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Republic of the Philippines Supreme Court Manila

THIRD DIVISION

HONORABLE ALVIN P. VERGARA, IN HIS CAPACITY AS CITY MAYOR OF CABANATUAN CITY, AND SANGGUNIANG PANLUNGSOD OF CABANATUAN CITY, Petitioners, G.R. No. 185638

Present:

VELASCO, JR., J., Chairperson, PERALTA, PEREZ, REYES, and JARDELEZA, JJ.

- versus -

LOURDES MELENCIO S. GRECIA, REPRESENTED BY RENATO GRECIA, AND SANDRA MELENCIO IN REPRESENTATION OF MA. PAZ SALGADO VDA. DE MELENCIO, CONCHITA MELENCIO, CRISTINA MELENCIO AND LEONARDO MELENCIO,

Promulgated:

August 10.

DECISION

Respondents.

REYES, J.:

Before this Court is a petition for review on *certiorari*¹ seeking to annul and set aside the Decision² dated August 8, 2008 and the Resolution³ dated December 5, 2008 of the Court of Appeals (CA) in CA-G.R. SP No.

² Penned by Associate Justice Monina Arevalo-Zenarosa, with Associate Justices Regalado E. Maambong and Normandie B. Pizarro concurring; id. at 129-145.

Id. at 160-162.

¹ *Rollo*, pp. 3-19.

97851. The CA affirmed with modification the Order⁴ dated November 8, 2006 of the Regional Trial Court (RTC) of Cabanatuan City, Branch 86, and the Order⁵ dated January 30, 2007 issued by the RTC of Cabanatuan City, Branch 30, in Civil Case No. 5078, and reduced the amount to be paid by Honorable Julius Cesar Vergara (Mayor Vergara), in his capacity as Mayor of Cabanatuan City, and the *Sangguniang Panlungsod* of Cabanatuan (*Sanggunian*) (petitioners) from Ten Million Pesos (P10,000,000.00) to Two Million Five Hundred Fifty-Four Thousand Three Hundred Thirty-Five Pesos (P2,554,335.00) representing 15% of the total value of the property of Lourdes Melencio S. Grecia (Lourdes), represented by Renato Grecia, and Sandra Melencio, in representation of Ma. Paz, Conchita, Cristina and Leonardo, all surnamed Melencio (respondents).

The Facts

The subject of this petition is a parcel of land covered by Transfer Certificate of Title No. T-101793, with an area of 7,420 square meters, more or less, situated in Barangay Barrera, Cabanatuan City, and registered under the name of the respondents.⁶

The record showed that sometime in 1989, the subject land was taken by the *Sanggunian* for road-right-of-way and road widening projects. Despite the taking of the subject land and the completion of the road widening projects, the *Sanggunian* failed to tender the just compensation to the respondents. Upon the request of Lourdes, the *Sanggunian* created an appraisal committee, composed of City Assessor of Cabanatuan Lorenza L. Esguerra as Chairman, with City Treasurer Bernardo C. Pineda and City Engineer Mac Arthur C. Yap as members, to determine the proper amount of just compensation to be paid by the *Sanggunian* for the subject land. The Appraisal Committee then issued Resolution No. 20-S-2001⁷ recommending the payment of P2,295.00 per sq m as just compensation.⁸

Thereafter, the *Sanggunian* issued Resolution No. 148-2000⁹ authorizing Mayor Vergara to negotiate, acquire, purchase and accept properties needed by the *Sanggunian* for its project.

Pursuant to the said resolution, on December 4, 2001, Mayor Vergara executed a Memorandum of Agreement¹⁰ (MOA) with Lourdes as Attorney-in-fact of the respondents, whereby the *Sanggunian* bound itself to

⁴ Rendered by Presiding Judge Raymundo Z. Annang; id. at 81-83.

⁵ Rendered by Presiding Judge Virgilio G. Caballero; id. at 100-101.

⁶ Id. at 130.

⁷ Id. at 33.

⁸ Id. at 130-131.

⁹ Id. at 36.

