



Republic of the Philippines
Supreme Court
Manila

SECOND DIVISION

LAND BANK OF THE PHILIPPINES, G.R. No. 175726

Petitioner,

Present:

- versus -

CARPIO, J., Chairperson,
PERALTA,
MENDOZA,
LEONEN, and
MARTIRES, JJ.

HEIRS of ANTONIO MARCOS, SR.,
namely: ANITA M. RUBIO, LOLITA
M. PELINO, ANTONIO MARCOS,
JR. and RAMIRO D. MARCOS,
Respondents.

Promulgated:

22 MAR 2017

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DECISION

PERALTA, J.:

For this Court's resolution is a petition for review on *certiorari*, dated January 24, 2007, of petitioner Land Bank of the Philippines (*LBP*), seeking to reverse and set aside the Decision¹ dated May 26, 2006 and Resolution² dated December 6, 2006 of the Court of Appeals (*CA*), affirming the Decision³ and Order,⁴ dated January 23, 2004 and March 30, 2004, respectively, of the Regional Trial Court (*RTC*), Sorsogon City, Branch 52.

¹ Penned by Associate Justice Edgardo P. Cruz, with Associate Justices Rosalinda Asuncion-Vicente and Sesonando E. Villon, concurring; *rollo*, pp. 55-64.

² *Id.* at 65.

³ Penned by Judge Honesto A. Villamor, *id.* at 110-114.

⁴ *CA rollo*, p. 34.

The antecedents are as follows:

The deceased Antonio Marcos, Sr. (*Antonio*) was the owner of two parcels of agricultural land or landholdings located at Malbog, Pilar, Sorsogon, consisting of 14.9274 hectares covered by Transfer Certificate of Title (*TCT*) No. 2552 and 9.4653 hectares covered by *TCT* No. 2562.⁵

On April 3, 1995, pursuant to Republic Act No. 6657,⁶ Ramiro Marcos (*Ramiro*), authorized representative of the heirs of Antonio, namely: Anita Rubio, Lolita M. Pelino, Antonio Marcos, Jr. and Ramiro, offered to sell the landholdings to the Republic of the Philippines through its implementing arm, the Department of Agrarian Reform (*DAR*).⁷

On July 10, 1996, petitioner *LBP* valued the lands covered by *TCT* Nos. 2552 and 2562 at ₱195,603.70 and ₱79,096.26, respectively.⁸

On August 11, 1997, Ramiro filed with the *DAR* two (2) Landowner's Reply to Notice of Land Valuation and Acquisition forms pertaining to the landholdings. In the said forms, Ramiro indicated that the respondents were accepting *LBP*'s valuation of the landholdings. On the same date, the *DAR* Regional Director sent a memorandum to the *LBP* requesting the preparation of a deed of transfer over the landholdings and payment of the purchase price to respondents based on petitioner's valuation.⁹

While the payment of the purchase price is pending, the *DAR* brought the matter of valuation to the Department of Agrarian Reform Adjudication Board (*DARAB*), Office of the Provincial Adjudicator, Sorsogon, Sorsogon, on June 15, 2000 requesting that summary administrative proceedings be conducted to determine the just compensation for the landholdings.¹⁰

After proper proceedings, the Provincial Adjudicator rendered Decisions *LV* Cases Nos. 084'00¹¹ and 085'00,¹² both dated November 29, 2000, the dispositive portions of which read:

⁵ *Rollo* p. 9.
⁶ Comprehensive Agrarian Reform Law (*CARL*).
⁷ *Rollo*, pp. 9-10.
⁸ *Id.* at 10.
⁹ *Id.*
¹⁰ *Id.*
¹¹ *CA rollo*, p. 55.
¹² *Id.* at 57.



LV Case No. 084'00.-

Wherefore, in view of the foregoing, the prior valuation of the LBP is hereby set aside and a new valuation is fixed at FOUR HUNDRED FORTY-SIX THOUSAND SEVEN HUNDRED EIGHTY-SIX PESOS and .03 Centavos (₱446,786.03) for the acquired area of 14.9274 hectares at Twenty-Nine Thousand, Nine Hundred Thirty Pesos and .60 Centavos (₱29,930.60) per hectare is adopted. The Land Bank of the Philippines is hereby ordered to pay the same to the landowners in the manner provided for by law.

