. at 31.

⁴⁴ 478 Phil. 701 (2004).

⁴⁵ Phil. 467 (2006).

⁴⁶ 555 Phil. 831 (2007).

⁴⁷ *Rollo*, pp. 35-40.

⁴⁸ Id. at 44-46.

other words, the interest earning for the deposited compensation is clearly defined by law, thus, there is no need to impose additional interest. "*The interest earnings accruing on the deposit account of landowners would suffice to compensate them pending payment of just compensation.*"⁴⁹ (emphasis, italics and underlining in the original)

In fine, LBP prays that the assailed ruling be annulled and set aside, that its own valuation be upheld, and that the order to pay interest be deleted.⁵⁰

Comment and Reply

Respondents insist in their comment that neither the CA nor the SAC had ignored DAR A.O. No. 6, Series of 1992, as amended, inasmuch as the SAC had "meticulously looked into the factors affecting the valuation" of the subject land.⁵¹

Interestingly, respondents also present the following views.

DAR A.O. No. 6, Series of 1992, as amended, was issued solely for the purpose of the *initial* determination of the *value* of a land under CARP, but not its just compensation.⁵² The level of details contained in the order being clerical, the order should be directed towards administrative personnel only, as it was intended to guide the DAR and LBP, but not the courts.

There is nothing in said administrative order that would justify the view that it is binding on the courts. The determination of just compensation for CARP could only be made in a judicial proceeding, which is governed by the Rules of Court. The idea that the SAC is bound to use the procedure and the manner of computation contained in the DAR administrative orders would render the provisions of the Rules of Court inapplicable and ineffective. While it is true that said administrative orders are entitled to great respect, to insist on their mandatory application on the courts would be to support an unconstitutional exercise of the DAR's rule-making powers. Courts cannot rigidly apply the administrative orders without negating a judicial function, i.e., the fixing of just compensation. Hence, the SAC was fully justified in arriving at its own independent valuation. At any rate, as shown by the evidence during trial, the valuation proposed by LBP would not result into just compensation for respondents.⁵³



⁴⁹ Id. at 41-42 citing *LBP v. Wycoco*, 464 Phil. 83 (2004).

⁵⁰ Id. at 47.

⁵¹ Id. at 254.

⁵² Id. at 256.

⁵³ Id. at 255.

In its reply, LBP reiterates that the SAC had contravened the law as it based its valuation solely on the fair market value.⁵⁴

ISSUE

While our ruling in this case would resolve an issue that has a pragmatic result, i.e., whether the just compensation for respondents' agricultural land is ₱2,267,600.00, as determined by both the SAC and the CA; or ₱1,210,252.96, as computed by LBP and sustained by the DARAB, the essential issue to be resolved under Rule 45 of the Rules of Court is whether or not there is reversible error with the ruling of the CA. As the appellate court had upheld the ruling of the SAC, this essential issue pivots, in turn, on whether the SAC had reversibly erred in rejecting LBP's valuation for the subject agricultural land. Thus, the decisive issue is whether the SAC had reversibly erred in rejecting the basic formula contained in DAR A.O. No. 6, series of 1992, as amended, for the valuation of a CARP land. Said differently, the issue is whether the valuation proposed by LBP for respondents' land is the just compensation contemplated by law for CARP lands.

OUR RULING

There is merit in the petition. It is partially granted.

The points the parties raise are nothing new, having been previously passed upon by the Court. We conduct the present review in the light of *Alfonso v. LBP*,⁵⁵ by which this Court, sitting En Banc, reaffirmed an established jurisprudential rule, viz, that until and unless declared invalid in a proper case, the basic formulas contained in DAR administrative orders partake of the nature of statutes; hence, courts have the positive legal duty to consider, and not disregard, their use and application in the determination of just compensation for agricultural lands covered by R.A. No. 6657. The Court proceeded to elaborate upon this rule by likewise reaffirming the following guidelines:

First, in determining just compensation, courts are obligated to apply both the compensation valuation factors enumerated by the Congress under Section 17 of R.A. No. 6657 and the basic formula laid down by the DAR. x x x [.]
x x x x

Second, the formula, being an administrative regulation issued by the DAR pursuant to its rule-making and subordinate legislation power under R.A. No. 6657, has the force and effect of law. Unless declared

⁵⁴ Id. at 275-277.

