



Republic of the Philippines
Supreme Court
Manila

SECOND DIVISION

LAND BANK OF THE
PHILIPPINES,

Petitioner,

-versus -

HONEYCOMB FARMS
CORPORATION,

Respondent.

G.R. No. 166259

Present:

CARPIO, J., Chairperson,
BRION,
DEL CASTILLO,
PEREZ, and
PERLAS-BERNABE, JJ.

Promulgated:

NOV 12 2012 *HGM Cabalag Arzaga*

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DECISION

BRION, J.:

Before us is a petition for review on *certiorari*,¹ filed by the petitioner Land Bank of the Philippines (LBP), assailing the Court of Appeals' (CA's) Amended Decision² and Resolution³ in C.A.-G.R. CV No. 69661. The CA amended Decision reinstated with modification the Judgment⁴ of the Regional Trial Court (RTC) of Masbate, Masbate, Branch 48, acting as a Special Agrarian Court (SAC) in Special Civil Case No. 4637 for Determination and Payment of Just Compensation under Republic Act No. (RA) 6657.

¹ Rollo, pp. 17-55; under Rule 45 of the Rules of Court.

² Dated September 16, 2004; *id.* at 57-62. Penned by Associate Justice Jose L. Sabio (retired), and concurred in by Associate Justices Delilah Vidallon-Magtolis (retired) and Hakim S. Abdulwahid.

³ Dated November 25, 2004; *id.* at 65-66.

⁴ Dated July 27, 2000; *id.* at 110-114. Penned by Judge Jacinta S. Tambago.

The Factual Antecedents

Respondent Honeycomb Farms Corporation (*HFC*) was the registered owner of a parcel of agricultural land under Transfer Certificate of Title No. T-2550, with an area of 29.0966 hectares, situated in “Curvada, Caintagan, Masbate.”⁵ Through a letter dated February 5, 1988, HFC voluntarily offered its land to the Department of Agrarian Reform (*DAR*) for coverage under RA 6657, the Comprehensive Agrarian Reform Law of 1988 (*CARL*), for ₱581,932.00 or at ₱20,000.00 per hectare.⁶ Pursuant to the rules and regulations governing the *CARL*, the government, through the *DAR* and the *LBP*, determined an acquirable and compensable area of 27.5871 hectares, while 1.5095 hectares were excluded for being hilly and underdeveloped.⁷

Subsequently, the *LBP*, as the agency with the authority to determine land valuation and compensation under the *CARL*, and using the guidelines set forth in *DAR* Administrative Order No. 6, series of 1992,⁸ fixed the value of the land in the amount of ₱165,739.44 and sent a Notice of Valuation to *HFC*.⁹

HFC rejected the *LBP*’s valuation and it filed, on January 15, 1996,¹⁰ a petition with the *DAR* Adjudication Board (*DARAB*) for a summary administrative determination of just compensation. In its petition, *HFC* claimed that the just compensation for the land should be in the amount of ₱25,000.00 per hectare, considering its location and productivity, or for an aggregate amount of ₱725,000.00.¹¹

While the *DARAB* proceedings were still pending, *HFC* filed a Complaint for Determination and Payment of Just Compensation with the *RTC*, praying for a just compensation of ₱725,000.00, plus attorney’s fees of

⁵ *Id.* at 97.

⁶ *Id.* at 231.

⁷ *Id.* at 232.

⁸ As amended by *DAR* Administrative Order No. 11, series of 1994.

⁹ *Rollo*, pp. 232-233.

¹⁰ *HFC* alleges in its complaint that it filed the petition on January 4, 1996.

¹¹ *Rollo*, pp. 232-233.

ten percent (10%) of the just compensation.¹² HFC justified the direct filing with the SAC by what it saw as unreasonable delay or official inaction. HFC claimed that the DARAB disregarded Section 16 of RA 6657 which mandates that the “DAR shall decide the case within thirty (30) days after it is submitted for decision.”¹³ The LBP meanwhile countered that HFC’s petition was “premature and lacks [a] cause of action for failure to [exhaust] administrative remedies[.]”¹⁴

Meanwhile, on May 14, 1998, the DARAB issued a Decision¹⁵ affirming the LBP’s valuation. The dispositive portion states:

WHEREFORE, conformably to the foregoing consideration, this Board hereby AFFIRMS the valuation of ₱165,739.44 fixed by the Land Bank of the Philippines on the subject 27.5871-hectare agricultural landholding.

