

Republic of the Philippines
Supreme Court
Manila

FIRST DIVISION

HEIRS OF PABLO FELICIANO,
JR., namely: LOURDES
FELICIANO TUDLA, GLORIA
FELICIANO CAUDAL, GABRIELA
FELICIANO BAUTISTA, ANGELA
FELICIANO LUCAS, DONNA
CELESTE FELICIANO-
GATMAITAN, CYNTHIA CELESTE
FELICIANO, and HECTOR
REUBEN FELICIANO, represented
by its assignee, VICTORIA ALDA
REYES ESPIRITU,

Petitioners,

G.R. No. 215290

Present:

SERENO, C.J., Chairperson,
LEONARDO-DE CASTRO,
DEL CASTILLO,
PERLAS-BERNABE, and
CAGUIOA, JJ.

- versus -

LAND BANK OF THE
PHILIPPINES,

Respondent.

Promulgated:

JAN 11 2017

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DECISION

PERLAS-BERNABE, J.:

Before the Court is a petition for review on *certiorari*¹ assailing the Amended Decision² dated October 24, 2014 of the Court of Appeals (CA) in CA-G.R. SP No. 122761, directing respondent the Land Bank of the

¹ Rollo, pp. 3-52.

² Id. at 54-62. Penned by Associate Justice Victoria Isabel A. Paredes with Associate Justices Isaias P. Diccican and Pedro B. Corales concurring.



Philippines (LBP) to pay petitioner, Victoria Alda Reyes Espiritu (Espiritu) the amount of ₱1,892,471.01, representing the interest due on the balance of the revalued just compensation which accrued from July 1, 2009 until December 13, 2011, with interest at the rate of 6% per annum (p.a.) from the finality of the Decision until full payment.

The Facts

Petitioners heirs of Pablo Feliciano, Jr., namely: Lourdes Feliciano Tudla, Gloria Feliciano Caudal, Gabriela Feliciano Bautista, Angela Feliciano Lucas, Donna Celeste Feliciano-Gatmaitan, Cynthia Celeste Feliciano, and Hector Reuben Feliciano (Feliciano heirs) are co-owners of a 300 hectare (ha.) parcel of agricultural land situated at F. Simeon, Ragay, Camarines Sur, covered by Transfer Certificate of Title (TCT) No. RT 3080 (4120).³

In 1972, a 135.2583 ha. portion of the afore-mentioned land was classified as un-irrigated riceland (subject land), and placed under the coverage⁴ of Presidential Decree No. (PD) 27.⁵ The Certificates of Land Transfer were distributed to the 84 tenant-beneficiaries in 1973 who were issued Emancipation Patents in 1989.⁶ The claim folder covering the subject land was received by the LBP from the Department of Agrarian Reform (DAR) on December 2, 1997.⁷ The DAR valued the subject land at ₱1,301,498.09, inclusive of interests, but the Feliciano heirs rejected the said valuation, prompting the LBP to deposit the said amount in the latter's name on January 26, 1998.⁸ On March 24, 2000, the said amount was released to them.⁹

After the summary administrative proceedings for the determination of just compensation, the Office of the Provincial Agrarian Reform Adjudicator of Camarines Sur, Branch I rendered a Decision¹⁰ dated September 28, 2001, fixing the value of the subject land at ₱4,641,080.465 or an average of ₱34,302.375/ha.¹¹

³ Id. at 64.

⁴ Id. at 65.

⁵ 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" (October 21, 1972).

⁶ *Rollo*, p. 86.

⁷ Id. at 84.

⁸ Id. at 83 and 85.

⁹ Id. at 65.

¹⁰ Id. at 109-113. Signed by Provincial Adjudicator Virgil G. Alberto.

¹¹ Id. at 113.

