



Republic of the Philippines
Supreme Court
Manila

FIRST DIVISION

LAND BANK OF THE PHILIPPINES, **G.R. No. 211351**

Petitioner, Present:

- versus -

SERENO, C.J., Chairperson,
LEONARDO-DE CASTRO,
BERSAMIN,
PEREZ, and
PERLAS-BERNABE, JJ.

HEIRS OF JESUS ALSUA,
represented by **BIBIANO C.**
SABINO,

Respondents.

Promulgated:

FEB 04 2015

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DECISION

PERLAS-BERNABE, J.:

Assailed in this petition for review on *certiorari*¹ are the Decision² dated October 31, 2013 and the Resolution³ dated February 18, 2014 of the Court of Appeals (CA) in CA-G.R. SP No. 127483, fixing the just compensation for respondents' 47.4535-hectare (ha.) land at ₱2,465,423.02, less the initial valuation already paid in the amount of ₱1,369,708.02, with legal interest at the rate of 12% per annum (p.a.) from November 13, 2001 to June 30, 2013, and 6% p.a. from July 1, 2013 until full satisfaction, using the formula stated in Department of Agrarian Reform (DAR) Administrative Order (AO) No. 5, series of 1998.⁴

¹ Rollo, pp. 18-43.

² Id. at 49-73. Penned by Associate Justice Fernanda Lampas Peralta with Associate Justices Francisco P. Acosta and Angelita A. Gacutan concurring.

³ Id. at 76-77. Penned by Associate Justice Fernanda Lampas Peralta with Associate Justices Priscilla J. Baltazar-Padilla and Nina G. Antonio-Valenzuela concurring.

⁴ Entitled "REVISED RULES AND REGULATIONS GOVERNING THE VALUATION OF LANDS VOLUNTARILY OFFERED OR COMPULSORILY ACQUIRED PURSUANT TO REPUBLIC ACT NO. 6657" (May 11, 1998).

✓

The Facts

Jesus Alsua (Jesus) owned a 62.1108 has. parcel of unregistered agricultural land known as Lot No. 8882, Cad-201, situated in Malidong, Pioduran, Albay, covered by Tax Declaration No. 99-13-001-0067⁵ in his name.⁶

On March 6, 1994, respondents Heirs of Jesus Alsua and their representative Bibiano C. Sabino (respondents) voluntarily offered to sell⁷ the entire parcel of land to the government under Republic Act No. (RA) 6657,⁸ as amended, otherwise known as the “Comprehensive Agrarian Reform Law of 1988,” **but only 47.4535 has. thereof, consisting of 43.7158 has. of cocoland and 3.7377 has. of unirrigated riceland (subject lands), were acquired.**⁹

Upon receipt from the DAR of the Claim Folder (CF) on April 20, 2001, albeit containing incomplete documents, **petitioner Land Bank of the Philippines** (LBP) valued the subject lands at **₱1,369,708.02**¹⁰ (LBP’s valuation) using the formula¹¹ stated in DAR AO No. 5, series of 1998, as follows:

Cocoland	43.7158	ha.	x	₱29,018.46
	₱1,268,565.19			
Unirrigated Riceland	3.7377	ha.	x	27,060.18
				<u>101,142.83</u>
				<u>₱1,369,708.02</u> ¹²

The necessary documents were completed only in September 2001,¹³ hence, the CF was considered to have been received only on the latter date,¹⁴ and the LBP’s valuation approved on September 25, 2001.¹⁵