SO ORDERED.

LV Case No. 085'00.-

Wherefore, in view of the foregoing, the prior valuation of the LBP is hereby set aside and a new valuation is fixed at TWO HUNDRED EIGHTY-THREE THOUSAND THREE HUNDRED TWO PESOS and .10 Centavos (₱283,302.10) for the acquired area of 9.4653 hectares at Twenty-Nine Thousand, Nine Hundred Thirty Pesos and .60 Centavos (₱29,930.60) per hectare is adopted. The Land Bank of the Philippines is hereby ordered to pay the same to the landowners in the manner provided for by law.

SO ORDERED.

Disagreeing with the decision of the Provincial Adjudicator, the LBP filed a petition for judicial determination of just compensation for the landholdings with the RTC sitting as a Special Agrarian Court (SAC).¹³

After the joinder of issues, trial on the merits ensued.

LBP presented witnesses Mr. Jessie L. Basco and Mrs. Evelyn Vega and documentary exhibits such as the Field Investigation Reports for the landholdings of the respondents, the Field Investigation Report for Hacienda de Ares, Landowner's Reply to Notice of Land Valuation and Acquisition over the Property, Memo to the vice-president of the petitioner from the DAR Regional Director with a request to prepare Deed of Transfer and pay the landowner dated August 11, 1997 over the property covered, Payment Release Form, Disbursements Orders and Appearance with Motion for Reconsideration in DARAB cases.¹⁴

On January 23, 2004, the RTC rendered a Decision in favor of the respondents, the dispositive portion of which reads:



¹³ Rollo, p. 11.

¹⁴ *Id.* at 111-112.

WHEREFORE, premises considered, judgment is hereby rendered:

1. Fixing the amount of FOUR HUNDRED FORTY-SIX THOUSAND SEVEN HUNDRED EIGHTY-SIX PESOS and .03 Centavos (₱446,786.03) for the acquired area of 14.9274 hectares at ₱30,507.68 per hectare and the amount of TWO HUNDRED EIGHTY-THREE THOUSAND THREE HUNDRED TWO PESOS and .10 Centavos (₱283,302.10) for the acquired area of 9.4653 hectares at ₱29,930.60 per hectare for the just compensation of that two (2) parcels of land situated at Malbog, Pilar, Sorsogon covered by TCT No. T-2552 and TCT No. T-2562 owned by the Heirs of Antonio Marcos, Sr. which property was taken by the government pursuant to R.A. No. 6657.

2. Ordering the Petitioner Land Bank of the Philippines to pay the Private Respondents the amount of Four Hundred Forty-Six Thousand, Seven Hundred Eighty-Six & .03 centavos (₱446,786.03) Pesos and, Two Hundred Eighty-Three Thousand Three Hundred Two and .10 centavos (₱283,302.10), or the total amount of Seven Hundred Thirty Thousand Eighty-Eight and .13 centavos (₱730,088.13) Pesos, in the manner provided by R.A. No. 6657 by way of full payment of the just compensation after deducting whatever amount previously received by the private respondents from the Petitioner Land Bank as part of just compensation.

3. Without pronouncement as to costs.

SO ORDERED.¹⁵

LBP filed a motion for reconsideration of the decision, but was denied per Order¹⁶ dated March 30, 2004.

LBP appealed to the CA. It argued that the RTC failed to consider the documentary evidence showing that a contract of sale over the landholdings was perfected¹⁷ and that the RTC erred in adopting the valuation of the Hacienda de Ares properties for the purpose of fixing the value of the landholdings.¹⁸

The CA ruled in favor of the respondents. The dispositive portion of the decision reads:

WHEREFORE, for lack of merit, the instant petition is **DISMISSED**, with the result that the appealed decision of the Regional Trial Court of Sorsogon City (Branch 52) is **AFFIRMED** *in toto*. No pronouncement as to costs.

SO ORDERED.¹⁹

¹⁵ *Id.* at 114.

¹⁶ *Id.* at 13.