Id. at 34-35.

pay the respondents the amount of P17,028,900.00 in 12 years at the rate of P1,419,075.00 every year starting the first quarter of 2002 as payment of the subject land.

More than four years had lapsed after the signing of the MOA but no payment was ever made by the petitioners to the respondents despite the fact that the subject land was already taken by the petitioners and was being used by the constituents of the City of Cabanatuan.¹¹

Despite personal and written demands,¹² the petitioners still failed to pay the respondents the just and fair compensation of the subject land.¹³

In a letter¹⁴ dated November 18, 2005, Mayor Vergara said that the *Sanggunian* denied the ratification of the MOA per its Resolution No. 129-2002¹⁵ on the ground of fiscal restraint or deficit of the *Sanggunian*. In view of this resolution, Mayor Vergara claimed that the said MOA could neither be enforced, nor bind the *Sanggunian*.

Aggrieved, on December 29, 2005, the respondents filed a petition for *mandamus*¹⁶ before the RTC of Cabanatuan City, which was raffled to Branch 86.

On September 18, 2006, RTC-Branch 86 rendered its Order¹⁷ in favor of the respondents, thus:

WHEREFORE, let a writ of mandamus be issued compelling [the petitioners] to pay the [respondents] the following sums of money:

- 1. Php17,028,900.00 as just compensation of their property taken by the *Sanggunian* plus accrued legal interest thereon from the filing of this case until fully paid;
- 2. Php50,000.00 as attorney's fees; and
- 3. Php50,000.00 as actual expenses and damages.

SO ORDERED.¹⁸

Id. at 131-132.
Id. at 37-38.
Id. at 132.
Id. at 132.
Id. at 39.

- ¹⁵ Id. at 40.
- ¹⁶ Id. at 26-32.
- ¹⁷ Id. at 60-64.

18

Id. at 64.

3

The petitioners immediately filed their appeal¹⁹ before the CA, docketed as CA-G.R. SP No. 98397. However, before the records of appeal were submitted to the CA, the respondents filed a Motion for Partial Execution²⁰ before the RTC-Branch 86.²¹

On November 8, 2006, the RTC-Branch 86 issued an Order^{22} granting the respondents' motion and thereby ordering the petitioners to pay the sum of $\mathbb{P}10,000,000.00$ as partial execution of the decision.

The petitioners then filed a motion for inhibition and a motion for reconsideration. 23

On November 17, 2006, RTC-Branch 86 issued an Order granting the motion for inhibition which subsequently led to the assignment by raffle of the case to RTC-Branch $30.^{24}$

On January 30, 2007, RTC-Branch 30 issued an Order²⁵ denying the petitioners' motions.

On February 7, 2007, a writ of execution was issued. Accordingly, a Notice of Garnishment was issued to the manager of United Coconut Planters Bank of Cabanatuan City.²⁶

Aggrieved, the petitioners filed a Petition for *Certiorari* with urgent Motion for the Issuance of a Temporary Restraining Order and Writ of Preliminary Injunction²⁷ before the CA.

In a Resolution²⁸ dated February 26, 2007, the CA granted the petitioners' prayer for an injunctive relief and enjoined the RTC-Branch 30 Presiding Judge and Sheriff from enforcing the said writ of execution and orders.

- ²² Id. at 81-83.
- ²³ Id. at 84-88. ²⁴ Id. at 135.
- ²⁵ Id. at 100-101.
- ²⁶ Id. at 136.
- ²⁷ Id. at 102-121.
- ²⁸ Id. at 123-127.

¹⁹ Id. at 65-67.

²⁰ Id. at 68-70.

²¹ Id. at 133-134.

5

On appeal, the CA, in its Decision²⁹ dated August 8, 2008, affirmed the trial court's order but modified the same by reducing the amount to be paid by the petitioners from P10,000,000.00 to P2,554,335.00 representing 15% of the value of the property as provided by law.³⁰

Undeterred, the petitioners filed a motion for reconsideration³¹ but it was denied.³² Hence, this petition.