The Petition dated October 7, 1995 for determination and payment of Just Compensation filed by the landowner with this forum is hereby DENIED or ordered dismissed without prejudice for want of jurisdiction over the same on the part of this forum.¹⁶

The RTC Decision

On July 27, 2000, the RTC rendered a Judgment¹⁷ whose dispositive portion reads:

WHEREFORE, judgment is hereby rendered by:

1.) Fixing the just compensation of the parcel of land owned by plaintiff Honeycomb Farms Corp. under TCT No. T-2550 which is covered by agrarian reform for an area of 27.5871 hectares at ₱931,109.20

¹² *Id.* at 97.

¹³ *Id.* at 98. Section 16 of RA 6657 pertinently states:

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

¹⁴ *Id.* at 104.

¹⁵ *Id.* at 231-235.

¹⁶ *Id.* at 235.

¹⁷ *Supra* note 4.

subject to the lien for the docket fee of the amount in excess of ₱725,000.00 as pleaded for by herein plaintiff in its complaint;

2.) Ordering the defendants to pay jointly and severally the plaintiff an attorney's fee equivalent to 10% of the total just compensation.¹⁸

Owing to the parties' conflicting valuations, the SAC made its own valuation and briefly concluded that:

A judicious evaluation of the evidence on record shows that the subject area is sporadically planted to (sic) coconut and corn as is not fully develop (sic) when the government conducted its ocular inspection and thereafter took over possession of the same although majority of it is a fertile grass land and undisputedly deemed suitable to agriculture. However, the parcel of land under consideration is **located in the side of the road. It is likewise of judicial notice that it is situated near the commercial district of Curvada, Cataingan, Masbate.** In the light of the foregoing premises, the Court is of the opinion and so holds that the just compensation for the land of herein plaintiff corporation under TCT No. T-2550 covered by agrarian reform is **₱32,000.00 per hectare or ₱882,787.20 for the area of 27.58571 hectares** plus consequential damages at the same value (₱32,000.00) per hectare for the remaining 1.5095 hectares of the plaintiff's property left and rendered useless by the compulsory coverage or for the total sum of ₱931,109.20.¹⁹ (emphasis ours)

Both parties appealed to the CA.

HFC argued that the RTC erred in its determination of just compensation; the amount of ₱931,109.20 is not supported by the evidence on record while its presented evidence correctly shows that the market value of the land at the time of taking was ₱113,000.00 per hectare.²⁰

The LBP raised the threshold issue of whether the SAC had jurisdiction to hear HFC's complaint because of the pending DARAB proceedings, emphasizing that the completion of the administrative proceedings before the DARAB is a condition precedent for the filing of a complaint for the determination of just compensation before the SAC. The

¹⁸ *Id.* at 114.

¹⁹ *Ibid.*

²⁰ *Id.* at 195-209.

LBP also argued that the RTC committed a serious error when it took judicial notice of the property's roadside location, its proximity to a commercial district, its incomplete development as coconut and corn land, and its condition as grassland, to determine just compensation; thereby, it effectively eschewed the formula for fixing just compensation, provided under DAR Administrative Order No. 6, series of 1992.²¹ Lastly, the LBP questioned the award of consequential damages and attorney's fees for lack of legal and factual basis.²²

The CA Decision

The CA, in its January 28, 2004 Decision, reversed the RTC Judgment and dismissed HFC's complaint for failure to exhaust administrative remedies that Section 16(f) of RA 6657 requires. The CA ruled that the LBP "made a procedural [shortcut]" when it filed the complaint with the SAC without waiting for the DARAB's decision.²³

On the LBP's motion for reconsideration (to which a copy of the May 14, 1998 DARAB Decision was attached),²⁴ the CA, in its Amended Decision of September 16, 2004, proceeded to decide the case on the merits and recalled its January 28, 2004 Decision. The dispositive portion of the Amended Decision reads:

WHEREFORE, in view of the foregoing, Our January 28, 2004 Decision is hereby **RECALLED** and **SET ASIDE** and a new one entered. The assailed decision of the Regional Trial Court of Masbate, Branch 48 in Civil Case No. 4637 is hereby **REINSTATED with MODIFICATION** that the award of attorney's fees in favor of herein plaintiff-appellant is hereby deleted. No costs.²⁵

The CA ruled that in expropriation proceedings, the just compensation to which the owner of the condemned property is entitled to is the market

²¹ *Supra* note 8.

²² *Rollo*, pp. 126-152.

²³ *Id.* at 221.

²⁴ *Id.* at 223-235.

²⁵ *Id.* at 60-61.

value. It noted that in order to arrive at the proper market value, several factors such as the current value of like properties, their actual or potential uses and their size, shape and location must be considered. The CA thus concluded that the valuation made by the RTC was based on the evidence on record since the latter considered the sketch plan of the property, the testimonies of the witnesses and the field reports of both parties. In addition, the CA also deleted the award of attorney's fees for lack of factual and legal basis.²⁶

The Petition

The LBP's petition for review on *certiorari* raised the following errors:

First, the CA erred in reinstating the decision of the SAC since it had no jurisdiction to hear HFC's complaint while the DARAB proceedings were pending. It stressed that the SAC could not acquire jurisdiction over the complaint since the DARAB continued to retain jurisdiction over the determination of just compensation.

