



**Republic of the Philippines  
Supreme Court  
Manila**

**FIRST DIVISION**

**LAND BANK OF THE PHILIPPINES,**      **G.R. No. 182209**

Petitioner,

Present:

SERENO, *CJ.*,  
Chairperson,  
CARPIO,<sup>\*</sup>  
LEONARDO-DE CASTRO,  
VILLARAMA, JR., and  
REYES, *JJ.*

- versus -

Promulgated:

**EMILIANO R. SANTIAGO, JR.,**  
Respondent.

**03 OCT 2012.**

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**DECISION**

**LEONARDO-DE CASTRO, J.:**

This is a Petition for Review on *Certiorari*<sup>1</sup> seeking to annul and set aside the September 28, 2007 Decision<sup>2</sup> and March 14, 2008 Resolution<sup>3</sup> of the Court of Appeals in **CA-G.R. SP No. 82467**, which affirmed the January 21, 2000 Decision<sup>4</sup> of the Regional Trial Court of Cabanatuan City, Branch 23, sitting as a Special Agrarian Court (SAC Branch 23), as modified by the

<sup>\*</sup> Per Special Order No. 1315 dated September 21, 2012.

<sup>1</sup> Under Rule 45 of the Rules of Court.

<sup>2</sup> *Rollo*, pp. 52-65; penned by Associate Justice Monina Arevalo-Zenarosa with Acting Presiding Justice Conrado M. Vasquez, Jr. and Associate Justice Edgardo F. Sundiam, concurring.

<sup>3</sup> *Id.* at 68-69.

<sup>4</sup> *CA rollo*, pp. 43-47.

January 28, 2004 Resolution<sup>5</sup> of the Regional Trial Court of Cabanatuan City, Branch 29 (SAC Branch 29) in Agrarian Case No. 125-AF.

The antecedents of this case, as culled from the records, are as follows:

Petitioner Land Bank of the Philippines (LBP) is a government financial institution<sup>6</sup> designated under Section 64 of Republic Act No. 6657<sup>7</sup> as the financial intermediary of the agrarian reform program of the government.<sup>8</sup>

Respondent Emiliano R. Santiago, Jr. (respondent) is one of the heirs of Emiliano F. Santiago (Santiago), the registered owner of an 18.5615-hectare parcel of land (subject property) in Laur, Nueva Ecija, covered by Transfer Certificate of Title (TCT) No. NT-60359.<sup>9</sup>

Pursuant to the government's Operation Land Transfer (OLT) Program under Presidential Decree No. 27,<sup>10</sup> the Department of Agrarian Reform (DAR) acquired 17.4613 hectares of the subject property.<sup>11</sup>

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<sup>5</sup> Id. at 49-58.

<sup>6</sup> Section 74, Republic Act No. 3844, Agricultural Land Reform Code as amended by Presidential Decree No. 251 (effective August 8, 1963):

Section 74. *Creation.* – To provide timely and adequate financial support in all phases involved in the execution of needed agrarian reform, there is hereby established a body corporate and government instrumentality to be known as the “Land Bank of the Philippines,” hereinafter called the “Bank” which shall have its principal place of business in Greater Manila. The legal existence of the Bank shall be for a period of fifty (50) years from the date of approval hereof.

<sup>7</sup> Comprehensive Agrarian Law of 1988 as amended.

<sup>8</sup> Section 64, Republic Act No. 6657:

Sec. 64. *Financial Intermediary for the CARP.* – The Land Bank of the Philippines shall be the financial intermediary for the CARP, and shall insure that the social justice objectives of the CARP shall enjoy a preference among its priorities.

<sup>9</sup> CA *rollo*, pp. 232-233.

<sup>10</sup> Decreeing the Emancipation of Tenants from the Bondage of the Soil, Transferring to Them the Ownership of the Land They Till and Providing the Instruments and Mechanism Therefor. (October 21, 1972.)

<sup>11</sup> CA *rollo*, p. 294.

In determining the just compensation payable to Santiago, the LBP and the DAR used the following formula under Presidential Decree No. 27, which states:

For the purpose of determining the cost of the land to be transferred to the tenant-farmer pursuant to this Decree, the value of the land shall be equivalent to two and one-half (2-1/2) times the average harvest of three normal crop years immediately preceding the promulgation of this Decree[.]

and Executive Order No. 228, which reads:

Sec. 2. Henceforth, the valuation of rice and corn lands covered by P.D. No. 27 shall be based on the average gross production determined by the Barangay Committee on Land Production in accordance with Department Memorandum Circular No. 26, series of 1973 and related issuances and regulation of the Department of Agrarian Reform. The average gross production per hectare shall be multiplied by two and a half (2.5), the product of which shall be multiplied by Thirty-Five Pesos (₱35.00), the government support price for one cavan of 50 kilos of *palay* on October 21, 1972, or Thirty One Pesos (₱31.00), the government support price for one cavan of 50 kilos of corn on October 21, 1972, and the amount arrived at shall be the value of the rice and corn land, as the case may be, for the purpose of determining its cost to the farmer and compensation to the landowner.