For their part, the petitioners argue that the subject land is a subdivision road which is beyond the commerce of man as provided for in Section 50 of Presidential Decree (P.D.) No. 1529.³³ Thus, the said contract entered into by Mayor Vergara with the respondents is null and void, and there is no obligation on the part of the petitioners to pay the respondents.³⁴

The Issue

The main issue before this Court is whether there is propriety in the partial execution of the judgment pending appeal.

Ruling of the Court

The petition is bereft of merit.

To begin with, the Court notes that there has already been a final judgment in CA-G.R. SP No. 98397. The CA Third Division issued a Resolution³⁵ dated March 14, 2008 dismissing the petitioners' appeal on the ground of lack of jurisdiction stating that the issues that were raised are pure questions of law. The petitioners filed a motion for reconsideration but it was also denied;³⁶ hence, the case was elevated to this Court which was docketed as G.R. No. 186211. However, in a Resolution dated June 22, 2011, the Court Second Division likewise denied the petition.

³⁴ *Rollo*, p. 13.

²⁹ Id. at 129-145.

³⁰ Id. at 144.

³¹ Id. at 146-150.

³² Id. at 160-162.

³³ AMENDING AND CODIFYING THE LAWS RELATIVE TO REGISTRATION OF PROPERTY AND FOR OTHER PURPOSES. Approved on June 11, 1978.

³⁵ Penned by Associate Justice Marina L. Buzon, with Associate Justices Rosmari D. Carandang and Mariflor P. Punzalan Castillo concurring.

Resolution dated January 23, 2009 issued by the CA Special Former Third Division.

It is uncontroverted that the subject land was taken by the petitioners without paying any compensation to the respondents that is too long to be ignored. The petitioners, however, argue that they are not obliged to pay the respondents because the subject land is burdened by encumbrances³⁷ which showed that it is a subdivision lot which is beyond the commerce of man. Thus, the MOA between the petitioners and the respondents is null and void. To support their argument, they invoked Section 50 of P.D. No. 1529.³⁸

Essentially, the sole issue for resolution is whether the petitioners are liable for just compensation. Hence, the pertinent point of inquiry is whether the subject land of the respondents is beyond the commerce of man as provided for in Section 50 of P.D. No. 1529.

Meanwhile, a look at the petition in CA-G.R. SP No. 98397, now G.R. No. 186211, would show that the petitioners interposed the same issues in their appeal: (1) the subject land is not within the commerce of men, hence, the MOA is void; (2) the petitioners are under estoppel to deny its liability under the MOA; (3) Mayor Vergara has no authority to sign the MOA prior to its approval by the *Sanggunian*; and (4) there is no basis for the lower court to award attorney's fees and damages.³⁹

Since these issues did not merit the attention of the Court in G.R. No. 186211, the Court will now put all these issues to rest.

ONE. The alleged encumbrance in the respondents' title and the interpretation and application of Section 50^{40} of P.D. No. 1529 are no longer novel since this Court had already made a definitive ruling on the matter in the case of *Republic of the Philippines v. Ortigas and Company Limited*

³⁸ Id. at 9-13.

37

⁽a) The conditions imposed by Section 4, Rule 74 of the Rules of Court; and

⁽b) that except by way of donation in favor of the national government, city or municipality, no portion of any street, passageway, waterway or open space so delineated on the plan shall be closed or otherwise disposed of by the registered owner without the approval of Court of First Instance of the Province or City in which the land is situated (Fr. T-69586). *Rollo*, pp. 9-10.

See CA Third Division Resolution dated March 14, 2008 in CA-G.R. SP No. 98397, p. 5.

⁴⁰ Sec. 50. *Subdivision and consolidation plans*. Any owner subdividing a tract of registered land into lots which do not constitute a subdivision project as defined and provided for under P.D. No. 957, shall file with the Commissioner of Land Registration or with the Bureau of Lands a subdivision plan of such land on which all boundaries, streets, passageways and waterways, if any, shall be distinctly and accurately delineated.

