Republic of the Philippines
Supreme Court
Manila

FIRST DIVISION

LAND BANK OF THE PHILIPPINES,
Petitioner,

- versus -

EUGENIA UY, ROMUALDO UY, JOSE UY, RENATO UY, ARISTIO UY, and TERESITA UY-OLVEDA,
Respondents.

G.R. No. 221313

Present:

PERALTA, *C.J., Chairperson,*
CAGUIOA, *Working Chairperson,*
REYES, J. JR.,
LAZARO-JAVIER, and
INTING,* *JJ.*

Promulgated:

DEC 05 2019

x - x

DECISION

REYES, J. JR., *J.*:

In this Petition for Review, petitioner Land Bank of the Philippines (petitioner) assails the December 11, 2014 Decision[1] of the Court of Appeals in CA-G.R. SP No. 118230, which modified the ruling of the Regional Trial Court (RTC) of Lucena City, Branch 56, sitting as a Special Agrarian Court, on the issue of just compensation due herein respondents Eugenia Uy, Romualdo Uy, Jose Uy, Renato Uy, Aristio Uy, and Teresita Uy-Olveda (respondents) for their property taken under the Comprehensive Agrarian Reform Program (CARP).

---

* Additional Member per Special Order No. 2726.

1 Penned by then Court of Appeals Associate Justice Rodil V. Zalameda (now a Member of the Court), with Associate Justices Ramon M. Bato, Jr. and Victoria Isabel A. Paredes, concurring; *rollo*, pp. 44-63.

The Facts

Respondents owned pieces of agricultural land in Matataja, Mulanay, Quezon which was devoted to coconut and corn production. A portion thereof had been brought under the Operation Land Transfer by virtue of Presidential Decree No. 27, and the rest, the subject property, has been placed in 1995 under CARP by virtue of Republic Act (R.A.) No. 6657.[2] Petitioner had initially valued the property at ₱516,484.84, and had, in 1999, tendered the same amount as just compensation. However, respondents rejected said valuation. When the Department of Agrarian Reform (DAR) issued Administrative Order No. 5, Series of 1998 (DAR A.O. No. 5-1998), petitioner updated the valuation to ₱1,048,635.38, but respondents still declined to accept. Forthwith, summary administrative proceedings[3] commenced before the DAR Adjudication Board Provincial Adjudicator for Quezon Province and culminated in the affirmance of the latest valuation.[4]

Unsatisfied, respondents filed before the RTC of Lucena City a complaint for the determination of just compensation.[5] Sitting as a special agrarian court, the RTC rendered judgment on January 23, 2006 directing petitioner to recompute the just compensation due, but only for the portion of the land devoted to coconut production, inasmuch as the valuation of the portion planted with corn was not contested by the parties. In view of the divergent claims as to the number of coconut trees on the property, — *i.e.,* petitioner claiming there were 100 per hectare and respondents claiming there were 250 per hectare — the agrarian court specifically directed petitioner to perform the valuation based on the formula found in DAR A.O. No. 5-1998 in relation to the data on the local coconut population as certified by the Philippine Coconut Authority (PCA) and the Assessor's Office, with interest thereon for agrarian bonds, minus the amount already tendered and paid by petitioner.[6] The PCA certification, in particular, stated the average of 160 coconut trees per hectare in the locality.[7]

Petitioner appealed to the Court of Appeals (CA) in a petition docketed as CA-G.R. SP No. 93647.[8] In its June 29, 2007 Decision,[9] the CA declared the unreliability of the PCA certification for purposes of the coconut land valuation. It ordered the remand of the case to the agrarian court to determine anew the number of coconut trees on the coconut land for

---

2 *Rollo*, p. 14.
3 Pursuant to Section 16 of Republic Act No. 6657. The case was docketed as DARAB Case No. LV-0189-95; id.
4 Decision dated July 22, 1997; id. at 197.
5 Id. at 46.
6 Penned by Judge Norma Chionglo-Sia; id. at 75-80.
7 Id. at 78, 89-90.
8 Entitled *Land Bank of the Philippines v. Uy.*
9 *Rollo*, pp. 81-99.

proper appraisal, along with a directive to appoint commissioners for that purpose.