The above formula in equation form is:

$$\text{Land Value (LV)} = (\text{Average Gross Production [AGP]} \times 2.5 \text{ Hectares} \times \text{Government Support Price [GSP]})$$

Using the foregoing formula, the land value of the subject property was pegged at 3,915 *cavans* of *palay*, using 90 *cavans* of *palay* per year for the irrigated portion and 44.33 *cavans* of *palay* per year for the unirrigated portion, as the AGP per hectare in San Joseph, Laur, Nueva Ecija, as established by the Barangay Committee on Land Production (BCLP), based

on three normal crop years immediately preceding the promulgation of Presidential Decree No. 27.<sup>12</sup>

As Santiago had died earlier on November 1, 1987,<sup>13</sup> the LBP, in 1992, reserved in trust for his heirs the amount of One Hundred Thirty-Five Thousand Four Hundred Eighty-Two Pesos and <sup>12</sup>/<sub>100</sub> (₱135,482.12), as just compensation computed by LBP and DAR using the above formula with ₱35.00 as the GSP per *cavan* of *palay* for the year 1972 under Executive Order No. 228.<sup>14</sup>

The land valuation of the subject property is broken down as follows<sup>15</sup>:

AGP <i>cavans</i>	x 2 and ½ hectares	x Area Acquired (hectare)	= LV in <i>Cavans</i>	x GSP	= LV
90	2.5	16.9544 <sup>16</sup>	3,814.74	₱35.00	₱133,515.92
44.33	2.5	.5069 <sup>17</sup>	56.18	₱35.00	1,966.20
		17.4613	3,870.92		<b>₱ 135,482.12</b>

This amount was released to Santiago’s heirs on April 28, 1998,<sup>18</sup> pursuant to this Court’s decision in *Land Bank of the Philippines v. Court of Appeals*.<sup>19</sup> LBP, on May 21, 1998 and June 1, 1998, also paid the heirs the sum of ₱353,122.62, representing the incremental interest of 6% on the preliminary compensation, compounded annually for 22 years,<sup>20</sup> pursuant to

<sup>12</sup> Id. at 45; as certified by the Regional Operation Land Transfer Coordinator on January 8, 1982.  
<sup>13</sup> Id. at 101.  
<sup>14</sup> *Rollo*, p. 54.  
<sup>15</sup> Id. at 28.  
<sup>16</sup> Irrigated portion of the subject property.  
<sup>17</sup> Unirrigated portion of the subject property.  
<sup>18</sup> *CA rollo*, p. 196.  
<sup>19</sup> 319 Phil. 246 (1995).  
<sup>20</sup> *CA rollo*, pp. 197-198.

Provincial Agrarian Reform Council (PARC) Resolution No. 94-24-1<sup>21</sup> and DAR Administrative Order (AO) No. 13, series of 1994.<sup>22</sup>

However, on November 20, 1998, respondent, as a co-owner and administrator of the subject property, filed a petition before the RTC of Cabanatuan City, Branch 23, acting as a Special Agrarian Court (SAC Branch 23), for the “approval and appraisal of just compensation” due on the subject property. This was docketed as SAC Case No. 125-AF.<sup>23</sup>

While respondent was in total agreement with the land valuation of the subject property at 3,915 *cavans* of *palay*, he contended that the 1998 GSP per *cavan*, which was ₱400.00, should be used in the computation of the just compensation for the subject property. Moreover, the incremental interest of 6% compounded annually, as per PARC Resolution No. 94-24-1, should be imposed on the principal amount from 1972 to 1998 or for 26 years.<sup>24</sup>

On January 21, 2000, the SAC Branch 23 rendered its Decision, the dispositive portion of which reads:

WHEREFORE, the defendant Land Bank of the Philippines is hereby ordered to pay the plaintiff in the sum of ₱1,039,017.88 representing the balance of the land valuation of the plaintiff with legal interest at 12% from the year 1998 until the same is fully paid subject to the modes of compensation under R.A. No. 6657.<sup>25</sup>

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<sup>21</sup> Resolution Approving the Rules and Regulations Governing the Grant of Increment of Six Percent (6%) Yearly Interest Compounded Annually on Lands Covered by Presidential Decree No. 27 and Executive Order No. 228.

<sup>22</sup> Rules and Regulations Governing the Grant of Increment of Six Percent (6%) Yearly Interest Compounded Annually on Lands Covered by Presidential Decree No. 27 and Executive Order No. 228.

<sup>23</sup> CA *rollo*, pp. 90-93.

<sup>24</sup> Id. at 91-92.

<sup>25</sup> Id. at 47.

