



Republic of the Philippines
Supreme Court
Manila

THIRD DIVISION

LAND BANK OF THE PHILIPPINES,
 Petitioner,

G.R. No. 231546

- versus -

MARGARITO E. TAYKO,
JORGE E. TAYKO,
MAURO E. TAYKO, JR.,
JESUS E. TAYKO,
DR. MANUEL E. TAYKO,
FELIPE E. TAYKO,
JOVENCIO E. TAYKO,
JOSE E. TAYKO,
TEOPISTO T. GUINGONA, JR.,
MANUEL T. GUINGONA,
BENJAMIN T. GUINGONA,
BRIGADA TANKEH GUINGONA,
BARTOLOME T. GUINGONA,
BERNARDINO T. GUINGONA,
BIANCA MARIE T. GUINGONA,
JOSE T. GUINGONA,
LUIS T. GUINGONA, AND
JOSEFA TAYKO GUINGONA,

Present:

CAGUIOA, J.,
Chairperson,
INTING,
GAERLAN,
DIMAAMPAO, and
SINGH, JJ.

Respondents.

Promulgated:

March 29, 2023

Mis-DCB:ff

X-----X

RESOLUTION

GAERLAN, J.:

Before this Court is a Petition for Review on *Certiorari*¹ dated June 22, 2017 filed by petitioner Land Bank of the Philippines (LBP), seeking to partially annul and set aside the Decision² dated June 14, 2016 and the

¹ *Rollo*, pp. 45-72.

² Id. at 17-41; penned by Associate Justice Pablito A. Perez, with Associate Justices Marilyn B. Lagura-Yap and Gabriel T. Robeniol, concurring.

D

Resolution³ dated March 29, 2017 of the Court of Appeals (CA) in CA-G.R. SP No. 06198.

The CA in its assailed Decision, reversed and set aside the Decision⁴ dated May 17, 2011 issued by the Regional Trial Court, acting as a Special Agrarian Court (RTC-SAC) of Dumaguete City, Branch 32, in Civil Case No. 2010-14471. The CA affirmed the valuation made by the Regional Adjudication Board, as affirmed by the Department of Agrarian Reform (DAR) Adjudication Board (DARAB) pertaining to the 60.0932-hectare portion of the property planted with corn. However, with respect to the portion of the property planted with sugarcane, the CA remanded the case to the RTC-SAC for the reception of evidence to determine the Annual Gross Production (AGP) and the Capitalized Net Income of the properties following the valuation factors set forth in Section 17 of Republic Act (R.A.) No. 6657.

Facts

The facts of the case are undisputed.

Respondents are the heirs of the late spouses Josefa Tayko Guingona and Mauro Tayko, who were the owners of an estate planted with sugar, corn, rice, and coconut, situated in Barangay Casalaan, Siaton, Negros Oriental.⁵

On January 15, 1995, the landowners offered a portion of their estate covered by TCT Nos. OV-9869, OV-9871, and OV-9875 (collectively, subject properties), with a total area of 481.0932 hectares for voluntary coverage under the Comprehensive Agrarian Reform Program (CARP), with an offer price of ₱150,000.00 per hectare.⁶

Thereafter, representatives of LBP, the Department of Agrarian Reform (DAR), and the Barangay Agrarian Reform Committee (BARC) conducted an ocular inspection of the Subject Properties. On June 17, 1997 the ocular inspection team submitted a report recommending the exclusion of 121 hectares of the subject properties. Meanwhile, only 360.0932 hectares of the subject properties were recommended to be subject of CARP coverage consisting of the following: (1) 295.5 hectares of sugar land; (2) 60.0932 hectares of corn land; and (3) 4.5 hectares of coco land.⁷

³ Id. at 105-110.

⁴ Id. at 112-133; penned by Judge Roderick A. Maxino.

⁵ Id. at 18.

⁶ Id.

⁷ Id.