⁵ CA rollo, p. 140.
⁶ Rollo, p. 50.
⁷ CA rollo, p. 142.
⁸ Entitled “AN ACT INSTITUTING A COMPREHENSIVE AGRARIAN REFORM PROGRAM TO PROMOTE SOCIAL JUSTICE AND INDUSTRIALIZATION, PROVIDING THE MECHANISM FOR ITS IMPLEMENTATION, AND FOR OTHER PURPOSES” (June 10, 1988).
⁹ Rollo, p. 51. See also Field Investigation Report; CA rollo, pp. 133-139.
¹⁰ See LBP Certification dated November 13, 2001; CA rollo, p. 108.
¹¹ Under Item II (A), DAR AO No. 5, series of 1998, there shall be one basic formula for the valuation of lands, *i.e.*, $LV = (CNI \times 0.6) + (CS \times 0.3) + (MV \times 0.1)$
Where:
LV = Land Value
CNI = Capitalized Net Income
CS = Comparable Sales
MV = Market Value per Tax Declaration
However, the above formula shall be used only if all the three factors are present, relevant, and applicable. In the present case, the CS factor was found to be not present, hence, the formula used was **$LV = (CNI \times 0.9) + (MV \times 0.1)$** . See records, Vol. I, p. 60.
¹² Rollo, p. 51.
¹³ See records, Vol. I, p. 63. See also CA rollo, p. 279.
¹⁴ Item II (A.8) of DAR AO No. 5, series of 1998, reads:
A.8 For purposes of this Administrative Order, the date of receipt of CF by LBP from DAR shall mean the date when the CF is determined by the LBP-LVLCO [Land Valuation

The DAR then offered to respondents the LBP's valuation as just compensation for the lands, but the latter rejected the valuation.¹⁶ Thus, the LBP was prompted to deposit the said amount in cash and in Agrarian Reform Bonds in respondents' name.¹⁷

After summary administrative proceedings for the determination of just compensation, docketed as DARAB Case No. 05-01-0059-A'-2001, the **Provincial Agrarian Reform Adjudicator (PARAD)**, in a Decision¹⁸ dated January 29, 2004, **fixed the value of the subject lands at ₱5,479,744.15**. The LBP moved for reconsideration but was denied in a Resolution¹⁹ dated March 11, 2004.

Dissatisfied with the PARAD's valuation, the LBP filed a petition²⁰ for determination of just compensation before the Regional Trial Court of Legazpi City, Branch 3 (RTC), docketed as Agrarian Case No. 04-02, averring that the PARAD's valuation was excessively high and is contrary to the legally prescribed factors in determining just compensation.²¹

On the other hand, respondents maintained the correctness of the PARAD's valuation, insisting that it considered all the factors that may be used as basis in order to arrive at a just and equitable valuation of the subject lands, including their potential use and corresponding increase in value.²²

In the interim, or **on November 29, 2001**, the Register of Deeds of Albay **issued Original Certificates of Title (OCT) Nos. C-27721²³ and 27722²⁴ in the names of the agrarian reform beneficiaries**.

During the pendency of the proceedings, the RTC appointed the Agrarian Operations Center of the LBP to conduct a reinvestigation of the gross production and selling price data within the 12-month period preceding June 30, 2009.²⁵ On July 4, 2011, the Commissioner submitted his Report²⁶ dated July 1, 2011, finding that the subject cocoland has a density of 80 trees per hectare with more than 35 years of age.²⁷ Considering the lack of data from the landowners who were absent during the ocular

and Landowners Compensation Offices] to be complete with all the required documents and valuation inputs duly verified and validated, and ready for final computation/processing. (Underscoring supplied)

¹⁵ CA *rollo*, p. 279.

¹⁶ *Rollo*, p. 51.

¹⁷ Id. See also CA *rollo*, p. 108.

¹⁸ Records, Vol. I, pp. 70-75. Penned by Provincial Adjudicator Gil B. Baclig.

¹⁹ Not attached to the records of the case. See *rollo*, p. 52.

²⁰ Records, Vol. I, pp. 1-4.

²¹ Id. at 2.

²² See Answer dated June 24, 2004; id. at 26-27.

²³ Id. at 92-93.

²⁴ Id. at 90-91.

²⁵ See Order dated November 18, 2010 issued by Judge Frank E. Lobrigo; records, Vol. II, p. 275.

²⁶ See Commissioner's Report prepared by Agrarian Operation Center Jesus D. Empleo; id. at 317-318.

²⁷ Id. at 318.

inspection, and after ascertaining that the coconut production for the 12-month period prior to June 30, 2009 based on the industry data (PCA data) was *unattainable* in the area since the coconut trees were still recovering from the impact of typhoons *Milenyo* and *Reming* which hit the country in September and November 2006, respectively,²⁸ he merely attached the production and selling price data from the Philippine Coconut Authority (PCA) for the concerned period.

