



Republic of the Philippines
Supreme Court
Manila

SECOND DIVISION

**LAND BANK OF THE
PHILIPPINES,**

Petitioner,

G.R. No. 180804

Present:

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

-versus-

**SPS. ROKAYA AND
SULAIMAN BONA**

Respondents.

Promulgated:

NOV 12 2012

X-----X

DECISION

PEREZ, J.:

The Case

Before the Court is a Petition for Review on Certiorari¹ filed by the Land Bank of the Philippines (LBP) alleging error on the part of the appellate court in reversing the finding of the Regional Trial Court (RTC) of Puerto Princesa City, Palawan, sitting as Special Agrarian Court, that the land subject of this case was under the coverage of R.A. 6657 or the *Comprehensive Agrarian Reform Law of 1988* and not under P.D. No. 27.²

¹ Rollo, pp. 24-55.

² 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.

LBP is appealing the Decision³ of the Ninth Division of the Court of Appeals (CA) in CA-G.R. SP No. 90907 dated 21 May 2007 and the Resolution of the said Division dated 4 December 2007 which resulted in the reversal of the Decision of the aforementioned Special Agrarian Court.

The dispositive portion of the assailed decision reads:

WHEREFORE in view of the foregoing, the instant petition for review is **DISMISSED**. The assailed Decision dated October 11, 2004 is **REVERSED** and **SET ASIDE**. The instant case is **REMANDED** to the Regional Trial Court sitting as Special Agrarian Court for further proceedings.⁴

On the basis of settled rulings, we sustain the decision of the appellate court and therefore, deny the petition.

The Facts

Rokaya Narrazid-Bona (Rokaya) is the owner by succession of a parcel of land with an area of 338.2826 hectares located at Bataraza, Palawan covered by TCT No. T-7193. She inherited this property from her mother Bautan Narrazid who also inherited the same from her husband who traces his roots back to Sultan Narrazid, a former Sultan of Palawan.⁵

LBP is the financial intermediary for the Comprehensive Agrarian Reform Program (CARP) as designated under Section 64 of R.A. 6657.

The Department of Agrarian Reform (DAR) on the other hand, is the lead implementing agency of the CARP. It undertakes land tenure improvement and development of program beneficiaries.

³ Penned by Associate Justice Rosalinda Asuncion-Vicente with Associate Justices Remedios A. Salazar-Fernando and Enrico A. Lanzas concurring. *Rollo*, pp. 56-65.

⁴ Id. at 64.

⁵ Complaint of Rokaya. Id. at 99.

From 4 December 1989 until 5 November 1990, several emancipation patents under TCT No.T-231 up to TCT No. T-429 were issued to different farmer-beneficiaries under the Operation Land Transfer (OLT) that covered the land of Rokaya.⁶ A total area of 76.2380 hectares of the property was covered by the TCTs. Rokaya contested these patents asserting that they were issued without her consent and knowledge. She alleged that the farmers were not qualified to become beneficiaries because they were not her tenants but were merely squatter-farmers.⁷

Meanwhile, on 12 December 1989, then Secretary Miriam Defensor Santiago of the DAR sent a Notice of Acquisition addressed to Bautan Narrazid, the mother of Rokaya, placing an area of 168.8379 hectares of the property under CARP. In the Notice, the land was valued in the amount of ₱3,866.36 per hectare for a total compensation of ₱652,788.87.⁸

On 16 January 1990, Rokaya, through a letter to the Bureau of Land Acquisition and Distribution, DAR, objected to the offered price for being too low.⁹ In October 1993, Rokaya filed a complaint before the RTC of Puerto Princessa City, Palawan but the same was dismissed for lack of merit.¹⁰

Following the dismissal, Rokaya sent a letter to Provincial Agrarian Reform Officer (PARO) Homer P. Tobias requesting for a re-evaluation based on the Average Annual Production per hectare of the land.

⁶ Id. at 102.

⁷ Id.

⁸ Notice of Acquisition. *CA rollo*, p. 237.

⁹ Id. at 238.

¹⁰ Complaint of Rokaya. *Rollo*, p. 103.

In a Decision dated 8 November 1993, Regional Adjudicator for DAR Region IV Isidro Carrasca Gumtang fixed the amount of just compensation at ₱14,084.50 per hectare for a 121.5212 hectare-portion¹¹ of the property.

