



SUPREME COURT OF THE PHILIPPINES
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Republic of the Philippines
Supreme Court
Manila

FIRST DIVISION

**LAND BANK OF THE
PHILIPPINES,**

Petitioner,

-versus-

CORAZON M. VILLEGAS,
Respondent.

G.R. No. 224760

Members:

GESMUNDO, C.J., *Chairperson*,
LEONEN,*
CAGUIOA,
LAZARO-JAVIER, and
LOPEZ, M., JJ.

Promulgated:

OCT 06 2021

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DECISION

LAZARO-JAVIER, J.:

The Case

This petition for review on *certiorari* assails the following dispositions of the Court of Appeals-Cebu City in CA-G.R. SP No. 06731 entitled *Land Bank of the Philippines v. Corazon M. Villegas*:

- 1) **Decision**¹ dated February 17, 2015 affirming the amount of just compensation fixed by the trial court at ₱2,938,448.16; and

* Vice Associate Justice Jhosep Y. Lopez, per Special Order No. 2823-W dated 25 May 2021.

¹ *Rolla*, pp. 43-52, Penned by Associate Justice Jhosep Y. Lopez (now a member of the Court) and concurred in by Associate Justices Gabriel T. Ingles and Marilyn B. Lagura-Yap.

2) **Resolution**² dated April 22, 2016 denying petitioner's motion for reconsideration.

Antecedents

Respondent Corazon M. Villegas is the registered owner of a 11.7182 hectare lot in Hibaiyo, Guihulngan, Negros Occidental under Original Certificate of Title No. FV-12575.³

On April 10, 2003, respondent offered 10.6194 hectares of the property to the government through the Voluntary Offer to Sell (VOS) Scheme *vis-a-vis* the Comprehensive Agrarian Reform Program (CARP). The total area subject of CARP is 10.6194 hectares.⁴ As part of the field investigation (FI), a team comprised of personnel from the Department of Agrarian Reform (DAR) and petitioner Land Bank of the Philippines (Land Bank) conducted an ocular inspection of the property on July 30, 2003.⁵

Petitioner received respondent's Claim Folder (CF) on June 24, 2004. As financial intermediary of CARP and custodian of the Agrarian Reform Fund (ARF),⁶ petitioner computed the value of respondent's property at ₱580,900.08, albeit, respondent rejected the same. The amount, nonetheless, was deposited to respondent's bank account.⁷

Meantime, the Provincial Agrarian Reform Adjudicator (PARAD) of Negros Oriental conducted summary administrative proceedings for the purpose of fixing the preliminary amount of just compensation. Based on the results of the proceedings, PARAD eventually affirmed petitioner's valuation of ₱580,900.08.⁸

On appeal, the Department of Agrarian Reform Adjudication Board (DARAB) increased the valuation to ₱1,831,351.20.⁹

Dissatisfied, petitioner filed an action for determination of just compensation with the Regional Trial Court acting as a Special Agrarian Court (RTC-SAC). The case was raffled to RTC-Branch 32, Dumaguete City.¹⁰

² *Rollo*, pp. 73-75, Penned by Associate Justice Marilyn B. Lagura-Yap and concurred in by Associate Justices Gabriel T. Ingles and Edgardo L. Delos Santos (a retired member of the Court).

³ *CA rollo*, p. 44.

⁴ *Id.*

⁵ *Id.* at pp. 13-14.

⁶ *Id.* at p. 10

⁷ *Id.* at p. 44.

⁸ *Id.* at p. 45.

⁹ *Id.*

¹⁰ *Id.*

Petitioner asserted that the DARAB patently disregarded the results of its actual field investigation and the valuation guidelines under the Department of Agrarian Reform Administrative Orders (DAO).¹¹ After pre-trial, the RTC-SAC ordered the constitution of the Board of Commissioners to aid the court in determining the amount of just compensation for respondent's property.¹²

Recommendation of the Board of Commissioners

The Board of Commissioners applied the formula in DAO No. 5, s. 1998¹³ in determining the value of the property, thus:

$$\text{Land Value}^{14} = (\text{Capitalized Net Income} \times 0.90) + (\text{Market Value} \times 0.10)$$

wherein

$$\text{Market Value} = \frac{\text{Valuation Input}}{\text{x Regional Consumer Price Index}}$$

and

$$\text{Capitalized Net Income} = \frac{\text{Annual Gross Production} \times \text{Selling Price} \times \text{Net Income Rate}^{15}}{\text{Capitalization Rate}}$$

It nevertheless prepared two (2) valuations for the RTC-SAC to choose from:

Option 1: ₱1,833,614.30¹⁶

Option 2: ₱2,938,448.16¹⁷

Both options used the same **Market Value (MV)** of ₱458,084.00.¹⁸

¹¹ *Id.*

¹² RTC *rollo*, p. 255.

¹³ *Id.* at 259.

¹⁴ The default formula of $LV = (CNI \times 0.6) + (CS \times 0.3) + (MV \times 0.1)$ was not utilized in view of the inapplicability of the Comparable Sales (CS) factor.

¹⁵ Whenever the Cost of Operations could not be obtained or verified, the Net Income Rate shall be used.

¹⁶ *Rollo*, p. 263.

¹⁷ *Id.* at 264.

¹⁸ Market Value per tax declaration of P435,360.0 + adjustment of P28,330.00 = P443,880.00
P443,880.00 x RCPI of 1.032 = P458,084.00.

