

Republic of the Philippines  
**Supreme Court**  
 Manila

**FIRST DIVISION**

**LAND BANK OF THE PHILIPPINES,** **G.R. No. 213863**

Petitioner,

- versus -

**EDGARDO L. SANTOS,**  
 represented by his assignee,  
**ROMEO L. SANTOS,**

Respondent.

X-----X

**EDGARDO L. SANTOS,**  
 represented by his assignee,  
**ROMEO L. SANTOS,**

Petitioner,

**G.R. No. 214021**

Present:

- versus -

SERENO, *C.J.*, Chairperson,  
 LEONARDO-DE CASTRO,  
 BERSAMIN,  
 PERLAS-BERNABE, and  
 JARDELEZA, *JJ.*

**LAND BANK OF THE PHILIPPINES,**

Respondent.

Promulgated:

**JAN 27 2016**

X-----X

**DECISION**

**PERLAS-BERNABE, J.:**

Before the Court are consolidated petitions for review on *certiorari*<sup>1</sup> assailing the Decision<sup>2</sup> dated December 4, 2013 and the Resolution<sup>3</sup> dated

<sup>1</sup> Rollo (G.R. No. 213863), pp. 32-57; rollo (G.R. No. 214021), pp. 3-22.

<sup>2</sup> Rollo (G.R. No. 213863), pp. 65-80; rollo (G.R. No. 214021), pp. 29-44. Penned by Associate Justice Victoria Isabel A. Paredes with Associate Justices Elihu A. Ybañez and Eduardo B. Peralta, Jr. concurring.

<sup>3</sup> Rollo (G.R. No. 213863), pp. 83-85; rollo (G.R. No. 214021), pp. 26-28.

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August 11, 2014 of the Court of Appeals (CA) in CA-G.R. SP Nos. 110779 and 121813, which affirmed the Orders dated July 9, 2009<sup>4</sup> and August 24, 2009<sup>5</sup> of the Regional Trial Court of Naga City (RTC), Branch 23, acting as a Special Agrarian Court (SAC), in Civil Case Nos. 2001-0229 and 2001-0315, and the Order<sup>6</sup> dated October 10, 2011 in Civil Case No. 2001-0315, directing the Land Bank of the Philippines (LBP) to: (a) release to Edgardo L. Santos (Santos) the initial valuation of Lands 1 and 2 upon submission of two (2) valid identification (ID) cards, two (2) latest ID pictures, current community tax certificate (CTC), and execution of a Deed of Assignment, Warranties and Undertaking in favor of the LBP; and (b) pay twelve percent (12%) interest on the unpaid just compensation for Land 3, reckoned from January 1, 2010 until full payment.

### The Facts

Santos owned three (3) parcels of agricultural land devoted to corn situated in the Municipality of Sagnay, Camarines Sur, covered by Tax Declaration (TD) Nos. 97-018-0579 (Land 1) and 97-010-076 (Land 2),<sup>7</sup> and Transfer Certificate of Title (TCT) No. 5717<sup>8</sup> (Land 3; collectively, subject lands).

In 1984, the subject lands were placed under the government's Operation Land Transfer Program<sup>9</sup> pursuant to Presidential Decree (PD) No. 27,<sup>10</sup> and distributed to the farmer-beneficiaries who were issued the corresponding Emancipation Patents.<sup>11</sup> The Department of Agrarian Reform (DAR) fixed the just compensation at ₱164,532.50 for Land 1, ₱39,841.93 for Land 2,<sup>12</sup> and ₱66,214.03 for Land 3,<sup>13</sup> using the formula provided under Executive Order No. (EO) 228,<sup>14</sup> Series of 1987.

On May 25, 2000, the LBP received the claim folder covering the subject lands<sup>15</sup> and allowed Santos to collect the initial valuation for Land 3. It withheld the release of the valuation for Lands 1 and 2 until the submission of the certificates of title thereto,<sup>16</sup> since it was discovered that

<sup>4</sup> CA *rollo* (CA-G.R. SP No. 110779), pp. 45-47. Penned by Presiding Judge Valentin E. Pura, Jr.

<sup>5</sup> *Id.* at 48-50.

<sup>6</sup> *Rollo* (G.R. No. 214021), pp. 45-49.

<sup>7</sup> *See id.* at 30.

<sup>8</sup> *Id.* at 64-66-A.

<sup>9</sup> *Id.* at 30.

<sup>10</sup> Entitled "DECREEING THE EMANCIPATION OF TENANTS FROM THE BONDAGE OF THE SOIL, TRANSFERRING TO THEM THE OWNERSHIP OF THE LAND THEY TILL AND PROVIDING THE INSTRUMENTS AND MECHANISM THEREFOR" (approved on October 21, 1972).

<sup>11</sup> *See rollo* (G.R. No. 213863), p. 37; and *rollo* (G.R. No. 214021), p. 30-31.

<sup>12</sup> *See CA rollo* (CA-G.R. SP No. 110779), p. 45.

<sup>13</sup> *See rollo* (G.R. No. 213863), p. 37.