Per the Commissioners' Report, it appears that the commissioners had treated the entire property as coconut land appraised at the per-hectare value of ₱82,500.00 with 160 coconut trees per hectare, thereby making petitioner liable to pay ₱3,093.370.50 in just compensation for the entire property.[10] Subsequently, the agrarian court, at the instance of respondents, ordered the issuance of a writ of execution for the payment of said amount.[11] Petitioner opposed, based on prematurity of the issuance of the writ and on a lower valuation.

The Ruling of the Agrarian Court

The agrarian court issued an Order[12] on February 26, 2010 resolving petitioner's opposition. It found that the two lots covered by CARP in this case had an aggregate of 35.963 hectares devoted entirely to coconut production, appraised at ₱80,000.00 per hectare. Interestingly, it arrived at these figures by applying the rules on ratio and proportion between the number of coconut trees reported by the commissioners (212 per hectare) and the PCA data (160 per hectare), in relation to the PCA valuation of coconut lands at ₱60,000.00/hectare.[13] The disposition reads:

> WHEREFORE, premises considered, the Court resolves to reconsider and set aside its court order dated March 9, 2009 and instead a new order is hereby issued mandating the x x x Land Bank of the Philippines to pay [Eugenia Uy, et al.] the amount of ₱2,877,040.00 or less ₱516,484.[84] partial payment it advanced to the plaintiffs on November 19, 1999, leaving a balance of ₱2,360,555.20 with legal rate of interest per annum from 1995 until the full amount is fully paid.
>
> SO ORDERED.[14]

Petitioner filed a motion for reconsideration, whereby it not only argued for a lower valuation of the 25.3660-hectare coconut portion at ₱65,063.88 per hectare, but also pointed out that a 10.5975-hectare portion

---

10 Id. at 101-103.
11 Id. at 113.
12 Id. at 118-121.
13 Id. at 120. The computation runs in this wise:
x x x
Total area covered by CARP – 35.963 ha.
Based on figures of PCA and Assessor's Office – there are 160 trees/ha. at ₱60,000.00/ha.
Based on Commissioners Report – there are 212 trees/ha.
By ratio and proportion – 160 trees/ha. divided by 212 trees/ha. is 75% only,
So ₱60,000.00/ha.
75%
= ₱80,000.00/ha.
x x x x
14 Id. at 121.

of the landholding was in fact planted with corn and which had earlier been appraised at ₱18,361.94 per hectare. Per petitioner's own computation, it would be liable to pay ₱1,845,001.04 in just compensation for the entire property.[15]

With the denial of its motion for reconsideration,[16] petitioner once again appealed to the CA.[17]

The Ruling of the CA

In the now assailed Decision, the CA ruled that the agrarian court could not be faulted in treating the whole property as coconut land because that fact was never disputed by petitioner who is, thus, now estopped from claiming otherwise. It faulted the agrarian court, however, in failing to hear the parties on the application of the PCA data, considering that the same could not be taken judicial notice of. Be that as it may, it pointed out the inapplicability of said data, which it found to refer only to the average of the total number of coconut trees in the neighboring municipalities, hence, far from a reasonable estimate. Applying Section A.1 of DAR A.O. No. 5-1998 — because there was no evidence of comparable sales on record and because the capitalized net income and market value were provided in the Commissioners' Report — it arrived at the valuation of ₱65,063.88 per hectare and pegged the just compensation for the whole 35.963-hectare property at ₱2,339,892.32. It then sanctioned the payment of interest on the said amount.