This was based on the property's valuation under Tax Declaration 2003-07-11-01190 which reported that respondent's entire property was composed of 6.50 hectares of sugarland, 1.50 hectares of coccol, and 3.7182 hectares of cornland. The Board of Commissioners also considered the coconut and banana trees planted on the property as improvements for which respondent had to be compensated. The value of the property declared in the tax declaration was grossed up using the **Regional Consumer Price Index (RCPI) Adjustment Factor** in 2004.

Too, in computing for the **Capitalized Net Income (CNI)**¹⁹ for both options, the **Annual Gross Production (AGP)** per hectare was based on the data reported by the Sugar Regulatory Administration – Negros-Panay Area, San Carlos Mill District Office for crop year 2003-2004.²⁰ Meanwhile, the **Net Income Rate (NIR)** for sugar, molasses and corn were also fixed at 26%, 67% and 20%, respectively, based on data from Lopez Sugar Central in Sagay, Negros Occidental.²¹ The **Capitalization Rate (CR)** was pegged at 12%.²² These rates were multiplied by the areas of the property subject to CARP which were actually used as sugarland and cornland, *i.e.* 8 hectares and 2.6914 hectares, respectively.

The difference between the two options, however, is the **Selling Price (SP)** used: Option 1 used the average SP for sugar, molasses and corn for crop year 2003-2004.²³ On the other hand, Option 2 used the average SP for the same products from crop year 2003-2004 until 2010-2011.²⁴ The Board of Commissioners justified the submission of the two (2) options, thus:²⁵

In determining the selling price for sugar, molasses and corn, two dates of reckoning was considered by the Commission as follows:

1. The average of the latest 12 months' selling prices prior to the date of receipt of CF by LBP for processing, such prices to be secured from the Department of Agriculture (DA) and other appropriate regulatory bodies or, in their absence, from the Bureau of Agricultural Statistics (BAS). If possible, SP data shall be gathered for the barangay or the municipality where the property is located. In the absence thereof, SP data may be secured within the province or region.
2. The annual average of the 8 years selling prices from the crop years 2003-2004 to 2010-2011 such prices to be secured from the Sugar Regulatory Administration (SRA) for the province or region where the property is located.

¹⁹ *Rollo*, p. 260.

²⁰ 127.50 lkg/ha for sugar, 2,312 mt/ha for molasses, and 1,500 kg/ha for corn.

²¹ *Rollo*, p. 260.

²² Assumed rate under Item II.B, DAR AO No. 5-98.

²³ P764.56/lkg bag for sugar, P2,326.48/mt for molasses, and P8.4/kg for corn

²⁴ P1,200.89/lkg bag for sugar and P4,753.67/mt for molasses, and P10.28/kg for corn.

²⁵ *Rollo*, pp. 261-262.

Part of the DAR formula contemplated by the Commission considers the abnormal increase in the selling price of sugar and molasses over a period of time that would significantly increase the computed land value vis-à-vis prevailing Fair Market Value (FMV), an issue that has been addressed by JMC No. 15, Series of 1999 in Item III.B.3.c thereof wherein it provided for a review of the Net Income Rates (NIRs) prescribed in the guidelines under the circumstances.

The property was expropriated by the government in September 2004, the issue of just compensation could not be resolved to this day as it continues to be contested in court. It is worthwhile noting that the selling price for sugar and molasses increase substantially beginning with crop year 2005-2006. In 2009-2010 the price doubled and reached P2,000 per LKG bag by 2010-2011 as shown in the price data for Negros Area released by the SRA-MDO (ANNEX G-1 & G-2), a material fact that the Commission cannot ignore nor take for granted. Thus, in light of the foregoing, the Commission presents two (2) opinions of market value that uses the same production data but different dates of reckoning for the farm products' selling price.

Yet the Board of Commissioners ultimately recommended **Option 2**, fixing just compensation at **₱2,938,448.16** for the following reasons, *viz.*:

1. It is in accordance with the CARL and its specific guidelines with the exception of the reckoning date of the selling price; this valuation of the DAR formula is supported by JMC No. 15, Series of 1999 in item III.B.3.c thereof which provides for a review of the net income rates when warranted by significant increase/s in the selling price of sugar and molasses. Such an unusual increase in prices is evidenced by the SRA data attached as ANNEX G-1 and G-2 and is a major contributing factor to the present market value of the property in this case.
2. It is a market supported estimate developed in accordance with Philippine Valuation Standards; and
3. It is in accordance with the constitutional rule on eminent domain that "For compensation to be considered "just" it must not only be the full and fair equivalent of the property taken; it must also be paid to the landowner without delay."²⁶

Ruling of the RTC-SAC

By Decision²⁷ dated February 8, 2012, the RTC-SAC adopted the recommendation of the Board of Commissioners. It opined that the valuation of ₱2,938,448.16 considered all relevant factors and exemplified fairness to both parties. The board did not merely use simple mathematical computation

²⁶ *Id.* at p. 264.

²⁷ *Id.* at pp. 247-269.

in arriving at figures but looked into every aspect of the value of the property pursuant to the guideposts under Section 17 of Republic Act No. 6657.²⁸

It also awarded twelve percent (12%) legal interest per annum of the principal amount less initial deposit of ₱580,900.08, to be reckoned from the time of taking until full payment. Finally, the parties were directed to pay the Commissioners' fee of ₱60,000.00.

Proceedings before the Court of Appeals

On petitioner's appeal via CA G.R. SP No. 06731, the Court of Appeals affirmed under Decision²⁹ dated February 17, 2015. It also denied reconsideration by Resolution³⁰ dated April 22, 2016.