The SAC Branch 23 arrived at its ruling, ratiocinating in this wise:

The defendant LBP arrived at this aforesaid amount by pegging the price at the rate of ₱35.00 per cavan, which was the government support price [GSP] in 1972, pursuant to E.O. No. 228.

With the GSP of palay in 1992 being already ₱300.00 per cavan x x x, it is very clear, then, that the [respondent] was denied the true, current actual money equivalence of the land valuation of 3,915 cavans of palay mutually agreed upon by the parties.

Aptly, plaintiff had been short-paid. x x x.

x x x x

The sum of ₱135,482.12 as the money value of 3,915 cavans did not, therefore, amount to “just compensation” to [respondent] since what was due to him of 3,915 cavans was diluted when the defendant LBP gave a money value at the rate of ₱35.00 per cavan, which was a far cry from the prevailing true and actual GSP of ₱300.00 per cavan in 1992 x x x.<sup>26</sup>

Discontented with the ruling, respondent filed a Motion for Reconsideration<sup>27</sup> of the SAC’s decision on February 16, 2000, arguing that the GSP per *cavan* of *palay* should be computed at ₱400.00 instead of ₱300.00 because payment of the preliminary compensation was made by LBP in 1998 and not in 1992. Respondent likewise insisted that in addition to the 12% legal interest ordered by the SAC, a compounded annual interest of 6% of the principal amount should be awarded to them pursuant to the PARC Resolution and DAR AO No. 13. Furthermore, respondent asked that the DAR be ordered to return to him the unacquired portion of the subject property.<sup>28</sup>

On February 10, 2000, Judge Andres R. Amante, Jr., the presiding judge of SAC Branch 23, inhibited himself from resolving the motion for

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<sup>26</sup> Id. at 46.

<sup>27</sup> Id. at 59-69.

<sup>28</sup> Id. at 60-66.

reconsideration,<sup>29</sup> thus, the case was re-raffled to the RTC of Cabanatuan City, Branch 29, acting as Special Agrarian Court (SAC Branch 29).<sup>30</sup>

On January 28, 2004, the SAC Branch 29 issued a Resolution, with the following *fallo*:

WHEREFORE, the decision is reconsidered as follows:

1. The defendant Land Bank of the Philippines is hereby ordered to pay the petitioner the sum of ₱1,039,017.88 representing the land valuation of the petitioner with legal interest of six percent (6%) per annum beginning year 1998 until the same is fully paid subject to the modes of compensation under Republic Act No. 6657.

2. The Land Bank of the Philippines is ordered to return to the petitioner the unacquired area embraced and covered by TCT No. NT-60359 after segregating the area taken by the DAR.<sup>31</sup>

In denying respondent's claim over the 6% compounded annual interest, the SAC Branch 29 explained that the purpose of the compounded interest was to compensate the landowners for unearned interest, as their money would have earned if they had been paid in 1972, when the GSP for a *cavan* of *palay* was still at ₱35.00. The SAC Branch 29 said that since a higher GSP was already used in the computation of the subject property's land value, there was no more justification in adding any compounded interest to the principal amount.<sup>32</sup>

The SAC Branch 29 also lowered the legal interest from 12% to 6% on the ground that respondent's claim cannot be considered as a forbearance of money. Furthermore, since the government only acquired 17.4 hectares

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<sup>29</sup> Id. at 77-78.

<sup>30</sup> Id. at 50.

<sup>31</sup> Id. at 58.

<sup>32</sup> Id. at 57.

of the subject property, it ordered LBP to return the unacquired portion to respondent.<sup>33</sup>

Respondent filed a Petition for Review before this Court, questioning the SAC Branch 29's ruling on his non-entitlement to the incremental interest of 6%. The case, entitled *Heirs of Emiliano F. Santiago, represented by Emiliano [R]. Santiago, Jr. as administrator of the land covered by TCT No. NT 60354 v. Republic of the Philippines, represented by the Department of Agrarian Reform, and Land Bank of the Philippines*, and docketed as G.R. No. 162055, was, however, denied by this Court on March 31, 2004, for lack of merit.<sup>34</sup>

Meanwhile, LBP filed a Petition for Review<sup>35</sup> before the Court of Appeals, questioning the just compensation fixed and the legal interest granted by the SAC Branch 23 in its January 21, 2000 Decision and by the SAC Branch 29 in its January 28, 2004 Resolution.

On September 28, 2007, the Court of Appeals, in CA-G.R. SP No. 82467, affirmed the SAC Branch 23's Decision as modified by the SAC Branch 29's Resolution. The dispositive portion of that Decision reads:

**WHEREFORE**, based on the foregoing, the instant petition for review filed pursuant to **Section 60 of Republic Act No. 6657 is hereby DISMISSED. ACCORDINGLY**, the Decision dated January 21, 2000 of the Regional Trial Court of Cabanatuan City, Branch 23, sitting as **Special Agrarian Court**, as modified by the Resolution dated January 28, 2004 of the Regional Trial Court of Cabanatuan City, Branch 29, is hereby **AFFIRMED**.<sup>36</sup>

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<sup>33</sup> Id.