On November 26, 1997, LBP received the claim folders for the subject properties. However, the Claims Valuation and Processing Form was prepared almost six years later on May 19, 2003.⁸

Thereafter, LBP prepared a Memorandum of Valuation and Claim Folder Profile & Valuation Summary dated November 25, 2003 covering 360.0932 hectares of the subject properties. LBP valued the subject properties at ₱32,804,751.62.⁹

On December 18, 2003, the preliminary payment in cash and in bonds for the subject properties was deposited and a memorandum of the deposit was annotated on the titles.¹⁰

On December 30, 2003, the certificates of titles in the name of the landowners were cancelled and transfer certificates of title were issued in the name of the Republic of the Philippines.¹¹

Respondents, however, rejected the valuation made by LBP.

Accordingly, respondents filed a Petition for the Determination and Fixing of Just Compensation before the Regional Agrarian Reform Adjudicator (RARAD), which was docketed as RARAD VII-N-1281-1283-2004. The landowners claimed that in valuing their properties, LBP should have used the production data and values at the time of the transmittal of the claim folders to the LBP Head Office in 2003, instead of the data gathered at the time of the ocular inspection in 1997.¹² Thus, the landowners asserted that the just compensation for the subject properties should be fixed at ₱63,738,314.29, and not ₱32,804,751.62 as fixed by LBP.

In a Resolution dated March 8, 2006, the RARAD agreed with the landowners' valuation of ₱63,738,314.29.¹³ LBP then elevated the ruling to the DARAB insisting that the said valuation was not in accord with DAR Administrative Order (A.O.) No. 5, Series of 1998 and DAR-LBP Joint Memorandum Circular (JMC) No. 15, Series of 1999.

The DARAB eventually resolved LBP's appeal in favor of respondents maintaining the valuation made by the RARAD.¹⁴

⁸ Id. at 18-19.

⁹ Id. at 19.

¹⁰ Id.

¹¹ Id. at 115.

¹² Id. at 20.

¹³ Id.

¹⁴ Id. at 21.

Refusing to concede, LBP eventually filed a Petition for the Final Determination of Just Compensation before the RTC-SAC, which was docketed as Civil Case No. 09-14471.¹⁵

The Ruling of the RTC

In its Decision¹⁶ dated May 17, 2011, the RTC-SAC ruled in favor of respondents and fixed the amount of compensation at ₱143,774,384.67, the dispositive portion of which reads:

WHEREFORE, premises considered, the Court finds for the Respondent, and hereby DIRECTS the Petitioner Land Bank to pay the following: (1) the remaining balance of the just compensation to the Petitioners in the amount of One Hundred Ten Million Nine Hundred Sixty-Nine Thousand Six Hundred Thirty-Three and 5/100 (P110,969,633.05) pesos, with legal interest of 12% per annum, reckoned from December 30, 2003 up to the time when the whole amount is actually paid; and (2) its share in the Commissioners' fees in the amount of P200,000.00. In addition, Petitioner is hereby ordered to release the total amount of initial deposit in favor of the Respondents for the just compensation of the subject properties in the amount of Thirty-Two Million Eight Hundred Four Thousand Seven Hundred Fifty-One and 62/100 pesos (P32,804,751.62), if the same has not been actually received by the Respondents to date. Finally, respondents are likewise direct to pay its share in the Commissioners' fees in the same amount.

SO ORDERED.¹⁷

LBP then filed a motion for reconsideration, which was eventually denied by the RTC-SAC.¹⁸

Thereafter, LBP filed a Petition for Review with the CA assailing the Decision of the RTC-SAC.

The Ruling of the CA

In its Decision¹⁹ dated June 14, 2016, the CA reversed and set aside the Decision of the RTC-SAC and affirmed the valuation of the corn lands made by the DARAB. Meanwhile, the CA remanded the case to the RTC-SAC for the reception of evidence on the AGP and selling price for sugar for crop year 2003-2004. The dispositive portion of the Decision reads:

¹⁵ Id.

¹⁶ Id. at 112-133.

¹⁷ Id. at 133.

¹⁸ Id. at 24.

¹⁹ Id. at 17-41.

4

WHEREFORE, the Petition is hereby PARTLY GRANTED. The Decision dated May 17, 2011 and the Order dated July 6, 2011, of the Regional Trial Court, sitting as Special Agrarian Court, are REVERSED and SET ASIDE.

