



Republic of the Philippines
Supreme Court
Manila

11A 29 2016
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SPECIAL FIRST DIVISION

LAND BANK OF THE PHILIPPINES, G.R. No. 172352

Petitioner,

- versus -

ALFREDO HABABAG, SR.,
substituted by his wife,
CONSOLACION, and children,
namely: MANUEL, SALVADOR,
WILSON, JIMMY, ALFREDO,
JR., and JUDITH, all surnamed
HABABAG,

Respondents.

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ALFREDO HABABAG, SR.,
substituted by his wife,
CONSOLACION, and children,
namely: MANUEL, SALVADOR,
WILSON, JIMMY, ALFREDO,
JR., and JUDITH, all surnamed
HABABAG,

Petitioners,

- versus -

LAND BANK OF THE
PHILIPPINES and the
DEPARTMENT OF AGRARIAN
REFORM,

Respondents.

G.R. Nos. 172387-88

Present:

SERENO, C.J.,*
LEONARDO-DE CASTRO,
Acting Chairperson,**

BERSAMIN,
PEREZ, and
PERLAS-BERNABE, JJ.

Promulgated:

JUN 08 2016

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* On leave.
** Per Special Order No. 2354 dated June 2, 2016.

RESOLUTION

PERLAS-BERNABE, J.:

For the Court's resolution is the Land Bank of the Philippines' (LBP) Motion for Reconsideration of the September 16, 2015 Decision/Motion for Clarification of the Date of Taking¹ dated December 11, 2015, seeking: (a) to be discharged from the payment of legal interest on the unpaid balance of the just compensation;² and (b) clarification of the date of taking from which to reckon the computation of legal interest on the unpaid balance of the just compensation, in case its Motion for Reconsideration is denied.³

In the Court's September 16, 2015 Decision,⁴ it affirmed the November 15, 2005 Decision⁵ of the Court of Appeals (CA) in CA-G.R. SP Nos. 86066 and 86167, fixing the just compensation for the subject 69.3857 hectare lands at ₱2,398,487.24 and imposing legal interest on the unpaid balance, but modified the imposable interest rate.⁶

The Court upheld the CA's valuation which made use of the Department of Agrarian Reform (DAR) formula as reflective of the factors set forth under Section 17 of Republic Act No. (RA) 6657,⁷ and rejected the compensation fixed by the Regional Trial Court of Sorsogon City, Branch 52 (RTC) in Civil Case No. 96-6217, which applied the Income Productivity Approach as contrary to the jurisprudential definition of just compensation in expropriation cases, *i.e.*, "market value" at the time of actual taking by the government.⁸ Considering that the initial valuation in the amount of ₱1,237,850.00 paid to the landowners is lower than the just compensation finally adjudged, the Court likewise sustained the award of legal interest on the unpaid balance, but modified the imposable interest rate,⁹ in line with the amendment introduced by *Bangko Sentral ng Pilipinas*-Monetary Board (BSP-MB) Circular No. 799,¹⁰ series of 2013.¹¹

¹ Filed on December 21, 2015. *Rollo* (G.R. No. 172352), pp. 371-380; and *rollo* (G.R. Nos. 172387-88), pp. 412-421.

² See *rollo* (G.R. No. 172352), p. 372; and *rollo* (G.R. Nos. 172387-88), p. 413.

³ See *rollo* (G.R. No. 172352), p. 377; and *rollo* (G.R. Nos. 172387-88), p. 418.

⁴ *Rollo* (G.R. No. 172352), pp. 358-370; and *rollo* (G.R. Nos. 172387-88), pp. 399-411.

⁵ *Rollo* (G.R. No. 172352), pp. 56-70; and *rollo* (G.R. Nos. 172387-88), pp. 29-43. Penned by Associate Justice Delilah Vidallon-Magtolis with Associate Justices Elvi John S. Asuncion and Jose C. Reyes, Jr. concurring.

⁶ See *rollo* (G.R. No. 172352), p. 369; and *rollo* (G.R. Nos. 172387-88), p. 410.

⁷ 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," approved on June 10, 1988.

