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Republic of the Philippines  
Supreme Court  
Manila

*MisrocBatt*  
MISRAEL DOMINIC C. BATTUNG III  
Division Clerk of Court  
Third Division

MAY 07 2021

THIRD DIVISION

LAND BANK OF THE PHILIPPINES,  
*Petitioner,*

G.R. No. 197674

Present:

LEONEN, J.,  
*Chairperson,*  
GESMUNDO,  
CARANDANG,  
ZALAMEDA,\* and  
GAERLAN, JJ.

- versus -

ESPERANZA M. ESTEBAN,  
*Respondent.*

Promulgated:  
September 23, 2020

X-----*MisrocBatt*-----X

DECISION

GAERLAN, J.:

This is a Petition for Review on *Certiorari*<sup>1</sup> under Rule 45 of the Rules of Court, seeking the reversal and setting aside of the Decision<sup>2</sup> dated November 10, 2010 and the Resolution<sup>3</sup> dated July 14, 2011 of the Court of Appeals (CA) in CA-G.R. SP No. 01431. The assailed issuances affirmed the Consolidated Decision<sup>4</sup> dated October 18, 2005 and Order<sup>5</sup> dated November 14, 2006 of Branch 27 of the Regional Trial Court of Tandag, Surigao del Sur in Civil Case No. 1514, for fixing of just compensation.

\* On official leave.

<sup>1</sup> *Rollo*, pp. 3-38.

<sup>2</sup> *Id.* at 42-52; penned by Associate Justice Edgardo T. Lloren and concurred in by Associate Justices Romulo V. Borja and Ramon Paul L. Hernando (now a Member of this Court).

<sup>3</sup> *Id.* at 54-55; penned by Associate Justice Edgardo T. Lloren and concurred in by Associate Justices Romulo V. Borja and Carmelita Salandanan-Manahan.

<sup>4</sup> *Id.* at 104-108; penned by Presiding Judge Ermelindo G. Andal.

<sup>5</sup> *Id.* at 109-112.

### Antecedents

At the core of the instant controversy is an untitled parcel of land identified as Lot 2493, Cad. 537-D, located at Barangay Mahayag, San Miguel, Surigao del Sur, comprising an area of 6.1833 hectares, more or less, and covered by Tax Declaration (TD) No. B-16-12-236<sup>6</sup> in the name of respondent Esperanza M. Esteban (respondent).

Pursuant to Section 64<sup>7</sup> of Republic Act (R.A.) No. 6657 otherwise known as the Comprehensive Agrarian Reform Law of 1988, in relation to Section 74<sup>8</sup> of R.A. No. 3844,<sup>9</sup> petitioner Land Bank of the Philippines (LBP) is the government financial institution established to aid in the implementation of the Comprehensive Agrarian Reform Program (CARP) as well as to act as financial intermediary of the Agrarian Reform Fund.<sup>10</sup>

On June 20, 1994, respondent made a voluntary offer to sell the subject property to the Department of Agrarian Reform (DAR) for said agency's acquisition under R.A. No. 6657 at the price of ₱60,000.00 per hectare or a total of ₱370,998.00. Following its evaluation of the subject property, LBP's Land Valuation Office XI issued on August 16, 1999 its Claims Valuation and Processing Form No. LBP-XI-VO-95-6697<sup>11</sup> setting the just compensation for the subject property at ₱12,295.42 per hectare, or a total amount of ₱76,026.27 based on the following formula:<sup>12</sup>

$$LV = MV \times 2$$

Where:

LV = Land Value

MV = Market Value per Tax Declaration

<sup>6</sup> Id. at 150.

<sup>7</sup> Section 64. Financial Intermediary for the CARP. – The Land Bank of the Philippines shall be the financial intermediary for the CARP, and shall insure that the social justice objectives of the CARP shall enjoy a preference among its priorities.

<sup>8</sup> Sec. 74. *Creation.*—To finance the acquisition by the Government of landed estates for division and resale to small landholders, as well as the purchase of the land-holding by the agricultural lessee from the landowner, there is hereby established a body corporate to be known as the “Land Bank of the Philippines”, hereinafter called the “Bank”, which shall have its principal place of business in Manila. The legal existence of the Bank shall be for a period of fifty years counting from the date of the approval hereof. The Bank shall be subject to such rules and regulations as the Central Bank may from time to time promulgate.

<sup>9</sup> AN ACT TO ORDAIN THE AGRICULTURAL LAND REFORM CODE AND TO INSTITUTE LAND REFORMS IN THE PHILIPPINES, INCLUDING THE ABOLITION OF TENANCY AND THE CHANNELING OF CAPITAL INTO INDUSTRY, PROVIDE FOR THE NECESSARY IMPLEMENTING AGENCIES, APPROPRIATE FUNDS THEREFOR AND FOR OTHER PURPOSES.