Second, the CA failed to dismiss the complaint on the ground of non-exhaustion of administrative remedies and forum shopping on the part of HFC. It notes that the HFC's complaint was premature and violative of the forum shopping prohibition since the complaint was filed with the SAC despite the pendency of the DARAB proceedings.

Lastly, the CA erred when it failed to apply the "basic formula" for determining just compensation prescribed by DAR Administrative Order No. 6, series of 1992, as amended by DAR Administrative Order No. 11, series of 1994. It emphasizes that by adopting the values fixed by the SAC, the CA's determination is contrary to: (1) Section 17 of RA 6657 and (2) the rulings of the Court bearing on the determination of just compensation, in

²⁶ *Id.* at 59-60.

particular, *Land Bank of the Philippines v. Sps. Banal*²⁷ where the Court categorically held that the formula prescribed by the DAR in Administrative Order No. 6, series of 1992, shall be used in the valuation of the land.²⁸

HFC prays for the dismissal of the LBP's petition on the following grounds:

First, it submits that the pendency of the DARAB proceedings has no bearing on the jurisdiction of the SAC since Section 57 of RA 6657 provides that the SAC has original and exclusive jurisdiction over petitions for the determination of just compensation. Conformably with the dictates of Section 57, litigants can file a case for the determination of just compensation without the necessity of a DARAB determination. *Second*, it argues that jurisprudence allows resort to judicial intervention without completing administrative remedies when there has been unreasonable delay or official inaction, as in this case, on the part of the administrative agency. *Third*, for the same reason, it contends that it cannot be charged with forum shopping. *Finally*, it argues that strict adherence to the formula prescribed by DAR Administrative Order No. 6, series of 1992, as amended by DAR Administrative Order No. 5, series of 1994, unduly "ties the hands of the SAC" in the determination of just compensation.²⁹

The Court's Ruling

We find the LBP's petition meritorious.

***The SAC properly acquired jurisdiction
over HFC's complaint for the determination
of just compensation despite the pendency
of the DARAB proceedings***

At the core of the LBP's lack of jurisdiction theory is the premise that SAC could not acquire jurisdiction over the complaint since the DARAB

²⁷ 478 Phil. 701 (2004).

²⁸ *Rollo*, p. 17-55.

²⁹ *Id.* at 243-255.

continued to retain jurisdiction over the matter of determination of just compensation.

The premise is erroneous because the DARAB does not “exercise concurrent jurisdiction with the SAC in just compensation cases. The determination of just compensation is judicial in nature.”³⁰

“The original and exclusive jurisdiction of the SAC xxx is not a novel issue”³¹ and is in fact, well-settled. In *Republic of the Philippines v. CA*,³² we first ruled that it would subvert the original and exclusive jurisdiction of the RTC for the DAR to vest original jurisdiction in compensation cases in administrative officials and make the RTC an appellate court for the review of administrative decisions, viz:

Thus, under the law, the Land Bank of the Philippines is charged with the initial responsibility of determining the value of lands placed under land reform and the compensation to be paid for their taking. Through notice sent to the landowner pursuant to § 16(a) of R.A. No. 6657, the DAR makes an offer. In case the landowner rejects the offer, a summary administrative proceeding is held and afterward the provincial (PARAD), the regional (RARAD) or the central (DARAB) adjudicator as the case may be, depending on the value of the land, fixes the price to be paid for the land. If the landowner does not agree to the price fixed, he may bring the matter to the RTC acting as Special Agrarian Court. This in essence is the procedure for the determination of compensation cases under R.A. No. 6657. In accordance with it, the private respondent’s case was properly brought by it in the RTC, and it was error for the latter court to have dismissed the case. In the terminology of § 57, the RTC, sitting as a Special Agrarian Court, has “original and exclusive jurisdiction over all petitions for the determination of just compensation to landowners.” It would subvert this “original and exclusive” jurisdiction of the RTC for the DAR to vest original jurisdiction in compensation cases in administrative officials and make the RTC an appellate court for the review of administrative decisions.³³ (citations omitted)

In the recent case of *Land Bank of the Philippines v. Belista*,³⁴ we extensively discussed the reasons why the SAC can properly assume

³⁰ *Heirs of Lorenzo and Carmen Vidad v. Land Bank of the Philippines*, G.R. No. 166461, April 30, 2010, 619 SCRA 609, 625.

³¹ *Ibid.*

³² 331 Phil. 1070 (1996).

³³ *Id.* at 1077-1078.