The Present Petition

Petitioner now prays that the foregoing dispositions of the Court of Appeals be reversed and set aside on ground that they allegedly disregarded the guideposts prescribed under DAO No. 5 relative to the determination of just compensation. It posits that the court-appointed commissioners appraised the property, sans their actual ocular inspection of the property. All they did was to improperly apply appraisal methodologies which are not even sanctioned by the CARP Law, DAO No. 5, and relevant jurisprudence. In particular, it argues:

First. The **MV** utilized by the Board of Commissioners was incorrect:

- The valuation was based on Tax Declaration 2003-07-11-01190 which stated that respondent's entire property was composed of 6.50 hectares of sugarland, 1.50 hectares of cocal land, and 3.7182 hectares of cornland. But said tax declaration contradicted the Board of Commissioner's own finding that based on actual use, the 10.6914 hectare property subject to CARP was 8 hectares sugarland and 2.6914 hectares cornland.
- There were no coconuts or banana trees planted on the property. Thus, the compensation for the alleged improvements had no factual basis.
- The **RCPI** for 1999, not 2004 should have been used to gross up the market value of the property.

²⁸ Entitled, "Comprehensive Agrarian Reform Law".

²⁹ *Id.* at pp. 43-52.

³⁰ *Id.* at pp. 73-75.

Second. The **AGP** for July 2002-June 2003 should have been utilized instead of data for crop year 2003-2004.

Third. The Board of Commissioners erred when it based the **NIR** for sugar and molasses from data given by the Lopez Sugar Central. For the **NIR** should be based on where the canes are produced, rather than the place they were milled.

Finally, with respect to the award of twelve percent (12%) interest *per annum* to respondent, petitioner underscores that the imposition of interest in expropriation cases is in the nature of damages for delayed payment, which in effect makes the obligation of the government one of forbearance. Here, there was prompt deposit of the government valuation, albeit, respondent rejected it. Delay, thus, cannot be imputed on the government, hence, interest should not have been imposed. Even assuming that the award of interest was in order, the twelve percent (12%) interest rate had already been lowered to six percent (6%) pursuant to *Bangko Sentral ng Pilipinas Circular No. 799*.

In her Comment,³¹ respondent, substituted by Napoleon Villegas, Jr., defends the assailed dispositions. He emphasizes the rule that the determination of just compensation is a judicial function which the executive and the legislature cannot interfere with. Statutes and issuances fixing the means or formulae by which just compensation may be determined are not binding on the courts. At best, they should be treated as mere guidelines. The valuation fixed by the court - ₱2,938,448.16 is fair, unlike petitioner's grossly inadequate valuation of ₱580,900.08. At any rate, it is erroneous for petitioner to speculate that the board did not consider the factors enumerated by the law in computing the amount of just compensation.

In its Reply,³² petitioner claims that the prescribed formula under *DAO No. 5* is mandatory. Hence, the *RTC-SAC* was not at liberty to disregard the same for so long as it is not declared invalid by a court of law.

Our Ruling

We partly grant the petition.

Preliminarily, under Rule 45 of the Rules of Court, only questions of law may be raised as the Court is not a trier of facts. As a rule, therefore, the Court will not re-examine the evidence, nay, review the factual findings of the courts below. By way of exception, when the judgment is based on

³¹ *Id* at 493-499.

³² *Id.* at 519-527.

misapprehension of facts or when the factual findings of the tribunals below are conflicting,³³ the Court in the exercise of its discretion, may review such factual findings. Here, since the valuation of the PARAD is cogently at variance with the valuation of the RTC-SAC, the Court is constrained to review their respective factual findings.

Determining Just Compensation

a. The applicable formula

The valuation of property or determination of just compensation is essentially a judicial function which is vested with the courts and not with administrative agencies. The RTC-SAC enjoys original and exclusive jurisdiction in determining just compensation for lands acquired for purposes of agrarian reform. Nevertheless, in the exercise of its judicial function to determine just compensation, the RTC-SAC must take into consideration the factors enumerated under Section 17 of RA 6657,³⁴ thus:

Section 17. Determination of Just Compensation. — In determining just compensation, the cost of acquisition of the land, the current value of the 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.

These factors have been translated into a basic formula under item IIA of Administrative Order No. 5, viz.:³⁵

A. There shall be one basic formula for the valuation of lands covered by VOS or CA:

$$LV = (CNI \times 0.6) + (CS \times 0.3) + (MV \times 0.1)$$

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.

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

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

³³ See *Landbank of the Philippines v. Spouses Chu*, 808 Phil. 179, 190 (2017).

³⁴ *Landbank of the Philippines v. Omengan*, 813 Phil. 901, 916 (2017).

³⁵ *Rollo*, p. 259.

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 the CS and CNI are not present and only MV is applicable, the formula shall be:

$$LV = MV \times 2$$

Verily, the default formula is that Land Valuation = (Capitalized Net Income x 0.6) + (Comparable Sales x 0.3) + (Market Value x 0.1). The formula adjusts, however, whenever one or two of the factors other than MV is missing or otherwise inapplicable.

Here, the Board of Commissioners reported that the Comparable Sales (CS) factor is inapplicable, viz.:³⁶

In this particular case, CS was deemed irrelevant or inapplicable as it failed to meet the criteria under II.C.1.a and II.C.2.c of AO No. 5, S. of 1998, as follows:

II.C.1.a As a general rule, there shall be at least three (3) Sales Transactions.