On November 22, 2001, the LBP filed a petition¹² for the determination of just compensation before the Regional Trial Court of Naga City, Branch 23 (RTC), docketed as Civil Case No. 2001-0359, which was initially dismissed, but eventually reinstated.¹³

In the interim, the Feliciano heirs assigned their rights over the just compensation claims to Espiritu.¹⁴

The RTC Proceedings

In an Order dated May 4, 2011, the RTC directed the LBP to revalue the subject land in accordance with DAR Administrative Order No. (AO) 1, Series of 2010¹⁵ (DAR AO 1, Series of 2010). In compliance therewith, the LBP revalued the land at ₱7,725,904.05. Espiritu accepted the said amount but insisted on petitioners' entitlement to twelve percent (12%) interest p.a. on the revalued amount on the ground of unreasonable delay in the payment thereof.¹⁶

In a Decision¹⁷ dated September 19, 2011, the RTC (a) fixed the just compensation for the subject land at ₱7,725,904.05; and (b) directed the LBP (i) to pay Espiritu the said amount, less amounts already paid to and received by the Feliciano heirs, and (ii) to pay 12% interest p.a. on the unpaid balance of the just compensation, computed from January 1, 2010 until full payment.¹⁸ It observed that the subject land, which was expropriated pursuant to PD 27, fell under the coverage of DAR AO 13, Series of 1994,¹⁹ DAR AO 2, Series of 2004,²⁰ and DAR AO 6, Series of 2008²¹ (DAR AO 6-2008; collectively, DAR AOs) that provided for the payment of 6% annual interest for any delay in the payment of just compensation. Since DAR AO 06-2008 was effective only until December

¹² Id. at 94-98.

¹³ Id. at 65-66. The case was dismissed on the ground that the LBP had no right to institute the case for determination of just compensation (*Rollo*, p. 238). However, the dismissal order was reversed by the CA in a Decision dated April 9, 2008 in CA-G.R. CV-No. 75802 (*Rollo*, pp. 235-244). Penned by Associate Justice Ramon R. Garcia with Associate Justices Juan Q. Enriquez, Jr. and Arcangelita Romilla-Lontok concurring.

¹⁴ Id. at 66.

¹⁵ 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" (February 12, 2010).

¹⁶ *Rollo*, p. 66.

¹⁷ Id. at 83-92. Penned by Presiding Judge Valentin E. Pura, Jr.

¹⁸ Id. at 92.

¹⁹ 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" (October 27, 1994).

²⁰ 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 NO. 27 AND EXECUTIVE ORDER NO. 228'" (November 4, 2004).

²¹ 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" (July 28, 2008).

31, 2009, the RTC imposed 12% interest p.a. on the unpaid just compensation²² from January 1, 2010 until full payment.²³

Both parties moved for reconsideration,²⁴ which were denied in an Order²⁵ dated November 24, 2011, modifying the reckoning of the 12% interest p.a. from the finality of the Decision until its satisfaction.

Aggrieved, the Feliciano heirs, represented by Espiritu (collectively, petitioners), elevated the matter before the CA.²⁶

The CA Ruling

In a Decision²⁷ dated March 17, 2014, the CA fixed the just compensation for the subject land at ₱7,725,904.05, plus legal interest at the rate of twelve percent (12%) p.a., computed from July 1, 2009 up to the finality of the Decision, or the total amount of ₱8,316,876.97, and directed the LBP to pay the said amount to Espiritu.²⁸ It ruled that the DAR AOs are no longer applicable to the instant case since the subject land was revalued based on the July 1, 2009 values pursuant to DAR AO 1, Series of 2010. It further held that interest at 12% p.a. was proper considering the delay in the payment of just compensation.²⁹

Petitioners filed a motion for reconsideration³⁰ but the same was denied by the CA in an Amended Decision³¹ dated October 24, 2014, which modified its earlier ruling. The CA pointed out that since the LBP had already paid petitioners the total amount of ₱7,725,904.05 on December 13, 2011, it is only liable for the payment of 12% interest p.a., accruing from July 1, 2009 up to the said date, or the amount of ₱1,892,471.01. Accordingly, it ordered the LBP to pay Espiritu the said amount, which shall thereafter earn interest at the rate of six percent (6%) p.a. from the finality of the said Decision until full payment.³² Hence, the instant petition.