If a subdivision plan, be it simple or complex, duly approved by the Commissioner of Land Registration or the Bureau of Lands together with the approved technical descriptions and the corresponding owner's duplicate certificate of title is presented for registration, the Register of Deeds shall, without requiring further court approval of said plan, register the same in accordance with the provisions of the Land Registration Act, as amended: Provided, however, that the Register of Deeds shall annotate on the new certificate of title covering the street, passageway or open space, a memorandum to the effect that except by way of donation in favor of the national government, province, city or municipality, no portion of any street, passageway, waterway or open space so delineated on the plan shall be closed or otherwise disposed of by the registered owner without the approval of the Court of First Instance of the province or city in which the land is situated.

Partnership,⁴¹ where the Court ruled that therein petitioners' reliance on Section 50 of P.D. No. 1529 is erroneous since it contemplates roads and streets in a subdivided property, not public thoroughfares built on a private property that was taken from an owner for public purpose. A public thoroughfare is not a subdivision road or street.

Section 50 contemplates roads and streets in a subdivided property, not public thoroughfares built on a private property that was taken from an owner for public purpose. A public thoroughfare is not a subdivision road or street.

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Delineated roads and streets, whether part of a subdivision or segregated for public use, remain private and will remain as such until conveyed to the government by donation or through expropriation proceedings. An owner may not be forced to donate his or her property even if it has been delineated as road lots because that would partake of an illegal taking. He or she may even choose to retain said properties. If he or she chooses to retain them, however, he or she also retains the burden of maintaining them and paying for real estate taxes.

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 $x \ge x \le [W]$ hen the road or street was delineated upon government request and taken for public use, as in this case, the government has no choice but to compensate the owner for his or her sacrifice, lest it violates the constitutional provision against taking without just compensation, thus:

Section 9. Private property shall not be taken for public use without just compensation.

As with all laws, Section 50 of the Property Registration Decree cannot be interpreted to mean a license on the part of the government to disregard constitutionally guaranteed rights.⁴² (Citations omitted)

Apparently, the subject land is within the commerce of man and is therefore a proper subject of an expropriation proceeding. Pursuant to this, the MOA between the petitioners and the respondents is valid and binding. Thus, there is no need to discuss the matter of the petitioners' estoppel or the authority of Mayor Vergara to sign the MOA.

TWO. The petitioners are liable to pay the full market value of the subject land.

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Id. at 616-620.

G.R. No.171496, March 3, 2014, 717 SCRA 601.

Without a doubt, the respondents are entitled to the payment of just compensation. The right to recover just compensation is enshrined in the Bill of Rights; Section 9, Article III of the 1987 Constitution states that no private property shall be taken for public use without just compensation.

There is no question raised concerning the right of the petitioners here to acquire the subject land under the power of eminent domain. But the exercise of such right is not unlimited, for two mandatory requirements should underlie the Government's exercise of the power of eminent domain namely: (1) that it is for a particular public purpose; and (2) that just compensation be paid to the property owner. These requirements partake the nature of implied conditions that should be complied with to enable the condemnor to keep the property expropriated.⁴³

Undisputedly, in this case, the purpose of the condemnation is public but there was no payment of just compensation to the respondents. The petitioners should have first instituted eminent domain proceedings and deposit with the authorized government depositary an amount equivalent to the assessed value of the subject land before it occupied the same. Due to the petitioners' omission, the respondents were constrained to file inverse condemnation proceedings to demand the payment of just compensation before the trial court. From 1989 until the present, the respondents were deprived of just compensation, while the petitioners continuously burdened their property.

The determination of just compensation in eminent domain cases is a judicial function and any valuation for just compensation laid down in the statutes may serve only as a guiding principle or one of the factors in determining just compensation but it may not substitute the court's own judgment as to what amount should be awarded and how to arrive at such amount.⁴⁴

An evaluation of the circumstances of this case and the parties' arguments showed that the petitioners acted oppressively in their position to deny the respondents of the just compensation that the immediate taking of their property entailed. The Court cannot allow the petitioners to profit from its failure to comply with the mandate of the law. To adequately compensate the respondents from the decades of burden on their land, the petitioners should be made to pay the full value of P17,028,900.00 representing the just compensation of the subject land at the time of the filing of the instant complaint when the respondents made a judicial demand for just compensation.