<sup>14</sup> Entitled "DECLARING FULL LAND OWNERSHIP TO QUALIFIED FARMER BENEFICIARIES COVERED BY PRESIDENTIAL DECREE NO. 27; DETERMINING THE VALUE OF REMAINING UNVALUED RICE AND CORN LANDS SUBJECT OF P.D. NO. 27; AND PROVIDING FOR THE MANNER OF PAYMENT BY THE FARMER BENEFICIARY AND MODE OF COMPENSATION TO THE LANDOWNER" (approved on July 17, 1987).

<sup>15</sup> *Rollo* (G.R. No. 214021), p. 51.

<sup>16</sup> *See rollo* (G.R. No. 213863), p. 67; and *rollo* (G.R. No. 214021), p. 31.

they were covered by Decree Nos. N-82378<sup>17</sup> and 622575,<sup>18</sup> respectively.

Thus, on August 30, 2000 and December 17, 2003, respectively, Santos was issued Agrarian Reform (AR) Bond No. 0079665 in the amount of ₱11,674.59 representing the initial valuation of Land 3 and AR Bond No. 0079666 in the amount of ₱30,428.83 representing the six percent (6%) increment pursuant to PD 27 and EO 228, and paid cash in the total amount of ₱4,678.16.<sup>19</sup>

Finding the valuation unreasonable, Santos filed three (3) petitions<sup>20</sup> for summary administrative proceedings for the determination of just compensation of the subject lands before the Office of the Provincial Adjudicator (PARAD) of Camarines Sur, docketed as DARAB Case Nos. V-RC-051-CS-00, V-RC-074-CS-00, and V-RC-075-CS-00.

On March 27, 2001, the PARAD rendered separate decisions<sup>21</sup> fixing the just compensation as follows: (a) ₱510,034.29<sup>22</sup> for Land 1; (b) ₱2,532,060.31<sup>23</sup> for Land 2; and (c) ₱1,147,466.73<sup>24</sup> for Land 3, using the formula,<sup>25</sup>  $LV = AGP \times 2.5 \times GSP$ . However, in arriving at such values, the PARAD used the recent government support price (GSP) for corn of ₱300.00/cavan (₱6.00/kilo) as certified by the National Food Authority Provincial Manager of Camarines Sur, instead of the ₱31.00/cavan provided under Section 2<sup>26</sup> of EO 228. Hence, it no longer applied the six percent (6%) annual incremental interest granted under DAR Administrative Order (DAR AO) No. 13,<sup>27</sup> Series of 1994. In a letter<sup>28</sup> dated September 5, 2001, Santos unconditionally accepted and called for the immediate payment of the valuations for Lands 2 and 3.

<sup>17</sup> CA rollo (CA-G.R. SP No. 110779), pp. 367-368.

<sup>18</sup> Id. at 366 and 369-370.

<sup>19</sup> See rollo (G.R. No. 214021), pp. 54 and 60.

<sup>20</sup> CA rollo (CA-G.R. SP No. 110779), pp. 211-221.

<sup>21</sup> Id. at 249-253, 254-258, and 259-263. All penned by Provincial Adjudicator Pedro B. Jamer, Jr.

<sup>22</sup> Id. at 252.

<sup>23</sup> Id. at 257.

<sup>24</sup> See rollo (G.R. No. 214021), p. 70. See also CA rollo (CA-G.R. SP No. 110779), p. 262.

<sup>25</sup> Rollo (G.R. No. 214021), p. 70.

Where:

LV = Land Value

AGP = Average Gross Production of corn in cavan of 50 kilos

GSP = Government Support Price of corn

<sup>26</sup> SECTION 2. Henceforth, the valuation of rice and corn lands covered by P.D. No. 27 shall be based on the average gross production determined by the Barangay Committee on Land Production in accordance with Department Memorandum Circular No. 26, series of 1973, and related issuances and regulations of the Department of Agrarian Reform. The average gross production per hectare shall be multiplied by two and a half (2.5), the product of which shall be multiplied by Thirty Five Pesos (₱35.00), the government support price for one cavan of 50 kilos of palay on October 21, 1972, or Thirty One Pesos (₱31.00), the government support price for one cavan of 50 kilos of corn on October 21, 1972, and the amount arrived at shall be the value of the rice and corn land, as the case may be, for the purpose of determining its cost to the farmer and compensation to the landowner. (Underscoring supplied)

<sup>27</sup> Entitled "RULES AND REGULATIONS GOVERNING THE GRANT OF INCREMENT OF SIX PERCENT (6%) YEARLY INTEREST COMPOUNDED ANNUALLY ON LANDS COVERED BY PRESIDENTIAL DECREE NO. 27 AND EXECUTIVE ORDER NO. 228" (approved on October 27, 1994).

<sup>28</sup> See rollo (G.R. No. 214021), p. 72.

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Dissatisfied with the PARAD's valuation, the LBP instituted two (2) separate complaints<sup>29</sup> for the determination of just compensation before the RTC, averring that the computations were erroneous when they disregarded the formula provided under EO 228. The cases were raffled to its Branch 21, and docketed as **Civil Case Nos. 2001-0299**<sup>30</sup> for Land 1, and **2001-0315**<sup>31</sup> for Lands 2 and 3.

Santos moved to dismiss<sup>32</sup> the complaints on the ground that the LBP has no legal personality to institute such action, and that the complaints were barred by the finality of the PARAD's Decision.