<sup>34</sup> Id. at 261-265.

<sup>35</sup> Id. at 8-42.

<sup>36</sup> *Rollo*, p. 64.



The Court of Appeals held that the formula in DAR AO No. 13 could no longer be applied since the Provincial Agrarian Reform Adjudicator (PARAD) had already been using a higher GSP. Since the formula could no longer be applied, as a higher GSP was used in the computation of respondent's just compensation, the Court of Appeals ruled that he was no longer entitled to the incremental interest of 6%.<sup>37</sup>

The LBP<sup>38</sup> moved to reconsider the foregoing decision on October 25, 2007. However, the Court of Appeals, finding no new argument worthy of its reconsideration, denied such motion in a Resolution dated March 14, 2008.

The LBP is now before us, claiming that its petition should be allowed for the following reason:

THE COURT OF APPEALS COMMITTED A SERIOUS ERROR OF LAW IN **AFFIRMING** THE JANUARY 21, 2000 DECISION OF THE REGIONAL TRIAL COURT (RTC) OF CABANATUAN CITY, BR. 23, SITTING AS SPECIAL AGRARIAN COURT (**AS MODIFIED** BY THE RESOLUTION DATED JANUARY 28, 2004 OF THE RTC OF CABANATUAN CITY, BRANCH 29) WHICH FIXED THE JUST COMPENSATION OF SUBJECT PROPERTIES ACQUIRED UNDER P.D. 27 WITHOUT OBSERVING THE PRESCRIBED FORMULA UNDER P.D. 27 AND E.O. 228.<sup>39</sup>

### *Issues*

The following are the issues propounded by the LBP for this Court's Resolution:

1. WHETHER OR NOT THE COURT OF APPEALS CAN DISREGARD THE FORMULA PRESCRIBED UNDER P.D. 27 AND E.O. 228 IN FIXING THE JUST COMPENSATION OF SUBJECT P.D. 27-ACQUIRED LAND.

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<sup>37</sup> Id. at 61-62.

<sup>38</sup> Id. at 81-94.

<sup>39</sup> Id. at 24.

2. WHETHER OR NOT THE COURT OF APPEALS ERRED IN AFFIRMING THE GRANT BY THE COURT A *QUO* OF 6% INTEREST TO THE RESPONDENT.<sup>40</sup>

*1<sup>st</sup> Issue*  
*Computation of Just Compensation*

LBP has been consistent in its position that the formula prescribed in Presidential Decree No. 27 and Executive Order No. 228 is the only formula that should be applied in the computation of the valuation of lands acquired under Presidential Decree No. 27. In support of its position, LBP cites this Court's ruling in *Gabatin v. Land Bank of the Philippines*,<sup>41</sup> wherein we held that the GSP should be pegged at the time of the taking of the properties, which in this case was deemed effected on October 21, 1972, the effectivity date of Presidential Decree No. 27.

This Court notes that even before respondent filed a petition for the judicial determination of the just compensation due him for the subject property before the SAC Branch 23 on November 20, 1998, Republic Act No. 6657, otherwise known as the Comprehensive Agrarian Reform Law of 1988, already took effect on June 15, 1988.

The determination of the just compensation therefore in this case depends on the valuation formula to be applied: the formula under Presidential Decree No. 27 and Executive Order No. 228 or the formula under Republic Act No. 6657? This Court finds the case of *Meneses v. Secretary of Agrarian Reform*<sup>42</sup> applicable insofar as it has determined what formula should be used in computing the just compensation for property

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<sup>40</sup> Id. at 25.

<sup>41</sup> 486 Phil. 366, 383 (2004).

<sup>42</sup> 535 Phil. 819 (2006).

expropriated under Presidential Decree No. 27 under the factual milieu of this case, viz:

Respondent correctly cited the case of *Gabatin v. Land Bank of the Philippines*, where the Court ruled that "in computing the just compensation for expropriation proceedings, it is the value of the land at the time of the taking [or October 21, 1972, the effectivity date of P.D. No. 27], not at the time of the rendition of judgment, which should be taken into consideration." Under P.D. No. 27 and E.O. No. 228, the following formula is used to compute the land value for *palay*:

$$LV \text{ (land value)} = 2.5 \times AGP \times GSP \times (1.06)^n$$

It should also be pointed out, however, that in the more recent case of *Land Bank of the Philippines vs. Natividad*, the Court categorically ruled: "the seizure of the landholding did not take place on the date of effectivity of P.D. No. 27 but would take effect on the payment of just compensation." Under Section 17 of R.A. No. 6657, the following factors are considered in determining just compensation, to wit:

**Sec. 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.

Consequently, the question that arises is which of these two rulings should be applied?