The Issue Before the Court

The essential issue for the Court's resolution is whether or not the CA's determination of just compensation is correct.

²² See *Apo Fruits Corp. v. LBP*, 647 Phil. 251 (2010).

²³ *Rollo*, pp. 89-90.

²⁴ See *id.* at 67.

²⁵ *Id.* at 78-82.

²⁶ *Id.* at 68.

²⁷ *Id.* at 63-77.

²⁸ *Id.* at 75-77.

²⁹ *Id.* at 73-75.

³⁰ Dated April 14, 2014; *id.* at 127-148.

³¹ *Id.* at 54-62.

³² *Id.* at 59-61.

The Court's Ruling

Case law states that when the acquisition process under PD 27 is still incomplete – such as in this case, where the just compensation due the landowner has yet to be settled – just compensation should be determined and the process be concluded under Republic Act No. (RA) 6657,³³ otherwise known as the “Comprehensive Agrarian Reform Law of 1988.”³⁴

For purposes of determining just compensation, the fair market value of an expropriated property is determined by its character and its price at the time of *taking*, or the time when the landowner was deprived of the use and benefit of his property, such as when the title is transferred in the name of the beneficiaries. In addition, the factors enumerated under Section 17 of RA 6657, as amended, *i.e.*, (a) the acquisition cost of the land, (b) the current value of like properties, (c) the nature and actual use of the property, and the income therefrom, (d) the owner's sworn valuation, (e) the tax declarations, (f) the assessment made by government assessors, (g) the social and economic benefits contributed by the farmers and the farmworkers, and by the government to the property, and (h) the non-payment of taxes or loans secured from any government financing institution on the said land, if any, must be equally considered.³⁵

However, it bears pointing out that while Congress passed **RA 9700**³⁶ on August 7, 2009, further amending certain provisions of RA 6657, as amended, among them, Section 17, its implementing rules, *i.e.*, DAR AO 2, Series of 2009,³⁷ clarified that the said law shall not apply to claims/cases where the **claim folders were received by the LBP prior to July 1, 2009.**³⁸ In such a situation, just compensation shall be determined in accordance with **Section 17 of RA 6657, as amended, prior to its further amendment by RA 9700.**³⁹

³³ 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.

³⁴ *DAR v. Sps. Sta. Romana*, 738 Phil. 590, 600 (2014). See also *DAR v. Beriña*, 738 Phil. 605, 615-616 (2014).

³⁵ *DAR v. Sps. Sta. Romana*, *id.*

³⁶ Entitled “AN ACT STRENGTHENING THE COMPREHENSIVE AGRARIAN REFORM PROGRAM (CARP), EXTENDING THE ACQUISITION AND DISTRIBUTION OF ALL AGRICULTURAL LANDS, INSTITUTING NECESSARY REFORMS, AMENDING FOR THE PURPOSE CERTAIN PROVISIONS OF REPUBLIC ACT NO. 6657, OTHERWISE, KNOWN AS THE COMPREHENSIVE AGRARIAN REFORM LAW OF 1988, AS AMENDED, AND APPROPRIATING FUNDS THEREFOR,” approved on August 7, 2009.

³⁷ Entitled “RULES AND PROCEDURES GOVERNING THE ACQUISITION AND DISTRIBUTION OF AGRICULTURAL LANDS UNDER REPUBLIC ACT (R.A.) NO. 6657, AS AMENDED BY R.A. NO. 9700” (October 15, 2009).

³⁸ Item VI of DAR AO 2, Series of 2009 provides:

VI. Transitory Provision

With respect to cases where the Master List of ARBs has been finalized on or before July 1, 2009 pursuant to Administrative Order No. 7, Series of 2003, the acquisition and distribution of landholdings shall continue to be processed under the provisions of R.A. No. 6657 prior to its amendment by R.A. No. 9700.