In a consolidated Order<sup>33</sup> dated November 9, 2001, the RTC dismissed both complaints. Meanwhile, Branch 23 of the same RTC was designated as the new SAC that gave due course to the LBP's notices of appeal.<sup>34</sup> The appeals, however, were set aside by the CA's Fifth and Third Divisions, which remanded the cases to the RTC for appropriate proceedings, and computation of just compensation, respectively.<sup>35</sup>

On May 5, 2009, Santos filed before the RTC a motion to release the initial valuation for Lands 1 and 2 as fixed by the DAR, which was granted on June 2, 2009, conditioned on the submission of several documentary requirements.<sup>36</sup> Santos moved for reconsideration, pointing out that what was sought was the initial valuation only and not its full payment, but nonetheless, committed (a) to submit two (2) valid ID cards, two (2) latest ID pictures and his CTC for the current year, and (b) to execute a Deed of Assignment, Warranties and Undertaking in favor of the LBP.<sup>37</sup>

In opposition, the LBP insisted that Santos must: (a) first establish his ownership over the said properties, it appearing that a Decree covering Land 1 was issued in favor of a certain Mariano Garchitorena, hence, the owner's duplicate of the said title must be surrendered to the Registry of Deeds for cancellation; and (b) submit a real estate tax clearance to prove that there were no encumbrances burdening the property and that the taxes thereon had been fully paid until 1972.<sup>38</sup>

<sup>29</sup> CA *rollo* (CA-G.R. SP No. 110779), pp. 264-274.

<sup>30</sup> Id. at 264-268.

<sup>31</sup> Id. at 270-274.

<sup>32</sup> See the motions to dismiss dated August 1, 2001 and August 23, 2001 in Civil Case Nos. 2001-0299 and 2001-0315; Id. at pp. 277-290 and 291-303, respectively.

<sup>33</sup> Id. at 304-311. Penned by Judge Ramon A. Cruz.

<sup>34</sup> See *rollo* (G.R. No. 213863), p. 130.

<sup>35</sup> The cases were docketed as **CA-G.R. CV No. 74919** (for Civil Case No. 2001-0299) and raffled to the CA's Fifth Division and **CA-G.R. CV No. 75010** (for Civil Case No. 2001-0315) was raffled to the Third Division; see *rollo* (G.R. No. 213863), p. 68; *rollo* (G.R. No. 214021), p. 32.

<sup>36</sup> See CA *rollo* (CA-G.R. SP No. 110779), p. 45.

<sup>37</sup> Id. at 46.

<sup>38</sup> Id 45-46.

In an **Order**<sup>39</sup> dated **July 9, 2009**, the RTC ruled in favor of Santos, holding that since Land 1 was processed as an untitled property and the LBP had admitted in its petitions for just compensation that Santos was the owner of the untitled lands covered by PD 27 as reflected in the tax declarations, the LBP cannot maintain an inconsistent position by requiring Santos to prove his ownership thereto. It added that the submission of the required documents may still be directed upon full payment of the just compensation.

The LBP's motion for reconsideration<sup>40</sup> was denied in an **Order**<sup>41</sup> dated **August 24, 2009**.

The LBP elevated the matter to the CA *via* a petition for *certiorari* and prohibition<sup>42</sup> with prayer for the issuance of a writ of preliminary injunction and/or temporary restraining order (TRO), docketed as **CA-G.R. SP No. 110779**, asserting that the RTC abused its discretion considering that: (a) it was not at liberty to disregard<sup>43</sup> DAR AO No. 2, Series of 2005,<sup>44</sup> which prescribes the requirements for the release of the initial valuation to a landowner; and (b) no further proceedings were necessary to arrive at the just compensation for Lands 2 and 3 in view of the final and executory decision in **CA-G.R. CV No. 75010** that directed the remand of the case to the RTC for computation purposes only, hence, *res judicata* had set in.<sup>45</sup>

The LBP's application for the issuance of a TRO having been denied,<sup>46</sup> it was constrained to deposit the initial valuation for Lands 1 and 2 as directed by the RTC<sup>47</sup> after Santos' assignee,<sup>48</sup> Romeo Santos, signed the required Deed of Assignment, Warranties and Undertaking<sup>49</sup> in favor of the LBP.

In an Order<sup>50</sup> dated March 17, 2010, the RTC directed the LBP to submit a revaluation for Lands 1, 2, and 3 in accordance with the factors set forth under Republic Act (RA) No. 6657,<sup>51</sup> otherwise known as the "Comprehensive Agrarian Reform Law of 1988," as implemented by DAR

<sup>39</sup> Id. at 45-47.

<sup>40</sup> See motion for reconsideration dated July 17, 2009; id. at 129-136.

<sup>41</sup> Id. at 48-50.

<sup>42</sup> Id. at 3-43.

<sup>43</sup> Id. at 20.

<sup>44</sup> Entitled "RULES AND PROCEDURES GOVERNING THE ACQUISITION OF AGRICULTURAL LANDS SUBJECT OF VOLUNTARY OFFER TO SELL AND COMPULSORY ACQUISITION AND THOSE COVERED UNDER EXECUTIVE ORDER NO. 407" (approved on May 12, 2005).

<sup>45</sup> See *CA rollo* (CA-G.R. SP No. 110779), p. 30.

<sup>46</sup> See Resolution dated November 27, 2009; id. at 375-377. Penned by Associate Justice Ricardo R. Rosario with Associate Justices Jose C. Reyes, Jr. and Magdangal M. de Leon concurring.