**Under the circumstances of this case, the Court deems it more equitable to apply the ruling in the *Natividad* case. In said case, the Court applied the provisions of R.A. No. 6657 in computing just compensation for property expropriated under P.D. No. 27, stating, viz:**

Land Bank's contention that the property was acquired for purposes of agrarian reform on October 21, 1972, the time of the effectivity of PD 27, *ergo* just compensation should be based on the value of the property as of that time and not at the time of possession in 1993, is likewise erroneous. In *Office of the President, Malacañang, Manila v. Court of Appeals*, we ruled that the

seizure of the landholding did not take place on the date of effectivity of PD 27 but would take effect on the payment of just compensation.

**Under the factual circumstances of this case, the agrarian reform process is still incomplete as the just compensation to be paid private respondents has yet to be settled. Considering the passage of Republic Act No. 6657 (RA 6657) before the completion of this process, the just compensation should be determined and the process concluded under the said law. Indeed, RA 6657 is the applicable law, with PD 27 and EO 228 having only suppletory effect, conformably with our ruling in *Paris v. Alfeche*.**

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It would certainly be inequitable to determine just compensation based on the guideline provided by PD 27 and EO 228 considering the DAR's failure to determine the just compensation for a considerable length of time. That just compensation should be determined in accordance with RA 6657, and not PD 27 or EO 228, is especially imperative considering that just compensation should be the full and fair equivalent of the property taken from its owner by the expropriator, the equivalent being real, substantial, full and ample.<sup>43</sup> (Emphases supplied, citations omitted.)

The ruling in *Land Bank of the Philippines v. Natividad*<sup>44</sup> was likewise applied in *Land Bank of the Philippines v. Heirs of Angel T. Domingo*,<sup>45</sup> when the landowner Domingo filed a Petition for the Determination and Payment of Just Compensation despite his receipt of LBP's partial payment. This Court held that since the amount of just compensation to be paid Domingo had yet to be settled, then the agrarian reform process was still incomplete; thus, it should be completed under Republic Act No. 6657.

Based on the foregoing, when the agrarian reform process is still incomplete as the just compensation due the landowner has yet to be settled,

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<sup>43</sup> Id. at 831-833.

<sup>44</sup> 497 Phil. 738 (2005).

<sup>45</sup> G.R. No. 168533, February 4, 2008, 543 SCRA 627, 640.

such just compensation should be determined and the process concluded under Republic Act No. 6657.<sup>46</sup>

Elucidating on this pronouncement, this Court, in *Land Bank of the Philippines v. Puyat*,<sup>47</sup> held:

In the case at bar, respondents' title to the property was cancelled and awarded to farmer-beneficiaries on March 20, 1990. In 1992, Land Bank approved the initial valuation for the just compensation that will be given to respondents. Both the taking of respondents' property and the valuation occurred during the effectivity of RA 6657. **When the acquisition process under PD 27 remains incomplete and is overtaken by RA 6657, the process should be completed under RA 6657, with PD 27 and EO 228 having suppletory effect only.** This means that PD 27 applies only insofar as there are *gaps* in RA 6657; where RA 6657 is sufficient, PD 27 is superseded. **Among the matters where RA 6657 is sufficient is the determination of just compensation.** In Section 17 thereof, the legislature has provided for the factors that are determinative of just compensation. Petitioner cannot insist on applying PD 27 which would render Section 17 of RA 6657 inutile. (Emphases ours, citation omitted.)

Similarly, in the case before us, the emancipation patents were issued to the farmer-beneficiaries from 1992 to 1994. While the preliminary compensation of ₱135,482.12 was reserved in trust at LBP for the heirs of Santiago in 1992, this amount was not received by the heirs until 1998, as its release, pending the final determination of the land valuation, became the subject of a petition in this Court in *Land Bank of the Philippines v. Court of Appeals*.<sup>48</sup> Like in the case cited above, both the taking and the valuation of the subject property occurred after Republic Act No. 6657 had already become effective. Until now, the issue of just compensation for the subject property has not been settled and the process has yet to be completed; thus, the provisions of Republic Act No. 6657 shall apply.

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<sup>46</sup> *Land Bank of the Philippines v. Gallego, Jr.*, G.R. No. 173226, January 20, 2009, 576 SCRA 680, 690.

<sup>47</sup> G.R. No. 175055, June 27, 2012.

<sup>48</sup> *Supra* note 19.