⁸ See *rollo* (G.R. No. 172352), pp. 366-367; and *rollo* (G.R. Nos. 172387-88), pp. 407-408.

⁹ *Rollo* (G.R. No. 172352), p. 368; and *rollo* (G.R. Nos. 172387-88), p. 409.

¹⁰ Entitled "Subject: Rate of interest in the absence of stipulation" (July 1, 2013).

¹¹ See *Nacar v. Gallery Frames*, G.R. No. 189871, August 13, 2013, 703 SCRA 439, 455-456.

I. With respect to the LBP's Motion for Reconsideration

In its Motion for Reconsideration, the LBP contends that it is not liable for the payment of interest, considering the absence of: (a) delay since it promptly deposited the initial valuation for the subject lands; and (b) substantial difference between the amount of initial valuation and the final just compensation,¹² which were purportedly the compelling circumstances in the case of *Apo Fruits Corporation vs. LBP*¹³ (*Apo Fruits*), cited¹⁴ by the Court in its September 16, 2015 Decision to justify the imposition of interest.

The argument is specious.

In *Apo Fruits*, the Court had illuminated that the substantiality of the payments made by the LBP is not the determining factor in the imposition of interest as nothing less than full payment of just compensation is required. The value of the landholdings themselves should be equivalent to the principal sum of the just compensation due, and that interest is due and should be paid to compensate for the unpaid balance of this principal sum after the taking has been completed, *viz.*:

[T]he interest involved in the present case “runs as a **matter of law** and follows as a matter of course from the right of the landowner to be placed in as good a position as money can accomplish, as of the date of taking.”

Furthermore, the allegedly considerable payments made by the LBP to the petitioners cannot be a proper premise in denying the landowners the interest due them under the law and established jurisprudence. If the just compensation for the landholdings is considerable, this compensation is not undue because the landholdings the owners gave up in exchange are also similarly considerable x x x. When the petitioners surrendered these sizeable landholdings to the government, the incomes they gave up were likewise sizeable and cannot in any way be considered miniscule. The incomes due from these properties, expressed as interest, are what the government should return to the petitioners after the government took over their lands without full payment of just compensation. In other words, *the value of the landholdings themselves should be equivalent to the principal sum of the just compensation due; interest is due and should be paid to compensate for the unpaid balance of this principal sum after taking has been completed.* This is the compensation arrangement that should prevail if such compensation is to satisfy the constitutional standard of being “just.”

x x x x

¹² *Rollo* (G.R. No. 172352), p. 374; and *rollo* (G.R. Nos. 172387-88), p. 415.

¹³ 647 Phil. 251 (2010).

¹⁴ *Rollo* (G.R. No. 172352), p. 368; and *rollo* (G.R. Nos. 172387-88), p. 409.

If the full payment of the principal sum of the just compensation is legally significant at all under the circumstances of this case, the significance is only in putting a stop to the running of the interest due because the principal of the just compensation due has been paid. To close our eyes to these realities is to condone what is effectively a confiscatory action in favor of the LBP.

x x x [T]he interest, however enormous it may be, **cannot be inequitable and unconscionable because it resulted directly from the application of law and jurisprudence** – standards that have taken into account fairness and equity in setting the interest rates due for the use or forbearance of money.

x x x x

It would be utterly fallacious, too, to argue that this Court should tread lightly in imposing liabilities on the LBP because this bank represents the government and, ultimately, the public interest. Suffice it to say that public interest refers to what will benefit the public, not necessarily the government and its agencies whose task is to contribute to the benefit of the public. Greater public benefit will result if government agencies like the LBP are conscientious in undertaking its tasks in order to avoid the situation facing it in this case. **Greater public interest would be served if it can contribute to the credibility of the government's land reform program through the conscientious handling of its part of this program.**¹⁵ (Emphases and italics in the original, underscoring supplied.)

In the present case, the just compensation for the subject lands was finally fixed at ₱2,398,487.24,¹⁶ while the payments made by the LBP only amounted to ₱1,237,850.00.¹⁷ Hence, there remained an unpaid balance of the “principal sum of the just compensation,” warranting the imposition of interest.