<sup>47</sup> See *rollo* (G.R. No. 213863), p. 41.

<sup>48</sup> See Deed of Assignment dated February 13, 2002; *CA rollo* (CA-G.R. SP No. 121813), p. 59.

<sup>49</sup> *CA rollo* (CA-G.R. No. 110779), pp. 361-364.

<sup>50</sup> *Rollo* (G.R. No. 214021), p. 80.

<sup>51</sup> Entitled "AN ACT INSTITUTING A COMPREHENSIVE AGRARIAN REFORM PROGRAM TO PROMOTE SOCIAL JUSTICE AND INDUSTRIALIZATION, PROVIDING THE MECHANISM FOR ITS IMPLEMENTATION, AND FOR OTHER PURPOSES" (approved on June 10, 1988).

AO No. 1, Series of 2010.<sup>52</sup>

In compliance therewith, the LBP recomputed the valuation of the subject lands as follows: ₱514,936.44<sup>53</sup> for Land 1, ₱2,506,873.43<sup>54</sup> for Land 2, and ₱1,155,223.41<sup>55</sup> for Land 3, which Santos accepted. Considering, however, the pendency of **CA-G.R. SP No. 110779** involving Lands 1 and 2, Santos moved for a separate judgment relative to Land 3.<sup>56</sup>

### The RTC Ruling

On June 22, 2011, the RTC issued a Judgment<sup>57</sup> in Civil Case No. 2001-0315, adopting and approving the LBP's uncontested revaluation for Land 3 in the amount of ₱1,155,223.41, and ordering its payment to Santos in accordance with Section 18 of RA 6657, minus the initial valuation that had already been paid to him.

Santos moved for reconsideration, contending that the RTC failed to order the payment of twelve percent (12%) interest reckoned from the time the property was taken from him by the government in 1972 and distributed to the farmer beneficiaries until full payment of the just compensation.<sup>58</sup> In an Order<sup>59</sup> dated August 31, 2011, the RTC granted the motion and awarded twelve percent (12%) interest computed from June 26, 2000 when the LBP approved the payment of the initial valuation for the property up to the date the decision was rendered, or a total amount of ₱1,437,669.75.

Both parties moved for reconsideration.<sup>60</sup>

<sup>52</sup> Entitled "RULES AND REGULATIONS ON VALUATION AND LANDOWNERS COMPENSATION INVOLVING TENANTED RICE AND CORN LANDS UNDER PRESIDENTIAL DECREE (P.D.) NO. 27 AND EXECUTIVE ORDER (E.O.) NO. 228" which took effect on July 1, 2009.

<sup>53</sup> See *rollo* (G.R. No. 213863), p. 42.

<sup>54</sup> *Rollo* (G.R. No. 214021), pp. 35 and 82.

<sup>55</sup> *Id.* at 35 and 83. As gathered from the records, it appears that the revalued amounts were computed using the formula,  $LV = (CNI \times 0.90) + (MV \times 0.10)$ .

Where:

LV = Land Value

CNI = Capitalized Net Income

MV = Market Value per Tax Declaration

which is the applicable formula if no *comparative sales* data are available. (See DAR AO No. 1, Series of 2010, Part IV on "Land Valuation", No. 1)

Thus, the LV for Land 3 was computed as follows:

$$\begin{aligned} LV &= (CNI \times 0.90) + (MV \times 0.10) \\ &= (\text{₱}76,500.00 \times 0.90) + (\text{₱}91,713.67 \times 0.10) \quad [\text{Id. at 83}] \\ &= \text{₱}68,850.00 + \text{₱}9,171.37 \\ &= \text{₱}78,021.37 \times 14.8065 \text{ has.} \quad [\text{Id.}] \\ &= \underline{\text{₱}1,155,223.41} \quad [\text{Id.}] \end{aligned}$$

<sup>56</sup> See *rollo* (G.R. No. 213863), p. 42; See also *rollo* (G.R. No. 214021), p. 35.

<sup>57</sup> *Rollo* (G.R. No. 214021), pp. 57-58. Penned by Judge Valentin E. Pura, Jr.

<sup>58</sup> *Id.* at 50.

<sup>59</sup> *Id.* at 50-56.

<sup>60</sup> *Id.* at 46.

In an **Order**<sup>61</sup> dated **October 10, 2011**, the RTC modified its August 31, 2011 Order, holding that the twelve percent (12%) interest should be reckoned from January 1, 2010 until full payment since the revaluation of Land 3 already included the required six percent (6%) annual incremental interest under DAR AO No. 13, Series of 1994,<sup>62</sup> DAR AO No. 2, Series of 2004,<sup>63</sup> and DAR AO No. 6, Series of 2008,<sup>64</sup> from the time of taking until December 31, 2009.

Dissatisfied, Santos filed a petition for review<sup>65</sup> before the CA, docketed as **CA-G.R. SP No. 121813**, which was subsequently consolidated with the LBP's petition in **CA-G.R. SP No. 110779**.<sup>66</sup>

On October 12, 2011, the LBP fully paid Santos the amount of ₱1,155,223.41 representing the just compensation for Land 3.<sup>67</sup>

### The CA Ruling

In a Decision<sup>68</sup> dated December 4, 2013, the CA dismissed the petitions, and affirmed the RTC's Orders dated July 9, 2009 and August 24, 2009 subject of CA-G.R. SP No. 110779, and the Order dated October 11, 2011 subject of CA-G.R. SP No. 121813.