Section 17 of Republic Act No. 6657 or the Comprehensive Agrarian Reform Law of 1988 provides:

**SEC. 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 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.

This Court is not unaware of the new agrarian reform law, Republic Act No. 9700 or the CARPER Law, entitled “An Act Strengthening the Comprehensive Agrarian Reform Program (CARP), Extending the Acquisition and Distribution of all Agricultural Lands, Instituting Necessary Reforms, Amending for the Purpose Certain Provisions of Republic Act No. 6657, Otherwise Known as the Comprehensive Agrarian Reform Law of 1988, as amended, and Appropriating Funds Therefor,” passed by the Congress on July 1, 2009,<sup>49</sup> **further** amending Republic Act No. 6657, as amended.

That this case, despite the new law, still falls under Section 17 of Republic Act No. 6657 is supported even by Republic Act No. 9700, which states that “previously acquired lands wherein valuation is subject to challenge shall be completed and resolved pursuant to **Section 17 of Republic Act No. 6657, as amended,**” viz:

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

**SEC. 7. *Priorities.*** - The DAR, in coordination with the Presidential Agrarian Reform Council (PARC) shall

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<sup>49</sup> **Section 34. *Effectivity Clause.*** - This Act shall take effect on July 1, 2009 and it shall be published in at least two (2) newspapers of general circulation.

plan and program the final acquisition and distribution of all remaining unacquired and undistributed agricultural lands from the effectivity of this Act until June 30, 2014. Lands shall be acquired and distributed as follows:

Phase One: During the five (5)-year extension period hereafter all remaining lands above fifty (50) hectares shall be covered for purposes of agrarian reform upon the effectivity of this Act. All private agricultural lands of landowners with aggregate landholdings in excess of fifty (50) hectares which have already been subjected to a notice of coverage issued on or before December 10, 2008; **rice and corn lands under Presidential Decree No. 27**; all idle or abandoned lands; all private lands voluntarily offered by the owners for agrarian reform: x x x *Provided, furthermore, That all previously acquired lands wherein valuation is subject to challenge by landowners shall be completed and finally resolved pursuant to Section 17 of Republic Act No. 6657, as amended:* x x x. (Emphases supplied.)

Section 7 of Republic Act No. 9700, **further amending** Section 17 of Republic Act No. 6657, as amended, reads:

**Section 7.** Section 17 of Republic Act No. 6657, **as amended**, is hereby **further amended** to read as follows:

SEC. 17. *Determination of Just Compensation.* – In determining just compensation, the cost of acquisition of the land, *the value of the standing crop*, the current value of like properties, its nature, actual use and income, the sworn valuation by the owner, the tax declarations, the assessment made by government assessors, and *seventy percent (70%) of the zonal valuation of the Bureau of Internal Revenue (BIR), translated into a basic formula by the DAR* shall be considered, subject to the final decision of the proper court. The social and economic benefits contributed by the farmers and the farmworkers and by the Government to the property as well as the nonpayment of taxes or loans secured from any government financing institution on the said land shall be considered as additional factors to determine its valuation. (Emphases supplied; further amendments made to Section 17 of R.A. No. 6657, as amended, are italicized.)

The foregoing shows that the Section 17 referred to in Section 5 of Republic Act No. 9700 is the old Section 17 under Republic Act No. 6657,

as amended; that is, prior to **further** amendment by Republic Act No. 9700. A reading of the provisions of Republic Act No. 9700 will readily show that the old provisions, under Republic Act No. 6657, are referred to as Sections under “Republic Act No. 6657, as amended,” as distinguished from “**further** amendments” under Republic Act No. 9700.

DAR AO No. 02-09, the Implementing Rules of Republic Act No. 9700, which DAR formulated pursuant to Section 31<sup>50</sup> of Republic Act No. 9700, makes the above distinction even clearer, to wit:

VI. *Transitory Provision*

With respect to cases where the Master List of ARBs has been finalized on or before July 1, 2009 pursuant to Administrative Order No. 7, Series of 2003, the acquisition and distribution of landholdings shall continue to be processed under the provisions of R.A. No. 6657 prior to its amendment by R.A. No. 9700.

However, **with respect to land valuation, all Claim Folders received by LBP prior to July 1, 2009 shall be valued in accordance with Section 17 of R.A. No. 6657 prior to its amendment by R.A. No. 9700.** (Emphasis supplied.)

Thus, DAR AO No. 02-09 authorizes the valuation of lands in accordance with the *old* Section 17 of Republic Act No. 6657, as amended (prior to further amendment by Republic Act No. 9700), so long as the claim folders for such lands have been received by LBP before its amendment by Republic Act No. 9700 in 2009.<sup>51</sup>

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<sup>50</sup> Section 31. *Implementing Rules and Regulations.* - The PARC and the DAR shall provide the necessary implementing rules and regulations within thirty (30) days upon the approval of this Act. Such rules and regulations shall take effect on July 1, 2009 and it shall be published in at least two (2) newspapers of general circulation.

<sup>51</sup> *Land Bank of the Philippines v. Puyat*, supra note 47.