On 7 December 1998, Rokaya agreed to a higher valuation and accepted LBP's payment of ₱98,633.00 per hectare or a total of ₱11,986,001.00.¹²

On 14 July 2000, Rokaya filed another complaint¹³ before the RTC of Puerto Princesa City, Palawan praying that the just compensation for the 76.2380 hectare-portion previously distributed to the farmer-beneficiaries, be fixed in the amount not less than the value of the 121.5212 hectare-portion.¹⁴

During trial, Rokaya testified that she signed a Deed of Assignment, Warranties and Undertaking (DAWU) containing the provision that she received a partial payment for the contested 76.2380 hectares amounting to ₱668,680.12 on 8 March 2001.¹⁵ To quote:

X X X X

1. That the amount of SIX HUNDRED SIXTY EIGHT THOUSAND SIX HUNDRED EIGHTY PESOS AND 12/100 (P668,680.12) in cash and bonds is understood to be not full compensation for the area covered by Presidential Decree No. 27 but the initial government valuation.¹⁶

X X X X

¹¹ Decision of DARAB-Region IV. Id. at 378-382.

¹² Complaint of Rokaya. Id. at 104.

¹³ Id. at 98-106.

¹⁴ Complaint of Rokaya. Id. at 106.

¹⁵ Deed of Assignment, Warranties and Undertaking. Id. at 387.

¹⁶ Id. at 388.

She also admitted that LBP paid her ₱98,633.00 per hectare for the 121.52 hectare-portion as per Memorandum dated 7 December 1998.¹⁷

To support her claim of higher valuation for the 76.2380 hectares, she presented Municipal Agrarian Reform Officer of Bataraza, Palawan Rogelio Madarcos who testified that the value of the contested portion is ₱104,384.52 per hectare.¹⁸

For its part, LBP presented its Landowners' Compensation Department Officer Christina Austria. Austria testified that among her duties were the determination and approval of the list of claims transmitted by DAR. She processed the claim of Rokaya for the 76.2380 hectare-portion of her property covered by the Land Transfer Claim Transmittal dated 21 February 1992,¹⁹ together with its various attachments such as the Orders of Placement,²⁰ all dated 16 June 1984.²¹ She explained that if the acquisition of the land is under P.D. No. 27, it is DAR's duty to make a valuation; if under R.A. 6657, it is the bank's obligation to make one. She clarified that the list of claims will only be referred to the bank after DAR's classification and identification of the land to be transferred to the farmer-beneficiaries. After the transmittal and processing of claims, the bank pays the landowner and collects the amortization payments of the farmer-beneficiaries.²²

She added that the bank paid Rokaya the sum of ₱668,680.12 and an increment of ₱647,107.83 as evidenced by a certified photocopy of the acknowledgment receipt.

¹⁷ RTC Decision. Id. at 130.

¹⁸ Id. at 131.

¹⁹ Id. at 275.

²⁰ "Order of Placement" is a document issued by DAR stating the portion of the land was placed under the coverage of Operation Land Transfer beginning on such date as appearing on the order of placement.

²¹ *Rollo*, pp. 276-313.

²² Id. at 131.

The Trial Court's Ruling

On 11 October 2004, the trial court rejected the prayer for higher valuation in its decision²³ which reads:

WHEREFORE, premises considered, judgment is hereby rendered ordering fixing the just compensation due for the 76.2380 hectares property subject of this case in the amount of *Fifty Six Thousand Two Hundred Fifty pesos (P56,250.00)* per hectare or a total amount of *Four Million Two Hundred Eighty Eight Thousand Three Hundred Eighty Seven Pesos and 5/100 (4,288, 387.05)* for the whole property.

The sum of *Fifteen Thousand Pesos (P15,000.00)* as Attorney's fees is hereby awarded in favor of the plaintiffs.²⁴

It ruled that the 76.2380 hectare-portion was completely acquired through the OLT in 1989. Pursuant to the governing law, P.D. No. 27, and the ruling in *Land Bank v. Court of Appeals*,²⁵ the agrarian court recomputed the value of the land using the formula "*Land Value = 2.5 x Annual Gross Production*"²⁶ *x P300.00.*"²⁷

Discontented, LBP filed an appeal before the CA.