¹⁷ *Id.*

¹⁸ *Id.*

¹⁹ *Id.* at 17. (Emphasis in the original)

The CA denied the motion for reconsideration of the petitioner in a Resolution dated December 6, 2006.

Undaunted, petitioner elevated the matters before this Court and raised the following questions of law:

1. CAN THE COURT OF APPEALS OR THE SAC DISREGARD THE VALUATION FACTORS UNDER SECTION 17 OF R.A. 6657 WHICH ARE TRANSLATED INTO A BASIC FORMULA IN DAR ADMINISTRATIVE ORDER AND AFFIRMED BY THE SUPREME COURT IN THE CASES OF SPS. BANAL AND CELADA, IN FIXING THE JUST COMPENSATION FOR SUBJECT PROPERTIES?
2. CAN THE PROVINCIAL AGRARIAN REFORM ADJUDICATOR (PARAD) ABROGATE, VARY OR ALTER A CONSUMMATED CONTRACT BETWEEN THE GOVERNMENT AND RESPONDENTS IN REGARD TO SUBJECT PROPERTIES?²⁰

This Court finds this petition partly meritorious.

The LBP averred that the subject property was acquired by the government pursuant to Republic Act No. (R.A. No.) 6657, thus, in determining the just compensation, Section 17 of the said law is applicable.²¹

In *Land Bank of the Philippines v. Honeycomb Farms Corporation*,²² this Court essentially pointed out that the "just compensation" guaranteed to a landowner under Section 4, Article XIII of the Constitution is precisely the same as the "just compensation" embodied in Section 9, Article III of the Constitution. The just compensation due to an owner should be the "fair and full price of the taken property," whether for land taken pursuant to the State's agrarian reform program or for property taken for purposes other than agrarian reform.²³

It was further stressed in *Honeycomb* that just compensation paid for lands taken pursuant to the State's agrarian reform program refers to the "full and fair equivalent of the property taken from its owner by the expropriator x x x [the measure of which] is not the taker's gain but the owner's loss. The word 'just' is used to intensify the meaning of the word

²⁰ *Id.* at 30-31. (Citation omitted)

²¹ *Id.* at 32.

²² 683 Phil. 247 (2012).

²³ *Land Bank of the Philippines v. Honeycomb Farms Corporation, supra*, at 256.



‘compensation’ to convey the idea that the equivalent to be rendered for the property to be taken shall be real, substantial, full and ample.”²⁴

The determination of just compensation is fundamentally a function of the courts. Section 57 of R.A. No. 6657 explicitly vests in the RTC-SAC the original and exclusive jurisdiction to determine just compensation for lands taken pursuant to the State’s agrarian reform program.²⁵ However, this Court, in *Land Bank of the Philippines v. Yatco Agricultural Enterprise*,²⁶ underscored that, in the exercise of the essentially judicial function of determining just compensation, the RTC-SAC is not granted unlimited discretion. The factors under Section 17²⁷ of R.A. No. 6657 were already translated into a basic formula by the DAR pursuant to its rule-making power under Section 49 of R.A. No. 6657.²⁸ The said factors and the DAR formula provide the uniform framework or structure by which just compensation for property subject to agrarian reform should be determined.²⁹ Hence, aside from considering the factors provided by law, the courts should apply the formula outlined in DAR AO No. 5, series of 1998, in the computation of just compensation. Thus:

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 three factors are present, relevant and applicable.

A1. When the CS factor is not present and CNI and MV are applicable, the formula shall be:

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

A2. When the CNI factor is not present, and CS and MV are applicable, the formula shall be:

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

A3. When both the CS and CNI are not present and only MV is applicable, the formula shall be:

²⁴ *Id.* at 257, citing *Association of Small Landowners in the Philippines, Inc. v. Hon. Secretary of Agrarian Reform*, 256 Phil. 777, 812 (1989).

²⁵ *Land Bank of the Philippines v. Eusebio, Jr.*, G.R. No. 160143, July 2, 2014, 728 SCRA 447, 461.

²⁶ 724 Phil. 276 (2014).

²⁷ Section 17. *Determination of Just Compensation.* – In determining just compensation, the cost of acquisition of the land, the current value of like properties, its nature, actual use and income, the sworn valuation by the owner, the tax declarations, and the assessment made by government assessors, shall be considered. The social and economic benefits contributed by the farmers and the farm workers 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.