**2<sup>nd</sup> Issue**  
***Imposition of 6% Legal Interest***

All the courts *a quo* imposed a legal interest on the just compensation due respondent, albeit the SAC Branch 29 lowered it from 12% to 6% per annum.

LBP argues that DAR AO No. 13, which provides for an incremental interest of 6%, compounded annually, should be the governing rule when it comes to the grant of interest.<sup>52</sup>

Respondent on the other hand, prays that the original award of 12% interest be reinstated as the unreasonable delay in the payment of his just compensation constitutes forbearance of money.<sup>53</sup>

This Court notes that the award of 6% legal interest was not given under DAR AO No. 13, as the courts *a quo* explicitly stated that DAR AO No. 13 **was not applicable**, albeit citing an incorrect reason, *i.e.*, that this was because a higher GSP was already used. As we have discussed above, “the law and jurisprudence on the determination of just compensation of agrarian lands are settled,”<sup>54</sup> and the courts below deviated from them when they simply used a higher GSP in the computation of respondent’s just compensation.

The Court has allowed the grant of interest in expropriation cases where there is delay in the payment of just compensation.<sup>55</sup> In fact, the interest imposed in case of delay in payments in agrarian cases is 12% per

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<sup>52</sup> Rollo, p. 39.

<sup>53</sup> CA rollo, pp. 419-420.

<sup>54</sup> *Land Bank of the Philippines v. Gallego, Jr.*, supra note 46 at 691.

<sup>55</sup> *Land Bank of the Philippines v. Wycoco*, 464 Phil. 83, 100 (2004).

annum and not 6%<sup>56</sup> as “the imposition x x x [is] in the nature of damages for delay in payment which in effect makes the obligation on the part of the government one of forbearance.”<sup>57</sup>

Quoting *Republic v. Court of Appeals*<sup>58</sup> this Court, in *Land Bank of the Philippines v. Rivera*,<sup>59</sup> held:

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

The Bulacan trial court, in its 1979 decision, was correct in imposing interest on the zonal value of the property to be computed from the time petitioner instituted condemnation proceedings and “took” the property in September 1969. This allowance of interest on the amount found to be the value of the property as of the time of the taking computed, being an effective forbearance, at 12% *per annum* should help eliminate the issue of the constant fluctuation and inflation of the value of the currency over time.<sup>60</sup> (Citation omitted, emphasis in the original.)

The Court, in *Republic*, recognized that “the just compensation due to the landowners for their expropriated property amounted to an effective forbearance on the part of the State.”<sup>61</sup> In fixing the interest rate at 12%, it

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<sup>56</sup> *Land Bank of the Philippines v. Puyat*, supra note 47.

<sup>57</sup> *Land Bank of the Philippines v. Wycoco*, supra note 55 at 100.

<sup>58</sup> 433 Phil. 106, 122-123 (2002).

<sup>59</sup> G.R. No. 182431, November 17, 2010, 635 SCRA 285.

<sup>60</sup> Id. at 294.

<sup>61</sup> *Apo Fruits Corporation and Hijo Plantation, Inc. v. Land Bank of the Philippines*, G.R. No. 164195, October 12, 2010, 632 SCRA 727, 744.

followed the guidelines on the award of interest that we enumerated in *Eastern Shipping Lines, Inc. v. Court of Appeals*,<sup>62</sup> to wit:

I. When an obligation, regardless of its source, *i.e.*, law, contracts, quasi-contracts, delicts or quasi-delicts is breached, the contravenor can be held liable for damages. The provisions under Title XVIII on “Damages” of the Civil Code govern in determining the measure of recoverable damages.

II. With regard particularly to an award of interest in the concept of actual and compensatory damages, the rate of interest, as well as the accrual thereof, is imposed, as follows:

1. When the obligation is breached, and it consists in the payment of a sum of money, *i.e.*, a loan or forbearance of money, the interest due should be that which may have been stipulated in writing. Furthermore, the interest due shall itself earn legal interest from the time it is judicially demanded. In the absence of stipulation, the rate of interest shall be 12% *per annum* to be computed from default, *i.e.*, from judicial or extrajudicial demand under and subject to the provisions of Article 1169 of the Civil Code.

2. When an obligation, not constituting a loan or forbearance of money, is breached, an interest on the amount of damages awarded may be imposed at the *discretion of the court* at the rate of 6% *per annum*. No interest, however, shall be adjudged on unliquidated claims or damages except when or until the demand can be established with reasonable certainty. Accordingly, where the demand is established with reasonable certainty, the interest shall begin to run from the time the claim is made judicially or extrajudicially (Art. 1169, Civil Code) but when such certainty cannot be so reasonably established at the time the demand is made, the interest shall begin to run only from the date the judgment of the court is made (at which time the quantification of damages may be deemed to have been reasonably ascertained). The actual base for the computation of legal interest shall, in any case, be on the amount finally adjudged.