In **CA-G.R. SP No. 110779**, the CA ruled that no grave abuse of discretion was committed by the RTC when it proceeded with the determination of just compensation, thereby rejecting the LBP's contention that the RTC was barred by *res judicata* from conducting further proceedings to determine just compensation with the finality<sup>69</sup> of its earlier decisions in CA-G.R. CV Nos. 74919<sup>70</sup> and 75010.<sup>71</sup> It pointed out that the

<sup>61</sup> Id. at 45-49.

<sup>62</sup> Under this AO, six percent (6%) compounded yearly interest is granted to lands covered by PD 27 and EO 228 for the delay in the payment of just compensation, from the time of taking until November 1994.

<sup>63</sup> Entitled "AMENDMENT TO ADMINISTRATIVE ORDER NO.13, SERIES OF 1994 ENTITLED "RULES AND REGULATIONS GOVERNING THE GRANT OF INCREMENT OF SIX PERCENT (6%) YEARLY INTEREST COMPOUNDED ANNUALLY ON LANDS COVERED BY PRESIDENTIAL DECREE (P.D.) NO. 27 AND EXECUTIVE ORDER (E.O.) NO. 228" dated November 4, 2004. This extended the grant of the six percent (6%) incremental annual interest up to December 2006.

<sup>64</sup> Entitled "AMENDMENT TO DAR ADMINISTRATIVE ORDER NO. 2., S. OF 2004 ON THE GRANT OF INCREMENT OF SIX PERCENT (6%) YEARLY INTEREST COMPOUNDED ANNUALLY ON LANDS COVERED BY PRESIDENTIAL DECREE (PD) NO. 27 AND EXECUTIVE ORDER (EO) NO. 228" dated July 28, 2008. This further extended the grant of the six percent (6%) incremental annual interest up to December 31, 2009.

<sup>65</sup> CA rollo (CA-G.R. SP No. 121813), pp. 12-43.

<sup>66</sup> Rollo (G.R. No. 213863), p. 43.

<sup>67</sup> See rollo (G.R. No. 214021), p. 116.

<sup>68</sup> Rollo (G.R. No. 213863), pp. 65-80; rollo (G.R. No. 214021), pp. 29-44.

<sup>69</sup> See Entry of Judgment; rollo (G.R. No. 213863), p. 138.

<sup>70</sup> See Decision dated February 18, 2005; CA rollo (CA-G.R. SP No. 110779), pp. 328-343. Penned by Associate Justice Ruben T. Reyes with Associate Justices Josefina Guevara-Salonga and Fernanda Lampas Peralta concurring.

<sup>71</sup> See Decision dated February 28, 2007; id. at 344-352. Penned by Associate Justice Mario L. Guarifia III with Associate Justices Portia Alino-Hormachuelos and Japar B. Dimaampao concurring.

said decisions merely resolved the LBP's personality to institute an action for determination of just compensation, and reinstated the LBP's complaints for just compensation which were well within the RTC's original and exclusive jurisdiction under RA 6657. It likewise sustained the release of the initial valuation for Lands 1 and 2 conditioned on the submission of only the documents mentioned in the RTC's July 9, 2009 Order, finding that the failure to produce the titles thereto were beyond Santos' control and that his claim of ownership had been sufficiently established. It added that the RTC's June 22, 2011 Judgment conditioned the release of the final just compensation upon compliance with the requirements of the law.<sup>72</sup>

In **CA-G.R. SP No. 121813**, the CA upheld the RTC's ruling that Santos was entitled to a twelve percent (12%) interest reckoned from January 1, 2010 until its full payment since the revaluation by the LBP of Land 3 already included six percent (6%) annual incremental interest until December 31, 2009.<sup>73</sup>

Aggrieved, both parties moved for reconsideration which were denied in a Resolution<sup>74</sup> dated August 11, 2014; hence, these consolidated petitions.

### **The Issues Before the Court**

In its petition in **G.R. No. 213863**, the LBP contended that the CA committed reversible error in: (a) not finding the RTC to have acted with grave abuse of discretion in allowing the release of the initial valuation of Lands 1 and 2 without submitting the documents listed under DAR AO No. 2, Series of 2005; (b) ignoring the final decision in CA-G.R. CV No. 75010 that effectively barred the RTC from further proceeding with the determination of just compensation relative to Lands 2 and 3; and (c) holding it liable for twelve percent (12%) interest on the unpaid just compensation for Land 3.

On the other hand, Santos raised in his petition in **G.R. No. 214021** the sole question of whether or not the CA erred in reckoning the award of twelve percent (12%) interest from January 1, 2010 until full payment of the just compensation.

### **The Court's Ruling**

The Court has repeatedly held that **the seizure of landholdings or properties covered by PD 27 did not take place on October 21, 1972, but**

<sup>72</sup> *Rollo* (G.R. No. 213863), pp. 74-77; *rollo* (G.R. No. 214021), pp. 38-41.

<sup>73</sup> *Rollo* (G.R. No. 213863), pp. 77-79; *rollo* (G.R. No. 214021), pp. 41-43.