⁴³ Republic of the Philippines v. Heirs of Saturnino Q. Borbon, G.R. No. 165354, January 12, 2015, 745 SCRA 40, 50-51.

⁴⁴ National Power Corporation v. Spouses Saludares, 686 Phil. 967, 978 (2012), citing National Power Corporation v. Bagui, et al., 590 Phil. 424, 432 (2008).

THREE. The undue delay of the petitioners to pay the just compensation brought about the basis for the grant of interest.

Apart from the requirement that compensation for expropriated land must be fair and reasonable, compensation, to be "just", must also be made without delay. Without prompt payment, compensation cannot be considered "just" if the property is immediately taken as the property owner suffers the immediate deprivation of both his land and its fruits or income.⁴⁵

Obviously, the delay in payment of just compensation occurred and cannot at all be disputed. The undisputed fact is that the respondents were deprived of their lands since 1989 and have not received a single centavo to date. The petitioners should not be allowed to exculpate itself from this delay and should suffer all the consequences the delay has caused.

The Court has already dealt with cases involving similar background and issues, that is, the government took control and possession of the subject properties for public use without initiating expropriation proceedings and without payment of just compensation, and the landowners failed for a long period of time to question such government act and later instituted actions to recover just compensation with damages.

Here, the records showed that the respondents fully cooperated with the petitioners' road widening program, and allowed their landholdings to be taken by the petitioners without any questions. The present case therefore is not one where substantial conflict arose on the issue of whether expropriation is proper; the respondents voluntarily submitted to expropriation and surrendered their landholdings, and never contested the valuation that was made. Apparently, had the petitioners paid the just compensation on the subject land, there would have been no need for this case. But, as borne by the records, the petitioners refused to pay, telling instead that the subject land is beyond the commerce of man. Hence, the respondents have no choice but to file actions to claim what is justly due to them. Consequently, interest must be granted to the respondents.

The rationale for imposing the interest is to compensate the petitioners for the income they would have made had they been properly compensated for their properties at the time of the taking.⁴⁶ There is a need for prompt payment and the necessity of the payment of interest to compensate for any delay in the payment of compensation for property already taken.⁴⁷ Settled

Apo Fruits Corporation, et al. v. Land Bank of the Philippines, 647 Phil. 251, 273 (2010).

⁴⁶ Secretary of the Department of Public Works and Highways and District Engineer Celestino R. Contreras v. Spouses Heracleo and Ramona Tecson, G.R. No. 179334, April 21, 2015.

Id.

45

is the rule that 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. This is to ensure prompt payment of the value of the land and limit the opportunity loss of the owner that can drag from days to decades.⁴⁸

Based on a judicious review of the records and application of jurisprudential rulings, legal interest shall be pegged at the rate of twelve percent (12%) *per annum*, reckoned from the time of the filing of the complaint for expropriation, which in this case is on December 29, 2005, the date when the respondents filed a petition for *mandamus* to compel the petitioners to comply with the MOA. Thereafter, or beginning July 1, 2013, until fully paid, just compensation shall earn interest at the new legal rate of six percent (6%) *per annum*, conformably with the modification on the rules respecting interest rates introduced by the Bangko Sentral ng Pilipinas Monetary Board Circular No. 799, Series of 2013.⁴⁹ To clarify, this incremental interest is not granted on the computed just compensation; rather, it is a penalty imposed for damages incurred by the landowner due to the delay in its payment.⁵⁰

FOURTH. The award of exemplary damages and attorney's fees is warranted.

The taking of the respondents' subject land without the benefit of expropriation proceedings and without payment of just compensation, clearly resulted in an "expropriate now, pay later" situation, which the Court abhors. It has been more than two decades since the petitioners took the subject land without a timely expropriation proceeding and without the petitioners exerting efforts to negotiate with the respondents.