3. When the judgment of the court awarding a sum of money becomes final and executory, the rate of legal interest, whether the case falls under paragraph 1 or paragraph 2, above, shall be 12% *per annum* from such finality until its satisfaction, this interim period being deemed to be by then an equivalent to a forbearance of credit.<sup>63</sup> (Citations omitted.)

This Court therefore deems it proper to impose a 12% legal interest per annum, computed from the date of the “taking” of the subject property,

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<sup>62</sup> G.R. No. 97412, July 12, 1994, 234 SCRA 78.

<sup>63</sup> Id. at 95-97.

on the just compensation to be determined by the SAC, due to respondent, less whatever he and his co-owners had already received.

### ***Remand of the Case***

Given that the only factor considered by the SAC in the determination of just compensation was the changing government support price for a *cavan* of *palay*, this Court is constrained to remand the case to the SAC Branch 29 for the reception of evidence and determination of just compensation in accordance with Section 17 of Republic Act No. 6657<sup>64</sup> and DAR AO No. 02-09 dated October 15, 2009, the latest DAR issuance on fixing just compensation.<sup>65</sup>

### ***Guidelines in the Remand of the Case***

In *Land Bank of the Philippines v. Heirs of Salvador Encinas and Jacoba Delgado*,<sup>66</sup> we said that “[t]he taking of private lands under the agrarian reform program partakes of the nature of an expropriation proceeding.” Thus, the SAC is “reminded to adhere strictly to the doctrine that just compensation *must be valued at the time of taking*”<sup>67</sup> and not at the time of the rendition of judgment.<sup>68</sup>

In the same case, this Court also required the trial court to consider the following factors as enumerated in Section 17 of Republic Act No. 6657, as amended:

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<sup>64</sup> *Land Bank of the Philippines v. Livioco*, G.R. No. 170685, September 22, 2010, 631 SCRA 86, 111-112.

<sup>65</sup> *Land Bank of the Philippines v. Heirs of Salvador Encinas and Jacoba Delgado*, G.R. No. 167735, April 18, 2012.

<sup>66</sup> *Id.*

<sup>67</sup> *Land Bank of the Philippines v. Livioco*, supra note 64 at 112.

<sup>68</sup> *Land Bank of the Philippines v. Heirs of Salvador Encinas and Jacoba Delgado*, supra note 65.

(1) the acquisition cost of the land; (2) the current value of the properties; (3) its nature, actual use, and income; (4) the sworn valuation by the owner; (5) the tax declarations; (6) the assessment made by government assessors; (7) the social and economic benefits contributed by the farmers and the farmworkers, and by the government to the property; and (8) the non-payment of taxes or loans secured from any government financing institution on the said land, if any.<sup>69</sup>

It is stressed that the foregoing factors, and the formula as translated by the DAR in its implementing rules, are mandatory and not mere guides that the SAC may disregard.<sup>70</sup> This Court has held:

While the determination of just compensation is essentially a judicial function vested in the RTC acting as a [SAC], the judge cannot abuse his discretion by not taking into full consideration the factors specifically identified by law and implementing rules. [SACs] are **not at liberty to disregard** the formula laid down [by the DAR], because unless an administrative order is declared invalid, courts have no option but to apply it. The [SAC] cannot ignore, without violating the agrarian law, the formula provided by the DAR for the determination of just compensation.<sup>71</sup> (Emphasis in the original, citation omitted.)

**WHEREFORE**, premises considered, the petition is **DENIED** insofar as it seeks to have the Land Bank of the Philippines' valuation of the subject property sustained. The assailed **September 28, 2007 Decision** and **March 14, 2008 Resolution** of the Court of Appeals in **CA-G.R. SP No. 82467** are **REVERSED and SET ASIDE** for lack of factual and legal basis. **Agrarian Case No. 125-AF** is **REMANDED** back to the Regional Trial Court of Cabanatuan City, Branch 29, to determine the just compensation due Emiliano R. Santiago, Jr., less whatever payments he and his co-owners had received, strictly in accordance with the guidelines in this Decision; Section 17 of Republic Act No. 6657, as amended; and Department of Agrarian Reform Administrative Order No. 02-09 dated October 15, 2009.

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<sup>69</sup> Id.

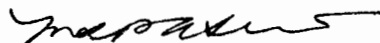
<sup>70</sup> Id.

<sup>71</sup> Id.

**SO ORDERED.**


  
**TERESITA J. LEONARDO-DE CASTRO**  
Associate Justice

WE CONCUR:

  
**MARIA LOURDES P. A. SERENO**  
Chief Justice  
Chairperson

  
**ANTONIO T. CARPIO**  
Associate Justice

  
**MARTIN S. VILLARAMA, JR.**  
Associate Justice

  
**BIENVENIDO L. REYES**  
Associate Justice

**CERTIFICATION**

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



**MARIA LOURDES P. A. SERENO**  
Chief Justice