⁵⁵ G.R. Nos. 181912 & 183347, 29 November 2016.

invalid in a case where its validity is directly put in issue, courts must consider their use and application. x x x [.]

x x x x

Third, courts, in the exercise of their judicial discretion, may relax the application of the formula to fit the peculiar circumstances of a case. They must, however, clearly explain the reason for any deviation; otherwise, they will be considered in grave abuse of discretion. x x x [.]

x x x x

When acting within the parameters set by the law itself, the RTC-SACs, however, are not strictly bound to apply the DAR formula to its minute detail, particularly when faced with situations that do not warrant the formula's strict application; they may, in the exercise of their discretion, relax the formula's application to fit the factual situations before them. They must, however, clearly explain the reason for any deviation from the factors and formula that the law and the rules have provided.

The situation where a deviation is made in the exercise of judicial discretion should at all times be distinguished from a situation where there is utter and blatant disregard of the factors spelled out by law and by the implementing rules. For in [the latter case], the RTC-SAC's action already amounts to grave abuse of discretion for having been taken outside of the contemplation of the law.⁵⁶

As its decision and order make plain,⁵⁷ the SAC deviated from, nay rejected, the formula set by the DAR in the subject administrative orders. The CA joined the SAC in the rejection, as may be seen from the following passage in the decision presently assailed:

The RTC's computation being different from the [LBP's] does not make the same erroneous. It is explicit in DAR AO No. 6 that land valuation is not an exact science but an exercise fraught with inexact estimates requiring integrity, conscientious and prudence on the part of those responsible for it. The determination of just compensation cannot simply be arrived at by strict reliance on the formula laid down in the administrative orders. The formula used by [LBP] as basis for the computation serves only as a guideline and that the ultimate determination of just compensation must be made by the courts. Otherwise, to adhere to the formula mechanically would be to abdicate a duty placed in the courts of determining the question of just compensation. 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.⁵⁸ x x x



⁵⁶ See also *Mateo et al. v. DAR, et al.*, G.R. No. 186339, 15 February 2017.

⁵⁷ *Rollo*, pp. 143-145.

⁵⁸ *Id.* at 65-66.

Following the guidelines reaffirmed in *Alfonso*, the next point of inquiry therefore is whether the courts *a quo*, principally the SAC, presented a clear explanation for its deviation from the DAR formula.

Parenthetically, we note at this juncture that per LBP's averments, the formula it had used to come up with its valuation was the formula in DAR A.O. No. 6, series of 1992, as amended. However, the SAC, particularly in its Order dated 4 July 2007, stated that LBP had used the formula in DAR A.O. No. 5, series of 1998. This is puzzling. LBP is consistent in averring that it had used the formula in DAR A.O. No. 6, series of 1992, as amended. We see this in its answer before the SAC and in the present petition. The DARAB seconds this averment.⁵⁹ We consider also that LBP's valuation, namely ₱1,210,252.96, is the figure that demonstrably results from the detailed mathematical computation it pleads before this Court, which follows the formula in DAR A.O. No. 6, series of 1992, as amended. In any case, this conflict between the SAC and LBP as to the formula the latter had used is, of course, of no moment in this review. Following *Alfonso*, what is material is that the courts *a quo* had deviated from the DAR formula, and are therefore charged, more than the usual, with presenting an acceptable explanation for the deviation—or, following the words of the recent case of *LBP v. Heirs of Tañada and Ebarle*,⁶⁰ a well-reasoned justification for the deviation as supported by the evidence on record.

In the main, the SAC presents two explanations for the deviation: *first*, that respondents' land is "no longer productive, as the trees are over 100 years old and are more productive if utilized as coconut lumber,"⁶¹ and, *second*, that the land has already been converted into a subdivision, increasing its value "three hundredfold."⁶² These circumstances, the SAC reasoned out, render the use of the DAR formulas in the valuation of respondents' land anomalous as well as disadvantageous to landowners.⁶³

We are unable to accept these explanations. They are neither well-reasoned nor supported by the evidence on record.

We are at a loss as to how the SAC came to conclude that respondents' land is no longer productive. In its decision, it gave a summary of the testimonial evidence it had received at trial. But as may be seen from the same summary, none of the witnesses testified that the land was no longer productive. The testimonial refrain was that "many" of the trees on the land were old; the SAC may have found such testimony to indicate that the land is no longer productive. But "many" does not mean "all." Neither

⁵⁹ Id. at 178.

⁶⁰ G.R. No. 170506, 11 January 2017.

⁶¹ *Rollo*, p. 143.