The RTC Ruling

In a Decision²⁹ dated August 17, 2012, the **RTC** rejected the valuation of both the LBP and the PARAD and fixed the just compensation for the subject lands at **₱4,245,820.53**³⁰ as follows:

LV for Cocoland	=	₱3,654,285.91
LV for Riceland	=	350,072.98
LV for Trees	=	241, 461.64
		<u>₱4,245,820.53</u> ³¹

The RTC used the formula under DAR AO No. 5, series of 1998, as amended, *i.e.*, **LV = (CNI x 0.9) + (MV x 0.1)**,³² utilizing production data or values within the 12-month period preceding the **presumptive date of taking on June 30, 2009 pursuant to DAR AO No. 1, series of 2010**,³³ which “currentizes” the bases for the production data and values and does away with the payment of interest that will compensate for the loss of purchasing power due to inflation.³⁴ It explained that to reckon the taking from November 29, 2001,³⁵ or the date the OCTs were issued in favor of the

²⁸ Id. at 317.
²⁹ *Rollo*, pp. 80-96. Penned by Judge Frank E. Lobrigo.
³⁰ Id. at 96.
³¹ Id.
³² Under item II (A.1) of DAR AO No. 5, series of 1998, when the CS factor is not present and CNI and MV are applicable, the formula shall be LV= (CNI x 0.9) + (MV x 0.1)
Where:
CNI = Capitalized Net Income (based on land use and productivity) (id. at 88).
MV = Market Value per Tax Declaration (based on Government assessment) (id. at 89).
CNI = $\frac{(AGP \times SP \times NIR)}{0.12}$
Where:
AGP = Annual Gross Production corresponding to the latest available 12 months’ gross production immediately preceding June 30, 2009 (id. at 59).
SP = The average of the latest available 12 months’ selling prices prior to June 30, 2009 (id.).
MV for Land = UMV x Location Adj. Factor x RCPI Adj. Factor (id. at 95).
MV for Trees = No. of Trees/ha. x ₱135.00/tree x 100% x 1.60 (id.).
MV for Unirrigated Riceland = MV x 2 (id.).
³³ Under Item IV (1) of DAR AO No. 1, series of 2010, the reckoning date of the AGP and SP for purposes of computing the CNI shall be **June 30, 2009**, while MV shall be grossed-up up to June 30, 2009, in order to arrive at the LV for lands already distributed by the DAR to the farmer-beneficiaries where documentation and/or valuation are/is not yet complete, as in this case.
³⁴ *Rollo*, p. 92.
³⁵ Erroneously referred in the CA Decision as November 23, 2001; id. at 52.

beneficiaries, pursuant to the ruling in *LBP v. Dumlao*,³⁶ will be unjust to the landowners, considering the diminution in the purchasing power of the peso. On the other hand, while interests may be imposed for the delay in the payment of the compensation, such imposition will be unjust to the State which would be unduly penalized for the “steadfastness of the implementors of the agrarian reform program in their administrative determination of compensation that the landowners had repudiated.”³⁷

The LBP moved for reconsideration³⁸ which was, however, denied by the RTC in an Order³⁹ dated October 25, 2012, prompting it to elevate its case to the CA.

The CA Ruling

In a Decision⁴⁰ dated October 31, 2013, the CA fixed the just compensation of the subject lands at ₱2,465,423.02, less the initial valuation already paid in the amount of ₱1,369,708.02, plus legal interest at the rate of 12% p.a. from November 13, 2001 to June 30, 2013, and at 6% p.a. from July 1, 2013 until full satisfaction.⁴¹

The CA affirmed the applicability of the provisions of DAR AO No. 5, series of 1998 in the computation of the just compensation for the subject lands but declared that the RTC erred in fixing the date of taking on June 30, 2009 (*i.e.*, the presumptive date of taking pursuant to DAR AO No. 1, series of 2010).⁴² It pointed out that the taking of lands under the agrarian reform program partakes of the nature of an expropriation proceeding; thus, **just compensation should be pegged at the price or value of the property at the time it was taken from the owner and not its value at the time of rendition of judgment or the filing of the complaint if the government takes possession of the land before the institution of expropriation proceedings.**⁴³

Separately, however, the CA used different values from that employed by the LBP in computing the capitalized net income (CNI) for purposes of arriving at the land value (LV) of the 43.7158 has. cocoland as the same purportedly “did not reflect the true income generating capacity of the property.”⁴⁴ Instead, the CA based the selling price on the average farm gate prices of copra for the four-year period from 2000 to 2003. On the other hand, while it found that the RTC correctly used the one-factor formula in

³⁶ 592 Phil. 486 (2008).

