



Republic of the Philippines
Supreme Court
Manila

SPECIAL FIRST DIVISION

**LAND BANK OF THE
PHILIPPINES,**

Petitioner,

G.R. No. 182431

Present:

-versus-

CARPIO, J.*
VELASCO,
LEONARDO-DE CASTRO,
Acting Chairperson,
PERALTA, and
PEREZ, JJ.

ESTHER ANSON RIVERA,
ANTONIO G. ANSON AND
CESAR G. ANSON.

Respondents.

Promulgated:

FEB 27 2013

X-----X

RESOLUTION

PEREZ, J.:

The Case

Before the Court is a Motion for Reconsideration¹ filed by the Land Bank of the Philippines (LBP) alleging error on the part of this Court in affirming the award of 12% interest on just compensation due to the landowner.

The Facts

*
1 Additional member per raffle dated 7 November 2012.
Rollo, pp. 392-409.

We reiterate the facts from the assailed 17 November 2010 Decision:

The respondents are the co-owners of a parcel of agricultural land embraced by Original Certificate of Title No. P-082, and later transferred in their names under Transfer Certificate of Title No. T-95690 that was placed under the Operation Land Transfer pursuant to Presidential Decree No. 27 in 1972. Only 18.8704 hectares of the total area of 20.5254 hectares were subject of the coverage.

After the Department of Agrarian Reform (DAR) directed payment, LBP approved the payment of ₱265,494.20, exclusive of the advance payments made in the form of lease rental amounting to ₱75,415.88 but inclusive of 6% increment of ₱191,876.99 pursuant to DAR Administrative Order No. 13, series of 1994.

On 1 December 1994, the respondents instituted Civil Case No. 94-03 for determination and payment of just compensation before the Regional Trial Court (RTC), Branch 3 of Legaspi City, claiming that the landholding involved was irrigated with two cropping seasons a year with an average gross production per season of 100 *cavans* of 50 kilos/hectare, equivalent of 200 *cavans*/year/hectare; and that the fair market value of the property was not less than ₱130,000.00/hectare, or ₱2,668,302.00 for the entire landholding of 20.5254 hectares.

LBP filed its Answer, stating that rice and corn lands placed under the coverage of Presidential Decree No. 27 [PD 27]² were governed and valued in accordance with the provisions of Executive Order No. 228 [EO 228]³ as implemented by DAR Administrative Order No. 2, Series of 1987 and other statutes and administrative issuances; that the administrative valuation of lands covered by [PD 27] and [EO 228] rested solely in DAR and LBP was the only financing arm; that the funds that LBP would use to pay compensation were public funds to be disbursed only in accordance with existing laws and regulations; that the supporting documents were not yet received by LBP; and that the constitutionality of [PD 27] and [EO 228] was already settled.⁴

The Trial Court's Ruling

On 6 October 2004, the trial court rendered its decision which reads:

² Presidential Decree No. 27, October 21, 1972, DECREERING 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.

³ EXECUTIVE ORDER NO. 228, July 17, 1987, DECLARING FULL LAND OWNERSHIP TO QUALIFIED FARMER BENEFICIARIES COVERED BY PRESIDENTIAL DECREE NO. 27: DETERMINING THE VALUE OF REMAINING UNVALUED RICE AND CORN LANDS SUBJECT TO PRESIDENTIAL DECREE. NO. 27; AND PROVIDING FOR THE MANNER OF PAYMENT BY THE FARMER BENEFICIARY AND MODES OF COMPENSATION TO THE LANDOWNERS.

⁴ *Rollo*, pp. 379-380.

ACCORDINGLY, the just compensation of the land partly covered by TCT No. T-95690 is fixed at **Php1,297,710. 63**. Land Bank of the Philippines is hereby ordered to pay Esther Anson, Cesar Anson and Antonio Anson the aforesaid value of the land, plus interest of 12% per annum or Php194.36 per day effective October 7, 2004, until the value is fully paid, in cash or in bond or in any other mode of payment at the option of the landowners in accordance with Sec. 18, R.A. 6657.⁵

Discontented, LBP filed an appeal before the Court of Appeals (CA). It argued that the trial court erred in disregarding the lease rentals already paid by the farmer beneficiaries as part of the just compensation as well as the imposition of 12% interest despite the increment of 6% interest allowed under the EO 228 and DAR Administrative Order (A.O.) No. 13 Series of 1994 (A.O. 13-94).