However, with respect to land valuation, all Claim Folders received by LBP prior to July 1, 2009 shall be valued in accordance with Section 17 of R.A. No. 6657 prior to its amendment by R.A. No. 9700. (Emphasis supplied)

³⁹ *Id.* See also *DAR v. Sps. Sta. Romana*, *supra* note 34, at 602 and *DAR v. Beriña*, *supra* note 34, at 620.

In *LBP v. Kho*,⁴⁰ the Court had succinctly explained the “cut-off rule” in the application of RA 9700:

It is significant to stress, however, that DAR AO 1, series of 2010 which was issued in line with Section 31 of RA 9700 empowering the DAR to provide the necessary rules and regulations for its implementation, became effective only subsequent to July 1, 2009. Consequently, it cannot be applied in the determination of just compensation for the subject land where the claim folders were undisputedly received by the LBP prior to July 1, 2009, and, as such, should be valued in accordance with Section 17 of RA 6657 prior to its further amendment by RA 9700 pursuant to the cut-off date set under DAR AO 2, series of 2009 (cut-off rule). Notably, DAR AO 1, series of 2010 did not expressly or impliedly repeal the cut-off rule set under DAR AO 2, series of 2009, having made no reference to any cut-off date with respect to land valuation for previously acquired lands under PD 27 and EO 228 wherein valuation is subject to challenge by landowners. Consequently, the application of DAR AO 1, series of 2010 should be, thus, limited to those where the claim folders were received on or subsequent to July 1, 2009. (Emphases and underlining supplied)

Following the above dictum, since the claim folder covering the subject land was received by the LBP on December 2, 1997,⁴¹ or prior to July 1, 2009, the RTC should have computed just compensation using pertinent DAR regulations applying Section 17 of RA 6657 prior to its amendment by RA 9700 instead of adopting the new DAR issuance. While the RTC, acting as a Special Agrarian Court (SAC), is not strictly bound by the different formula created by the DAR since the valuation of property or the determination of just compensation is essentially a judicial function which is vested with the courts, and not with administrative agencies,⁴² it must explain and justify in clear terms the reason for any deviation from the prescribed factors and the applicable formula.⁴³

In this case, the Court has gone over the records and found that neither the RTC nor the CA considered the date when the claim folder was received nor explained their reasons for deviating from the DAR formula. Therefore, as it stands, the RTC and the CA should have utilized the basic formula prescribed and laid down in pertinent DAR regulations existing prior to the passage of RA 9700, in determining the just compensation for the subject land.

Accordingly, while the parties did not raise as issue the *improper* application of DAR AO 1, Series of 2010, the Court finds the need to ***remand*** the case to the RTC for the determination of just compensation to **ensure compliance with the law, and to give everyone – the landowner,**

⁴⁰ G.R. No. 214901, June 15, 2016.

⁴¹ *Rollo*, p. 84.

⁴² See *Mercado v. LBP*, G.R. No 196707, June 17, 2015, 759 SCRA 193.

⁴³ *LBP v. Kho*, supra note 40, citing *LBP v. Eusebio, Jr.*, 738 Phil. 7, 22 (2014).

the farmers, and the State – their due.⁴⁴ To this end, the RTC is hereby directed to observe the following guidelines in the remand of the case:

1. Just compensation must be valued at the time of taking, or the time when the owner was deprived of the use and benefit of his property, in this case, when emancipation patents were issued in the names of the farmer-beneficiaries in 1989.⁴⁵ Hence, the evidence to be presented by the parties before the RTC for the valuation of the subject land must be based on the values prevalent on such time of taking for like agricultural lands.⁴⁶

2. Just compensation must be arrived at pursuant to the guidelines set forth in Section 17 of RA 6657, as amended, prior to its amendment by RA 9700. However, the RTC is reminded that while it should take into account the different formula created by the DAR in arriving at the just compensation for the subject land, it is not strictly bound thereto if the situations before it do not warrant their application.⁴⁷ In any event, should the RTC find the said guidelines to be inapplicable, it must clearly explain the reasons for deviating therefrom, and for using other factors or formula in arriving at the reasonable just compensation for the acquired property.⁴⁸