The argument of the LBP in its Petition for Review,²⁸ centered on the alleged violation of the applicable laws, P.D. No. 27 and E.O. 228, and settled jurisprudence when the trial court valued the annual gross production of the subject land at seventy five (75) cavans per hectare and the government support price at ₱300.00. It also averred error in awarding attorney's fees in favor of Rokaya.²⁹

²³ RTC Decision. Id. at 129-134.

²⁴ Id. at 134.

²⁵ 378 Phil. 1248 (1999).

²⁶ The annual gross production at 75 cavans per hectare was based on the uncontested allegation in the complaint.

²⁷ RTC Decision. *Rollo*, pp 132-133.

²⁸ Petition for Review, CA *rollo*, pp. 15-28.

²⁹ Id. at 39.

The Court of Appeals' Ruling

The appellate court reversed and set aside the decision of the trial court. It overturned the finding that the subject lands are under the coverage of P.D. No. 27 and E.O. 228. It even cast doubts on the authenticity of the Orders of Placement. The materiality of the Notice of Acquisition sent to Rokaya dated 12 December 1989 was stressed and was relied upon by the CA as evidence that the lands were not acquired under P.D. No. 27, reasoning that there was no need to file such a Notice if indeed the lands were acquired under the old law and not under compulsory acquisition via R.A. 6657.³⁰

In its petition³¹ before this Court, LBP insists that the lands were covered by the OLT Program under P.D. No. 27 and not by compulsory acquisition under R.A. 6657.

In its Memorandum,³² LBP added the argument that the DAWU embodies the assent of Rokaya that the land was placed under the OLT Program and its genuineness and due execution had already been judicially admitted.³³

The Court's Ruling

LBP is steadfast in its contention that the applicable laws are P.D. No. 27 and E.O. 228. To establish its position, LBP presented the different Orders of Placement of DAR to prove that the lands were under the OLT. It also pointed that the DAWU signed by Rokaya is an acknowledgement

³⁰ Id at 63.

³¹ Id. at 24-55.

³² Memorandum. *Rollo*, pp. 781-805.

³³ Id. at 786.

that the lands were under OLT. It is further posited that applying R.A. 6657 to the P.D. No. 27-acquired properties will result in the retroactive application of R.A. 6657.

We agree with LBP that the land was acquired under the OLT; however, we do not agree that the computation of the just compensation is still based on the old formula and that the application of R.A. 6657 will result in the retroactivity of the law.

We explain.

Upon review of the complaint of Rokaya before the agrarian court, we find an apparent contradiction in the prayers:

1. That the JUST COMPENSATION for the above-described property [76.2380 hectare-portion] should be fixed in the amount not less than the value of the land subject of CACF No. RAC98-169 [121.52 hectare-portion], per Memorandum dated December 7, 1998, xxx.
x x x x
5. To Order the Department of Agrarian Reform and the Register of Deeds to cancel the Emancipation Patent/OLT issued and listed/encumbered in the memorandum of encumbrances xxx.³⁴
(Underlining supplied)

Evidently, her prayer for fixing the just compensation *vis-à-vis* her request for cancellation of patents, shows that if the valuation of the 121.5212 hectare-portion of her property is not applied to the 76.2380 hectare property already covered by Emancipation Patents, such patents should be cancelled. Rokaya thus admitted the acquisition of the 76.2380 hectare-portion under P.D. No. 27.

Further, the different Orders of Placement all dated 16 June 1984 issued by the DAR and signed by its Regional Director Benjamin R.

³⁴

Id. at 106.

Estrellado, prove that the portion comprising the 76.238 hectares was acquired during the effectivity of P.D. No. 27.³⁵ The Court takes judicial notice³⁶ of these orders as issued by DAR pursuant to the Memorandum Circular No. 2, Series of 1978³⁷ involving the inclusion of landholding tenanted after 21 October 1972 within the coverage of P.D. No. 27.

