



Republic of the Philippines
Supreme Court
Manila

FIRST DIVISION

LAND BANK OF THE G.R. No. 221216
PHILIPPINES,

Petitioner,

Present:

- versus -

PERALTA, C.J., Chairperson,
CAGUIOA,
REYES, J. JR.,
LAZARO-JAVIER, and
LOPEZ, JJ.

HEIRS OF LEONCIO
BARRAMEDA,
Respondents.

Promulgated:

JUL 13 2020

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DECISION

REYES, J. JR., J.:

This Petition for Review on *Certiorari*¹ under Rule 45 assails the Decision² dated March 26, 2015 and the Resolution³ dated October 29, 2015 of the Court of Appeals (CA) which affirmed with modification the ruling of the Regional Trial Court sitting as a Special Agrarian Court (RTC-SAC). Petitioner Land Bank of the Philippines (LBP) imputes error on the part of the CA when it imposed a 12% interest per annum on the amount of just compensation on account of LBP's delay in payment which the CA reckoned from the issuance of the emancipation patents in favor of the farmer-beneficiaries.

¹ *Rollo*, pp. 11-29.

² Penned by Associate Justice Ramon M. Bato, Jr., with Associate Justices Manuel M. Barrios and Maria Elisa Sempio Diy, concurring; *id.* at 30-41.

³ *Id.* at 44.

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Facts

The facts are undisputed. Leoncio Barrameda (Barrameda) was the registered owner of a parcel of land located at San Jose, Camarines Sur and covered by Transfer Certificate of Title (TCT) No. RT-8786 with an area of 6.1415 hectares. Upon his death, the property was transferred to his heirs (heirs of Barrameda). A 5.7602-hectare portion of said property was placed under the coverage of Presidential Decree (P.D.) No. 27⁴ and was distributed as follows: (1) 1.6900 hectares in favor of Ester Pejo; (2) 1.5814 hectares in favor of Damian C. Pilapil; and (3) 2.5885 hectares in favor of Juan P. Sarcilla. The corresponding emancipation patents and tax declarations were issued in the names of said farmer-beneficiaries.

On September 20, 2000, the heirs of Barrameda filed a complaint for determination and payment of just compensation against the Department of Agrarian Reform (DAR) Secretary and the LBP. They alleged that the farmer-beneficiaries had been in possession of the property since 1972 and that the DAR and the LBP failed to pay just compensation despite demands. They prayed for the payment of just compensation at ₱150,000.00 per hectare.

By way of answer,⁵ DAR and LBP contended that the amount of just compensation should be computed pursuant to Section 1 of P.D. No. 27 and Section 2 of Executive Order (E.O.) No. 228.⁶ They argued that since the property was placed under the coverage of P.D. No. 27 and at the time Republic Act (R.A.) No. 6657⁷ or the Comprehensive Agrarian Reform Law (CARL) took effect the valuation process thereof has not yet been completed, the valuation should be governed by Section 17 of R.A. No. 6657.

They further argued that Section 17 of R.A. No. 6657 has been formularized by the DAR under Administrative Order No. 1, Series of 2010 (A.O. No. 01-10). Under A.O. No. 01-10, the annual gross production (AGP) should be that corresponding to the latest available 12 months' gross production immediately preceding June 30, 2009; the selling price (SP) should be the average of the latest available 12 months' selling prices prior to June 30, 2009; and the market value (MV) per tax declaration should be the latest tax declaration and schedule of unit of market value (SUMV) prior to June 30, 2009, and that the MV shall be grossed-up to June 30, 2009.⁸ As,

⁴ 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.

⁵ *Rollo*, p. 113.

⁶ 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, July 17, 1987.

⁷ AN ACT INSTITUTING A COMPREHENSIVE LAND REFORM PROGRAM TO PROMOTE SOCIAL JUSTICE AND INDUSTRIALIZATION, PROVIDING THE MECHANISM FOR ITS IMPLEMENTATION, AND FOR OTHER PURPOSES, June 10, 1988.

⁸ *Rollo*, pp. 120-121.

thus, computed, they prayed that the property be valued at ₱113,506.30 per hectare.⁹

Ruling of the RTC-SAC

In its Decision dated August 15, 2013, the RTC-SAC upheld LBP's valuation. It ruled that LBP's valuation as prescribed by A.O. No. 01-10 was just and reasonable.¹⁰ Nevertheless, it found that LBP was guilty of delay in the payment of just compensation. Thus, the RTC-SAC imposed a 12% interest per annum on the total amount of just compensation of ₱653,818.99 reckoned from January 1998, or the time when tax declarations were issued in the names of the farmer-beneficiaries, up to the time said amount shall have been fully paid.¹¹

The RTC-SAC disposed:

WHEREFORE, premises considered, judgment is hereby rendered fixing the just compensation of the subject property at [₱]653,818.99 plus interest at the rate of 12% per annum counted from January 1998 up to the time the said amount shall have been fully paid.