⁶² Id. at 142

⁶³ Id.

should old mean infertile. At any rate, the testimony of one of respondents' own witnesses, the Coconut Conservation Officer, militates against the SAC's conclusion. The PCA officer testified as to two significant points: *first*, that tenants had planted new coconut trees on the land, with seedlings obtained from the PCA nursery; and *second*, that these newly planted trees outnumbered the old. With reason, it may be believed that tenants had planted new trees with a mind towards the subject landholding's continuing fertility. Indeed, among the documentary evidence presented at trial was LBP's Field Investigation Report, which the SAC had likewise summarized in the decision. This report contains data on the land's average annual production and net income per hectare, which were generated by its palay, coconut, and banana output. Do these uncontroverted data not contradict the rather sweeping view that the subject property is no longer agriculturally productive?

We go now to the second explanation, *viz*, that the subject land had been "converted" from agricultural to residential. To arrive here, the SAC appears to have relied solely on the testimony of the municipal assessor who, in turn, said quite simply that she had visited the property and saw that it had already been converted into a subdivision with electricity and cemented roads. Despite what said witness may have in fact seen, however, the available records do not indicate that the DAR Secretary had authorized the alleged conversion.⁶⁴ The same records also do not indicate the existence of a zoning ordinance reclassifying said land as to lawfully allow the establishment of a residential subdivision thereon.⁶⁵ Neither were these decisive facts pleaded before this court. The subject land's alleged conversion to a residential subdivision, therefore, is poorly supported. Why the SAC relied solely on the verbal say-so of the municipal assessor is puzzling.

On this note, it should also be said, if only in passing, that if it were true that the *land use* of the subject agricultural land – the acquisition of which for purposes of the state's agrarian reform program was *fait accompli* – was converted to residential pending the determination of its just compensation, then what we have here is a gravely anomalous situation. Such conversion would be antithetical to the agrarian reform program, to say the very least.

At any rate, its alleged conversion should not have any bearing in the determination of the subject property's just compensation. The government cannot be compelled to pay for a CARP land the price that it would have fetched in the competitive residential real estate market. It goes without saying, there is nothing in R.A. No. 6657 or in the pertinent DAR

⁶⁴ See R.A. No. 6657, Section 65.

⁶⁵ See R.A. No. 7160, Section 20.

administrative issuances that authorizes that the just compensation for a CARP land should be based exclusively on its market value.

Which brings us to another point. In its determination of just compensation in this case, the SAC made no use of any calculation or formula. The special court relied, quite simply, on respondents' valuation, which in turn was based on a 1998 issuance of the Barangay Council of Brgy. Tamisian. In the said issuance, the council members agreed that the selling price for the coconut lands in their barangay would be ₱100,000.00 per hectare.⁶⁶ The SAC did not discuss how the council came up with this figure, other than vaguely stating that said figure was "culled" from the landowners and the barangay captains of the area who ostensibly had firsthand knowledge "of the situation in their barangays."⁶⁷

In fine, the SAC failed to present a well-reasoned justification, as supported by the evidence on record, for why it deviated from the DAR formula. Hence, it ruled in blatant disregard of the factors spelled out in Section 17 of R.A. No. 6657. The SAC's valuation in this case must be struck down as illegal and set aside.

However, the Court cannot readily adopt LBP's valuation as the just compensation in this case.

We are aware that in coming up with its valuation, LBP followed the formula in DAR *A.O.* No. 6, Series of 1992, as amended. We are also aware that the DARAB had concurred with and sustained this valuation. In the *Heirs of Lorenzo and Carmen Vidad v. LBP*,⁶⁸ however, we decreed that LBP's valuation must be substantiated before it could be considered as sufficiently in accord with Section 17 of R.A. No. 6657 and the DAR administrative orders. It is also settled that the valuation of the property should be pegged at the time *of its taking*, not of the filing of the complaint, pendency of the proceedings, or rendition of judgment.⁶⁹

In this case, the court is unable to confirm from the available records that the data LBP had used for its valuation are timely data, i.e., data reasonably obtaining at the time of the taking of the property. There is no declaration in the present petition that such data were gathered in 1998 or within a proximate data-gathering period prior thereto. More to the point, most of the data contained in the documents LBP included in its *Formal Offer of Documentary Evidence* in Civil Case No. 99-134 are undated. To illustrate, we quote from the subject *Formal Offer*:⁷⁰

⁶⁶ *Rollo*, pp. 136-137.

⁶⁷ *Id.* at 144.

⁶⁸ 634 Phil. 9 (2010).

⁶⁹ *LBP v. Heirs of Spouses Encinas*, 686 Phil. 48, 55 (2012).

⁷⁰ *Rollo*, pp. 187-188.