Only one (1) sales transaction (ST) was available (Lot Nos. 6236 and 6297 of Gumercindo M. Villegas, abutting subject Lot No. 5601 with a total area of 12.6394 was expropriated by the government under CARP for ₱1,961,989.95).

II.C.2.c. The comparable sales transactions should have been executed within the period January 1985 to June 15, 1988, and registered within the period January 5, 1985 to September 13, 1988.

The ST was registered on September 29, 2004. (emphases added)

Without the CS factor, the governing formula per DAO No. 5 is:

$$Land\ Valuation = (Capitalized\ Net\ Income \times 0.9) + (Market\ Value \times 0.1)$$

It is settled that the courts cannot disregard the factors and formulas in computing just compensation. They are, nonetheless, given full discretion to relax the application of these factors and formulas when faced with situations which do not warrant the formula's strict application, subject only to the condition that the reason/s for the deviation be clearly explained in their Decision.³⁷

³⁶ *Id.*

³⁷ *Supra* note 33.

b. Computing for the Market Value

b.1. Market Value per Tax Declaration; Nature of the Property

In arriving at the MV of the property of ₱458,084.00, the Board of Commissioners used the following data from Tax Declaration 2003-07-11-01190:³⁸

Crop	Area (Hectares)	Unit Value	Market Value per Tax Declaration
Sugar	6.5000	50,000	325,000.00
Molasses	1.5000	24,000	36,000.00
Corn	3.7182	20,000	74,360.00
Total	11.7182		₱435,360.00
Add: Improvements (Coconut/Banana Trees)			₱36,850.00
Less: Assessor's Adjustment			₱28,330.00
Valuation Input			₱443,880.00

$$\begin{aligned}
 \text{MV} &= \text{Valuation Input} \times \text{RCPI} \\
 &= ₱443,880 \times 1.032 \\
 &= ₱458,084.00
 \end{aligned}$$

The error is apparent. The Board of Commissioners computed for the MV of the **entire 11.7182 hectare property** though **only 10.6914 hectares was subject to CARP**. This translates to an excess application of the MV factor to 1.0268 hectares. To rectify this error, we must adjust the variables in the equation by limiting the area covered to 10.6914 hectares based on the factual findings of the courts below.³⁹

On the one hand, petitioner reported that the subject property was primarily devoted to corn, *i.e.*, 8.3900 hectares; while only 2.3014 hectares was planted with sugarcane. It presented Jereme Regencia (Regencia), its Agrarian Affairs Specialist who was part of the team that did an actual inspection of the subject property. On cross, Regencia admitted that respondent already affixed her signature to the ocular inspection report even *before* the team specified therein the areas devoted to corn and sugarcane. Respondent, thus, signed an incomplete document. Regencia also admitted that petitioner did not consult the Office of the Municipal Agriculture, Office of the Municipal Assessor, and the adjacent landowners in determining the actual land use of respondent's property.

In contrast, respondent asserted that 80% of the land was planted with

³⁸ *Rollo*, p. 263.

³⁹ *Revised Rules and Regulations Governing the Valuation of Lands Voluntarily Offered or Compulsorily Acquired*, DAR Administrative Order No. 05-98:

D.1 In case the area as appearing in the TD differs from the findings per actual FI, the latter FI shall prevail.

D.2 In case the land classification/land use per FI differs from that reflected in the TD, the result of the actual FI shall prevail and the UMV of the land classification per FI shall be obtained from the municipal assessor's office concerned.

x x x x

sugarcane and that they only allowed the tenants to plant corn to supplement their earnings because sugarcane cropping is only good for a period of six (6) months. Respondent, thus, presented (a) the Municipal Agriculturist from Guihulngan who confirmed that 80% of respondent's property is sugarland; (b) the Municipal Agricultural Officer who testified that she is familiar with the subject property which she had periodically visited since 1989. She also affirmed that 80% of the property was devoted to sugarcane while the rest of the area was planted with coconut, corn, mangoes, and other fruit trees; and (c) Gumirsendo Villegas, one of the adjacent landowners and respondent's brother who testified that his landholding was more or less equal to that of respondent and that their properties were planted with sugarcane.

The contrasting values of the parties' respective evidence, as heretofore shown, speak for themselves. The evidence hugely preponderates in favor of respondent's use of the property primarily for sugarcane cropping. We, therefore, sustain the findings below that, of the 10.6914 hectare portion of the property subject to CARP, 8 hectares was sugarland and 2.6914 hectares was cornland.

The finding that there were coconut and banana trees on the property subject to CARP must also be sustained. Surely, petitioner's bare denial of the existence of improvements on the property pales in comparison against the uniform rulings below.

b.2. Regional Consumer Price Index (RCPI)

We, too, agree that the Board of Commissioners applied the correct RCPI based on 2004 instead of 1999 figures. DAO No. 5 ordains:⁴⁰

The RCPI Adjustment Factor shall refer to the ratio of the most recent available RCPI for the month issued by the National Statistics Office **as of the date when the [Claim Folder] was received by LBP from DAR** for processing and the RCPI for the month as of the date/effectivity/registration of the valuation input. Expressed in equation form:

RCPI Adjustment Factor =
$$\frac{\text{Most Recent RCPI for the Month as of the Date of Receipt of CF by LBP from DAR}}{\text{RCPI for the Month Issued as of the Date/Effectivity/Registration of the}}$$

RCPI for the Month Issued as of the Date/Effectivity/Registration of the

⁴⁰ *Id.*

Valuation Input

Here, petitioner received the Claim Folder on June 24, 2004 while the assessment schedule became effective on January 1, 2004. Accordingly:

The most recent RCPI for the month as of the date of Receipt of CF by LBP 6/24/2004= 192.2

The RCPI for the month issued as of the Date of Effectivity of Valuation Input 1/1/2004 = 186.3

$$\text{RCPI Adjustment Factor (RCPI AF)} = \frac{192.2}{186.3} = 1.032$$

So must it be.

b.3. Adjusted Result

In view of the foregoing, we recompute the **MV** of the property thus:

Crop	Area (Hectares)	Unit Value	Market Value per Tax Declaration
Sugar	8.0000	50,000	400,000.00
Corn	2.6914	20,000	53,828.00
Total	10.6914		₱453,828.00
Add: Improvements (Coconut/Banana Trees)			₱36,850.00
Less: Assessor's Adjustment (prorated)			₱25,847.60 ⁴¹
Net Valuation Input			₱464,830.40

$$\begin{aligned} \text{MV} &= \text{Valuation Input} \times \text{RCPI} \\ &= \text{₱}464,830.40 \times 1.032 \\ &= \text{₱}479,704.97 \end{aligned}$$

c. Computing for the Capitalized Net Income

To recall, the CNI has four (4) factors: the AGP, SP, NIR and CR. Multiplying these factors by the area of the property subject to CARP would yield the CNI. Applying this formula, the Board of Commissioners yielded the following figures:⁴²

Crop	AGP	SP	NIR	/CR	CNI/HA	HA	CNI
Sugar	127.5 lkg/ha	₱1,200.89/lkg	0.26	/0.12	₱331,745.86	8.0000	₱2,830,387.68
Molasses	2.312MTt/ha	₱4,753.67/MT	0.67	/0.12	₱61,363.54		
Corn	1,500 kg/ha	₱10.28/kg	0.20	/0.12	₱25,700	2.6914	₱62,252.08
Total						10.6914	₱2,892,639.76

⁴¹ [10.6914has / 11.7182has] x P28,330.00 = P2,482.3986

⁴² Rollo, p. 263.

c.1. Annual Gross Production

Petitioner argues that the Board of Commissioners utilized the incorrect data for AGP. It cites DAO No. 5 which states that the AGP should correspond to the latest available (12) twelve-month gross production immediately preceding the date of field investigation.⁴³ Since the Field Investigation here was conducted on July 30, 2003, then the data for July 2002-June 2003 should have been utilized. As it was, the Board of Commissioners used data from San Carlos Mill District Office for crop year 2003-2004, beyond the covered period. Thus, petitioner's reported AGPs should be applied.⁴⁴

We are not convinced.

Though it may be that the AGP utilized is less than ideal, based as it was on data beyond the covered period, we nevertheless deem it a better approximation than the proposed rates of petitioner. As the trial court ruled:

x x x Clearly, Petitioner Land Bank's documentary evidences (sic) speak that the only basis of their computation for just compensation is solely the production data, which is completely short of the required mandatory factors embodied in the law. This amplifies the fact that it is remiss of its duty under the law. There were even no evidence adduced that its officers exerted efforts to ensure that the data necessary to appreciate all the factors that are mandated to be incorporated in the computation are religiously gathered or procured and no evidence was offered why these data were not available at that time. Also it did not present the data that were available and has failed to prove why these are not applicable. Obviously, it simply took liberty of applying the alternative formula that is not reflective of all the factors for sheer

⁴³ Capitalized Net Income (CNI) — This shall refer to the difference between the gross sales (AGP x SP) and total cost of operations (CO) capitalized at 12%. Expressed in equation form:

$$\text{CNI} = \frac{(\text{AGP} \times \text{SP}) - \text{CO}}{0.12}$$

Where:

CNI= Capitalized Net Income

AGP= Annual Gross Production corresponding to the latest available 12-months' gross production immediately preceding the date of FI.

SP = The average of the latest available 12-months' selling prices prior to the date of receipt of the CF by LBP for processing, such prices to be secured from the Department of Agriculture (DA) and other appropriate regulatory bodies or, in their absence, from the Bureau of Agricultural Statistics. If possible, SP data shall be gathered for the barangay or municipality where the property is located. In the absence thereof, SP may be secured within the province or region.

CO = Cost of Operations

Whenever the cost of operations could not be obtained or verified, an assumed net income rate (NIR) of 20% shall be used. Landholdings planted to coconut which are productive at the time of FI shall continue to use the assumed NIR of 70% DAR and LBP shall continue to conduct joint industry studies to establish the applicable NIR for each crop covered under CARP.

0.2 = Capitalization Rate

⁴⁴ *Rollo*, p. 15.

convenience. In truth and in fact, these factors are not at all inapplicable or irrelevant but mandatory. The pertinent data were simply not made available for lack of earnest efforts on the part of Petitioner Land Bank. **Most importantly, all the factors and data incorporated in the computation of valuation were not supported by evidence. Figures were in fact filled in but the documents upon which these figures were based were not presented.** How can this Court now rely on their computation when in fact the credibility of the data used is questionable? The undeniable conclusion, therefore, is that the initial valuation is not reflective of just compensation that the government owes to Respondent Villegas.⁴⁵ (emphasis added).

x x x x

Verily, between the unsubstantiated data offered by petitioner, on the one hand, and the data from the San Carlos Mill District Office (MDO), on the other, the courts below had reason to give greater credence to the latter.⁴⁶

c.2. Net Income Rate

In the same vein, we do not give credence to petitioner's claim that the NIR applied was erroneous. There is simply no reason to disregard the choice of data of the courts below considering that petitioner's inputs were unsubstantiated. On the other hand, the data used by the Board of Commissioners was obtained from the MDO concerned.

c.3. Selling Price

The Court takes issue, however, with the data used by the Board of Commissioners as SP.