SO ORDERED.¹²

LBP moved for partial reconsideration as regards the imposition of the 12% interest reckoned from January 1998 as it was allegedly tantamount to an award of excess damages. According to the LBP, the amount of ₱653,818.99 was determined using valuation factors updated as of July 2009. As such, the interest which may be considered from January 1998 was already included and reflected in the value of ₱653,818.99.¹³ Should it be made to pay interest, LBP argued that it should be at the rate of 12% reckoned from the finality of the decision until full payment.¹⁴ The RTC-SAC denied LBP's motion on the ground that "[t]he fact[s] that the LBP valued the property using [June 30, 2009] values and that the LBP valuation was upheld by the court, do not change the fact that [the heirs of Barrameda] [were] deprived of [their] property without having paid its just value."¹⁵

Consequently, LBP elevated the case to the CA, arguing that the RTC-SAC erred in imposing interest on the full amount of just compensation reckoned from January 1998. It was LBP's position that since the valuations used, *i.e.*, AGP, SP, and MV, in determining the just compensation were current or were pegged on June 30, 2009, it should not be made liable to pay for interest reckoned from January 1998. However, in an apparent shift of its alternate theory, LBP argued that assuming it is liable to pay for interest, such should be reckoned only from June 30, 2009. Finally, LBP argued that

⁹ Id. at 122.

¹⁰ Id. at 32.

¹¹ Id. at 79.

¹² Id. at 30.

¹³ Id. at 70.

¹⁴ Id. at 71.

¹⁵ Id. at 74.

the interest rate should be 6%, rather than 12%, pursuant to Article 2209 of the Civil Code.¹⁶

Meanwhile, a few days after it filed its appeal before the CA, or on November 19, 2013, LBP deposited in cash the amount of ₱65,381.90 and in bonds the amount of ₱588,437.09, for the total amount of ₱653,818.99, as compensation for the property.¹⁷

Ruling of the CA

In denying LBP's appeal, the CA reasoned that the provisions of A.O. No. 01-10 should not be taken to mean that the actual time of taking of the property was June 30, 2009 as said provisions merely provide the formula in determining just compensation. Moreover, the CA held that there is no such "statutory date of taking" in agrarian reform cases and that the taking of landholdings or properties covered by P.D. No. 27 should be reckoned from the issuance of emancipation patents.¹⁸ The CA disregarded LBP's position that the interest was already included in the value of ₱653,818.99. It ruled that while double imposition of interest was proscribed in cases where the legal interest was deemed included in the valuation, such cases involved valuations of just compensation computed in accordance with DAR Administrative Order No. 13, Series of 1994 (A.O. No. 13-94) which provides for a 6% annual interest. In this case, the CA ruled that the just compensation was computed in accordance with A.O. No. 01-10 which did not contain a similar provision regarding the imposition of interest.¹⁹

According to the CA, since LBP took a considerable length of time to pay the just compensation, the imposition of interest at the rate of 12% per annum was justified. The 6% rate, according to the CA, finds significance in labor cases as in *Nacar v. Gallery Frames*²⁰ but not in the determination of just compensation. However, considering that the records before the CA were insufficient to determine when the emancipation patents were issued as to determine the date of taking, the CA remanded the case to the RTC-SAC to receive evidence pertaining to the actual date of issuance of said emancipation patents.

In disposal, the CA held:

WHEREFORE, the Decision dated August 15, 2013 of the Regional Trial Court [Branch 23, Naga City] in Civil Case No. 2000-0143 is **AFFIRMED** with the **MODIFICATION** in that the 12% interest per annum on the amount of just compensation (₱653,818.99) shall be reckoned from the actual time of taking of the subject property. For this purpose, the Regional Trial Court [Branch 23, Naga City] is hereby **ORDERED** to proceed with deliberate dispatch to receive evidence pertaining to the actual date

¹⁶ Id. at 84-85.

¹⁷ Id. at 67.

¹⁸ Id. at 35.

¹⁹ Id.

²⁰ 716 Phil. 267 (2013).

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when the emancipation patents were issued to the farmer-beneficiaries, which shall serve as the reckoning point for the imposition of the interest.

SO ORDERED.²¹

Its motion for reconsideration having been denied, LBP resorts to the present petition.