The CA ruled as follows:

> WHEREFORE, premises considered, the Petition is PARTIALLY GRANTED. The assailed Orders are AFFIRMED with the following MODIFICATIONS —
>
> 1. The total just compensation is hereby computed at **two** million three hundred thirty-nine thousand eight hundred ninety-two pesos and 32/100 (₱2,339,892.32). From this amount ought to be deducted five hundred sixteen thousand four hundred eighty-four pesos and 80/100 (₱516,484.[84]), representing the amount initially paid/deposited by petitioner on 19 November 1999. As such, the total balance due to respondents is one million eight hundred twenty-three thousand four hundred seven pesos and 51/100 (₱1,823,407.51);
>
> 2. The balance payable shall earn legal interest at the rate of twelve percent per annum [(12% p.a)] from the time of taking

---

15 Id. at 122-125.
16 Order dated January 27, 2011, id. at 127.
17 Id. at 126-166.

until 30 June 2013. From 01 July 2013 until full payment, the computation of interest shall be at the new legal rate of six percent per annum (6% p.a.).

All other claims are hereby denied for lack of merit.

SO ORDERED.[18]

Hence, this Petition.

The Issues

1. WHETHER OR NOT THE CA GRAVELY ABUSED ITS DISCRETION IN RULING THAT THE ENTIRE SUBJECT PROPERTY WAS COCONUT [LAND;]

2. WHETHER OR NOT ESTOPPEL WILL LIE AGAINST THE PETITIONER; AND

3. WHETHER OR NOT THE PETITIONER SHOULD BE MADE LIABLE TO PAY INTEREST ON THE JUST COMPENSATION.[19]

The Ruling of the Court

There is partial merit in the Petition.

Prefatorily, we agree that the CA erred in finding the entire landholding to be coconut land and in declaring petitioner to be estopped from refuting the said finding.

The consistency by which petitioner has put forth the mixed nature of the entire landholding based on actual use as both coconut and corn-producing land is unmistakable in the proceedings below. In its comment on the Commissioners' Report and its opposition to the issuance of the writ of execution, petitioner has already called attention to portions of the earlier remand order which directed the recount of existing coconut trees on the coconut land, and which also affirmed the rest of the original findings of the agrarian court including the judgment on the cornland. In these pleadings, while arguing for a lower valuation based on its own accounting of the coconut population on the property, petitioner also alluded to the 10.5975-hectare corn portion of the land, the initial valuation of which has, in fact, never been questioned from the start.[20] This much is likewise apparent in petitioner's formal offer of evidence[21] containing documents denominated as

---

18 Id. at 62-63.
19 Id. at 23.
20 Id. at 107-108, 114-116.
21 Id. at 198-201.

"Land Use by Area in Hectares,"[22] the "Land Use Map,"[23] as well as the "Claim Folder Profile and Valuation Summary."[24] Moreover, in its motion for reconsideration of the February 26, 2010 Order, it called for the agrarian court to perform a separate valuation of the same corn-producing portion of the landholding.[25] Hence, that petitioner has admitted the nature of the landholding as purely coconut-producing land and is thereby estopped from claiming otherwise, is clearly a forgone and erroneous conclusion.

In this regard, there is validation on this point as found in the dispositive portion of the Decision in CA-G.R. SP No. 93647, which states –

> WHEREFORE, foregoing considered, the assailed Decision dated January 23, 2006, and Order, dated February 22, 2006 of the Regional Trial Court, Branch 56, Region IV, Lucena City, acting as a Special Agrarian Court in Civil Case No. 97-139 is PARTIALLY REVERSED insofar as it directed Land Bank of the Philippines to recompute the amounts due respondents on their coconut land based on the figures of the Philippine Coconut Authority and Assessor's Office: at 160 coconut trees per hectare or 2,720 trees for 17 hectares. Consequently, the case is REMANDED to the court *a quo* for the determination of the said matter with utmost dispatch. The trial judge is directed to appoint commissioners pursuant to Section 58 of RA 6657 to aid it in its examination and re-determination. The rest of the factual findings of the court *a quo*, being not disputed, are hereby AFFIRMED.
>
> SO ORDERED.[26]

In terms too plain to be mistaken, the above disposition has conclusively established that the entire property was planted with both corn and coconut when the same was taken by the State for distribution to landless farmers. As rightly asserted by petitioner, the original ruling on the cornland relative to its breadth and valuation, since uncontested, was among the findings that the above remand order had affirmed. The clear and precise directive to the agrarian court was only to determine the coconut tree population on the property for the proper appraisal of the coconut land which has been found to comprise only 17 hectares of the entire landholding.