3. Interest may be awarded as may be warranted by the circumstances of the case and based on prevailing jurisprudence. In previous cases, the Court has allowed the grant of legal interest in expropriation cases where there is delay in the payment since the just compensation due to the landowners was deemed to be an effective forbearance on the part of the State.⁴⁹ Legal interest on the unpaid balance shall be pegged at the rate of 12% p.a. from the time of taking in 1989 when Emancipation Patents were issued, until June 30, 2013 only. Thereafter, or beginning July 1, 2013, until fully paid, the just compensation due the landowners shall earn interest at the new legal rate of 6% p.a.⁵⁰ in line with the amendment introduced by *Bangko Sentral ng Pilipinas*-Monetary Board Circular No. 799,⁵¹ Series of 2013.

For guidance of the bench, the bar, and the public, we reiterate the rule: Out of regard for the DAR's expertise as the concerned implementing agency, courts should henceforth consider the factors stated in Section 17 of RA 6657, as amended, as translated into the applicable DAR formulas in their determination of just compensation for the properties covered by the said law. If, in the exercise of their judicial discretion, courts find that a strict application of said formulas is not warranted under the specific circumstances of the case before them, they may deviate or depart therefrom, provided that this departure or deviation is supported by a reasoned

⁴⁴ See *Mercado v. LBP*, supra note 42.

⁴⁵ *Rollo*, p. 86.

⁴⁶ See *DAR v. Sps. Sta. Romana*, supra note 34, at 601. See also *DAR v. Beriña*, supra note 34, at 620.

⁴⁷ See *DAR v. Sps. Sta. Romana*, id. at 601-602 and *DAR v. Beriña*, id.

⁴⁸ See *Mercado v. LBP*, supra note 42.

⁴⁹ Id.

⁵⁰ See *Nacar v. Gallery Frames*, 716 Phil. 267, 281-283 (2013).

⁵¹ Entitled "Subject: Rate of interest in the absence of stipulation" (June 21, 2013).

explanation grounded on the evidence on record. In other words, courts of law possess the power to make a final determination of just compensation.⁵²

WHEREFORE, the Amended Decision dated October 24, 2014 of the Court of Appeals in CA-G.R. SP No. 122761 is **REVERSED** and **SET ASIDE**. Civil Case No. 2001-0359 is hereby **REMANDED** to the Regional Trial Court of Naga City, Branch 23 for reception of evidence on the issue of just compensation in accordance with the guidelines set in this Decision. The trial court is **DIRECTED** to conduct the proceedings in the said case with reasonable dispatch, and to submit to the Court a report on its findings and recommended conclusions within sixty (60) days from notice of this Decision.

SO ORDERED.

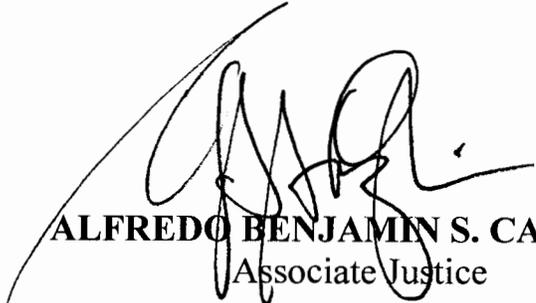

ESTELA M. PERLAS-BERNABE
 Associate Justice

WE CONCUR:


MARIA LOURDES P. A. SERENO
 Chief Justice
 Chairperson


TERESITA J. LEONARDO-DE CASTRO
 Associate Justice

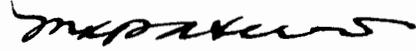

MARIANO C. DEL CASTILLO
 Associate Justice


ALFREDO BENJAMIN S. CAGUIOA
 Associate Justice

⁵² See *Alfonso v. LBP*, G.R. Nos. 181912 and 183347, November 29, 2016.

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.



MARIA LOURDES P. A. SERENO
Chief Justice