³⁴ G.R. No. 164631, June 26, 2009, 591 SCRA 137.

jurisdiction over petitions for the determination of just compensation despite the pendency of administrative proceedings, thus:

Sections 50 and 57 of RA No. 6657 provide:

Section 50. *Quasi-judicial Powers of the DAR.* – The DAR is hereby vested with primary jurisdiction to determine and adjudicate agrarian reform matters and shall have exclusive original jurisdiction over all matters involving the implementation of agrarian reform, except those falling under the exclusive jurisdiction of the Department of Agriculture (DA) and the Department of Environment and Natural Resources (DENR) x x x

Section 57. *Special Jurisdiction.* – The Special Agrarian Court shall have original and exclusive jurisdiction over all petitions for the determination of just compensation to landowners, and the prosecution of all criminal offenses under this Act. x x x

The Special Agrarian Courts shall decide all appropriate cases under their special jurisdiction within thirty (30) days from submission of the case for decision.

Clearly, under Section 50, DAR has primary jurisdiction to determine and adjudicate agrarian reform matters and exclusive original jurisdiction over all matters involving the implementation of agrarian reform, except those falling under the exclusive jurisdiction of the DA and the DENR. Further exception to the DAR's original and exclusive jurisdiction are all petitions for the determination of just compensation to landowners and the prosecution of all criminal offenses under RA No. 6657, which are within the jurisdiction of the RTC sitting as a Special Agrarian Court. Thus, jurisdiction on just compensation cases for the taking of lands under RA No. 6657 is vested in the courts.

In *Republic v. CA* [G.R. No. 122256, October 30, 1996, 263 SCRA 758], the Court explained:

Thus, Special Agrarian Courts, which are Regional Trial Courts, are given original and exclusive jurisdiction over two categories of cases, to wit: (1) "all petitions for the determination of just compensation to landowners" and (2) "the prosecution of all criminal offenses under [R.A. No. 6657]." The provisions of §50 must be construed in harmony with this provision by considering cases involving the determination of just compensation and criminal cases for violations of R.A. No. 6657 as excepted from the plenitude of power conferred on the DAR. Indeed, there is a reason for this distinction. The DAR is an administrative agency which cannot be granted jurisdiction over cases of eminent domain (for such are takings under R.A. No. 6657) and over criminal cases. Thus, in *EPZA v. Dulay and Sumulong v. Guerrero* - we held that the valuation of property in eminent domain is essentially a

judicial function which cannot be vested in administrative agencies, while in *Scoty's Department Store v. Micaller*, we struck down a law granting the then Court of Industrial Relations jurisdiction to try criminal cases for violations of the Industrial Peace Act.

In a number of cases, the Court has upheld the original and exclusive jurisdiction of the RTC, sitting as SAC, over all petitions for determination of just compensation to landowners in accordance with Section 57 of RA No. 6657.

In *Land Bank of the Philippines v. Wycoco* [G.R. Nos. 140160 and 146733, January 13, 2004, 419 SCRA 67], the Court upheld the RTC's jurisdiction over Wycoco's petition for determination of just compensation even where no summary administrative proceedings was held before the DARAB which has primary jurisdiction over the determination of land valuation. The Court held:

In *Land Bank of the Philippines v. Court of Appeals*, the landowner filed an action for determination of just compensation without waiting for the completion of DARAB's re-evaluation of the land. This, notwithstanding, the Court held that the trial court properly acquired jurisdiction because of its exclusive and original jurisdiction over determination of just compensation, thus –

... It is clear from Sec. 57 that the RTC, sitting as a Special Agrarian Court, has "original and exclusive jurisdiction over all petitions for the determination of just compensation to landowners." This "original and exclusive" jurisdiction of the RTC would be undermined if the DAR would vest in administrative officials original jurisdiction in compensation cases and make the RTC an appellate court for the review of administrative decisions. Thus, although the new rules speak of directly appealing the decision of adjudicators to the RTCs sitting as Special Agrarian Courts, it is clear from Sec. 57 that the original and exclusive jurisdiction to determine such cases is in the RTCs. Any effort to transfer such jurisdiction to the adjudicators and to convert the original jurisdiction of the RTCs into an appellate jurisdiction would be contrary to Sec. 57 and, therefore, would be void. Thus, direct resort to the SAC [Special Agrarian Court] by private respondent is valid.

x x x x

In *Land Bank of the Philippines v. Natividad* [G.R. No. 127198, May 16, 2005, 458 SCRA 441], wherein Land Bank questioned the alleged failure of private respondents to seek reconsideration of the DAR's valuation, but instead filed a petition to fix just compensation with the RTC, the Court said:

At any rate, in *Philippine Veterans Bank v. CA*, we held that there is nothing contradictory between the DAR's primary jurisdiction to determine and adjudicate agrarian reform matters and exclusive original jurisdiction over all matters involving the implementation of agrarian reform, which includes the determination of questions of just compensation, and the original and exclusive jurisdiction of regional trial courts over all petitions for the determination of just compensation. The first refers to administrative proceedings, while the second refers to judicial proceedings.