This case is hereby REMANDED to the RTC-SAC, Branch 32, Dumaguete City to receive evidence on the AGP of respondents' properties planted to sugarcane and SP for sugar for crop year 2003-2004, to compute the CNI for the said properties based on such data as provided under JMC 15-99 and to make a final valuation of such lands consistent with A.O. 5-98.

The Court AFFIRMS the correctness of the valuation made by the Regional Adjudication Board, as affirmed by DARAB, in the total amount of P6,306,786.00 as just compensation for 60.0932 hectares of the properties of respondents planted to corn.

Petitioner Land Bank of the Philippines is ORDERED to pay the respondents the remaining balance of the just compensation less the provisional deposit made on December 18, 2003, with legal interest reckoned from December 18, 2003 up to the time the whole amount is actually paid, at the rate of 12% per annum until June 30, 2013 and 6% per annum thereafter.

Respondents are ORDERED to pay the commissioners' fee of P200,000.00.

SO ORDERED.²⁰ (Emphases in the original)

Anent the valuation of sugar lands, the CA observed that the parties do not dispute the applicability of the rules and guidelines set forth in A.O. No. 5, Series of 1998 and JMC No. 15, Series of 1999.²¹ The issue of the parties boiled down to the applicable production data and values to be used, *i.e.*, whether the valuation of the property should be based on the 1997 data or at the time the property was taken. On this score, the CA discussed that just compensation for expropriated property shall be fixed at the time of taking, referring to that time that the State has deprived the landowner of the use and benefit of the said property, such as when the title thereof has been acquired by the State.²² In this case, the CA concluded that the time of taking should be reckoned as of December 18, 2003, when the deposit of payment was made by LBP following the rejection by respondents of LBP's initial valuation.²³ However, since the records are bereft of any production data and values corresponding to the said year, the CA ordered a remand of the case for the reception of evidence on the AGP of respondent's sugar farms and selling prices of sugar as of December 18, 2003.²⁴

²⁰ Id. at 38-39.

²¹ Id. at 27-28.

²² Id. at 91.

²³ Id. at 33.

²⁴ Id. at 35.

2

With respect to the valuation of corn lands, the CA affirmed the findings and computation of the DARAB fixing its value at ₱6,309,786.00.²⁵

Finally, the CA held that the imposition of legal interest is warranted on the difference between the total amount of just compensation and the initial amount made by LBP computed from the time of taking or on December 18, 2003 until fully paid.²⁶

Accordingly, LBP filed a Motion for Reconsideration questioning the foregoing CA Decision, which was eventually denied by the CA in its Resolution²⁷ dated March 29, 2017.

Hence, the present Petition for Review on *Certiorari*.

The Present Petition

LBP now comes before this Court partially questioning the CA Decision. LBP does not assail the ruling of the CA remanding the case for the reception of evidence in arriving at the valuation for sugar lands and the imposition of commissioners' fees. However, LBP questions the CA's findings affirming the DARAB valuation of the land planted to corn and the imposition of legal interest.²⁸ According to LBP, the CA incorrectly affirmed the valuation made by the RARAD, as affirmed by the DARAB, considering that the said valuation used the formula provided for under Presidential Decree (P.D.) No. 27, despite the fact that the acquisition of the subject property was made by the government under R.A. No. 6657.²⁹

The Ruling of the Court

I. *Just compensation for the land planted to corn should be based on the valuation factors enumerated under R.A. No. 6657 and the relevant DAR formula.*

Just compensation is defined as the full and fair equivalent of the property taken from its owner by the expropriator.³⁰ The word "just" modifies the term compensation, which means that the equivalent to be given for the

²⁵ Id.

²⁶ Id. at 36.

²⁷ Id. at 105-110.

²⁸ Id. at 55.

²⁹ Id.

³⁰ *Association of Small Landowners in the Philippines, Inc. v. Secretary of Agrarian Reform*, 256 Phil. 777, 812 (1989).