The Court of Appeals' Ruling

The appellate court partly granted the petition of the LBP, the *fallo* of the decision reading:

WHEREFORE, the **DECISION DATED OCTOBER 6, 2004 is MODIFIED**, ordering petitioner **LAND BANK OF THE PHILIPPINES** to pay to the respondents just compensation (inclusive of interests as of October 6, 2004) in the amount of P823, 957.23, plus interest of 12% per annum in the amount of P515, 777.57 or P61, 893.30 per annum, beginning October 7, 2004 until just compensation is fully paid in accordance with this decision.

Costs of suit to be paid by the petitioner.⁶

In its petition⁷ before this Court, LBP alleged error in the imposition of 12% interest per annum beginning from 7 October 2004 until full payment of just compensation for subject property and the liability of the bank for costs of suit.

17 November 2010 Decision

In its argument, LBP cited the applicability of the DAR A.O. No. 2, Series of 2004 (A.O. 02-04) which provides for the 6% interest imposition to

⁵ Id. at 122.

⁶ Id. at 59.

⁷ Petition for Review on Certiorari. Id. at 25-49.

the just compensation until actual payment. Further, it added that the 12% interest finds application in cases of undue delay, which is not present in the case. As to the payment of costs, the bank argued that it was performing a governmental function when it disbursed the Agrarian Reform Fund (ARF) as the financial intermediary of the agrarian program of the government.

In our *17 November 2010 Decision*, this Court partly granted the prayers of LBP and deleted the costs adjudged. We agreed that the bank was indeed performing a governmental function in agrarian reform proceeding pursuant to Section 1, Rule 142⁸ of the Rules of Court.⁹ However, we upheld the imposition of 12% interest on the just compensation beginning 7 October 2004 until full payment. We anchored our decision following the ruling in *Republic of the Philippines v. Court of Appeals*.¹⁰

As a conclusion, the Court rendered the assailed decision which reads:

WHEREFORE, premises considered, the petition is **GRANTED**. The decision of the Court of Appeals in C.A. G.R. SP No. 87463 dated 9 October 2007 is **AFFIRMED** with the **MODIFICATION** that LBP is hereby held exempted from the payment of costs of suit. In all other respects, the Decision of the Court of Appeals is **AFFIRMED**. No costs.¹¹

Aggrieved, LBP filed this present Motion for Reconsideration and argued once again the erroneous imposition of 12% interest. The bank reiterated its previous argument that the imposition is justifiable only in case of undue delay in the payment of just compensation.¹² It argued¹³ against the application of the A.O. No. 6, Series of 2008 (A.O. 06-08)¹⁴ to the instant case because it claims that the 6% interest does not apply to agricultural lands valued under R.A. 6657, such as the subject properties, following the Court's ruling in *Land Bank of the Philippines v. Chico*.¹⁵

⁸ Section 1. *Cost ordinarily follow results of suit.* — Unless otherwise provided in these rules, cost shall be allowed to the prevailing party as a matter of course, but the court shall have power, for special reasons, to adjudge that either party shall pay the costs of an action, or that the same be divided, as may be equitable. **No costs shall be allowed against the Republic of the Philippines unless otherwise provided by law.** (Emphasis supplied)

⁹ *Rollo*, p. 390.

¹⁰ 433 Phil. 106 (2002).

¹¹ *Rollo*, p. 390.

¹² *Id.* at 393-395.

¹³ Paragraph 2.34, Motion for Reconsideration. *Id.* at 402.

¹⁴ This extended application is through an administrative order better known as A.O. No. 6, Series of 2008 which provides that a grant of six percent (6%) increment shall be reckoned from 21 October 1972 up to the time of actual payment but not later than 31 December 2009.

¹⁵ G.R. No. 168453, 13 March 2009, 581 SCRA 226.

We deny the prayers of LBP.

In many cases¹⁶ decided by this Court, it has been repeated time and again that the award of 12% interest is imposed in the nature of damages for delay in payment which in effect makes the obligation on the part of the government one of forbearance. This is to ensure prompt payment of the value of the land and limit the opportunity loss of the owner that can drag from days to decades.

In this case, LBP is adamant in contending that the landowners were promptly paid of their just compensation. It argues that, “there is no factual finding whatsoever indicating undue delay on the part of LBP.”¹⁷

We disagree.