<sup>10</sup> *Land Bank of the Philippines v. Livioco*, 645 Phil. 337 (2010).

<sup>11</sup> *Rollo*, pp. 134-137.

<sup>12</sup> Id. at 135.

Respondent, however, rejected LBP's valuation. Thus, she filed a Petition<sup>13</sup> for judicial determination of just compensation with the RTC on November 14, 2002.

During the trial, the RTC constituted a Board of Commissioners (BOC) to examine and appraise the subject property. Thereafter, the BOC recommended the valuation of ₱43,327.16 per hectare, or a total amount of ₱267,907.88, for the subject property.<sup>14</sup>

On October 18, 2005, the RTC rendered judgment in favor of respondent. The trial court noted that, as found by the BOC, the subject property contained five hectares of unirrigated land that had already been planted with *palay* while about one hectare thereof was idle. Thus, the RTC disposed as follows:

WHEREFORE, judgment is hereby rendered in favor of the petitioners and against respondents, determining and fixing the just compensations for petitioners' properties, as follows:

For Lot No. 2493, subject of Civil Case No. 1514, at ₱43,327.16 per hectare or a total of ₱267,907.83 for the entire 6.1833 hectares;

For Lot No. 2665, subject of Civil Case No. 1515, at ₱18,427.50 per hectare or a total of ₱168,251.13 for the entire 9.1306 hectares;

For Lot No. 2636, subject of Civil Case No. 1516, at ₱43,327.16 per hectare or a total of ₱404,632.35 for the entire 9.3390 hectares.

Respondent LBP is ordered to pay to petitioners, within fifteen (15) days from finality of this Decision, the aforesaid amounts, the mode of payments of which shall be in accordance with the provisions of Section 18, Chapter VI of R.A. 6657.

No pronouncement as to cost.

SO ORDERED.<sup>15</sup>

Aggrieved, LBP interposed a petition for review with the CA, asserting that in fixing the amount of just compensation for the subject property at ₱267,907.83, the RTC violated the formula for valuation as stated in DAR Administrative Order (A.O.) No. 5, series of 1998, in connection with Section 17 of R.A. No. 6657.

The CA, however, did not find any merit in LBP's argument. In its herein assailed decision, the appellate court ruled that the formula set forth by DAR for

<sup>13</sup> Id. at 145-149.

<sup>14</sup> Id. at 166.

<sup>15</sup> Id. at 108.

the computation of just compensation is not mandatory; the courts may, in the exercise of judicial discretion, set it aside. Moreover, the CA found credence in the trial court's evaluation of the subject property's location, land use and current sale value of the nearby properties as important factors to be appreciated in arriving at its fair market value. The CA thus decreed:

ACCORDINGLY, the petition is DENIED for lack of merit. The Consolidated Decision dated 18 October 2005 of the court a quo is AFFIRMED insofar as the valuation of Lot No. 2493 is concerned.

SO ORDERED.<sup>16</sup>

LBP moved for reconsideration of the foregoing decision, which the CA denied in its herein assailed resolution dated July 14, 2011.

Hence, the present recourse.

### Issue

This Court is now tasked with resolving whether or not the CA erred in affirming the Decision of the RTC.

### Ruling of the Court

The concept of just compensation was defined by this Court in *Land Bank of the Philippines v. American Rubber Corp.*<sup>17</sup> in the following manner:

This Court has defined "just compensation" for parcels of land taken pursuant to the agrarian reform program as "the full and fair equivalent of the property taken from its owner by the expropriator." The measure of compensation is not the taker's gain but the owner's loss. Just compensation means the equivalent for the value of the property at the time of its taking. It means a fair and full equivalent value for the loss sustained. All the facts as to the condition of the property and its surroundings, its improvements and capabilities should be considered.<sup>18</sup>

In setting the valuation of just compensation for lands that are covered by the Comprehensive Agrarian Reform Law of 1988, as amended, Section 17 thereof provides for the guideposts that must be observed therefor, viz.:

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<sup>16</sup> Id. at 51.

<sup>17</sup> 715 Phil. 154 (2013).

<sup>18</sup> Id. at 169.

SECTION 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.