²⁸ *Land Bank of the Philippines v. Celada*, 515 Phil. 467, 479-480 (2006).

²⁹ *Land Bank of the Philippines v. Yatco Agricultural Enterprise*, *supra* note 26, at 287.

$$LV = MV \times 2$$

In the recent case of *Alfonso v. Land Bank of the Philippines*,³⁰ this Court reiterated:

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

The fixing of just compensation that is based on the landowner's prayer falls within the exercise of the RTC-SAC's discretion and, therefore, should be upheld as a valid exercise of its jurisdiction.³¹ Similarly, the fixing of just compensation based on the decision of the Provincial Adjudicator in this case is within the context of this judicial prerogative. However, a reading of the decisions of the PARAD would reveal that he did not apply or consider the formula in DAR AO No. 5, series of 1998. He based his decision with the rule on admissibility of evidence of *bona fide* sales transaction of nearby places in determining the market value of like properties and applied the valuation of LBP with the property of Norma Marcos Clemente and Hacienda de Ares after ruling that the properties of respondents are comparable with the said properties.³² His decisions did not mention the consideration of the formula laid down by the DAR in the valuation of the properties of respondents.

Likewise, the RTC-SAC ruled that the sales transaction concluded by LBP and Norma Marcos Clemente and Hacienda de Ares can be used and be admissible in evidence in determining the market value of the properties of the respondents since the productivity of the coconut in the land of the respondents is comparable to that of the properties of Norma Marcos Clemente and Hacienda de Ares.³³ It did not conduct an independent assessment and computation using the considerations required by the law and the rules and merely relied upon the Provincial Adjudicator's decision. Although it took into consideration and mentioned some of the factors, it did

³⁰ G.R. Nos. 181912 & 183347, November 29, 2016.

³¹ *Land Bank of the Philippines v. Eusebio*, *supra* note 25, at 465.

³² *Rollo*, p. 136.

³³ *Id.* at 113.



not point to any particular consideration that impelled it to set the just compensation at ₱283,302.10 and ₱446,786.03.

To reiterate, when acting within the parameters set by the law itself, the RTC-SACs are not strictly bound to apply the DAR formula to its minute detail, particularly when faced with situations that do not warrant the formula's strict application; they may, in the exercise of their discretion, relax the formula's application to fit the factual situations before them. They must, however, clearly explain the reason for any deviation from the factors and formula that the law and the rules have provided.³⁴

In the case at bar, the RTC-SAC did not clearly explain why the formula was not applied although the factors enumerated were considered in determining just compensation. There was no reasoned explanation grounded on evidence on record why the court did not comply with the established rules. Thus, this Court finds that the case does not warrant for deviation from the factors and formula set forth by the law and rules applicable.

The LBP averred that the PARAD cannot abrogate, vary or alter a consummated contract between the government and the respondents in regard to subject properties. It further alleged that the PARAD committed grave abuse of discretion when he conducted summary administrative proceedings despite the acceptance by the landowner of the preliminary valuation computed by the LBP and offered by the DAR.³⁵

The implementation of R.A. No. 6657 is an exercise of the State's police power and power of eminent domain.³⁶ It was also settled that the taking of private property by the Government in the exercise of its power of eminent domain does not give rise to a contractual obligation.³⁷ Thus, acquisition of lands under the CARP is not governed by ordinary rules on obligations and contracts but by R.A. No. 6657 and its implementing rules.

Unlike in the ordinary sale of real property where the buyer and the seller are free to determine, by offer and acceptance, the consideration for the subject matter of the transaction, acquisition of lands under the CARP is governed by administrative rules intended to ensure that the rights of the landowners to just compensation are respected.³⁸

³⁴ *Land Bank of the Philippines v. Yatco Agricultural Enterprise*, *supra* note 26, at 287-288.

³⁵ *Rollo*, pp. 44-45.

³⁶ *Sta. Rosa Realty Development Corp. v. Court of Appeals*, 419 Phil. 457, 474 (2001).