To recall, two options were presented, utilizing SP data for different crop year periods. For **Option 1**, the average SP for sugar, molasses and corn for crop year **2003-2004** was used. On the other hand, **Option 2** made use of

⁴⁵ *Id.* at 254-255.

⁴⁶ Per the Board of Commissioners' report:

Under each mill district office (MDO) are barangays/municipalities grouped as Extension Work Area (EWA). Hibaiyo, Guihulngan is part of the EWA of San carlos MDO. Thus, although the canes from subject property are milled in Lopez Sugar Central Mill District Office (MDO) in Sagay, Negros Occidental, the Commission used the production data from San carlos MDO as required under item III.B.1.a of JMC No. 15, Series of 1999:

"a. If the AGP of a particular sugar farm/plantation is not available or the AGP data submitted by the LO could not be verified or validated, the AGP shall be secured from the SRA-MDO.

In order to have a common source of information on the AGP of sugar, an agreement was made between DAR/LBP and SRA whereby the latter shall provide a standardized form containing the production data for plant and ratoon crops and other related information for each MDO (See Annex B). Under each MDO are Extension Workers who are responsible for the monitoring of the production and expenses of sugarcane in the barangays/municipalities assigned to them. These barangays/municipalities are grouped together as Extension Work Areas (EWAs). The AGP for plant and ratoon crops for the particular EWA where the property is located shall be used. The said document shall be secured from the MDO or from the SRA Central Office, *id.* at 260.

the annual average SP for crop year 2003-2004 until crop year 2010-2011, viz.:⁴⁷

Crop	SP in Option 1	SP in Option 2
Sugar	₱764.56/lkg bag	₱1,200.89/LKG
Molasses	₱2,326.48/M.T	₱4,753.67/M.T
Corn	₱8.4/kg	₱10.28/KG

After presenting the two results, the Board of Commissioners recommended the land valuation of ₱2,938,448.16 based on Option 2. The Board of Commissioners justified this by citing the “significant increase/s in the selling price of sugar and molasses” which was a major contributing factor to the present market value of the property. This, too, was allegedly in accordance with the doctrine that just compensation must not only be the full and fair equivalent of the property taken but must also be paid to the landowner without delay.⁴⁸

We disagree.

It is elementary in expropriation cases that just compensation should be based on the value of the property at the time of taking. *Land Bank v. Manzano*,⁴⁹ elucidates:

Article III, Section 9 of the 1987 Constitution provides that “private property shall not be taken for public use without just compensation.” This rings true for agrarian reform cases where private lands are taken by the State to be distributed to farmers who serve as beneficiaries of these lands.

The amount of just compensation must be determined based on the fair market value of the property at the time of the taking. In *National Power Corporation v. Spouses Ileta*, this Court defined fair market value:

[T]he full and fair equivalent of the property taken from its owner by the expropriator. The measure is not the taker’s gain, but the owner’s loss. The word “just” is used to intensify the meaning of the word “compensation” and to convey thereby the idea that the equivalent to be rendered for the property to be taken shall be real, substantial, full and ample.

In eminent domain or expropriation proceedings, the just compensation to which the owner of a condemned property is entitled is generally the market value. Market value is “that sum of money which a person desirous but not compelled to buy, and an owner willing but not compelled to sell, would agree on as a price to be given and received therefor.” [The market value] is not limited to the assessed value of the property or to the schedule of

⁴⁷ *Rollo*, p. 262.

⁴⁸ See *Yared v. Land Bank*, 824 Phil. 487, 494 (2018) citing *Republic of the Philippines. v. Judge Mupas*, 790 SCRA 217 (2016).

⁴⁹ 824 Phil. 339, 369 (2018), citing 690 Phil. 453, 476-477 (2012).

market values determined by the provincial or city appraisal committee. However, these values may serve as factors to be considered in the judicial valuation of the property.

To determine the just compensation to be paid to the landowner, the nature and character of the land at the time of its taking is the principal criterion. (emphasis added)

Indeed, the State is only obliged to make good the loss sustained by the landowner, with due consideration of the circumstances availing at the time the property was taken.⁵⁰ In other words, determining just compensation compels us to look back to the past, not forward to the future.

This principle is complemented by DAO No. 5 which prescribes and defines the factors in fixing just compensation based on prior data. For instance, DAO No. 5 sets the parameters for determining the applicable SP, thus:

SP = The average of the latest available 12-months' selling prices prior to the date of receipt of the CF by LBP for processing, such prices to be secured from the Department of Agriculture (DA) and other appropriate regulatory bodies or, in their absence, from the Bureau of Agricultural Statistics. If possible, SP data shall be gathered for the barangay or municipality where the property is located. In the absence thereof, SP may be secured within the province or region.

To reiterate, petitioner herein received the Claim Folder on **June 24, 2004**. Thus, it was highly improper for the Board of Commissioners and the courts below to have based the SP on data for crop years **2003 up to 2011 or seven (7) years later**. In other words, the SP used in Option 1 (*i.e.* based on data for crop year 2003-2004) is more appropriate in this case.