One of the basic precepts governing eminent domain proceedings is that the nature and character of the land at the time of taking is the principal criterion for determining how much just compensation should be given to the landowner. In other words, as of that time, all the facts as to the condition of the property and its surroundings, as well as its improvements and capabilities, should be considered.[27] The logic, thus, in the remand order

---

22 Id. at 206.
23 Id. at 211.
24 Id. at 233.
25 Id. at 124.
26 Id. at 98.
27 *Apo Fruits Corp. v. Court of Appeals,* 565 Phil. 418, 434 (2007).

for the limited purpose of accounting for the existing coconut trees on the 17-hectare coconut portion is consistent with this rule, because it is with reference to the exact condition of the property when it was taken by operation of the agrarian law at the beginning of the expropriation process.

To be sure, from the taking of the property in 1995 and all the time during which this case was first elevated to the CA, then referred back to the agrarian court, and appealed anew to the CA, the subject property has likely undergone physical changes which might explain the differences in the numbers propounded by the agrarian court at the first instance, the court-appointed commissioners after the remand of the case, and the same agrarian court in its second ruling. At this juncture, we find the valuation of the CA to be conclusively erroneous insofar as its determination exceeded the 17-hectare coconut land found to be the only point of contention between the parties.

Settled is the rule that in eminent domain, the determination of just compensation is principally a judicial function of the RTC acting as a special agrarian court. In the exercise of such judicial function, however, the RTC must consider both the guidelines set forth in R.A. No. 6657 and the valuation formula under the applicable Administrative Order of the DAR.[28] These guidelines ensure that the landowner is given full and fair equivalent of the property expropriated, in an amount that is real, substantial, full and ample.[29]

Land Bank of the Philippines v. Yatco Agricultural Enterprises,[30] *Land Bank of the Philippines v. Peralta*,[31] and *Department of Agrarian Reform v. Spouses Sta. Romana*[32] are instructive on this point. *Yatco* reiterated that the determination of just compensation is a judicial function and the RTC, acting as a special agrarian court, has the original and exclusive power to determine the same. It also emphasized that in the exercise of its function, the court must be guided by the valuation factors under Section 17 of R.A. No. 6657, translated into a basic formula embodied DAR A.O. No. 5-1998 to guarantee that the compensation arrived at would not be absurd, baseless, arbitrary or contradictory to the objectives of the agrarian reform laws. *Peralta* confirmed the mandatory character of the said guidelines under Section 17 of R.A. No. 6657 and restated that the valuation factors under R.A. No. 6657 had been translated by the DAR into a basic formula as outlined in the same DAR A.O. No. 5-1998. In *Sta. Romana*, it was held that the RTC is not strictly bound by the formula created by the DAR, if the situations before it do not warrant its application. The RTC

---

28 *Department of Agrarian Reform v. Galle*, 741 Phil. 1, 4 (2014).
29 *Spouses Mercado v. Land Bank of the Philippines*, 760 Phil. 846, 856 (2015).
30 724 Phil. 276 (2014).
31 734 Phil. 219 (2014).
32 738 Phil. 590 (2014).

cannot be arbitrarily restricted by the formula outlined by the DAR. While the DAR provides a formula, "it could not have been its intention to shackle the courts into applying the formula in every instance. Thus, *Yatco* states that the RTC may relax the application of the DAR formula, if warranted by the circumstances of the case and provided the RTC explains its deviation from the factors or formula above-mentioned.