In this petition, LBP reiterates its argument that its use of the current valuation as prescribed under A.O. No. 01-10 negates compensable loss of the landowner from the time of actual taking until June 30, 2009.²² It asserts that any loss which the landowner may have suffered has already been offset by the increase in valuation under A.O. No. 01-10.²³ Assuming it is liable for interest, LBP maintains that the rate thereof should be 6%, rather than 12%, in accordance with BSP Monetary Board Circular No. 799, Series of 2013.

Commenting on the petition, the heirs of Barrameda contend that just compensation should be reckoned from the date of taking which were the issue dates of emancipation patents on April 16, 1990.²⁴ They also argue that the CA was correct in imposing a 12% interest by way of damages because LBP incurred delay in the payment of just compensation.²⁵

Issues

There is no dispute as regards the valuation and computation of the just compensation in the instant case. There is likewise no dispute that LBP incurred delay in the payment of just compensation as the properties had been distributed to the farmer-beneficiaries and emancipation patents were issued on April 16, 1990, while the payment for just compensation was deposited by the LBP only on November 19, 2013.

The controversy lies as to whether interest on account of LBP's delay in the payment of just compensation should be reckoned from the issuance of the emancipation patents on April 16, 1990, as the CA held, or from June 30, 2009, as LBP argues, considering that the valuation at that time was used in determining just compensation. If interest were due, the further question is which between the rate of 12% and 6% should be used.

Ruling of the Court

The petition is partly meritorious.

²¹ *Rollo*, p. 40.

²² *Id.* at 16.

²³ *Id.* at 20.

²⁴ *Id.* at 132. Copies of the Emancipation Patents issued to the farmer-beneficiaries were attached to the Comment; *id.* at 134-145.

²⁵ *Id.*

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Just compensation must be fair, reasonable, and paid without delay

Just compensation carries the invariable definition of being the sum equivalent to the market value of the property, broadly described as the price fixed by the seller in open market in the usual and ordinary course of legal action and competition, or the fair value of the property as between the one who receives and the one who desires to sell, it being fixed at the time of the actual taking by the government.²⁶ As a modifier to the word compensation, “just” means that the equivalent to be given for the property to be taken shall be real, substantial, full, and ample.²⁷

On every occasion, as well, the true measure of just compensation is not the expropriator’s gain but the owner’s loss.²⁸ Necessarily, just compensation must not extend beyond the property owner’s loss or injury. Even as undervaluation would deprive the owner of his property without due process, so too would its overvaluation unduly favor him to the prejudice of the public. In this manner, the compensation to be paid is truly just, not only for the owner whose property was taken, but also to the public who bears the cost of expropriation.²⁹

Apart from the requirement that the compensation for expropriated property must be fair and reasonable, the payment must also be made without delay. Absent prompt payment despite the taking of the property, the owner suffers immediate deprivation not only of his land, but also of its fruits or income.³⁰

Interest compensates for delay in the payment of compensation for property already taken

Consequently, when property owners are deprived of their lands without being properly compensated at the time of taking, interest on just compensation is due for the purpose of compensating the property owners for the income that they would have otherwise made.³¹ In *Republic v. Mupas*,³² we held:

Ideally, just compensation should be immediately 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.

²⁶ *Landbank of the Philippines v. Orilla*, 578 Phil. 663, 676 (2008).

²⁷ *National Power Corp. v. Manubay Agro-Industrial Development Corp.*, 480 Phil. 470 (2004).

²⁸ *Republic v. Mupas*, 785 Phil. 40, 64 (2016) citing *Republic v. Asia Pacific Integrated Steel Corp.*, 729 Phil. 402 (2014).

²⁹ *Id.* at 64, citing *B.H. Berkenkotter & Co. v. Court of Appeals*, 290-A Phil. 371 (1992).

³⁰ *Apo Fruits Corporation v. Landbank of the Phils.*, (Resolution), 647 Phil. 251, 273 (2010).

³¹ *Evergreen Manufacturing Corp. v. Republic*, 817 Phil. 1048 (2017).

³² 769 Phil. 21 (2015).

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However, if full compensation is not paid for the property taken, then the State must pay 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 constitutional mandate on eminent domain and as a basic measure of fairness.