4

property to be taken shall be real, substantial, full, and ample.³¹ In determining just compensation a wide range of factors must be considered in approximating the real and full value of a land.³² As a judicial function,³³ RTC-SACs are enjoined to take into full consideration the factors specifically identified by law and implementing rules,³⁴ which includes guidelines and formulae prescribed by the DAR, issued pursuant to its mandate to implement agrarian reform programs.³⁵

LBP in its petition argued that the CA incorrectly affirmed the RARAD valuation, which was subsequently affirmed by the DARAB when it fixed just compensation for 60.0932 hectares of the property planted to corn in the amount of ₱6,306,786.00.

We find LBP's argument impressed with merit.

In the instant case, it is undisputed that the subject properties were acquired by the government under a voluntary offer to sell made by its owners under the CARP.³⁶ Relatedly, this Court has repeatedly recognized the applicability of R.A. No. 6657 to corn lands subject of agrarian reform³⁷ Accordingly, the valuation of the subject corn land should be determined pursuant to the valuation factors provided by R.A. No. 6657 and the relevant implementing guidelines and formula, and not under P.D. No. 27.³⁸

Thus, as correctly pointed out by LBP, the RARAD/DARAB improperly made the valuation using the formula in acquisitions made under P.D. No. 27 despite the fact that the subject property was acquired under R.A. No. 6657. The RARAD/DARAB computed the valuation for the land planted to corn using the formula provided under P.D. No. 27:

Land Value = Average Gross Production x 2.5 x Selling Price
 = (30 cavans/cropping x 2 cropping) x 2.5 x P700
 = 60 cavans x 2.5 x P700
 = P105,000.00 / hectare
 = P105,000.00 x 60.0932 hectares

³¹ *Land Bank of the Philippines v. Heirs of Barrameda*, G.R. No. 221216, July 13, 2020, citing *National Power Corp. v. Manubay Agro-Industrial Development Corp.*, 480 Phil. 470 (2004).

³² *Land Bank of the Philippines v. Garcia*, G.R. No. 208865, September 28, 2020.

³³ *Heirs of Vidad v. Land Bank of the Philippines*, 634 Phil. 9, 31 (2010).

³⁴ *Land Bank of the Philippines v. Gonzalez*, 711 Phil. 98, 113 (2013).

³⁵ Id. See also *Land Bank of the Philippines v. Honeycomb Farms Corp.*, 698 Phil. 298 (2012); *Land Bank of the Philippines v. Barrido*, 642 Phil. 595 (2010); *Land Bank of the Philippines v. Lim*, 555 Phil. 831 (2007).

³⁶ *Rollo*, p. 18.

³⁷ *Land Bank of the Philippines v. Heirs of Barrameda*, supra note 31; *Land Bank of the Philippines v. Spouses Chu*, 808 Phil. 179 (2017); *Land Bank of the Philippines v. Ibarra*, 747 Phil. 691 (2014).

³⁸ *Land Bank of the Philippines v. Luciano*, 620 Phil. 442 (2009).

LAND VALUE = P6,309,786.00³⁹

Accordingly, We find that the CA erred in affirming the foregoing valuation considering that it was not in accordance with the valuation factors set forth in R.A. No. 6657.

We have held that the exercise of judicial discretion is not unbridled, but must be discharged within the metes and bounds of the law.⁴⁰

In this case, the computation of just compensation for the corn land should be guided by the factors enumerated in Section 17 of R.A. No. 6657, which states:

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.

Relatedly, the DAR issued A.O. No. 5, Series of 1998 to fill in the details and provide a basic formula to operationalize the determination of just compensation pursuant to Section 17 of R.A. No. 6657, to wit:

II. *The following rules and regulations are hereby promulgated to govern the valuation of lands subject of acquisition whether under voluntary offer to sell (VOS) or compulsory acquisition (CA).*

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.

³⁹ *Rollo*, pp. 55 and 114.

⁴⁰ *Land Bank of the Philippines v. Sps Banal*, 478 Phil. 701, 715 (2004).

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

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

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

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

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

$$LV = MV \times 2$$

Accordingly, the valuation of the corn land and the computation of just compensation therefor should be based on the foregoing formula, taking into account the production data and values at the time of taking.