Section 17 of R.A. No. 6657 materially states:

> SEC. 17. *Determination of Just Compensation.* – In determining just compensation, the cost of acquisition of the land, the current value of the like properties, its nature, actual use and income, the sworn valuation by the owner, the tax declarations, and the assessment made by government assessors shall be considered. The social and economic benefits contributed by the farmers and the farmworkers and by the Government to the property as well as the non-payment of taxes or loans secured from any government financing institution on the said land shall be considered as additional factors to determine its valuation.

Whereas the formula in determining the land value under DAR A.O. No. 5-1998 reads:

LV = (CNI x 0.6) + (CS x 0.3) + (MV x 0.1)

Where: LV = Land Value
CNI = Capitalized Net Income
CS = Comparable Sales
MV = Market Value per Tax Declaration

The above formula shall be used if all the three factors are present, relevant, and applicable.

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

LV = (CNI x 0.9) + (MV x 0.1)

A.2 When the CNI factor is not present, and CS and MV are applicable, the formula shall be:

LV = (CS x 0.9) + (MV x 0.1)

A.3 When both the CS and CNI are not present and only MV is applicable, the formula shall be:

LV = MV x 2

In no case shall the value of idle land using the formula MV x 2 exceed the lowest value of land within the same estate under

> consideration or within the same barangay or municipality (in that order) approved by LBP within one (1) year from receipt of claim folder.[33]

Essentially, the parties in this case have, since the inception of the proceedings, conceded the application of the above formula. In fact, neither of them had also disputed the other variables to be factored in to the valuation, except only those pertaining to the coconut land's level of productivity per the PCA certification[34] — which is precisely the matter sought to be finally determined by the commissioners under the remand order.

While indeed special agrarian courts have a wide latitude of discretion in fixing just compensation and may, therefore, opt to overrule the commissioners' findings,[35] we find, however, that the agrarian court's deviation in this case, while probably warranted by the circumstances, has not nevertheless been adequately explained in the February 26, 2006 Order.[36] In particular, it did not state the reason in applying the rules on ratio and proportion between the numbers found by the commissioners and the data contained in the PCA certification which has already been found to be unreliable for purposes of the instant case. To repeat, the said certification could hardly be the basis — not even derivatively — of a just valuation because it pertains only to the average of the per-hectare number of coconut trees in the 22 municipalities within the locality, hence, is far from a reasonable estimate of the coconut population on the subject property. Suffice it to say that the said data must be taken proper judicial notice of,[37] yet it does not appear that the parties have been heard thereon. It also bears to stress the conspicuous absence of any reference by the agrarian court to the formula sanctioned by law for the determination of just compensation, as well as the date when the property was taken so that the just compensation could be properly valued in relation thereto.[38]

Land valuation is not an exact science, but an exercise fraught with inexact estimates requiring integrity, conscientiousness and prudence on the part of those responsible for it. What is important ultimately is that the land value approximates, as closely as possible, what is broadly considered to be

---

33 DAR Administrative Order No. 5 (1998) <https://media.dar.gov.ph/source/2018/09/12/ao-1998-05.pdf> (visited December 2, 2019).

34 The Certification shows the farmgate price of coconut between ₱6.50 and ₱7.00 per kilo, or at the mean price of ₱6.75 per kilo; the market value of coconut lands at ₱50,000.00 to ₱60,000.00 per hectare, or at the mean price of ₱55,000.00 per hectare; and the number of coconuts a tree produces in a year and as to how many coconuts yield a kilo of copra, which is 32 coconuts a year per tree, with 4 coconuts comprising a kilo of copra.

35 *See Land Bank of the Philippines v. Yatco Agricultural Enterprises*, supra note 30.

36 *See Mateo v. Department of Agrarian Reform*, 805 Phil. 707, 729 (2017).

37 *Rollo*, p. 57.

38 *See Land Bank of the Philippines v. Lajom*, 741 Phil. 655, 665 (2014).

just.[39] In this light, and given the shortcomings in the independent finding of the agrarian court on the specific issue of land valuation with respect to the coconut land, we take with approval the computation made by the CA based on raw data obtained by the commissioners during their inspection, and applying the guidelines under DAR A.O. No. 5-1998.