In accordance with settled principles of administrative law, primary jurisdiction is vested in the DAR to determine in a preliminary manner the just compensation for the lands taken under the agrarian reform program, but such determination is subject to challenge before the courts. The resolution of just compensation cases for the taking of lands under agrarian reform is, after all, essentially a judicial function.

Thus, the trial court did not err in taking cognizance of the case as the determination of just compensation is a function addressed to the courts of justice.

In *Land Bank of the Philippines v. Celada* [G.R. No. 164876, January 23, 2006, 479 SCRA 495], where the issue was whether the SAC erred in assuming jurisdiction over respondent's petition for determination of just compensation despite the pendency of the administrative proceedings before the DARAB, the Court stated that:

It would be well to emphasize that the taking of property under RA No. 6657 is an exercise of the power of eminent domain by the State. The valuation of property or determination of just compensation in eminent domain proceedings is essentially a judicial function which is vested with the courts and not with administrative agencies. Consequently, the SAC properly took cognizance of respondent's petition for determination of just compensation.³⁵ (Italicization supplied; citations omitted)

Similarly, in *Land Bank of the Philippines v. Court of Appeals*,³⁶ whose factual circumstances mirror that of the present case, we pointedly ruled that the SAC acquired jurisdiction over the action for the determination of just compensation even during the pendency of the DARAB proceedings, for the following reason:

³⁵ *Id.* at 143-147.

³⁶ 376 Phil. 252 (1999).

It is clear from Sec. 57 x x x that the RTC, sitting as a Special Agrarian Court, has “original and exclusive jurisdiction over all petitions for the determination of just compensation to landowners.” This “original and exclusive” jurisdiction of the RTC would be undermined if the DAR would vest in administrative officials original jurisdiction in compensation cases and make the RTC an appellate court for the review of administrative decisions. Thus, although the new rules speak of directly appealing the decision of adjudicators to the RTCs sitting as Special Agrarian Courts, it is clear from Sec. 57 that the original and exclusive jurisdiction to determine such cases is in the RTCs. **Any effort to transfer such jurisdiction to the adjudicators and to convert the original jurisdiction of the RTCs into an appellate jurisdiction would be contrary to Sec. 57 and therefore would be void. Thus, direct resort to the SAC by private respondent is valid.**³⁷ (emphasis ours)

To reiterate, the taking of property under RA 6657 is an exercise of the State’s power of eminent domain. “The valuation of property or determination of just compensation in eminent domain proceedings is essentially a judicial function which is vested with the courts and not with administrative agencies.”³⁸ Specifically, “[w]hen the parties cannot agree on the amount of just compensation, only the exercise of judicial power can settle the dispute with binding effect on the winning and losing parties.”³⁹

Thus, in the present case, HFC correctly filed a petition for the determination of just compensation with the SAC, which has the original and exclusive jurisdiction in just compensation cases under RA 6657. The DARAB’s valuation, being preliminary in nature, could not have attained finality, as only the courts can resolve the issue of just compensation. Consequently, the SAC properly took cognizance of HFC’s petition for determination of just compensation.

We also find no merit in the LBP’s argument that the HFC failed to exhaust administrative remedies when it directly filed a petition for the determination of just compensation with the SAC even before the

³⁷ *Id.* at 262-263.

³⁸ *Landbank of the Philippines v. Celada*, 515 Phil. 467, 477 (2006).

³⁹ *Heirs of Lorenzo and Carmen Vidad v. Land Bank of the Philippines*, *supra* note 30, at 630.

DARAB case could be resolved. In *Land Bank of the Phils. v. Wycoco*,⁴⁰ we held that the doctrine of exhaustion of administrative remedies does not apply when the issue has been rendered moot and academic.⁴¹ In the present case, the issue is now moot considering that the valuation made by the LBP had long been affirmed *in toto* by the DARAB in its May 14, 1998 Decision.

HFC is not guilty of forum shopping

We do not agree with the LBP's view that HFC committed forum shopping.