II. *The time of taking of the subject property*

In determining just compensation it is imperative to consider the nature and character of the land at the time of taking⁴¹ or the time when the owner was deprived of the use and benefit of the property,⁴² such as when title is transferred in the name of the Republic of the Philippines.⁴³ The time of taking also determines the applicable DAR administrative order to serve as a guideline for the determination of just compensation.⁴⁴

In the instant case, the certificates of titles in the name of the landowners were cancelled and transfer certificates of title were issued in the name of the Republic of the Philippines on December 30, 2003.

Accordingly, the just compensation for both sugar land and corn land should be valued at the time of taking on **December 30, 2003.**

III. *A remand of the case is warranted given the foregoing findings*

In view of the foregoing disquisitions, the just compensation for the subject lands should be computed based on the valuation factors set forth in

⁴¹ *Land Bank of the Philippines v. Villegas*, G.R. No. 224760, October 6, 2021, citing *National Power Corporation v. Sps. Iletto*, 690 Phil. 453 (2012).

⁴² *Sps. Mercado v. Land Bank of the Philippines*, 760 Phil. 846, 860 (2015).

⁴³ *Land Bank of the Philippines v. Rural Bank of Hermosa (Bataan), Inc.*, 814 Phil. 157 (2017).

⁴⁴ *Mateo v. Department of Agrarian Reform*, 805 Phil. 707, 731 (2017).

Section 17 of R.A. No. 6657 and the guidelines and formula under DAR A.O. No. 5, Series of 1998 using the production data and values as of the time of taking, on December 30, 2003.

After a careful review of the records of the instant case, this Court cannot determine just compensation in accordance with the foregoing factors. We, likewise, cannot adhere to the preliminary determination of just compensation made by LBP, as it does not reckon its computation based on the time of taking.

Accordingly, since the final determination of just compensation is a judicial function,⁴⁵ the reception of evidence is necessary to establish and prove the facts and figures to be used in determining just compensation.⁴⁶

As this Court is not a trier of facts, We are, thus, constrained to remand the case to the RTC-SAC to determine just compensation, guided by this Court's discussion and strictly in accordance with Section 17 of R.A. No. 6657 and applicable DAR regulations, in particular, DAR A.O. No. 5, Series of 1998.⁴⁷

IV. *Imposable Interest*

Just compensation entails 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.⁴⁸ 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.⁴⁹

Thus, this Court has upheld the imposition 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.⁵⁰ This is in order to eradicate the issue of the constant variability of the value of the currency over time,⁵¹ and to compensate the owner for the loss of income due to the taking, the imposition of interest is only just and proper.⁵²

⁴⁵ *Heirs of Vidad v. Land Bank of the Philippines*, supra note 33.

⁴⁶ *Land Bank of the Philippines v. Heirs of Tañada*, 803 Phil. 103 (2017).

⁴⁷ *Land Bank of the Philippines v. Paliza, Sr.*, G.R. Nos. 236772-73, June 28, 2021.

⁴⁸ *Land Bank of the Philippines v. Uy*, G.R. No. 221313, December 5, 2019.

⁴⁹ *National Transmission Corporation v. Oroville Development Corporation*, 815 Phil. 91 (2017).

⁵⁰ *Land Bank of the Philippines v. Uy*, supra note 48. See also *Land Bank of the Philippines v. Paliza, Sr.*, supra note 47; *Mateo v. Department of Agrarian Reform*, supra note 44.

⁵¹ *Land Bank of the Philippines v. Heirs of the Estate of Mariano*, G.R. No. 233401, June 17, 2019.

⁵² *National Transmission Corporation v. Oroville Development Corporation*, 815 Phil. 91 (2017).

However, interest shall be imposed only on the unpaid balance of the just compensation, which pertains to the difference between the final amount as properly adjudged by the court in accordance with the applicable DAR issuance and the initial provisional deposit made by the government.⁵³

Accordingly, in line with jurisprudence,⁵⁴ legal interest shall be fixed at the rate of twelve percent (12%) *per annum* from the time of taking, which in this case was on December 30, 2003, until June 30, 2013. Afterwards, or beginning July 1, 2013, until finality of this Resolution, just compensation shall earn interest at the new legal rate of six percent (6%) *per annum*, applying prospectively Section 1 of Bangko Sentral ng Pilipinas – Monetary Board Circular No. 799, Series of 2013.