Hence, inasmuch as there is no evidence or data on record on Comparative Sales pertaining to similar properties in the locality of the subject landholding, and whereas the Capitalized Net Income and Market Value are variables contained in the Commissioners' Report which appears to have been properly heard,[40] the formula under Section 17.A.1 of DAR A.O. No. 5-1998 should be applied to determine the per-hectare value of the subject 17-hectare coconut land, hence —

LV = (CNI x 0.9) + (MV x 0.1) [per hectare]
LV = (₱66,780.00 x 0.[9]) + (₱49,618.80 x 0.[1]) [per hectare]
LV = ₱60,102.00 + ₱4,961.88 [per hectare]
LV = ₱65,063.88 per hectare[41]

We now resolve petitioner's liability to pay legal interest.

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. Indeed, 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 before actually receiving the amount necessary to cope with loss.[42] Thus, in *Apo Fruits Corporation v. Land Bank of the Philippines*,[43] we held that the payment of interest on unpaid just compensation is a basic requirement of fairness –

> The owner's loss, of course, is not only his property but also its income-generating potential. Thus, when property is taken, full compensation of its value must immediately be paid to achieve a fair exchange for the property and the potential income lost. The just compensation is made available to the property owner so that he may derive income from this compensation, in the same manner that he would have derived income from his expropriated property. If full compensation is not paid for the property taken, then the State must make up for the shortfall in the earning potential immediately lost due to the taking, and the absence of replacement property from which income can be derived; interest on the unpaid compensation becomes due as compliance with the

---

39 *Alfonso v. Land Bank of the Philippines,* 801 Phil. 217, 298 (2016), citing the Prefatory Statement in DAR A.O. No. 5 (1998).
40 *Rollo,* pp. 109-112 and 114-117.
41 Id. at 58.
42 *Land Bank of the Philippines v. Spouses Avancena*, 785 Phil. 755, 763-764 (2016).
43 647 Phil. 251 (2010).

constitutional mandate on eminent domain and as a basic measure of fairness.[44] x x x

In this light, we validate the pronouncement of the CA that petitioner is liable to pay interest on the just compensation still due the respondent property owners in this case, as just compensation is an effective forbearance on the part of the State. The just compensation due shall be based on the per-hectare value of the 17-hectare coconut land — herein determined to be ₱65,063.88 per hectare — compounded with the original valuation of the remaining cornland earlier determined without contest by the agrarian court, and finally deducting the amount of ₱516,484.84 originally tendered in 1999. Accordingly, petitioner's liability to pay interest shall be at 12% per annum, reckoned from the time of taking until June 30, 2013 — the effective date of Bangko Sentral ng Pilipinas Circular No. 799, Series of 2013 which amended the rate of legal interest to 6%. From July 1, 2013, the applicable interest rate shall then be 6% per annum until respondents shall have been fully compensated for their property.

WHEREFORE, the Decision of the Court of Appeals dated December 11, 2014 in CA-G.R. SP No. 118230 is hereby **MODIFIED.** Accordingly, petitioner is **DIRECTED** to pay the just compensation still due respondents Eugenia Uy, Romualdo Uy, Jose Uy, Renato Uy, Aristio Uy, and Teresita Uy-Olveda for the 17-hectare coconut land at the per-hectare value of ₱65,063.88 plus the original valuation attached to the cornland, minus the amount of ₱516,484.84 already tendered. From the time of taking until fully paid, the just compensation still due shall earn interest at 12% per annum until June 30, 2013, and at 6% per annum thereafter.

SO ORDERED.

JOSE C. REYES, JR.
Associate Justice

WE CONCUR:

DIOSDADO M. PERALTA
Chief Justice
Chairperson

---

[44] Id. at 276-277.

ALFREDO BENJAMIN S. CAGUIOA
Associate Justice
Working Chairperson

AMY C. LAZARO-JAVIER
Associate Justice

HENRI JEAN PAUL B. INTING
Associate Justice

CERTIFICATION

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

DIOSDADO M. PERALTA
Chief Justice