This irregularity will not proceed without any consequence. The Court had repeatedly ruled that the failure of the government to initiate an expropriation proceeding to the prejudice of the landowner may be corrected with the awarding of exemplary damages, attorney's fees and costs of litigation.⁵¹

Evidently, the petitioners' oppressive taking of the subject land for a very long period of time surely resulted in pecuniary loss to the respondents. The petitioners cannot now be heard to claim that they were simply protecting their interests when they stubbornly defended their erroneous

- Land Bank of the Philippines v. Lajom, G.R. No. 184982, August 20, 2014, 733 SCRA 511, 524.
- ⁵¹ Secretary of the Department of Public Works and Highways and District Engineer Celestino R. Contreras v. Spouses Heracleo and Ramona Tecson, supra note 46.

⁴⁸ Sy v. Local Government of Quezon City, 710 Phil. 549, 559 (2013), citing Land Bank of the Philippines v. Rivera, et al., 705 Phil. 139, 145 (2013).

⁴⁹ Nacar v. Gallery Frames, et al., 716 Phil. 267, 279-280 (2013).

arguments before the courts. The more truthful statement is that they adopted a grossly unreasonable position and the unwanted developments that followed, particularly the attendant delay, should be directly chargeable to them.

Indeed, the respondents were deprived of their subject land for road widening programs, were uncompensated, and were left without any expropriation proceeding undertaken. Hence, in order to serve as a deterrent to the State for failing to institute such proceedings within the prescribed period under the law, the award of exemplary damages and attorney's fees is in order.

In sum, the respondents have waited too long before the petitioners fully pay the amount of the just compensation due them. Since the trial court had already made the proper determination of the amount of just compensation in accordance with law and to forestall any further delay in the resolution of this case, it is but proper to order the petitioners to pay in full the amount of P17,028,900.00 representing the just compensation of the subject land. Furthermore, the respondents are entitled to an additional grant of interest, exemplary damages and attorney's fees. In accordance with existing jurisprudence, the award of exemplary damages in the amount of P200,000.00 is proper, as well as attorney's fees equivalent to one percent (1%) of the total amount due.

WHEREFORE, the petition is **DENIED**. The Decision dated August 8, 2008 and the Resolution dated December 5, 2008 of the Court of Appeals in CA-G.R. SP No. 97851 are AFFIRMED with MODIFICATION. Honorable Alvin P. Vergara, in his capacity as Mayor of Cabanatuan City, and the Sangguniang Panlungsod of Cabanatuan are hereby ordered to PAY Lourdes Melencio S. Grecia, represented by Renato Grecia, and Sandra Melencio, in representation of Ma. Paz Salgado Vda. De Melencio, Conchita Melencio, Cristina Melencio and Leonardo Melencio the amount of Seventeen Million Twenty-Eight Thousand Nine Hundred Pesos (₱17,028,900.00) representing the just compensation of the subject land, exemplary damages in the amount of Two Hundred Thousand Pesos (₱200,000.00), and attorney's fees equivalent to one percent (1%) of the amount due. Lastly, legal interest shall be pegged at the rate of twelve percent (12%) per annum, from the time of judicial demand on December 29, 2005. Thereafter, or beginning July 1, 2013, until fully paid, just compensation shall earn interest at the new legal rate of six percent (6%) per annum.

SO ORDERED.

BIENVENIDO L. REYES Associate Justice

WE CONCUR:

PRESBITERO/J. VELASCO, JR. Associate Justice Chairperson

DIOSDADO M. PERALTA

JOSE FORTUGAL PEREZ Associate Justice

Associate Justice

FRANCIS N. JARDELEZA

Associate Justice

ΑΤΤΕ SΤΑΤΙΟΝ

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.

PRESBITERØJ. VELASCO, JR. Associate Justice **C**hairperson

Decision

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.

mx paranens **MARIA LOURDES P. A. SERENO**

Chief Justice

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WILF. DE CARACTERITAN Division Clerk of Court Third Division SEP 2 8 2016