It is true that LBP approved the amount of ₱265,494.20 in favor of the landowners on 23 August 2004.¹⁸ However, that amount is way below the amount that should have been received by the landowners based on the valuations adjudged by the agrarian court, CA and this Court. To be considered as just compensation, it must be fair and equitable and the landowners must have received it without any delay.¹⁹

The contention that there can be no delay when there is a deposit of the amount of the government valuation in favor of the landowners was also the same argument raised in the second Motion for Reconsideration addressing the 12 October 2010 and 23 November 2010 Resolutions in *Apo Fruits*²⁰ case. LBP contended then that landowners APO Fruits and Hijo Plantation did not suffer from any delay in payment since the LBP made partial payments prior to the taking of the parcels of land. The Court there ruled that twelve years passed after the Government took the properties, before full payment was settled. The Court took into account that the partial payment made by LBP only amounted to 5% of the actual value of property.²¹

¹⁶ *Land Bank of the Philippines v. Celada*, 515 Phil. 467, 484 (2006) citing *Land Bank of the Philippines v. Wycoco*, G.R. No. 140160, 13 January 2004, 419 SCRA 67, 80 further citing *Reyes v. National Housing Authority*, G.R. No. 147511, 20 January 2003, 395 SCRA 494.

¹⁷ Paragraph 2.15, Motion for Reconsideration. *Rollo*, p. 397.

¹⁸ Id. at 175.

¹⁹ *Apo Fruits Corporation v. Land Bank of the Philippines*, G.R. No. 164195, 5 April 2011, 647 SCRA 207, 222.

²⁰ Id.

²¹ Id. at 222-223.

Similar to *Apo Fruits*, the delay in this case is traceable to the undervaluation of the property of the government. Had the landholdings been properly valued, the landowners would have accepted the payment and there would have been no need for a judicial determination of just compensation.²² The landowners could not possibly accept ₱265,494.20 as full payment for their entire 18 hectare-property. It must be noted that the landowners, since the deprivation of their property, have been waiting for four decades to get the just compensation due to them.

As in several other just compensation cases, respondents faced the difficult problem whether to accept a low valuation or file a case for determination of just compensation before the court. Before the choice is made, and for a longer period if the judicial course is taken, the landowners already are deprived of the income that could have been yielded by their lands.

The *Imperial case*²³ is an applicable precedent.

Juan H. Imperial (Imperial) was the owner of five parcels of land with a total land area of 151.7168 hectares. Upon the effectivity of P.D. No. 27 and EO 228, the parcels of land were placed under the Land Reform Program and distributed to the farmer-beneficiaries on 21 October 1972. On 20 July 1994, Imperial filed a complaint for determination and payment of just compensation before the Agrarian Court of Legazpi City, Albay. As the amount fixed by the agrarian court was found to be unacceptable by the parties, the case went up all the way to the Supreme Court. Before this Court, LBP claimed that a 6% annual interest in the concept of damages should not be imposed because (1) the delay in the payment of the just compensation was not its fault, and (2) DAR A.O. No. 13 already provides for the payment of a 6% annual interest, compounded annually, provided that the just compensation is computed in accordance with its prescribed formula.²⁴ The Court partly granted the claim of LBP and directed the trial court to re-compute the just compensation by using the formula prescribed by DAR A.O. No. 13, as amended, which imposed a 6% interest compounded annually from the date of the compensable taking on 21 October 1972 until 31 December 2006; and thereafter, at the rate of 12% per annum, until full payment is made.²⁵ This is to mean that from 1 January

²² *Apo Fruits Corporation v. Land Bank Philippines*, G.R. No. 164195, 10 October 2012, 632 SCRA 727, 749.

²³ *Land Bank of the Philippines v. Imperial*, G.R. No. 157753, 12 February 2007, 515 SCRA 449.

²⁴ *Id.* at 456.

²⁵ **WHEREFORE**, the instant petition is DENIED for lack of merit. The assailed Decision dated November 23, 2001, of the Court of Appeals in CA-G.R. CV No. 68980 which set aside the

2007 onwards, there shall be an imposition of 12% interest per annum until full payment in the nature of damages for the delay. The reason given was that it would be inequitable to determine the just compensation based solely on the formula provided by DAR A.O. No. 13, as amended. Just compensation does not only pertain to the amount to be paid to the owners of the land, but also its payment within a reasonable time from the taking of the land; hence the imposition of interest in the nature of damages for the delay.²⁶

In this case, LBP pointed out the error made by this Court in *Imperial* in determining the extent of the period of applicability of the 6% compounded interest.²⁷ It asserts that:

“Based on the foregoing, this Court deemed the day after the expiration of DAR A.O. No. 13, meaning 1 January 2007, as the date of finality, constraining it to impose the 12% interest per annum.

However, beyond the knowledge of the Supreme Court, a subsequent DAR A.O. extended the applicability of the imposition of 6% interest compounded annually from 1 January 2007 until [31] December 2009.