³⁷ *Rollo*, p. 92.

³⁸ See Motion for Reconsideration dated September 5, 2012; records, Vol. II, pp. 446-456.

³⁹ *Rollo*, p. 97. See also records, Vol. II, p. 467.

⁴⁰ *Id.* at 49-73.

⁴¹ *Id.* at 72.

⁴² *Id.* at 67.

⁴³ *Id.* at 64.

⁴⁴ *Id.* at 68.

computing the LV of the unirrigated riceland, *i.e.*, MV x 2, considering the lack of available information on Comparable Sales, it used the market value (MV) per tax declaration⁴⁵ and grossed it up with the location adjustment factor and the applicable Regional Consumer Price Index in accordance with Item II (A.9) of DAR AO No. 5, series of 1998. Accordingly, it valued the subject lands as follows:

LV for Cocoland	=	□1,936,892.34
LV for Unirrigated Riceland	=	287,069.04
LV for Trees	=	<u>241,461.64</u>
		<u>□2,465,423.02⁴⁶</u>

Aggrieved, the LBP filed a motion for reconsideration⁴⁷ which was, however, denied in a Resolution⁴⁸ dated February 18, 2014, hence, the instant petition.

The Issue Before the Court

The essential issue for the Court’s resolution is whether or not the CA committed any reversible error in fixing the just compensation for the subject lands.

The Court’s Ruling

Settled is the rule that when the agrarian reform process is still incomplete, such as in this case where the just compensation due the landowner has yet to be settled, just compensation should be determined and the process be concluded under RA 6657.⁴⁹

For purposes of determining just compensation, the fair market value of an expropriated property is determined by its *character* and its *price* at the time of *taking*,⁵⁰ or the “time when the landowner was deprived of the use and benefit of his property,”⁵¹ such as when title is transferred in the name of the beneficiaries, as in this case. In addition, the factors enumerated under Section 17 of RA 6657, *i.e.*, (a) the acquisition cost of the land, (b) the current value of like properties, (c) the nature and actual use of the property and the income therefrom, (d) the owner’s sworn valuation, (e) the tax declarations, (f) the assessment made by government assessors, (g) the social and economic benefits contributed by the farmers and the farmworkers, and by the government to the property, and (h) the non-payment of taxes or loans

⁴⁵ See Claims Valuation and Processing Form; records, Vol. I, pp. 63-65.
⁴⁶ *Rollo*, p. 70.
⁴⁷ Dated November 22, 2013. (Id. at 106-119.)
⁴⁸ Id. at 76-77.
⁴⁹ *LBP v. Santiago, Jr.*, G.R. No. 182209, October 3, 2012, 682 SCRA 264, 277.
⁵⁰ *LBP v. Livioco*, G.R. No. 170685, September 22, 2010, 631 SCRA 86, 100.
⁵¹ Id. at 112-113.

secured from any government financing institution on the said land, if any, must be equally considered.⁵²

In this case, both the RTC and the CA applied the provisions of DAR AO No. 5, series of 1998 in computing the just compensation for the subject lands. Under the said AO, there shall be one basic formula for the valuation of lands, *i.e.*, $LV = (CNI \times 0.6) + (CS \times 0.3) + (MV \times 0.1)$, where:

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

The above-stated formula shall be used only if all the three factors *i.e.*, CNI, CS, and MV, are present, relevant, and applicable. In case one or two factors are not present, the said AO provides for alternate formulas.⁵³

Records show that the comparable sales (CS) were found to be unavailable⁵⁴ so the alternative formula, *i.e.*, $LV = (CNI \times 0.9) + (MV \times 0.1)$, was used by the LBP, the RTC, and the CA in fixing the just compensation for the subject cocoland. On the other hand, they used the one-factor formula under the said AO, *i.e.*, $LV = MV \times 2$, in valuing the subject riceland considering the lack of comparable sales (CS) and production data to arrive at the capitalized net income (CNI). It appears, however, that both the RTC and the CA made variations from the formula under the said AO.