Forum shopping is the act of litigants who repetitively avail themselves of multiple judicial remedies in different *fora*, simultaneously or successively, all substantially founded on the same transactions and the same essential facts and circumstances; and raising substantially similar issues either pending in or already resolved adversely by some other court; or for the purpose of increasing their chances of obtaining a favorable decision, if not in one court, then in another. The rationale against forum-shopping is that a party should not be allowed to pursue simultaneous remedies in two different courts, for to do so would constitute abuse of court processes which tends to degrade the administration of justice, wreaks havoc upon orderly judicial procedure, and adds to the congestion of the heavily burdened dockets of the courts.⁴²

To determine whether a party violated the rule against forum shopping, the most important factor to ask is whether the elements of *litis pendentia* are present, or **whether a final judgment in one case will amount to *res judicata* in another**; otherwise stated, the test for

⁴⁰ 464 Phil. 83, 97-98 (2004).

⁴¹ *Landbank of the Philippines v. Celada*, *supra* note 38, at 476.

⁴² *Spouses Daisy and Socrates M. Arevalo v. Planters Development Bank, et al.*, G.R. No. 193415, April 18, 2012.

determining forum shopping is whether, in the two (or more) cases pending, there is identity of parties, rights or causes of action, and reliefs sought.⁴³

In *Yu v. Lim*,⁴⁴ we enumerated the requisites of forum shopping, as follows:

Forum shopping exists when the elements of *litis pendentia* are present or where a final judgment in one case will amount to *res judicata* in another. *Litis pendentia* requires the concurrence of the following requisites: (1) identity of parties, or at least such parties as those representing the same interests in both actions; (2) identity of rights asserted and reliefs prayed for, the reliefs being founded on the same facts; and (3) identity with respect to the two preceding particulars in the two cases, such that any judgment that may be rendered in the pending case, regardless of which party is successful, would amount to *res judicata* in the other case.

In the present case, HFC did not commit forum shopping because the third element of *litis pendentia* is lacking. As previously mentioned, the DARAB's land valuation is only preliminary and is not, by any means, final and conclusive upon the landowner or any other interested party. The courts, in this case, the SAC, will still have to review with finality the determination, in the exercise of what is admittedly a judicial function.⁴⁵ Thus, it becomes clear that there is no identity between the two cases such that a judgment by the DARAB, regardless of which party is successful, would amount to *res judicata* in the case before the SAC.

It has been held that “[w]hat is essential in determining the existence of forum-shopping is the vexation caused the courts and litigants by a party who asks different courts and/or administrative agencies to rule on similar or related causes and/or grant the same or substantially similar reliefs, in the process creating the possibility of conflicting decisions

⁴³ *Jesse Yap v. Court of Appeals, (Special Eleventh [11th] Division), et al.*, G.R. No. 186730, June 13, 2012.

⁴⁴ G.R. No. 182291, September 22, 2010, 631 SCRA 172, 184.

⁴⁵ *Heirs of Lorenzo and Carmen Vidad v. Land Bank of the Philippines*, *supra* note 30, at 629.

being rendered upon the same issues.”⁴⁶ In the present case, the evil sought to be prevented by the prohibition on forum shopping, *i.e.*, the possibility of conflicting decisions, is lacking since the DARAB determination is merely preliminary and is not binding on the parties; such determination is subject to challenge before the courts. The law, in fact, allows the landowner to file a case for the determination of just compensation with the SAC without the necessity of first filing the same with the DARAB. Based on these considerations, it is clear that the HFC cannot be charged with forum shopping.

To determine just compensation, the SAC must take into consideration the factors prescribed by Section 17 of RA 6657 and is obliged to apply the DAR formula

The CA, in affirming the SAC’s valuation and disregarding that of the LBP, briefly held:

In the instant case, the trial court based its valuation of the property at ₱32,000.00 per hectare on the evidence submitted by the parties, such as the sketch plan of the property, the testimonies of witnesses, and the field investigation reports of both parties. Hence, herein litigants cannot claim that the valuation made by the court was not based on the evidence on record.⁴⁷

The LBP maintains that the SAC committed serious error when it failed to apply the “basic formula” for determining just compensation, prescribed by DAR Administrative Order No. 6, series of 1992, as amended by DAR Administrative Order No. 11, series of 1994. It emphasizes that by adopting the values fixed by the SAC, the CA’s determination is contrary to Section 17 of RA 6657 and the applicable rulings of the Court bearing on the determination of just compensation, which require that the basic formula prescribed by the DAR shall be used in the valuation of the land.

⁴⁶ *Spouses Daisy and Socrates M. Arevalo v. Planters Development Bank, et al.*, *supra* note 42.
⁴⁷ *Rollo*, p. 60.

We agree with the LBP. In *Land Bank of the Philippines v. Honeycomb Farms Corporation*,⁴⁸ a recent case with substantially the same factual antecedents and the same respondent company, we categorically ruled that the CA and the RTC grievously erred when they disregarded the formula laid down by the DAR, and chose instead to come up with their own basis for the valuation of the land in question, viz.:

That it is the RTC, sitting as a SAC, which has the power to determine just compensation for parcels of land acquired by the State, pursuant to the agrarian reform program, is made clear in Section 57 of RA 6657, which reads:

Section 57. Special Jurisdiction. - The Special Agrarian Courts shall have original and exclusive jurisdiction over all petitions for the determination of just compensation to landowners, and the prosecution of all criminal offenses under this Act. The Rules of Court shall apply to all proceedings before the Special Agrarian Courts unless modified by this Act.