The reasons proffered below do not justify the use of data for SP beyond 2004. For one, the supposed price increase, or any other fluctuation, had already been considered by the DAR in crafting the basic formula in DAO No. 5. *JMA Agricultural Development Corporation v. Landbank* is apropos:⁵¹

x x x In subsequent cases, we continued to uphold the application of the DAR formulas. In particular, in *Land Bank of the Philippines v. Department of Agrarian Reform*, we ruled that the formula for the SP given by the DAR must be followed, *viz.*:

⁵⁰ *NTC v. Oroville Development Corp.*, 815 Phil. 91, 107 (2017) citing *Republic v. CA*, 494 Phil 494, 510 (2005).

⁵¹ See *JMA Agricultural Development Corporation v. Landbank of the Philippines*, G.R. No. 206026, July 10, 2019.

As clearly stated in DAR AO No. 5, the SP for purposes of computing the CNI, must be the *average of the latest available 12-months selling prices prior to the date of receipt of the claim folder by LBP, to be secured from the DA, Bureau of Agricultural Statistics or other appropriate regulatory bodies*. Thus, the selling price of P9.00 submitted by private respondent sourced from the NFA (March-August and September-February without indicating the year) and private buyer (March and October 2001) cannot be used as it was not the average obtained within the period referred to in DAR AO No. 5 (July 2000 to May 2001). x x x

We declared in *Land Bank of the Philippines v. Celada* that the DAR was tasked to issue the rules and regulations to carry out the “details” of Section 17 of R.A. No. 6657. It can be safely presumed that the fluctuations in the selling price of palay were already taken into consideration since only the average of these available prices within the 12 months prior to the receipt of the CF, will be used in computing the CNI. x x x (Italics in the original; underscoring supplied; citations omitted.)

Clearly, we have already recognized the soundness of the formula given by the DAR even if not all of its components are taken as of the date of taking. The SAC therefore erred in disregarding the formula. It incorrectly assumed that the DAR, in coming up with the formula, did not take into consideration the fluctuation or differences in the price of sugar. xxx⁵²

For another, the award of interest itself would answer for the delay in payment. For it is specifically intended to compensate the property owner for the income it would have made had it been properly compensated for its property at the time of the taking. The award of interest is imposed in the nature of damages for delay in payment which, in effect, 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.⁵³ Hence, fixing the CNI based on future data, as in Option 2, while at the same time awarding interest amounts to double compensation.

c.4. Adjusted Result

Applying the foregoing adjustments, we recompute the CNI, thus:

Crop	AGP	SP	NIR	/CR	CNI/HA	HA	CNI
Sugar	127.5 lkg/ha	₱764.56/lkg	0.26	/0.12	₱211,209.70	8.0000	₱1,929,931.60
Molasses	2.312 mt/ha	₱2,326.48/mt	0.67	/0.12	₱30,031.75		
Corn	1,500 kg/ha	₱8.4/kg	0.20	/0.12	₱21,000.00	2.6914	₱56,519.40
					Total	10.6914	₱1,986,451.00

⁵² *Id.*

⁵³ *Apo Fruits Corp. v. Landbank*, 828 Phil. 652, 668 (2018).

d. Just Compensation

In sum, respondent is entitled to just compensation as follows:

$$\begin{aligned}\text{Land Valuation} &= (\text{CNI} \times 0.9) + (\text{MV} \times 0.1) \\ &= (\text{P}1,986,451.00 \times 0.9) + (\text{P}479,704.97 \times 0.1) \\ &= \text{P}1,787,805.90 + \text{P}47,970.50 \\ &= \text{P}1,935,776.40\end{aligned}$$

Interest on Just Compensation

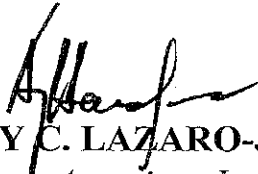
As for the applicable interest rate, petitioner is liable to pay legal interest of 12% counted from September 29, 2004, the time of the taking, until June 30, 2013. Thereafter, or beginning July 1, 2013 until fully paid, the just compensation shall earn 6% legal interest conformably with Bangko Sentral ng Pilipinas Monetary Board Circular No. 799, Series of 2013.

It must be clarified, however that the award of interest shall be computed only on the unpaid balance of the just compensation. As held in *Evergreen v. Republic*,⁵⁴ the difference in the amount between the final amount as adjudged by the court and the initial payment made by the government - which is part and parcel of the just compensation due to the property owner - should earn legal interest as a forbearance of money.

ACCORDINGLY, the petition is **PARTLY GRANTED**. The Decision of the Court of Appeals-Cebu City dated February 17, 2015 in CA-G.R. SP No. 06731 fixing the just compensation for respondent Corazon M. Villegas's land at ₱2,938,448.16 is **AFFIRMED with MODIFICATION**.

The just compensation for respondent Corazon M. Villegas's property is fixed at **₱1,935,776.40**. The difference between this final amount and the initial deposit of ₱580,900.08 shall earn legal interest of twelve percent (12%) per annum from the date of taking or September 29, 2004 until June 30, 2013, and six percent (6%) *per annum* from July 1, 2013 until fully paid.


SO ORDERED.

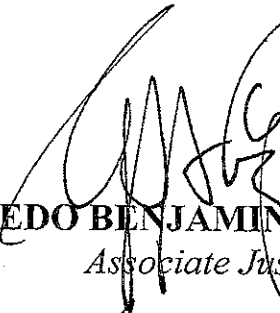

AMY C. LAZARO-JAVIER
Associate Justice

⁵⁴ 817 Phil. 1048, 1069 (2017).