A. RTC AND CA VALUATION OF THE SUBJECT COCOLAND.

For its part, the RTC used production data or values within the 12-month period preceding the presumptive date of taking of the subject cocoland on June 30, 2009,⁵⁵ in accordance with DAR AO No. 1, series of 2010.⁵⁶ It is significant to point out, however, that the said AO only applies

⁵² *LBP v. Santiago, Jr.*, supra note 49, at 286.

⁵³ Item II of DAR AO No. 5, series of 1998 provides:

- A.1 When the CS factor is not present and CNI and MV are applicable, the formula shall be:
 $LV = (CNI \times 0.9) + (MV \times 0.1)$
 A.2 When the CNI factor is not present, and CS and MV are applicable, the formula shall be:
 $LV = (CS \times 0.9) + (MV \times 0.1)$
 A.3 When both the CS and CNI are not present and only MV is applicable, the formula shall be:
 $LV = MV \times 2$
 x x x x

⁵⁴ Records, Vol. I, p. 60.

⁵⁵ *Rollo*, pp. 93-94.

⁵⁶ Entitled "RULES AND REGULATIONS ON VALUATION AND LANDOWNERS COMPENSATION INVOLVING TENANTED RICE AND CORN LANDS UNDER PRESIDENTIAL DECREE (P.D.) No. 27 AND EXECUTIVE ORDER (E.O.) No. 228" (JULY 1, 2009).

to tenanted rice and corn lands acquired under Presidential Decree No. 27⁵⁷ and Executive Order No. (EO) 228,⁵⁸ which scenario does not obtain in this case. Besides, the long-standing rule is that an expropriated property must be valued at the time of *taking*,⁵⁹ in this case, upon the issuance of the OCTs in the name of the beneficiaries on November 29, 2001.⁶⁰ Hence, the said AO cannot be made to obtain and the RTC’s valuation cannot be sustained.

On the other hand, while the CA correctly held that just compensation shall be the price or value of the property at the time it was taken from the owner and appropriated by the government,⁶¹ or on November 29, 2001, it, departed from the parameters prescribed under DAR AO No. 5, series of 1998 in computing the capitalized net income (CNI) in order to arrive at the land value (LV) for the subject lands. Particularly, under the foregoing AO, the selling price (SP) for purposes of computing the capitalized net income (CNI) shall be “the average of the latest available 12-months’ selling prices prior to the date of receipt of the CF by LBP for processing, such prices to be secured from the Department of Agriculture (DA) and other appropriate regulatory bodies or, in their absence, from the Bureau of Agricultural Statistics. x x x.”

In rejecting the LBP’s proposed valuation which used the prices of copra from July 2000 to June 2001 per certification from the PCA, the CA opined that the data and values used therein did not reflect the true income generating capacity of the property.⁶² Instead, it used the data for the four-year period from 2000 to 2003, thus, including data or values beyond the

Particularly Item IV (1.) which pertinently provides:

IV. *Land Valuation*

1. *For lands already distributed by the DAR to the farmer-beneficiaries where documentation and/or valuation are/is not yet complete (DNYD) AND for claims with the LBP, the formula shall be:*

$$LV = (CNI \times 0.90) + (MV \times 0.10)$$

Where:

LV = Land Value

CNI = Capitalized Net Income which refers to the gross sales (AGP x SP) with assumed net income rate of 20% capitalized at 0.12

Expressed in equation form:

$$CNI = \frac{(AGP \times SP) \times 0.20}{0.12}$$

x x x x

The reckoning date of the AGP and SP shall be June 30, 2009. (Emphasis supplied)

⁵⁷ Entitled “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).

⁵⁸ Entitled “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 P.D. NO. 27; AND PROVIDING FOR THE MANNER OF PAYMENT BY THE FARMER BENEFICIARY AND MODE OF COMPENSATION TO THE LANDOWNER ” (July 17, 1987).

⁵⁹ *LBP v. Livioco*, supra note 50, at 100.

⁶⁰ Records, Vol. I, pp. 90-93.

⁶¹ *Rollo*, p. 64.

⁶² Id. at 68.

time of taking. Consequently, the Court similarly cannot adopt the CA’s computation.