The Special Agrarian Courts shall decide all appropriate cases under their special jurisdiction within thirty (30) days from submission of the case for decision.

To guide the RTC in this function, Section 17 of RA 6657 enumerates the factors that have to be taken into consideration to accurately determine just compensation. This provision 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.

In *Land Bank of the Philippines v. Sps. Banal*, we recognized that the DAR, as the administrative agency tasked with the implementation of the agrarian reform program, already came up with a formula to determine just compensation which incorporated the factors enumerated in Section 17 of RA 6657. We said:

These factors [enumerated in Section 17] have been translated into a basic formula in DAR Administrative Order No. 6, Series of 1992, as amended by DAR

⁴⁸

G.R. No. 169903, February 29, 2012.

Administrative Order No. 11, Series of 1994, issued pursuant to the DAR's rule-making power to carry out the object and purposes of R.A. 6657, as amended.

In *Landbank of the Philippines v. Celada*, we emphasized the duty of the RTC to apply the formula provided in the applicable DAR AO to determine just compensation, stating that:

While [the RTC] is required to consider the acquisition cost of the land, the current value of like properties, its nature, actual use and income, the sworn valuation by the owner, the tax declaration and the assessments made by the government assessors to determine just compensation, it is equally true that these factors have been translated into a basic formula by the DAR pursuant to its rule-making power under Section 49 of R.A. No. 6657. As the government agency principally tasked to implement the agrarian reform program, it is the DAR's duty to issue rules and regulations to carry out the object of the law. [The] DAR [Administrative Order] precisely "filled in the details" of Section 17, R.A. No. 6657 by providing a basic formula by which the factors mentioned therein may be taken into account. The [RTC] was at no liberty to disregard the formula which was devised to implement the said provision.

It is elementary that rules and regulations issued by administrative bodies to interpret the law which they are entrusted to enforce, have the force of law, and are entitled to great respect. Administrative issuances partake of the nature of a statute and have in their favor a presumption of legality. As such, courts cannot ignore administrative issuances especially when, as in this case, its validity was not put in issue. Unless an administrative order is declared invalid, courts have no option but to apply the same.

We reiterated the mandatory application of the formula in the applicable DAR administrative regulations in *Land Bank of the Philippines v. Lim*, *Land Bank of the Philippines v. Heirs of Eleuterio Cruz*, and *Land Bank of the Philippines v. Barrido*. In *Barrido*, we were explicit in stating that:

While the determination of just compensation is essentially a judicial function vested in the RTC acting as a Special Agrarian Court, the judge cannot abuse his discretion by not taking into full consideration the factors specifically identified by law and implementing rules. **Special Agrarian Courts are not at liberty to disregard the formula laid down in DAR A.O. No. 5, series of 1998, because unless an administrative order is declared invalid, courts have no option but to apply it.** The courts cannot ignore, without violating the agrarian law, the formula provided by the DAR for the determination of just compensation.

These rulings plainly impose on the RTC the duty to apply the formula laid down in the pertinent DAR administrative regulations to determine just compensation. Clearly, the CA and the RTC acted with grievous error when they disregarded the formula laid down by the DAR, and chose instead to come up with their own basis for the valuation of the subject land. [Italicization supplied; emphases ours]

As the law now stands, it is clear that the SAC is duty bound to take into consideration the factors fixed by Section 17 of RA 6657 and apply the basic formula prescribed and laid down in the pertinent administrative regulations, in this case, DAR Administrative Order No. 6, series of 1992, as amended by DAR Administrative Order No. 11, series of 1994, to determine just compensation. In the present case, we thus find no difficulty in concluding that the CA and the RTC, acting as a SAC, seriously erred when they effectively eschewed the basic formula prescribed by the DAR regulations and chose instead to come up with their own basis for the valuation of the land in question.

The SAC cannot take judicial notice of the nature of land in question without the requisite hearing

Separately from disregarding the basic formula prescribed by the DAR, it has also not escaped our notice that the SAC also erred in concluding that the subject land consisting of 29.0966 hectares is commercial in nature, after taking judicial notice that it is “situated near the commercial district of Curvada, Cataingan, Masbate.”⁴⁹ In *Land Bank of the Philippines v. Honeycomb Farms Corporation*,⁵⁰ we categorically ruled that the parties must be given the opportunity to present evidence on the nature of the property before the court *a quo* can take judicial notice of the commercial nature of a portion of the subject landholding, thus:

While the lower court is not precluded from taking judicial notice of certain facts, it must exercise this right within the clear boundary provided by Section 3, Rule 129 of the Rules of Court, which provides:

⁴⁹ *Rollo*, p. 114.