Thus, **interest in eminent domain cases "runs as a matter of law and follows as a matter of course from the right of the landowner to be placed in as good a position as money can accomplish, as of the date of taking."** (Emphasis supplied)

As elucidated in *Apo Fruits Corporation v. Landbank of the Phils.*:³³

We recognized in *Republic v. Court of Appeals* the need for prompt payment and the necessity of the payment of interest to compensate for any delay in the payment of compensation for property already taken. We ruled in this case that:

[I]f property is taken for public use before compensation is deposited with the court having jurisdiction over the case, **the final compensation must include interest[s] on its just value to be computed from the time the property is taken to the time when compensation is actually paid or deposited with the court. In fine, between the taking of the property and the actual payment, legal interest[s] accrue** in order to place the owner in a position as good as (but not better than) the position he was in before the taking occurred. (Emphasis supplied)

In other words, interest on just compensation is imposed when there is delay in the full payment thereof, which delay must be sufficiently established.³⁴

The rule is that the payment of just compensation must be reckoned from the time of taking or filing of the complaint, whichever came first. As such, payment of just compensation should be reckoned from the date of taking when such preceded the filing of the complaint for expropriation.³⁵ In exceptional circumstances,³⁶ payment of just compensation may be reckoned from the time the property owners initiated inverse condemnation proceedings notwithstanding that the actual taking of the properties occurred earlier. Whether it is the general rule or the exception that is applied, the accrual of the payment of interest, when there is delay, follows the reckoning point when just compensation should have been paid.

In the case at bar, the time of taking, or the time when the owner was deprived of the use and benefit of his property, is the date when the title or the emancipation patents were issued in the names of the farmer-

³³ *Apo Fruits Corporation v. Landbank of the Philippines*, supra note 30.

³⁴ *Landbank of the Phils. v. Kumassie Plantation Co., Inc.*, 608 Phil. 523 (2009).

³⁵ *Secretary of the Department of Public Works and Highways v. Spouses Tecson*, 713 Phil. 55 (2013).

³⁶ See *National Power Corporation v. Heirs of Macabangkit Sangkay*, 671 Phil. 569, 597 (2011).

beneficiaries³⁷ on April 16, 1990. Thus, ordinarily, the property should have been valued as of April 16, 1990 for purposes of computing just compensation, and the interest due to delay should have been reckoned on said date.

However, for reasons hereunder discussed, we find meritorious LBP's contention that interest should be reckoned from July 1, 2009, instead of April 16, 1990.

Just compensation in this case was determined following the formula prescribed under A.O. No. 01-10

To reiterate, the parties no longer dispute the formula used as well as the amount of the just compensation due in this case. However, to resolve the ultimate issue on when interest on account of delay should accrue, a clear recount of the law and the formula applied in this case is in order.

Settled is the rule that when the acquisition process under P.D. No. 27 remains incomplete or when the government does not pay the landowner his just compensation until after the effectivity of R.A. No. 6657 in 1988, the process should be completed under the new law,³⁸ with P.D. No. 27 and E.O. No. 228 to be applied suppletorily.³⁹ The reason for this is stated in *Landbank of the Philippines v. Natividad*.⁴⁰

It would certainly be inequitable to determine just compensation based on the guideline provided by [P.D. No. 27] considering the DAR's failure to determine just compensation for a considerable length of time. That just compensation should be determined in accordance with [R.A. No. 6657], and not [P.D. No. 27] or [E.O. No. 228] is especially imperative considering that just compensation should be the full and fair equivalent of the property taken from its owner by the expropriator, the equivalent being real, substantial, full and ample.

R.A. No. 6657 provides sufficient factors to determine just compensation, thus, its provisions, particularly Section 17⁴¹ thereof, governs. Even with the advent of R.A. No. 9700,⁴² the completion and final

³⁷ *Landbank of the Phils. v. Heirs of Tapulado*, 807 Phil. 74, (2017).

³⁸ *Landbank of the Phils. v. Heirs of Puyat*, 689 Phil. 505, 514-515 (2012)

³⁹ *Paris v. Alfeche*, 416 Phil. 473, 488 (2001).

⁴⁰ 497 Phil. 738, 746-747 (2005).

⁴¹ 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 the 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.

⁴² 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,

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resolution of all previously acquired lands wherein valuation is subject to challenge by the landowners shall still be made pursuant to Section 17 of R.A. No. 6657.⁴³ This is confirmed under DAR Administrative Order No. 2, Series of 2009 (A.O. No. 02-09)⁴⁴ which provides that with respect to land valuation, all claim folders received by the 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. 9700.⁴⁵

Equally settled is the rule that the RTC-SAC must consider the factors mentioned in Section 17 of R.A. No. 6657 as translated into the applicable formula prescribed by the DAR owing to the latter's expertise as implementing agency.⁴⁶ With respect to the DAR-prescribed formulae, specifically as regards the imposition of interest, pertinent to the case at bar are DAR A.O. No. 13-94,⁴⁷ and its amendatory rules (Administrative Order No. 2, Series of 2004 [A.O. No. 02-04]⁴⁸ and Administrative Order No. 6, Series of 2008 [A.O. No. 06-08]⁴⁹), and A.O. No. 01-10.⁵⁰

OTHERWISE KNOWN AS THE COMPREHENSIVE AGRARIAN REFORM LAW OF 1988, AS AMENDED, AND APPROPRIATING FUNDS THEREFOR; August 7, 2009.