B. RTC AND CA VALUATION OF THE SUBJECT RICELAND.

The RTC used the one-factor formula under DAR AO No. 5, series of 1998, utilizing unit market value (UMV) taken from the Schedule of Base Unit Market Value⁶³ as of 2002, pursuant to the pertinent ordinance of the Sangguniang Panlalawigan of Albay.⁶⁴ Having been based on data or values beyond the time of taking on November 29, 2001, the Court cannot accept the RTC’s valuation. To reiterate, just compensation is the fair market value of an expropriated property at the time of *taking*,⁶⁵ in this case, the value of the subject lands upon the issuance of the OCTs in the name of the beneficiaries on November 29, 2001.

For its part, the CA used the same formula but utilized the unit market value (UMV) from the Schedule of Unit Market Value for Albay effective 2000 in the amount of ₱34,690.00,⁶⁶ and then grossed it up with the location adjustment factor and the applicable Regional Consumer Price Index in accordance with Item II (A.9)⁶⁷ of DAR AO No. 5, series of 1998. Considering that the taking took place on November 29, 2001, the UMV should be that corresponding for the year 2001. However, records are bereft of showing that the UMV for the year 2000 is the same UMV obtaining for the year 2001. Thus, on this score, the CA’s computation must equally be rejected.

⁶³ Records, Vol. I, p. 77.
⁶⁴ *Rollo*, p. 94.
⁶⁵ *LBP v. Livioco*, supra note 50, at 100.
⁶⁶ See Claims Valuation and Processing Form; records, Vol. I, p. 64.
⁶⁷ II. *The following rules and regulations are hereby promulgated to govern the valuation of lands subject of acquisition whether under voluntary offer to sell (VOS) or compulsory acquisition (CA).*

x x x x
A.9 The basic formula in the grossing-up of valuation inputs such as LO’s Offer, Sales Transaction (ST), Acquisition Cost (AC), Market Value Based on Mortgage (MVM) and Market Value per Tax Declaration (MV) shall be:
Grossed-up
Valuation Input = Valuation Input x Regional Consumer Price Index (RCPI) Adjustment Factor

The RCPI Adjustment Factor shall refer to the ratio of the most recent available RCPI for the month issued by the National Statistics Office **as of the date when the CF was received by LBP from DAR for processing** and the RCPI for the month as of the date/effectivity/registration of the valuation input. Expressed in equation form:

$$\text{RCPI Adjustment Factor} = \frac{\text{Most Recent RCPI for the Month as of the Date of Receipt of CF by LBP from DAR}}{\text{RCPI for the Month Issued as of the Date/Effectivity/Registration of the Valuation Input}}$$

x x x x (Emphasis supplied)

C. RTC AND CA VALUATION OF THE TREES INCLUDED IN THE JUST COMPENSATION.

It is relevant to point out that the RTC's valuation of the standing trees in the amount of ₱241,461.64,⁶⁸ as affirmed by the CA,⁶⁹ appears to have been pegged according to the prevailing values within the 12-month period preceding June 30, 2009. As mentioned, such date was long after the subject lands' taking on November 29, 2001 and, hence, can neither be countenanced.

D. THE PROPER VALUATION AND REMAND GUIDELINES.

In view of the foregoing disquisitions, the just compensation for the subject lands should be computed based on the factors stated in Section 17 of RA 6657, as amended. However, the Court has pored over the records and observed that **the only factors considered by both courts in determining the just compensation were (a) the nature and actual use of the property, and the income therefrom, as well as (b) the market value of the subject lands,**⁷⁰ *without a showing that the other factors under the said section were even taken into account or, otherwise, found to be inapplicable, contrary to what the law requires.*

Similarly, the Court has gone over the LBP's findings and computation, as contained in the Claims and Valuation and Processing Form,⁷¹ and is likewise unable to adopt the same since it was partly based on the field investigation report⁷² which **admittedly did not consider (a) the economic and social benefits of the subject lands,**⁷³ **and (b) the current value of like properties within the vicinity.**⁷⁴ To reiterate, the factors enumerated under Section 17 of RA 6657 must be considered in computing just compensation. Accordingly, the Court finds a need to **remand** Agrarian Case No. 04-02 to the RTC for the determination of just compensation in accordance with these factors. Relative thereto, the RTC is further directed to observe the following guidelines in the remand of the case:

1. ***Just compensation must be valued at the time of taking***, or the "time when the landowner was deprived of the use and benefit of his property,"⁷⁵ in this case, upon the issuance of OCT Nos. C-27721 and 27722 in the names of the

⁶⁸ *Rollo*, p. 96

⁶⁹ *Id.* at 70.