Finally, the DAWU itself signed by Rokaya showed her acknowledgment of the acquisition under P.D. No. 27 of the portion of her land in question. Her signature³⁸ signifying her assent indicates her acceptance of the fact. To restate the pertinent provision:

WHEREAS, the area of SEVENTY SIX AND 2380/10000 (76.2380) hectares appearing in the said title has been actually transferred to the tenant farmer/s therein, pursuant to Presidential Decree No. 27 as shown in the list of beneficiaries who were awarded Certificates of land Transfer, copy of which is hereto attached as Annex A and forming an integral part hereof, the said area transferred is subject of Land Transfer Claim No. EO-92-039 Amd. for settlement/compensation in the Land Bank of the Philippines.³⁹ (Underlining supplied)

However, acquisition of the property under OLT or P.D. No. 27 does not necessarily mean that the determination of just compensation therefor must be under the same decree.

To determine the applicable formula, it is important to determine whether on 15 June 1988, which is the effectivity date of R.A. 6657, there

³⁵ Orders of Placement. Id. at 276-313.

³⁶ RULE 129 Sec. 1, Rules of Court

SECTION 1. Judicial Notice, when mandatory – A court shall take judicial notice, without the introduction of evidence, of the existence and territorial extent of states, their political history, forms of government and symbols of nationality, the law of nations, the admiralty and maritime courts of the world and their seals, the political constitution and history of the Philippines, the official acts of the legislative, executive and judicial departments of the Philippines, the laws of nature, the measure of time, and the geographical divisions. (1a)

³⁷ Guidelines on the Inclusion of Land-Holdings Tenanted after October 21, 1972 within the Coverage of Presidential Decree No. 27.

³⁸ *Rollo*, p. 387.

³⁹ DAWU, Second Whereas Clause. Id.

has already been payment of just compensation, which payment completes the agrarian reform process. If on such date just compensation remains unpaid, the agrarian reform process remains incomplete even if started under P.D. No. 27. Under R.A. 6657, just compensation will have to be computed in accordance with Section 17⁴⁰ or Determination of Just Compensation in relation to the formula under Administrative Order No. 5, Series of 1998.

The Court in *Paris v. Alfeche*⁴¹ ruled that the passage of R.A. 6657 before the completion of agrarian reform process over the lands acquired under P.D. No. 27 should, for compensation purposes now be completed under the said law, with P.D. No. 27 and E.O. 228 having suppletory effect, thus:

Section 75. *Suppletory Application of Existing Legislation.* — The provisions of Republic Act No. 3844 as amended, Presidential Decree Nos. 27 and 266 as amended, Executive Order Nos. 228 and 229, both Series of 1987; and other laws not inconsistent with this Act shall have suppletory effect.⁴²

In *Land Bank of the Philippines v. Hon. Natividad*,⁴³ this Court ruled that seizure of landholdings or properties covered by P.D. No. 27 did not take place on 21 October 1972, but upon the payment of just compensation. Taking into account the passage in 1988 of R.A. 6657 pending the settlement of just compensation, this Court concluded that it is R.A. 6657 which is the applicable law, with P.D. No. 27 and E.O. 228 having only suppletory effect.

⁴⁰ **Section 17. *Determination of Just Compensation.*** — In determining just compensation, the cost of acquisition of the land, the current value of the like properties, its nature, actual use and income, the sworn valuation by the owner, the tax declarations, and the assessment made by government assessors shall be considered. The social and economic benefits contributed by the farmers and the farmworkers and by the Government to the property as well as the non-payment of taxes or loans secured from any government financing institution on the said land shall be considered as additional factors to determine its valuation.

⁴¹ 416 Phil. 473, 488 (2001).

⁴² Emphasis ours.

⁴³ 497 Phil. 738, 746 (2005) citing *Office of the President v. Court of Appeals*, 413 Phil. 711. (2001).