⁵⁰ *Supra* note 48.

Section 3. *Judicial notice, when hearing necessary.*

– During the trial, the court, on its own initiative, or on request of a party, may announce its intention to take judicial notice of any matter and allow the parties to be heard thereon.

After the trial, and before judgment or on appeal, the proper court, on its own initiative, or on request of a party, may take judicial notice of any matter and allow the parties to be heard thereon if such matter is decisive of a material issue in the case.

The classification of the land is obviously essential to the valuation of the subject property, which is the very issue in the present case. The parties should thus have been given the opportunity to present evidence on the nature of the property before the lower court took judicial notice of the commercial nature of a portion of the subject landholdings. As we said in *Land Bank of the Phils. v. Wycoco* [464 Phil. 83, 97-98 (2004)]:

The power to take judicial notice is to be exercised by courts with caution especially where the case involves a vast tract of land. Care must be taken that the requisite notoriety exists; and every reasonable doubt on the subject should be promptly resolved in the negative. To say that a court will take judicial notice of a fact is merely another way of saying that the usual form of evidence will be dispensed with if knowledge of the fact can be otherwise acquired. This is because the court assumes that the matter is so notorious that it will not be disputed. But judicial notice is not judicial knowledge. The mere personal knowledge of the judge is not the judicial knowledge of the court, and he is not authorized to make his individual knowledge of a fact, not generally or professionally known, the basis of his action. [Italicization supplied]

The present case must be remanded to the court of origin for the determination of just compensation in accordance Section 17 of RA 6657 and applicable DAR regulations

In *Land Bank of the Philippines v. Sps. Banal*,⁵¹ we remanded the case to the SAC for further reception of evidence because the trial court based its valuation upon a different formula and did not conduct any hearing for the reception of evidence.⁵²

⁵¹ *Supra* note 27.

⁵² *Heirs of Lorenzo and Carmen Vidad v. Land Bank of the Philippines*, *supra* note 30, at 639.

The mandatory application of the aforementioned guidelines in determining just compensation has been reiterated recently in *Land Bank of the Philippines v. Lim*,⁵³ *Land Bank of the Philippines v. Heirs of Eleuterio Cruz*,⁵⁴ and *Land Bank of the Philippines v. Honeycomb Farms Corporation*,⁵⁵ where we also ordered the remand of the cases to the SAC for the determination of just compensation, strictly in accordance with the applicable DAR regulations.⁵⁶

As we are not a trier of facts, we thus find that a remand of this case is necessary in order for the SAC to determine just compensation, strictly in accordance with Section 17 of RA 6657 and applicable DAR regulations, in particular, DAR Administrative Order No. 6, series of 1992, as amended by DAR Administrative Order No. 11, series of 1994.

WHEREFORE, premises considered, the petition is hereby **GRANTED**. The assailed Amended Decision dated September 16, 2004 and Resolution dated November 25, 2004 of the Court of Appeals in C.A.-G.R. CV No. 69661 are **REVERSED** and **SET ASIDE**. Special Civil Case No. 4637 is **REMANDED** to the Regional Trial Court of Masbate, Masbate, Branch 48, for the determination of just compensation, based on Section 17 of Republic Act No. 6657 and the applicable administrative orders of the Department of Agrarian Reform.

No pronouncement as to costs.

SO ORDERED.


ARTURO D. BRION
Associate Justice

⁵³ G.R. No. 171941, August 2, 2007, 529 SCRA 129.

⁵⁴ G.R. No. 175175, September 29, 2008, 567 SCRA 31.

⁵⁵ *Supra* note 48.

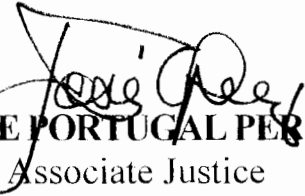
⁵⁶ *Heirs of Lorenzo and Carmen Vidad v. Land Bank of the Philippines*, *supra* note 30 at 639.

WE CONCUR:

ANTONIO T. CARPIO
Associate Justice
Chairperson



MARIANO C. DEL CASTILLO
Associate Justice



JOSE PORTUGAL PEREZ
Associate Justice



ESTELA M. PERLAS-BERNABE
Associate Justice

A T T E S T A T I O N

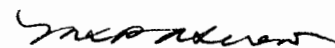
I attest that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.



ANTONIO T. CARPIO
Associate Justice
Chairperson

C E R T I F I C A T I O N

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



MARIA LOURDES P. A. SERENO
Chief Justice