⁷⁰ See *id.* at 67-70 and 93-95.

⁷¹ Records, Vol. I, pp. 63-65.

⁷² See Transcript of Stenographic Notes (TSN), July 5, 2011, p. 5.

⁷³ The LBP representative who conducted the field investigation on the subject lands admittedly did not gather comparable sales transactions within the vicinity thereof; see TSN, December 8, 2005, p. 9.

⁷⁴ *Id.* at 17.

⁷⁵ *LBP v. Livioco*, *supra* note 50, at 100.

agrarian reform beneficiaries on November 29, 2001.⁷⁶ Hence, the evidence to be presented by the parties before the trial court for the valuation of the subject lands must be based on the values prevalent on such time of taking for like agricultural lands.⁷⁷

2. ***The evidence must conform to Section 17 of RA 6657, as amended, prior to its amendment by RA 9700.***⁷⁸ It bears pointing out that while Congress passed RA 9700 on July 1, 2009, amending certain provisions of RA 6657, as amended, among them, Section 17, and declaring “[t]hat all previously acquired lands wherein valuation is subject to challenge by landowners shall be completed and finally resolved pursuant to Section 17 of [RA 6657], as amended,”⁷⁹ the law should not be retroactively applied to pending claims/cases. In fact, DAR AO No. 2, series of 2009⁸⁰ implementing RA 9700 expressly excepted from the application of the amended Section 17 all claim folders received by LBP prior to July 1, 2009, which shall be valued in accordance with Section 17 of RA 6657, as amended, prior to its further amendment by RA No. 9700.⁸¹

Records show that the CF from the DAR was actually received by the LBP on April 20, 2001, but the latter considered the same as received only later in September 2001 with the completion of the necessary documents.⁸² Hence, Section 17 of RA 6657, as amended, prior to its further amendment by RA 9700, should be the basis for the valuation of the subject lands. In the event that the respondents had already withdrawn the amount deposited by the LBP, the withdrawn amount should be deducted from the final land valuation to be paid by LBP.⁸³

3. ***The RTC may impose interest on the just compensation as may be warranted by the circumstances of the case.***⁸⁴ In previous cases, the Court has allowed the grant of legal interest in expropriation cases where there is delay in the payment since the just compensation due to the landowners was deemed to be an effective forbearance on the part of the State.⁸⁵ Legal interest shall be pegged at the rate of 12% interest p.a. from the time of taking until June 30, 2013 only. Thereafter, or beginning July 1, 2013, until

⁷⁶ Records, Vol. I, pp. 90-93.

⁷⁷ *LBP v. Livioco*, supra note 50, at 114.

⁷⁸ 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” (July 1, 2009).

⁷⁹ See Section 5 of RA 9700 which further amended Section 7 of RA 6657, as amended, on the “Priorities” in the acquisition and distribution of agricultural lands.

⁸⁰ Entitled “RULES AND PROCEDURES GOVERNING THE ACQUISITION AND DISTRIBUTION OF AGRICULTURAL LANDS UNDER REPUBLIC ACT (R.A.) NO. 6657, AS AMENDED BY R.A. NO. 9700” (October 31, 2009).

⁸¹ *LBP v. Heirs of Maximo Puyat*, G.R. No. 175055, June 27, 2012, 675 SCRA 233, 248.

⁸² *CA rollo*, pp. 131, 279

⁸³ *LBP v. Livioco*, supra note 50, at 116.