⁴³ Section 5 of R.A. No. 9700 provides:

Section 5. Section 7 of Republic Act. No 6657, as amended, is hereby further amended to read as follows:

SEC. 7. *Priorities.* - The DAR, in coordination with the Presidential Agrarian Reform Council (PARC) shall plan and program the final acquisition and distribution of all remaining unacquired and undistributed agricultural lands from the effectivity of this Act until June 30, 2014. Lands shall be acquired and distributed as follows:

Phase One : During the five (s)-year extension period hereafter all remaining lands above fifty (50) hectares shall be covered for purposes of agrarian reform upon the effectivity of this Act. All private agricultural lands of landowners with aggregate land holdings in excess of fifty (50) hectares which have already been subjected to a notice of coverage issued on or before December 10, 2008; rice and corn lands under Presidential Decree No. 27; all idle or abandoned lands; all private lands voluntarily offered by the owners for agrarian reform: Provided, That with respect to voluntary land transfer only those submitted by June 30, 2009 shall be allowed. Provided, further, That after June 30, 2009, the modes of acquisition shall be limited to voluntary offer to sell and compulsory acquisition: **Provided, furthermore, That all previously acquired lands wherein valuation is subject to challenge by landowners shall be completed and finally resolved pursuant to Section 17 of Republic Act No. 6657, as amended:** x x x x (Emphasis supplied)

⁴⁴ Rules and Procedures Governing the Acquisition and Distribution of Agricultural Lands Under R.A. No. 6657, as amended by R.A. No. 9700.

⁴⁵ 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.

⁴⁶ *Landbank of the Phils. v. Tapulado*, 807 Phil. 74, 84 (2017), citing *Alfonso v. Landbank of the Phils.*

⁴⁷ 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; Adopted on October 27, 1994.

⁴⁸ 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"; Dated November 4, 2004.

⁴⁹ 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.

⁵⁰ Rules and Regulation 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.

A.O. No. 13-94 grants an increment of 6% yearly interest compounded annually based on the land value as determined under the existing valuation formula. Under A.O. No. 13-94, to arrive at the land value, the AGP was determined in accordance with DAR Memorandum Circular No. 26, series of 1973, which pegs the value of the land to 2 ½ times the average gross harvest of three normal crop years immediately preceding October 21, 1972; and the government support price for *palay* and corn in 1972 was used.⁵¹

The 6% increment was sought to enhance the valuation of rice and corn under P.D. 27 and E.O. No. 228 to cover those instances where landowners were dispossessed of their lands but remained unpaid,⁵² thus:

Presidential Decree No. 27 issued on 21 October 1972 and Executive Order No. 228 dated 17 August 1987, declared the actual tenant-tillers as deemed full owners of the land they till, thereby resulting in the effective dispossession of the landowners of their lands. A number of these landholdings remain unpaid in view of the non-acceptance by the landowners of the compensation due to low valuation. Had the landowner been paid from the time of taking his land and the money deposited in a bank, the money would have earned the same interest rate compounded annually as authorized under the banking laws, rules and regulations.

To address these problems, the Presidential Agrarian Reform Council (PARC), in its resolution dated 25 October 1994, approved the grant of an increment of six percent (6%) yearly interest compounded annually based on the land value as determined under existing valuation formula.⁵³

The grant of the 6% yearly interest compounded annually was reckoned from October 21, 1972 up to November 1994 (if tenanted as of October 21, 1972), or from the date when the land was actually tenanted up to November 1994 (if tenanted after October 21, 1972).

⁵¹ IV. Increment Formula

The following formula shall apply:

For *palay*: $LV = (2.5 \times AGP \times P35) \times (1.06)^n$

For corn: $LV = (2.5 \times AGP \times P31) \times (1.06)^n$

where:

LV = Land Value

AGP = Average Gross Production in cavan of 50 kilos in accordance with DAR Memorandum Circular No. 26, series of 1973

P 35 = Government Support Price for *palay* in 1972 pursuant to Executive Order No. 228

P 31 = Government Support Price for corn in 1972 pursuant to Executive Order No. 228

n = number of years from date of tenancy up to effectivity date of this Order.