<sup>74</sup> *Rollo* (G.R. No. 213863), pp. 83-85; *rollo* (G.R. No. 214021), pp. 26-28.

**upon the payment of just compensation.**<sup>75</sup> Thus, if the agrarian reform process is still incomplete, as in this case where the just compensation due the landowner has yet to be settled, just compensation should be determined and the process concluded under RA 6657.<sup>76</sup>

As summarized in *LBP v. Sps. Banal*,<sup>77</sup> the procedure for the determination of just compensation under RA 6657 commences with the LBP determining the initial valuation of the lands under the land reform program.<sup>78</sup> Using the LBP's valuation, the DAR makes an offer to the landowner.<sup>79</sup> In case the landowner rejects the offer, the DAR adjudicator conducts a summary administrative proceeding to determine the compensation for the land by requiring the landowner, the LBP, and other interested parties to submit evidence on the just compensation of the land. A party who disagrees with the decision of the DAR adjudicator may bring the matter to the RTC designated as a Special Agrarian Court for final determination of just compensation.<sup>80</sup>

Note that in case of rejection, RA 6657 entitles the landowner to withdraw the initial valuation of the landholding pending the determination of just compensation.<sup>81</sup> In this case, however, the LBP, citing DAR AO No. 2, Series of 2005, posited that the release of such amount is conditioned on the submission of all the documentary requirements listed therein, and that the RTC's failure to require Santos to comply therewith constitutes grave abuse of discretion.<sup>82</sup>

The Court is not persuaded.

Grave abuse of discretion connotes an arbitrary or despotic exercise of power due to passion, prejudice or personal hostility; or the whimsical, arbitrary, or capricious exercise of power that amounts to an evasion or refusal to perform a positive duty enjoined by law or to act at all in contemplation of law. For an act to be struck down as having been done with grave abuse of discretion, the abuse must be patent and gross.<sup>83</sup>

Contrary to the LBP's assertion in **G.R. No. 213863**, nowhere from the said administrative guideline can it be inferred that the submission of the

<sup>75</sup> See *LBP v. Ibarra*, G.R. No. 182472, November 24, 2014.

<sup>76</sup> See *LBP v. Heirs of Alsua*, G.R. No. 211351, February 4, 2015.  
<sup>77</sup> 478 Phil. 701 (2004).

<sup>78</sup> Id. at 708-709.

<sup>79</sup> Under Executive Order No. 405 issued on June 14, 1990, the DAR is required to make use of the determination of the land valuation and compensation by the LBP as the latter is primarily responsible for the determination of the land valuation and compensation.

<sup>80</sup> This is essentially the procedure outlined in Section 16 of RA 6657.

<sup>81</sup> See *LBP v. Heir of Vda. de Arieta*, 642 Phil. 198, 223 (2010); See also sub-paragraph (4) of the Statement of Policies of DAR AO No. 2, Series of 2005.

<sup>82</sup> *Rollo* (G.R. No. 213863), pp. 45-47.

<sup>83</sup> See *LBP v. Pagayatan*, 659 Phil. 198, 214 (2011).

complete documents is a pre-condition for the release of the initial valuation to a landowner. To hold otherwise would effectively protract payment of the amount which RA 6657 guarantees to be immediately due the landowner even pending the determination of just compensation. As elucidated in *LBP v. CA*:<sup>84</sup>

As an exercise of police power, the expropriation of private property under the CARP puts the landowner, and not the government, in a situation where the odds are already stacked against his favor. He has no recourse but to allow it. His only consolation is that he can negotiate for the amount of compensation to be paid for the expropriated property. As expected, the landowner will exercise this right to the hilt, but subject however to the limitation that he can only be entitled to a "just compensation." Clearly therefore, by rejecting and disputing the valuation of the DAR, the landowner is merely exercising his right to seek just compensation. **If we are to x x x [withhold] the release of the offered compensation despite depriving the landowner of the possession and use of his property, we are in effect penalizing the latter for simply exercising a right afforded to him by law.**

Obviously, this would render the right to seek a fair and just compensation illusory as it would discourage owners of private lands from contesting the offered valuation of the DAR even if they find it unacceptable, for fear of the hardships that could result from long delays in the resolution of their cases. This is contrary to the rules of fair play because the concept of just compensation embraces not only the correct determination of the amount to be paid to the owners of the land, but also the payment of the land within a reasonable time from its taking. Without prompt payment, compensation cannot be considered "just" for the property owner is made to suffer the consequence of being immediately deprived of his land while being made to wait for a decade or more before actually receiving the amount necessary to cope with his loss.<sup>85</sup> (Emphasis supplied)

Thus, the leniency accorded by the RTC cannot be construed as a capricious exercise of power as it merely expedited the procedure for payment which is inherently fairer under the circumstances considering that: (a) Santos has been "deprived of his right to enjoy his properties as early as 1983, and has not yet received any compensation therefor since then;"<sup>86</sup> (b) the existence of the certificates of title over Lands 1 and 2 which the LBP insists to be submitted had not been sufficiently established;<sup>87</sup> (c) the LBP had judicially admitted that Santos is the owner of Lands 1 and 2 which were identified as covered by tax declarations;<sup>88</sup> and (d) compliance with the required documents may still be directed before the full payment of the correct just compensation<sup>89</sup> which, up to this time, has not yet been finally determined. Moreover, as aptly pointed out by the CA, Santos' failure to

<sup>84</sup> 327 Phil. 1047 (1996).