Following the new DAR A.O., only 6% interest compounded annually would have been the correct interest to be imposed. This was not imposed, however, simply because the day after 31 December 2006 or 01 January 2007 was deemed by the Supreme Court as the date of finality, leading to the imposition of 12% interest.”²⁸

Contrary to the position of LBP, this Court did not commit a mistake in not applying the extension thru A.O. 06-08 of the 6% interest until 31 December 2009. It must be understood that at the time of the promulgation of the *Imperial* Decision on 12 February 2007, A.O. 06-08 was not yet effective, as it was signed only on 30 July 2008.

Decision dated August 4, 2000, of the Regional Trial Court of Legazpi City, Branch 3, acting as a Special Agrarian Court in Agrarian Case No. 94-01, is AFFIRMED WITH MODIFICATION.

Let the records of this case be immediately REMANDED to the trial court for recomputation of the correct just compensation for the lands taken, including the portions identified as feeder road, right of way, and barrio site, but excluding the portion or portions retained by respondent as owner-cultivator. The trial court is hereby DIRECTED to use the formula prescribed by DAR A.O. No. 13, as amended, which imposed a 6% interest, compounded annually, from the date of the compensable taking on October 21, 1972, until December 31, 2006; and thereafter, at the rate of 12% *per annum*, until full payment is made.

²⁶ Id. at 459-460.
²⁷ Id. at 458.
²⁸ *Rollo*, pp. 401-402.
Id.

Likewise, it is erroneous for LBP to anchor its motion on the contention that the 6% interest compounded annually does not apply to agricultural lands valued under R.A. 6657 such as the subject properties.²⁹ The fact is that the valuation in the instant case was under P.D. 27 and E.O. 228, as adjudged by the trial court, because even if at the time of valuation R.A. 6657 was already effective, the respondents failed to present any evidence on the valuation factors under Section 17 of R.A. 6657.

The Computation

The purpose of A.O. No. 13 is to compensate the landowners for unearned interests. Had they been paid in 1972 when the Government Support Price (GSP) for rice and corn was valued at ₱35.00 and ₱31.00, respectively, and such amounts were deposited in a bank, they would have earned a compounded interest of 6% per annum. Thus, if the [Provincial Agrarian Reform Adjudicator] [(PARAD)] used the 1972 GSP, then the product of (2.5 x Average Gross Production (AGP) x ₱35.00 or ₱31.00) could be multiplied by (1.06) to determine the value of the land plus the additional 6% compounded interest it would have earned from 1972.³⁰

Following A.O. 13-94, the 6% yearly interest compounded annually shall be reckoned from 21 October 1972 up to the effectivity date of this Order which was on 21 October 1994. However, A.O. 02-04³¹ extended the period of application of 6% interest from 21 October 1972 up to the time of actual payment but not later than December 2006. Then, under A.O. 06-08,³² the application of 6% interest was further until 31 December 2009. It must be noted that the term “actual payment” in the administrative orders is

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Paragraph 2.34, Motion for Reconsideration. Id. at 402.

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Gabatin v. Land Bank of the Philippines, 486 Phil. 366, 384-385 (2004).

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Item III, No. 03 of A.O. No. 13, Series of 1994, is hereby amended to read as follows:

The grant of six percent (6%) yearly interest compounded annually shall be reckoned as follows:

3.1 Tenanted as of 21 October 1972 and covered under OLT
- From 21 October 1972 up to the *time of actual payment but not later than December 2006*

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AMENDMENT
1. The grant of six percent (6%) increment shall be reckoned as follows:

FROM	TO
3.1 Tenanted as of 21 October 1972 and covered under OLT — From 21 October 1972 up to the time of actual payment <i>but not later than 31 December 2006</i>	3.1 Tenanted as of 21 October 1972 and covered under OLT — From 21 October 1972 up to the time of actual payment <i>but not later than 31 December 2009</i>

to be interpreted as “full payment” pursuant to the ruling in *Land Bank of the Philippines v. Obias*³³ and *Land Bank of the Philippines v. Soriano*.³⁴

The amount of land value of ₱164,059.26 was already settled before the lower courts.³⁵ There is no need for a new computation.

Applying the rules under A.O. 13-94, A.O. 02-04 and A.O. 06-08 the formula to determine the increment of 6% interest per annum compounded annually beginning 21 October 1972 up to 31 December 2009 is:

$$CI = P (1+R)^n$$

(CI as compounded interest; P as the Principal; R is the Rate of 6% and n = number of years from date of tenancy starting from.)