Exhibits	Description	Purpose
x x x x		
“3”	Average Coconut Production (wholenut)	Offered for the purpose of showing that PCA data on production and farmgate prices were used in the valuation of LOs property.
“4”	Average Coconut Production (copra terms)	
“5”	Farmgate Prices of wholenuts; all 3 are certified by the Acting Provincial Coconut Development Manager	
“6”	Certification signed by Municipal Agriculturist Pedro R. Gayeta on monthly production of different crops.	Offered for the purpose of showing that Dept. of Agriculture data were used in the valuation of other improvements found on LOs property.
“7”	Certification of same official on monthly ave. farmgate price for different crops.	
“8”	General Revision 1997 data from the Provincial Assessor of Quezon signed by Assistant Provincial Assessor Isagani C. Atienza.	Offered to prove that assessors data were used in the valuation of plaintiff LOs property and improvements.
“9”	Schedule of Market Values classified into different crops, productivity and location adjustment from the Provincial Assessor’s Office.	Offered to prove that Land Bank used data from concerned government agencies as called for under RA 6657, in land valuation.
x x x x		

A question thus arises on whether the data LBP had utilized in order to come up with the values necessary for its computation of just compensation were reasonably obtaining during the time of the taking of the subject agricultural land. In which case, LBP’s valuation has not been sufficiently substantiated. A remand of this case to the SAC is thus necessary, so that the special court may determine just compensation that is in full accordance with the basic formula in DAR A.O. No. 6, series of 1992, as amended.

We go now to the issue regarding interest. Interest may be awarded as warranted by the circumstances of the case and based on prevailing jurisprudence. In previous cases, the Court allowed the grant of legal interest in expropriation cases where there was 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.⁷¹ In this case, there was no delay in the payment. To recall, the *Notice of Land Valuation and Acquisition* was issued over the subject property on 9 February 1998.⁷² On 24 March 1998, LBP

⁷¹ *Mateo v. DAR, et al.*, supra note 56.

⁷² *Rollo*, p. 135.


deposited the said amount in respondents' name.⁷³ Hence, the order for LBP to pay interest is not warranted and must be annulled and set aside.

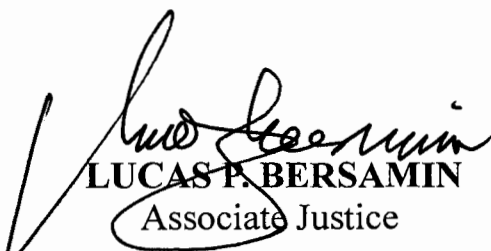
WHEREFORE, premises considered, the petition is **PARTIALLY GRANTED**. The Decision dated 31 October 2008 and the Resolution dated 8 April 2009 of the Court of Appeals in CA-G.R. SP No. 99852 are **REVERSED** and **SET ASIDE**. The case is **REMANDED** to the Regional Trial Court of Lucena City, sitting as Special Agrarian Court, to determine the just compensation in Civil Case No. 99-134 strictly in accordance with Section 17 of Republic Act No. 6657 and Department of Agrarian Reform Administrative Order No. 6, series of 1992, as amended by Department of Agrarian Reform Administrative Order No. 11, series of 1994, and in consonance with prevailing jurisprudence. Specifically, and towards this purpose, the Special Agrarian Court is directed to conduct summary proceedings to ascertain if the data presented by petitioner Land Bank of the Philippines for the determination of just compensation were data gathered in 1998 or within a proximate data-gathering period prior thereto.

SO ORDERED.


SAMUEL R. MARTIRES
 Associate Justice

WE CONCUR:


PRESBITERO J. VELASCO, JR.
 Associate Justice
 Chairperson


LUCAS P. BERSAMIN
 Associate Justice



MARVIC M.V.F. LEONEN
 Associate Justice

⁷³ Id. at 58 and 189.


ALEXANDER G. GESMUNDO
 Associate Justice

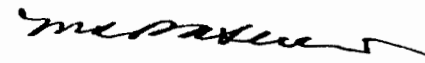
ATTESTATION

I attest that the conclusions in the above Resolution had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.


PRESBITERO J. VELASCO, JR.
 Associate Justice
 Chairperson, Third Division

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution and the Division Chairperson's Attestation, I certify that the conclusions in the above Resolution had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.


MARIA LOURDES P. A. SERENO
 Chief Justice

CERTIFIED TRUE COPY

Mis. DDC Batt
MICHAEL DOMINGO C. BATTUNG III
 Deputy Division Clerk of Court
 Third Division

APR 26 2018