<sup>85</sup> Id. at 1053-1054.

<sup>86</sup> *CA rollo* (CA-G.R. SP No. 110779), p. 46.

<sup>87</sup> Id. at 50.

<sup>88</sup> Id. at 46.

<sup>89</sup> Id. at 47.

produce the titles to Lands 1 and 2 was not motivated by any obstinate refusal to abide by the requirements but due to impediments beyond his control.<sup>90</sup>

Perforce, no reversible error or grave abuse of discretion can be imputed on the CA in sustaining the RTC Orders dated July 9, 2009 and August 24, 2009 which allowed the withdrawal of the initial valuation upon Santos' (a) submission of two (2) valid ID cards, two (2) latest ID pictures, and his current CTC, and (b) execution of a Deed of Assignment, Warranties and Undertaking in favor of the LBP.

Neither can the Court subscribe to the LBP's contention that the RTC was barred by *res judicata* from conducting further proceedings to determine just compensation for Lands 2 and 3 since the final and executory Decision in CA-G.R. CV No. 75010 merely called for a remand of the case for computation purposes only.

*Res judicata* means a matter adjudged, a thing judicially acted upon or decided; a thing or matter settled by judgment. The doctrine of *res judicata* provides that a final judgment, on the merits rendered by a court of competent jurisdiction is conclusive as to the rights of the parties and their privies and constitutes an absolute bar to subsequent actions involving the same claim, demand, or cause of action. The elements of *res judicata* are (a) identity of parties or at least such as representing the same interest in both actions; (b) **identity of rights asserted and relief prayed for, the relief being founded on the same facts**; and (c) the identity in the two (2) particulars is such that any judgment which may be rendered in the other action will, regardless of which party is successful, amount to *res judicata* in the action under consideration.<sup>91</sup>

As correctly observed by the CA, the decision in CA-G.R. CV No. 75010 did not preclude the RTC from proceeding with the determination of just compensation of the subject lands since the issue raised in the said case merely pertained to the LBP's legal standing to institute the complaints for just compensation and not the valuation of the subject lands.<sup>92</sup> The pronouncement in the said decision on the matter of computation of just compensation was a mere *obiter dictum*, an opinion expressed upon some question of law that was *not necessary* in the determination of the case before it.<sup>93</sup> As succinctly pointed out in the case of *LBP v. Suntay*,<sup>94</sup> "it is a remark made, or opinion expressed, by a judge, in his decision upon a cause *by the way*, that is, *incidentally* or *collaterally*, and not directly upon the question before him, or upon a point not necessarily involved in the

<sup>90</sup> *Rollo* (G.R. No. 213863), pp. 76-77; *rollo* (G.R. No. 214021), pp. 40-41.

<sup>91</sup> *LBP v. Pagayatan*, supra note 83, at 207-208, citing *Lanuza v. CA*, 494 Phil. 51, 58 (2005).

<sup>92</sup> See *Rollo* (G.R. No. 213863), pp. 74-75; *rollo* (G.R. No. 214021), pp. 38-39.

<sup>93</sup> See *LBP v. Suntay*, 678 Phil. 879, 913 (2011).

<sup>94</sup> See *id.*

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determination of the cause, or introduced by way of illustration, or analogy or argument. It does not embody the resolution or determination of the court, and is made without argument, or full consideration of the point. It **lacks the force of an adjudication, being a mere expression of an opinion with no binding force for purposes of *res judicata*.**<sup>95</sup>

Besides, it bears stressing that the original and exclusive jurisdiction over all petitions for the determination of just compensation is vested in the RTC,<sup>96</sup> hence, it cannot be unduly restricted in the exercise of its judicial function.

With respect to the award of twelve percent (12%) interest on the unpaid just compensation for Land 3 subject of **G.R. No. 214021**, the Court finds untenable the LBP's contention that the same was bereft of factual and legal bases, grounded on its having promptly paid Santos the initial valuation therefor barely two months after it approved the DAR's valuation on June 26, 2000.<sup>97</sup>

Notably, while the LBP released the initial valuation in the amount of ₱46,781.58 in favor of Santos in the year 2000, the said amount is way below, or only four (4%)<sup>98</sup> of the just compensation finally adjudged by the RTC. To be considered as just, the compensation must be fair and equitable, and the landowners must have received it without any delay.

It is doctrinal that the concept of just compensation contemplates of just and timely payment. It embraces not only the correct determination of the amount to be paid to the landowner, but also the payment of the land within a reasonable time from its taking, as otherwise, compensation cannot be considered "just," for the owner is made to suffer the consequence of being immediately deprived of his land while being made to wait for years before actually receiving the amount necessary to cope with his loss.<sup>99</sup>

In *LBP v. Orilla*,<sup>100</sup> the Court elucidated that "prompt payment" of just compensation is not satisfied by the mere deposit with any accessible bank of the provisional compensation determined by it or by the DAR, and its subsequent release to the landowner after compliance with the legal requirements set by RA 6657, to wit:

<sup>95</sup> Id. at 913-914.

<sup>96</sup> See Section 57, RA 6657.

<sup>97</sup> *Rollo* (G.R. No. 214021), p. 99.