³⁷ *Commissioner of Public Highways v. Burgos*, 185 Phil. 606, 610 (1980).

³⁸ *Rollo*, p. 15.



The LBP's valuation of lands covered by the CARP Law is considered only as an initial determination, which is not conclusive, as it is the RTC-SAC that could make the final determination of just compensation, taking into consideration the factors provided in R.A. No. 6657 and the applicable DAR regulations. The LBP's valuation has to be substantiated during an appropriate hearing before it could be considered sufficient in accordance with Section 17 of R.A. No. 6657 and the DAR regulations.³⁹

Since it is the RTC-SAC that could make the final determination of just compensation, the supposed acceptance of the LBP's valuation cannot be considered as consummated contract.

R.A. No. 6657 provided that the landowner, his administrator or representative shall inform the DAR of his acceptance or rejection of the offer within thirty (30) days from the date of receipt of written notice by personal delivery or registered mail.⁴⁰ It also further provided that the DAR shall conduct summary administrative proceedings to determine the compensation for the land in case of rejection or failure to reply.⁴¹

It is noted that on August 11, 1997, or more than a year since the valuation of the LBP, the respondents, through Ramiro, filed their acceptance of valuation of their landholdings. The lapse of more than a year before informing the DAR of their acceptance can be considered as failure to reply as contemplated by the law. Furthermore, it is noted that it is the DAR that brought the matter of valuation to the DARAB and requested that summary administrative proceedings be conducted to determine the just compensation for the landholdings.

This Court deems it premature to determine with finality the matter in controversy, considering the lack of sufficient data to guide this Court in the proper determination of just compensation following the guidelines that was discussed at length. This Court is not a trier of facts and cannot receive any new evidence from the parties to aid the prompt resolution of this case.

Therefore, we are compelled to remand the case to the court of origin for the reception of evidence and the determination of just compensation with the cautionary reminder for the proper observance of the factors

³⁹ *Heirs of Lorenzo and Carmen Vidad, et al. v. Land Bank of the Philippines*, 634 Phil. 9, 38 (2010).

⁴⁰ R.A. 6657, Sec. 16 (b).

⁴¹ R.A. 6657, Sec. 16. *Procedure for Acquisition of Private Lands*. - x x x

x x x x

(d) In case of rejection or failure to reply, the DAR shall conduct summary administrative proceedings to determine the compensation for the land requiring the landowner, the LBP and other interested parties to submit evidence as to the just compensation for the land, within fifteen (15) days from the receipt of the notice. After the expiration of the above period, the matter is deemed submitted for decision. The DAR shall decide the case within thirty (30) days after it is submitted for decision.

enumerated under Section 17 of R.A. No. 6657 and of the formula prescribed under the pertinent DAR administrative orders.

WHEREFORE, premises considered, the petition is hereby **GRANTED**. The assailed Decision and Resolution, dated May 26, 2006 and December 6, 2006, respectively, of the Court of Appeals in CA-G.R. SP No. 83711, are **REVERSED**. The Civil Case is **REMANDED** to the RTC, Sorsogon City, Branch 52, for trial on the merits with dispatch. The trial judge is **DIRECTED** to **OBSERVE** strictly the procedures in determining the proper valuation of the subject property.

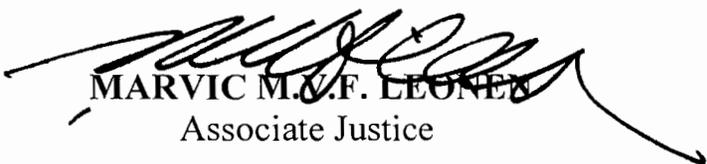
SO ORDERED.


DIOSDADO M. PERALTA
Associate Justice

WE CONCUR:


ANTONIO T. CARPIO
Associate Justice
Chairperson


JOSE CATRAL MENDOZA
Associate Justice


MARVIC M.V.F. LEONEN
Associate Justice


SAMUEL R. MARTIRES
Associate Justice

ATTESTATION

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



ANTONIO T. CARPIO
Associate Justice
Chairperson, Second Division

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution and the Division Chairperson's Attestation, I certify that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.



MARIA LOURDES P. A. SERENO
Chief Justice