Where:

$$P = \text{₱}164,059.26$$

$$R = 6\%$$

$$n = 37 \text{ years}$$

COMPUTATION:

$$\begin{aligned} CI &= P (1+R)^n \\ &= \text{₱}164,059.26 (1+ 6\%)^{37 \text{ years}} \\ &= \text{₱}164,059.26 (1.06)^{37 \text{ years}} \\ &= \text{₱}1,252,770.80 \end{aligned}$$

Then we add the compounded interest to the land value ₱164,059.26:

$$\begin{aligned} \text{Compounded Amount} &= \text{Land Value} + \text{Compounded Interest} \\ &= \text{₱}164,059.26 + \text{₱}1,252,770.80 \\ &= \text{₱}1,416,830.06 \end{aligned}$$

³³ G.R. No. 184406, 14 March 2012, 668 SCRA 265.
³⁴ G.R. Nos. 180772 and 180776, 6 May 2010, 620 SCRA 347.
³⁵ *Rollo*, pp. 57 and 121.

To compute the compounded amount to be paid, we subtract the amount of lease rental of ₱75,415.88 as adjudged by the appellate court to the compounded amount:³⁶

$$\begin{aligned} \text{Compounded Amount} &= \text{₱1,416,830.06 less ₱75,415.88} \\ &= \underline{\underline{\text{₱1,341,414.18}}} \end{aligned}$$

We add a simple interest of 12% to the compounded amount from 31 December 2009 until the promulgation of this decision due to the delay incurred by LBP in not paying the full just compensation to the Spouses:

$$I = P \times R \times T$$

(I = Interest, R = Rate, T = Time)

Where:

$$\begin{aligned} P &= \text{Compounded Amount} \\ R &= 12\% \\ T &= 31 \text{ December 2009 to 31 December 2012} \end{aligned}$$

1. COMPUTATION: 31 December 2009 to 31 December 2012

$$\begin{aligned} I &= P \times R \times T \\ I &= (\text{Compounded Amount}) (.12) (3 \text{ years}) \\ I &= \text{₱1,341,414.18} (.12) (3\text{years}) \\ I &= \underline{\underline{\text{₱482,909.1048}}} \end{aligned}$$

2. COMPUTATION: 31 December 2012 to 20 February 2013

$$\begin{aligned} I &= P \times R \times T \\ &= \frac{(\text{Compounded Amount}) (12\% \text{ interest}) \times \text{No. of Days}}{365 \text{ days}} \\ &= \frac{(\text{Compounded Amount}) (.12) \times 50 \text{ days}}{365 \text{ days}} \\ &= \frac{(\text{₱1,341,414.18}) (.12) \times 50 \text{ days}}{365 \text{ days}} \end{aligned}$$

³⁶ Id. at 58.

$$= \frac{\text{₱}160,969.69 \times 50 \text{ days}}{365}$$

$$= \text{₱}441.01 \times 50 \text{ days}$$

$$= \text{₱ } 22,050.50$$

Final Just Compensation = Compounded Amount + Interest

$$= \text{₱}1,341,414.18 + \text{₱}482,909.1048 + \text{₱}22,050.50$$

$$= \text{₱}1,846,373.70$$


WHEREFORE, premises considered, we **PARTIALLY GRANT** the petitioner's Motion for Reconsideration. The Decision dated 17 November 2010 of the Court's First Division is hereby **MODIFIED**.


The petitioner Land Bank of the Philippines is hereby **ORDERED** to pay Esther Anson Rivera, Antonio G. Anson and Cesar G. Anson **₱1,846,373.70** as final just compensation plus interest at the rate of 12% per annum from the finality of this decision until full payment.


SO ORDERED.

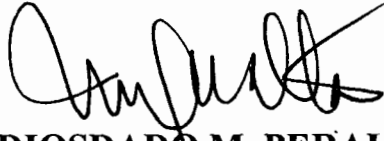

JOSE PORTUGAL PEREZ
Associate Justice

WE CONCUR:


ANTONIO T. CARPIO
Associate Justice


PRESBITERO J. VELASCO, JR.
Associate Justice


TERESITA J. LEONARDO-DE CASTRO
Associate Justice
Acting Chairperson



DIOSDADO M. PERALTA
Associate Justice

A T T E S T A T I O N

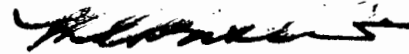
I attest that the conclusions in the above Resolution had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.



TERESITA J. LEONARDO-DE CASTRO
Associate Justice
Acting Chairperson, Special First 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 Resolution 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