<sup>98</sup> Initial valuation ₱ 46,781.58

Final just compensation ₱ 1,155,223.41

Percentage of initial valuation

to final just compensation 4.04956994422404 %

<sup>99</sup> *LBP v. Department of Agrarian Reform Adjudication Board*, 624 Phil. 773, 781 (2010).

<sup>100</sup> 578 Phil. 663 (2008).

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Just compensation is defined as the full and fair equivalent of the property taken from its owner by the expropriator. It has been repeatedly stressed by this Court that the true measure is not the taker's gain but the owner's loss. The word "just" is used to modify the meaning of the word "compensation" to convey the idea that **the equivalent to be given for the property to be taken shall be real, substantial, full, and ample.**

The concept of just compensation embraces not only the correct determination of the amount to be paid to the owners of the land, but also payment within a reasonable time from its taking. Without prompt payment, compensation cannot be considered "just" inasmuch as the property owner is made to suffer the consequences of being immediately deprived of his land while being made to wait for a decade or more before actually receiving the amount necessary to cope with his loss.

Put differently, **while prompt payment of just compensation requires the immediate deposit and release to the landowner of the provisional compensation as determined by the DAR, it does not end there. Verily, it also encompasses the payment in full of the just compensation to the landholders as finally determined by the courts. Thus, it cannot be said that there is already prompt payment of just compensation when there is only a partial payment thereof, as in this case.**<sup>101</sup> (Emphasis supplied)

Thus, in expropriation cases, **interest is imposed if there is delay in the payment of just compensation to the landowner since the obligation is deemed to be an effective forbearance on the part of the State.** Such interest shall be pegged at the rate of twelve percent (12%) per annum on the unpaid balance of the just compensation, reckoned from the time of taking,<sup>102</sup> or the time when the landowner was deprived of the use and benefit of his property,<sup>103</sup> such as when title is transferred to the Republic,<sup>104</sup> or emancipation patents are issued by the government,<sup>105</sup> until full payment.<sup>106</sup> To clarify, unlike the six percent (6%) annual incremental interest allowed under DAR AO No. 13, Series of 1994, DAR AO No. 2, Series of 2004 and DAR AO No. 6, Series of 2008, this twelve percent (12%) annual 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.<sup>106</sup>

Accordingly, the award of twelve percent (12%) annual interest on the unpaid balance of the just compensation for Land 3 should be computed from the time of taking, and not from January 1, 2010 as ruled by the RTC and the CA, until full payment on October 12, 2011.<sup>107</sup> However, copies of

<sup>101</sup> Id. at 676-677.

<sup>102</sup> See *LBP v. Santiago, Jr.*, G.R. No. 182209, October 3, 2012, 682 SCRA 264, 285.

<sup>103</sup> *LBP v. Lajom*, G.R. Nos. 184982 and 185048, August 20, 2014, 733 SCRA 511, 523; See also *LBP v. Heirs of Alsua*, G.R. No. 211351, February 4, 2015.

<sup>104</sup> *LBP v. Heirs of Encinas*, G.R. No. 167735, April 18, 2012, 670 SCRA 52, 60.

<sup>105</sup> *LBP v. Lajom*, supra note 103.

<sup>106</sup> Id. at 524.

<sup>107</sup> *Rollo* (G.R. No. 214021), p. 116.

the emancipation patents issued to the farmer-beneficiaries have not been attached to the records of the case. Hence, the Court is constrained to remand the case to the RTC of Naga City for receipt of evidence as to the date of the grant of the emancipation patents, which shall serve as the reckoning point for the computation of the interests due Santos.

**WHEREFORE**, the petitions are **DENIED**. The Decision dated December 4, 2013 and the Resolution dated August 11, 2014 of the Court of Appeals in CA-G.R. SP Nos. 110779 and 121813 are hereby **AFFIRMED** with the **MODIFICATION** that the awarded twelve percent (12%) interest shall be computed from the date of taking until full payment of the just compensation on October 12, 2011 for the property covered by TCT No. 5717 (Land 3). The records of the case are **REMANDED** to the Regional Trial Court of Naga City, Branch 23 for further reception of evidence as to the date of the grant of the emancipation patents in favor of the farmer-beneficiaries of Land 3, which shall serve as the reckoning point for the computation of the said award.

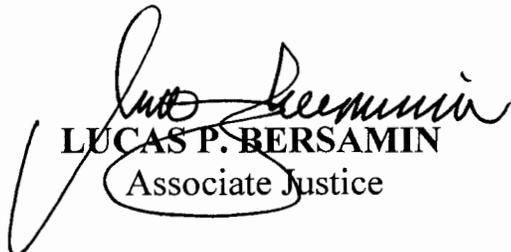
**SO ORDERED.**

  
**ESTELA M. BERNAL-BERNABE**  
Associate Justice

**WE CONCUR:**

  
**MARIA LOURDES P. A. SERENO**  
Chief Justice  
Chairperson

  
**TERESITA J. LEONARDO-DE CASTRO**  
Associate Justice

  
**LUCAS P. BERSAMIN**  
Associate Justice

  
**FRANCIS H. JARDELEZA**  
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 cases were assigned to the writer of the opinion of the Court's Division.



**MARIA LOURDES P. A. SERENO**

Chief Justice