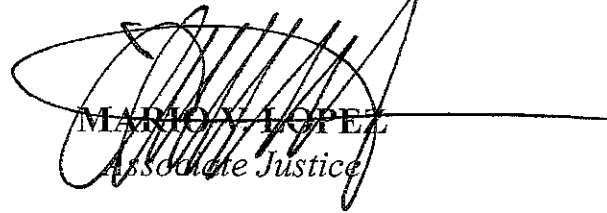
WE CONCUR:


ALEXANDER G. GESMUNDO
Chief Justice
Chairperson


MARVIC M.V.F LEONEN
Associate Justice

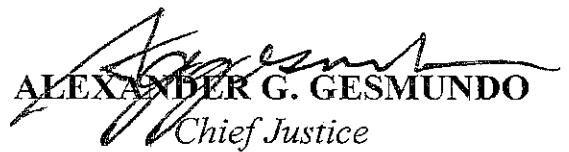

ALFREDO BENJAMIN S. CAGUIOA
Associate Justice

Please see Separate Opinions


MARIO V. LOPEZ
Associate Justice

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution, 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.


ALEXANDER G. GESMUNDO
Chief Justice
Chairperson, First Division

11

FIRST DIVISION

G.R. No. 224760 — LAND BANK OF THE PHILIPPINES, *petitioner*,
versus CORAZON M. VILLEGAS, *respondent*.

Promulgated:

OCT 06 2021



x-----x

SEPARATE OPINION

CAGUIOA, J.:

I concur with the *ponencia's* computation of just compensation, in accordance with the formula prescribed under Department of Agrarian Reform Administrative Order No. 5, series of 1998.¹ I likewise wholly agree that the award of interest shall be computed only on the unpaid balance of the just compensation.²

However, I have reservations with respect to the *ponencia's* application of the rates prescribed by the *Bangko Sentral ng Pilipinas* (BSP) of twelve percent (12%) *per annum* until June 30, 2013, and six percent (6%) *per annum* thereafter,³ and corollarily, the *ponencia's* categorization of delay in the payment of just compensation as a forbearance of money.⁴ On this score, I humbly submit that there is a need to revisit the previous categorization of delay in the payment of just compensation as a forbearance on the part of the State, and its implications on the imposition of legal interest.

As has been settled in jurisprudence, not all obligations consisting in the payment of a sum of money are a forbearance within the authority and contemplation of the BSP, since the term “forbearance” must be narrowly construed within the context of the Usury Law. In other words, for a payment of a sum of money to be considered a forbearance thereof, it must involve: (1) an agreement or contractual obligation; (2) to refrain from enforcing payment or to extend the period for the payment of; (3) an obligation that has become due and demandable; and (4) in return for some compensation, *i.e.*, interest. **Contrarily, since proceedings for the determination of just compensation have nothing to do with usury, the BSP-prescribed rates should not apply.**

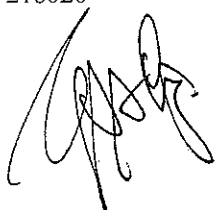
Furthermore, consistent with the primary definition of just compensation as the amount due the property owner in order to restore and

¹ REVISED RULES AND REGULATIONS GOVERNING THE VALUATION OF LANDS VOLUNTARILY OFFERED OR COMPULSORILY ACQUIRED PURSUANT TO REPUBLIC ACT NO. 6657.

² *Ponencia*, p. 18, citing *Evergreen Manufacturing Corporation v. Republic*, G.R. Nos. 218628 & 218631, September 6, 2017, 839 SCRA 200.

³ *Id.*

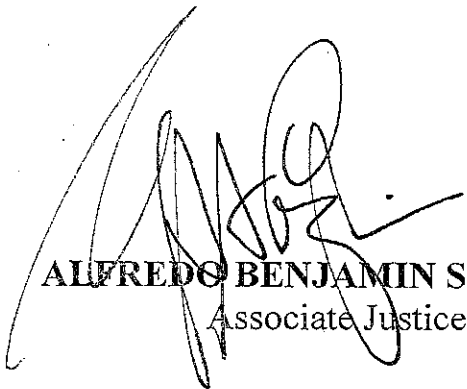
⁴ *Id.* at 17, citing *Apo Fruits Corporation v. Landbank of the Philippines*, G.R. Nos. 217985-86 & 218020-21, March 21, 2018, 859 SCRA 620.



make him “whole” as he was prior to the taking,⁵ the interests that accrue as a result of the expropriation must be for the account of the State, not because delay of payment is an effective forbearance of money, but because a compensation that does not take into account these accruing interests which are attached to the forced sale of one’s property by expropriation is not one that can be deemed to be truly “just”.

Thus, while I agree that interest is indeed due on the amount of just compensation that respondent Corazon M. Villegas is entitled to for the expropriation of her property through the Comprehensive Agrarian Reform Program, I disagree that the principle behind said appropriate accrual is due to the fact that delayed payment of just compensation is in the concept of a forbearance of money on the part of the State. Stated differently, the legal interest that accrues on the amount which is determined as just compensation is part and parcel of the just compensation itself, in the chief sense of the word.

Under these premises and for lack of any other convenient metric, I find it reasonable to impose, *by analogy*, the legal interest rate of six percent (6%) *per annum* under Article 2209 of the Civil Code on the unpaid balance of the just compensation. Such interest is to run from the date of taking, or September 29, 2004, until full payment of the balance.



ALFREDO BENJAMIN S. CAGUIOA
Associate Justice

⁵ *Republic v. Decena*, G.R. No. 212786, July 30, 2018, 874 SCRA 408.