⁸⁴ *Id.*

⁸⁵ *LBP v. Santiago, Jr.*, supra note 49, at 282-283.

fully paid, interest shall be at 6% p.a. in line with the amendment introduced by BSP-MB Circular No. 799,⁸⁶ series of 2013.⁸⁷

4. Finally, the RTC is advised that while it should be mindful of the different formulae created by the DAR in arriving at just compensation, ***it is not strictly bound to adhere thereto if the situations before it do not warrant their application.*** As held in *LBP v. Heirs of Maximo Puyat*:⁸⁸

[T]he determination of just compensation is a judicial function; hence, courts cannot be unduly restricted in their determination thereof. To do so would deprive the courts of their judicial prerogatives and reduce them to the bureaucratic function of inputting data and arriving at the valuation. While the courts should be mindful of the different formulae created by the DAR in arriving at just compensation, they are not strictly bound to adhere thereto if the situations before them do not warrant it. *Apo Fruits Corporation v. Court of Appeals* [(565 Phil. 418 (2007))] thoroughly discusses this issue, to wit:

[T]he basic formula and its alternatives—administratively determined (as it is not found in Republic Act No. 6657, but merely set forth in DAR AO No. 5, Series of 1998)—although referred to and even applied by the courts in certain instances, does not and cannot strictly bind the courts. To insist that the formula must be applied with utmost rigidity whereby the valuation is drawn following a strict mathematical computation goes beyond the intent and spirit of the law. The suggested interpretation is strained and would render the law inutile. Statutory construction should not kill but give life to the law. As we have established in earlier jurisprudence, the valuation of property in eminent domain is essentially a judicial function which is vested in the regional trial court acting as a SAC, and not in administrative agencies. The SAC, therefore, must still be able to reasonably exercise its judicial discretion in the evaluation of the factors for just compensation, which cannot be arbitrarily restricted by a formula dictated by the DAR, an administrative agency. Surely, DAR AO No. 5 did not intend to straightjacket the hands of the court in the computation of the land valuation. While it provides a formula, it could not have been its intention to shackle the courts into applying the formula in every instance. The court shall apply the formula after an evaluation of the three factors, or it may proceed to make its own computation based on the extended list in Section 17 of Republic Act No. 6657, which includes other factors[.] x x x.


⁸⁶ Entitled “RATE OF INTEREST IN THE ABSENCE OF STIPULATION” (June 21, 2013).

⁸⁷ See *Nacar v. Gallery Frames*, G.R. No. 189871, August 13, 2013, 703 SCRA 439, 455.

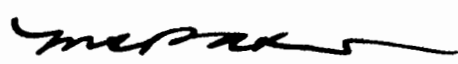
⁸⁸ Supra note 81, at 250-251, citing *Apo Fruits Corp. v. CA*, 565 Phil. 418, 433-434 (2007).


WHEREFORE, the petition is **DENIED** insofar as it seeks to sustain the valuation of the subject lands made by petitioner Land Bank of the Philippines. The Decision dated October 31, 2013 and the Resolution dated February 18, 2014 rendered by the Court of Appeals in CA-G.R. SP No. 127483, fixing the just compensation for respondents' 47.4535 hectares of land at ₱2,465,423.02, less the initial valuation already paid in the amount of ₱1,369,708.02, plus legal interest as afore-discussed, which did not fully consider the factors enumerated under Section 17 of Republic Act No. 6657, as amended, are hereby **SET ASIDE**. Accordingly, Agrarian Case No. 04-02 is **REMANDED** to the Regional Trial Court of Legazpi City, Branch 3 for the proper determination of just compensation in accordance with the guidelines set in this Decision. The trial court is directed to conduct the proceedings in said case with reasonable dispatch and to submit to the Court a report on its findings and recommended conclusions within sixty (60) days from notice of this Decision.

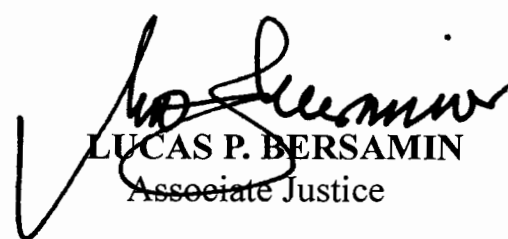
SO ORDERED.



ESTELA M. PERLAS-BERNABE
Associate Justice

WE CONCUR:


MARIA LOURDES P. A. SERENO
Chief Justice
Chairperson


TERESITA J. LEONARDO-DE CASTRO
Associate Justice


LUCAS P. BERSAMIN
Associate Justice


JOSE PORTUGAL PEREZ
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