⁵² II. Coverage

These rules and regulations shall apply to landowners:

1. Whose lands are actually tenanted as of 21 October 1972 or thereafter and covered by OLT;
2. Who opted for Government financing through Land Bank of the Philippines as the mode of compensation; and
3. Who have not yet been paid for the value of their land.

⁵³ Prefatory Statement.

Since a number of landowners remained unpaid even after November 1994, the prescribed period of computing the 6% annual interest compounded yearly was extended from November 1994 up to the date of actual payment but not later than December 2006, pursuant to A.O. No. 02-04. Similar to A.O. No. 13-94, the values used to determine the land value were the average gross harvest of three normal crop years immediately preceding October 21, 1972, and the government support price for *palay* and corn in 1972. The period was further extended to the date of actual payment but not later than December 2009, under A.O. No. 06-08.

In *Landbank of the Philippines v. Puyat*,⁵⁴ LBP raised the issue of whether the award of interest on account of delay in the payment of just compensation constitutes double imposition of interest given the 6% increment prescribed under A.O. No. 13-94. Answering in the negative, the Court held:

The trial and appellate courts imposed an interest of 6% per annum on the just compensation to be given to the respondents based on the finding that Land Bank was guilty of delay.

Land Bank maintains that the formula contained in DAR [A.O. No. 13-94] already provides for 6% compounded interest. Thus, the additional imposition of 6% interest by the trial and appellate courts is unwarranted.

There is a fallacy in Land Bank's position. The 6% interest rate imposed by the trial and appellate courts would be a double imposition of interest had the courts below also applied DAR [A.O. No. 13-94]. But the fact remains that the courts below did not apply DAR [A.O. No. 13-94]. In fact, that is precisely the reason why Land Bank appealed the trial court's decision to the CA, and the latter's decision to this Court. Therefore, Land Bank is cognizant that the lower courts' imposition of the 6% interest cannot constitute double imposition of a legal interest.

Stated differently, if the just compensation was computed pursuant to A.O. No. 13-94 (or its amendatory orders) where an incremental interest of 6% was already imposed up to November 1994, December 2006, or December 2009, as the case may be, the award of legal interest on account of delay covering the same period would constitute double imposition of interest.

This much was the import of the pronouncement in *Land Bank of the Philippines v. Imperial*⁵⁵ where the Court, acknowledging that the 6% interest granted under A.O. No. 13-94, as amended, compounded annually, could be granted only up to the time of actual payment but not later than December 2006, and that, after which, the 6% interest can no longer be imposed. Realizing that there was a need to compensate the landowner who remains unpaid beyond December 2006, the Court awarded a 12% interest *per annum* to run from January 1, 2007 until full payment. The Court reasoned:

⁵⁴ 689 Phil. 505, 516-517 (2012).

⁵⁵ 544 Phil. 378 (2007).

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As can be gleaned from the foregoing, the 6% interest, compounded annually, could be granted only up to the time of actual payment but not later than December 2006. In effect, there could be no award of interest from January 1, 2007 onwards.

Such being the case, it is inequitable to determine the just compensation based solely on the formula provided by DAR A.O. No. 13, as amended. Thus, we return to the guidelines provided under P.D. No. 27 and E.O. No. 228 since the same remained operative despite the passage of [R.A.] No. 6657. On this score, E.O. No. 229, which provides for the mechanism of [R.A.] No. 6657, specifically states: “[P.D.] No. 27, as amended, shall continue to operate with respect to rice and corn lands, covered thereunder...” **However, since just compensation embraces not only the correct determination of the amount to be paid to the owners of the land, but also its payment within a reasonable time from the taking of the land, we think that the appellate court correctly imposed an interest in the nature of damages for the delay.** In line with current jurisprudence, we set the legal interest at 12% per annum. To this extent, we agree that we should modify the appellate court’s ruling. (Emphasis supplied)

There was no double imposition of interest in *Imperial* precisely because the legal interest of 12% was reckoned only from January 1, 2007, given that the formula under A.O. No. 13-94, as amended, was used.

Claims that were revalued under R.A. No. 6657 or R.A. No. 9700 are no longer entitled to the incremental interest of 6%

On July 1, 2009, A.O. No. 01-10 took effect and likewise covered those lands which were already distributed to the farmer-beneficiaries but the documentation and/or valuation are/is not yet complete. However, unlike P.D. No. 27, E.O. No. 228, A.O. No. 13-94 and its amendatory orders, the values used to determine the land value for purposes of computing just compensation were not those of 1972, but were reckoned on June 30, 2009, thus:

IV. *Land Valuation*

1. *For lands already distributed by the DAR to the farmer-beneficiaries where documentation and/or valuation are/is not yet complete (DNYD) AND for claims with the LBP, the formula shall be:*

$$LV = (CNI \times 0.90) + (MV \times 0.10)$$

Where:

LV = Land Value

CNI = Capitalized Net Income which refers to the gross sales (AGP x SP) with assumed net income rate of 20% capitalized at 0.12

Expressed in equation form:

$$\text{CNI} = \frac{(\text{AGP} \times \text{SP}) \times 0.20}{0.12}$$

Where:

AGP = Annual Gross Production corresponding to the latest available 12 month's gross production immediately preceding 30 June 2009. The AGP shall be secured from the Department of Agriculture (DA) or Bureau of Agriculture Statistics (BAS). The AGP data shall be gathered from the barangay or municipality where the property is located. In the absence thereof, AGP may be secured within the province or region.

SP = The average of the latest available 12 months' selling prices prior to 30 June 2009 such prices to be secured from the Department of Agriculture (DA) or Bureau of Agricultural Statistics (BAS). If possible, SP data shall be gathered from the barangay or municipality where the property is located. In the absence thereof, SP may be secured within the province or region.

MV = Market Value per Tax Declaration which is the latest Tax Declaration and Schedule of Unit of Market Value (SUMV) issued prior to 30 June 2009. MV shall be grossed-up up to 30 June 2009.

The reckoning date of the AGP and SP shall be June 30, 2009.

x x x x (Emphases supplied)

Since the values used were already updated as of June 30, 2009, the unpaid landowners whose claims were covered under P.D. No. 27 and E.O. No. 228 and revalued under R.A. No. 6657, were no longer allowed to avail of the 6% incremental interest under A.O. No. 13-94 and its amendatory orders.⁵⁶ In other words, the updated values under A.O. No. 01-10 answer for the inequity that the unpaid landowners suffered on account of the delay in the payment of just compensation.

To recall, the formula under A.O. No. 01-10 was used by LBP to arrive at the computation for the payment of compensation. The use of this formula was approved by the RTC-SAC and the CA, and was no longer contested by the heirs of Barrameda. Following the Court's reasoning in *Puyat* and *Imperial*, there will be double imposition of interest on account of delay if such interest shall likewise be reckoned from the date of taking on April 16, 1990, despite the use of the updated values under A.O. No. 01-10.

⁵⁶ III. *Statement of Policies*

x x x x

3. Claims covered under PD 27/EO 228 and revalued under RA 6657 or RA 9700 shall no longer be entitled to the coverage of DAR Administrative Order No. 13, Series of 1994, DAR Administrative Order No. 02, Series of 2004 and DAR Administrative Order No. 06, Series of 2008.

↓

Interest on account of delay should be reckoned from July 1, 2009 until actual payment on November 19, 2013

Given that the application of the formula under A.O. No. 01-10 sufficiently answers for the delay suffered by the landowners from the time of taking up to June 30, 2009, the imposition of legal interest is justified only if the landowner thereafter remains unpaid. In that case, interest should be reckoned from July 1, 2009 up to actual payment.

Considering that the entire amount of compensation in this case was paid only on November 19, 2014, such should earn legal interest reckoned from July 1, 2009 until November 19, 2013.

Delay in the payment of just compensation is a forbearance of money

In *Evergreen Manufacturing Corporation v. Republic*,⁵⁷ the Court explained the nature of the delay in the payment of just compensation, as follows:

As explained by this Court in *Apo Fruits Corporation v. Land Bank of the Philippines*, the rationale for imposing interest on just compensation is to compensate the property owners for the income that they would have made if they had been properly compensated - meaning if they had been paid the full amount of just compensation - at the time of taking when they were deprived of their property. The Court held:

We recognized in *Republic v. Court of Appeals* the need for prompt payment and the necessity of the payment of interest to compensate for any delay in the payment of compensation for property already taken. We ruled in this case that:

The constitutional limitation of "just compensation" is considered to be the sum equivalent to the market value of the property, broadly described to be the price fixed by the seller in open market in the usual and ordinary course of legal action and competition or the fair value of the property as between one who receives, and one who desires to sell, i[f] fixed at the time of the actual taking by the government. Thus, if property is taken for public use before compensation is deposited with the court having jurisdiction over the case, the final compensation must include interest[s] on its just value to be computed from the time the property is taken to the time when compensation is actually paid or deposited with the court. In fine, between the taking of the property and the actual payment, legal interest[s] accrue in order to place the owner in a position as good as (but not better than) the position he was in before the taking occurred.

⁵⁷ Supra note 31, at 1068-1070.