Thereafter, the total amount of just compensation shall earn legal interest at six percent (6%) *per annum* from the finality of this Resolution until its full payment.⁵⁵

WHEREFORE, premises considered, the Petition for Review on *Certiorari* dated June 22, 2017 filed by petitioner Land Bank of the Philippines is **PARTIALLY GRANTED**. Accordingly, the Decision dated June 14, 2016 and the Resolution dated March 29, 2017 of the Court of Appeals in CA-G.R. SP No. 06198 are hereby **AFFIRMED with MODIFICATIONS** in that:

(1) The award fixing just compensation for respondents' 60.0932-hectare land planted to corn in the amount of ₱6,306,786.00 is hereby **DELETED** and Civil Case No. 2010-14471 is hereby **REMANDED** to the Regional Trial Court of Dumaguete City, Branch 32, for reception of evidence to determine with utmost dispatch the just compensation due to respondents strictly in accordance with the guidelines set forth in this Resolution.

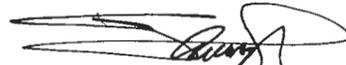
(2) Petitioner Land Bank of the Philippines is **ORDERED** to pay respondents legal interest on the unpaid balance of the just compensation at the interest rate of twelve percent (12%) *per annum* from the time of taking, on December 30, 2003 until June 30, 2013, and six percent (6%) *per annum* from July 1, 2013 until finality of this Resolution. Thereafter, the total amount of just compensation shall earn legal interest at six percent (6%) *per annum* from the finality of this Resolution until its full payment.

⁵³ *Land Bank of the Philippines v. Villegas*, supra note 41, citing *Evergreen v. Republic*, 817 Phil. 1048, 1069 (2017).

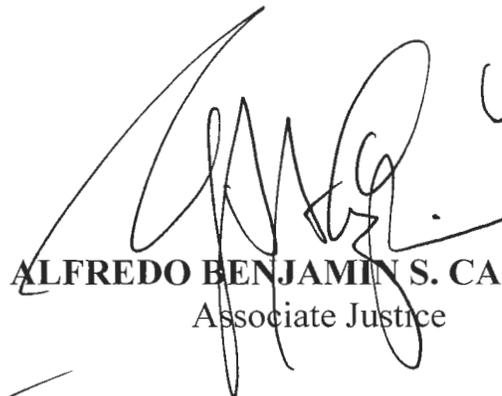
⁵⁴ *Republic v. Heirs of Bonifacio*. G.R. No. 226734, May 10, 2021; *Republic v. Sps. Goloyuco*, G.R. No. 222551, June 19, 2019.

⁵⁵ *Philippine Veterans Bank v. Bases Conversion and Development Authority*, G.R. No. 217492, October 4, 2021.

SO ORDERED.

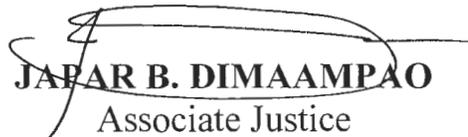

SAMUEL H. GAERLAN
Associate Justice

WE CONCUR:


ALFREDO BENJAMIN S. CAGUIOA
Associate Justice

See Separate Opinion

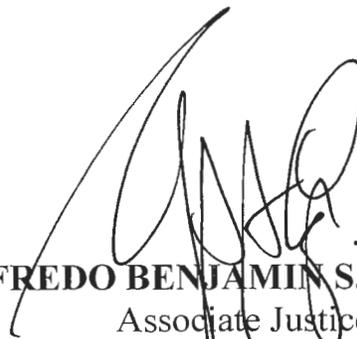

HENRI JEAN PAUL B. INTING
Associate Justice


JAPAR B. DIMAAMPAO
Associate Justice


MARIA FILOMENA D. SINGH
Associate Justice

ATTESTATION

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


ALFREDO BENJAMIN S. CAGUIOA
Associate Justice
Chairperson, Third 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 Resolution had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.


ALEXANDER G. GESMUNDO
Chief Justice