Succinctly, the factors enumerated under the foregoing provision are: (a) the acquisition cost of the land, (b) the current value of like properties, (c) the nature and actual use of the property, and the income therefrom, (d) the owner's sworn valuation, (e) the tax declarations, (j) the assessment made by government assessors, (g) the social and economic benefits contributed by the farmers and the farmworkers, and by the government to the property, and (h) the non-payment of taxes or loans secured from any government financing institution on the said land, if any, must be equally considered.<sup>19</sup>

In *Alfonso v. Land Bank of the Philippines, et al.*,<sup>20</sup> the Court emphatically made the following pronouncement:

For clarity, we restate the body of rules as follows: The factors listed under Section 17 of RA 6657 and its resulting formulas provide a uniform framework or structure for the computation of just compensation which ensures that the amounts to be paid to affected landowners are not arbitrary, absurd or even contradictory to the objectives of agrarian reform. Until and unless declared invalid in a proper case, the DAR formulas partake of the nature of statutes, which under the 2009 amendment became law itself, and thus have in their favor the presumption of legality, such that courts shall consider, and not disregard, these formulas in the determination of just compensation for properties covered by the CARP. When faced with situations which do not warrant the formula's strict application, courts may, in the exercise of their judicial discretion, relax the formula's application to fit the factual situations before them, subject only to the condition that they clearly explain in their Decision their reasons (as borne by the evidence on record) for the deviation undertaken. It is thus entirely allowable for a court to allow a landowner's claim for an amount higher than what would otherwise have been offered (based on an application of the formula) for as long as there is evidence on record sufficient to support the award.

X X X X

For the guidance of the bench, the bar, and the public, we reiterate the rule: Out of regard for the DAR's expertise as the concerned implementing agency, courts should henceforth consider the factors stated in Section 17 of RA 6657, as amended, as translated into the applicable DAR formulas in their determination of just compensation for the properties covered by the said law.

<sup>19</sup> *Land Bank of the Phils. v. Rural Bank of Hermosa (Bataan), Inc.*, 814 Phil. 157, 165 (2017).

<sup>20</sup> 801 Phil. 217 (2016).

If, in the exercise of their judicial discretion, courts find that a strict application of said formulas is not warranted under the specific circumstances of the case before them, they may deviate or depart therefrom, provided that this departure or deviation is supported by a reasoned explanation grounded on the evidence on record. In other words, courts of law possess the power to make a final determination of just compensation.<sup>21</sup>

Veritably, the courts are not at liberty to deviate from the DAR basic formula, unless such deviations are amply supported by facts and reasoned justification.<sup>22</sup> This formula, as stated in DAR A.O. No. 5, series of 1998, is as follows:

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

Where:

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

The above-stated formula shall be used only if all the three factors, *i.e.*, CNI, CS, and MV, are present, relevant, and applicable. In case one or two factors are not present, the said A.O. provides for alternate formulas.<sup>23</sup> In the instant case, the parties resorted to the alternate formula of:  $LV = MV \times 2$ .

Following a thorough examination of the records, this Court finds that the RTC did not consider all of the factors enumerated in Section 17 of R.A. No. 6657. In the same vein, the LBP's valuation also failed to take into account all of the factors enumerated in the said provision. It also failed to adduce any competent evidence to support its valuation.

Accordingly, in accordance with this Court's ruling in *Alfonso*, a remand of this case for reception of further evidence is necessary in order for the trial court, acting as a special agrarian court, to determine just compensation pursuant to Section 17 of R.A. No. 6657 and the applicable DAR regulations.<sup>24</sup>

**WHEREFORE**, the Decision dated November 10, 2010 and the Resolution dated July 14, 2011 of the Court of Appeals in CA-G.R. SP No. 01431 are hereby **REVERSED** and **SET ASIDE**. Civil Case No. 1514 is **REMANDED** to the Regional Trial Court of Tandag, Surigao del Sur, Branch 27, for reception of evidence on the issue of just compensation in accordance with this ruling.


<sup>21</sup> Id. at 282-322.

<sup>22</sup> *Land Bank of the Philippines v. Prado Verde Corporation*, G.R. No. 208004, July 30, 2018.

<sup>23</sup> *Land Bank of the Phils. v. Heirs of Jesus Alsua*, 753 Phil. 323, 333 (2015).

<sup>24</sup> *Land Bank of the Phils. v. Heirs of Lorenzo Tañada*, 803 Phil. 103, 108-109 (2017).

**SO ORDERED.**

  
**SAMUEL H. GAERLAN**  
Associate Justice

WE CONCUR:

  
**MARVIC M.V.F. LEONEN**  
Associate Justice  
Chairperson


  
**ALEXANDER G. GESMUNDO**  
Associate Justice

  
**ROSMARI D. CARANDANG**  
Associate Justice

*(On official leave)*  
**RODIL V. ZALAMEDA**  
Associate Justice

**ATTESTATION**

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

  
**MARVIC M.V.F. LEONEN**  
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 Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.



**DIOSDADO M. PERALTA**  
Chief Justice

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*MICDOMBATT*  
**MISAELO DOMINGO G. BATTUNGFI**  
Division Clerk of Court  
Third Division

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