Aside from this ruling, Republic notably overturned the Court's previous ruling in *National Power Corporation v. Angas* which held that just compensation due for expropriated properties is not a loan or forbearance of money but indemnity for damages for the delay in payment; since the interest involved is in the nature of damages rather than earnings from loans, then Art. 2209 of the Civil Code, which fixes legal interest at 6%, shall apply.

In Republic, the Court recognized that the just compensation due to the landowners for their expropriated property amounted to an effective forbearance on the part of the State. Applying the Eastern Shipping Lines ruling, the Court fixed the applicable interest rate at 12% per annum, computed from the time the property was taken until the full amount of just compensation was paid, in order to eliminate the issue of the constant fluctuation and inflation of the value of the currency over time.

The delay in the payment of just compensation is a forbearance of money. As such, this is necessarily entitled to earn interest. The difference in the amount between the final amount as adjudged by the court and the initial payment made by the government - which is part and parcel of the just compensation due to the property owner - should earn legal interest as a forbearance of money. In *Republic v. Mupas*, we stated clearly:

Contrary to the Government's opinion, the interest award is not anchored either on the law of contracts or damages; it is based on the owner's constitutional right to just compensation. The difference in the amount between the final payment and the initial payment - in the interim or before the judgment on just compensation becomes final and executory - is not unliquidated damages which do not earn interest until the amount of damages is established with reasonable certainty. The difference between final and initial payments forms part of the just compensation that the property owner is entitled from the date of taking of the property.

Thus, when the taking of the property precedes the filing of the complaint for expropriation, the Court orders the condemnor to pay the full amount of just compensation from the date of taking whose interest shall likewise commence on the same date. The Court does not rule that the interest on just compensation shall commence [on] the date when the amount of just compensation becomes certain, e.g., from the promulgation of the Court's decision or the finality of the eminent domain case.

With respect to the amount of interest on the difference between the initial payment and final amount of just compensation as adjudged by the court, we have upheld in Eastern Shipping Lines, Inc. v. Court of Appeals, and in subsequent cases thereafter, the imposition of 12% interest rate from the time of taking when the property owner was deprived of the property, until 1 July 2013, when the legal interest on loans and forbearance of money was reduced from 12% to 6% per annum by BSP Circular No. 799. Accordingly, from 1 July 2013 onwards, the legal interest on the difference between the final amount and initial payment is 6% per annum. (Emphases supplied and original citations omitted)

↑

In this case, the compensation in the amount of ₱653,818.99 computed pursuant to A.O. No. 01-10 shall earn interest at the rate of 12% per annum from July 1, 2009 until June 30, 2013, and, thereafter, at the rate of 6% until November 19, 2013.

WHEREFORE, the petition is **PARTLY GRANTED**. Land Bank of the Philippines is **ORDERED** to **PAY** interest on the amount of ₱653,818.99 at the rate of 12% per annum from July 1, 2009 until June 30, 2013, and, thereafter, at the rate of 6% until November 19, 2013.

SO ORDERED.

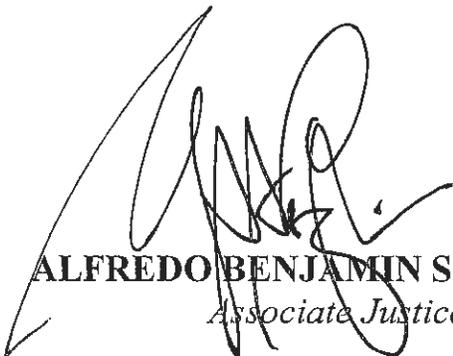


JOSE C. REYES, JR.
Associate Justice

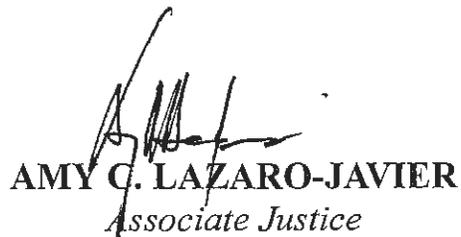
WE CONCUR:



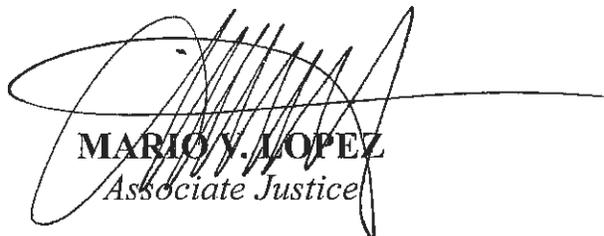
DIOSDADO M. PERALTA
Chief Justice
Chairperson



ALFREDO BENJAMIN S. CAGUIOA
Associate Justice



AMY C. LAZARO-JAVIER
Associate Justice



MARIO V. LOPEZ
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

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