The same interpretation was arrived at in the subsequent decisions in *Land Bank of the Philippines v. Estanislao*;⁴⁴ *Land Bank of the Philippines v. Heirs of Eleuterio Cruz*;⁴⁵ *LBP v. J. L. Jocson and Sons*;⁴⁶ in *Land Bank of the Philippines v. Ferrer*;⁴⁷ and more recently in the *Land Bank of the Philippines v. Araneta*.⁴⁸

We here reiterate our consolidated ruling in *DAR v. Manuel Goduco* and *Land Bank v. Goduco*,⁴⁹ that when the reform process is still incomplete because the payment has not been settled yet and considering the passage of R.A. 6657, just compensation should be determined and the process concluded under the said law. As we so rule, we also repeat what was there said:

One final but important point: As we at the outset clarified, the repeated rulings that the land reform process is completed only upon payment of just compensation relate to the issue of the applicable law on just compensation. The disposition that the seizure of the landholding would take effect on the payment of just compensation since it is only at that point that the land reform process is completely refers to property acquired under P.D. No. 27 but which remained unpaid until the passage of R.A. 6657. We said that in such a situation R.A. 6657 is the applicable law. But if the seizure is during the effectivity of R.A. 6657, the time of taking should follow the general rule in expropriation cases where the “time of taking” is the time when the State took possession of the same and deprived the landowner of the use and enjoyment of his property xxx. We here repeat *Land Bank of the Philippines v. Livioco*.⁵⁰

Finally, we rule on the applicable formula.

⁴⁴ G.R. No. 166777, 10 July 2007, 527 SCRA 181.

⁴⁵ G.R. No. 175175, 29 September 2008, 567 SCRA 31.

⁴⁶ G.R. No. 180803, 23 October 2009, 604 SCRA 373.

⁴⁷ G.R. No. 179421, 2 February 2011, 641 SCRA 414.

⁴⁸ G.R. No. 161796, 8 February 2012.

⁴⁹ G.R. Nos. 174007 and 181327, 27 June 2012.

⁵⁰ Id.

The provision on the determination of just compensation is provided under Section 17 of R.A. No. 6657.⁵¹ We quote:

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

Pursuant to this provision and the rule-making power of DAR under Section 49 of R.A. 6657, a formula was outlined in DAR Administrative Order No. 5, Series of 1998 in computing just compensation⁵² for lands subject of acquisition whether under voluntary offer to sell (VOS) or compulsory acquisition (CA),⁵³ to wit:

$$LV = (CNI \times 0.6) + (CS \times 0.3) + (MV \times 0.1)$$

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

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

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

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

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

⁵¹ “An Act Instituting a Comprehensive Agrarian Reform Program to Promote Social Justice and Industrialization, Providing the Mechanism for its Implementation, and for other Purposes.”
⁵² *Land Bank of the Philippines v. Soriano*, G.R. Nos. 180772 and 180776, 6 May 2010, 620 SCRA 347, 353.
⁵³ Administrative Order No. 5, Series of 1998 entitled “Revised Rules and Regulations Governing the Valuation of Lands Voluntarily Offered or Compulsory Acquired Pursuant to R.A. No. 6657.”

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

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

$$LV = MV \times 2$$

In no case shall the value of the land using the formula $MV \times 2$ exceed the lowest value of land within the same estate under consideration or within the same *barangay* or municipality (in that order) approved by LBP within one (1) year from receipt of claimfolder.

x x x x

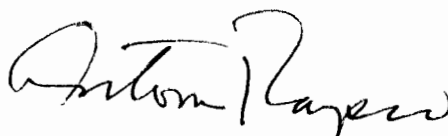
WHEREFORE, premises considered, the Court hereby
RESOLVES:

1. To **PARTIALLY DENY** the **APPEAL** of Land Bank of the Philippines; and
2. To **ORDER** the remand of the case to the trial court for the computation of the just compensation based on the formula under Section 17, R.A. No. 6657 and Administrative Order No. 5, Series of 1998.

SO ORDERED.


JOSE PORTUGAL PEREZ
Associate Justice

WE CONCUR:


ANTONIO T. CARPIO
Senior Associate Justice
Chairperson



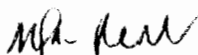
ARTURO D. BRION

Associate Justice



MARIANO C. DEL CASTILLO

Associate Justice

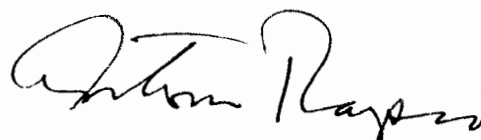


ESTELA M. PERLAS-BERNABE

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.



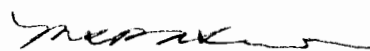
ANTONIO T. CARPIO

Associate Justice

Chairperson, Second Division

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



MARIA LOURDES P. A. SERENO

Chief Justice