In the recent case of *LBP v. Santos*,¹⁸ the Court reemphasized that just compensation contemplates of just and timely payment, and elucidated that “prompt payment” of just compensation encompasses the **payment in full of the just compensation to the landholders as finally determined by the courts**. Hence, the requirement of the law is not satisfied by the mere deposit by the LBP with any accessible bank of the provisional compensation determined by it or by the DAR, and its subsequent release to the landowner after compliance with the legal requirements set forth by RA 6657.

Accordingly, the LBP's Motion for Reconsideration should be denied with finality.

¹⁵ *Apo fruits vs. LBP*, supra note 13, at 285-287.

¹⁶ *Rollo* (G.R. No. 172352), p. 364; and *rollo* (G.R. Nos. 172387-88), p. 405.

¹⁷ *Rollo* (G.R. No. 172352), p. 368; and *rollo* (G.R. Nos. 172387-88), p. 409.

¹⁸ See G.R. Nos. 213863 and 214021, January 27, 2016.

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II. With respect to the LBP's Motion for Clarification of the Date of Taking

That being said, the Court, in view of the LBP's alternative Motion for Clarification, illumines that the interest shall be pegged at the rate of twelve percent (12%) per annum (p.a.) on the unpaid balance, reckoned from the time of taking,¹⁹ or the time when the landowner was deprived of the use and benefit of his property,²⁰ such as when *title is transferred to the Republic of the Philippines (Republic), or emancipation patents are issued by the government*,²¹ until June 30, 2013, and thereafter, at six percent (6%) p.a. until full payment.²² However, while the LBP averred that the landowner's title was cancelled in favor of the Republic,²³ copies of the Republic's title/s was/were not attached to the records of these consolidated cases. Accordingly, the Court hereby directs the LBP to submit certified true copies of the Republic's title/s to the RTC upon remand of these cases, and the latter to compute the correct amount of legal interests due to the Heirs of Alfredo Hababag, Sr. reckoned from the date of the issuance of the said titles/s.

WHEREFORE, the Court hereby **RESOLVES** to:

1. **DENY WITH FINALITY** the Land Bank of the Philippines' (LBP) Motion for Reconsideration of the Court's Decision dated September 16, 2015; and

2. **GRANT** the LBP's Motion for Clarification of the Date of Taking by declaring that the awarded twelve percent (12%) annual legal interest on the unpaid balance of the just compensation shall be computed from the date of taking, *i.e.*, when title/s was/were transferred to the Republic of the Philippines (Republic), until June 30, 2013, and thereafter, a six percent (6%) annual legal interest shall be imposed until full payment.

However, in light of the absence of showing of the date of issuance of the Republic's title/s, the Court hereby **REMANDS** the records of these cases to the Regional Trial Court of Sorsogon City, Branch 52 (RTC), and **DIRECTS**:

a. The LBP to furnish the RTC certified true copies of the Republic's title/s; and

¹⁹ See *LBP v. Heirs of Alsua*, G.R. No. 211351, February 4, 2015, 750 SCRA 121, 140.

²⁰ *Id.* See also *LBP v. Lajom*, G.R. Nos. 184982 and 185048, August 20, 2014, 733 SCRA 511, 523.

²¹ See *LBP v. Santos*, supra note 18.

²² See *LBP v. Heirs of Alsua*, supra note 19, at 140.

²³ See *rollo* (G.R. No. 172352), p. 374; and *rollo* (G.R. Nos. 172387-88), p. 415.

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- b. The RTC to compute the correct amount of legal interests due to the Heirs of Alfredo Hababag, Sr. reckoned from the date of the issuance of the Republic's title/s.

SO ORDERED.

Ms. Perl
ESTELA M. PERLAS-BERNABE
 Associate Justice

WE CONCUR:

On leave
MARIA LOURDES P. A. SERENO
 Chief Justice

Teresita Leonardo de Castro
TERESITA J. LEONARDO-DE CASTRO
 Associate Justice
 Acting Chairperson

Lucas Bersamin
LUCAS P. BERSAMIN
 Associate Justice

Jose Portugal Perez
JOSE PORTUGAL PEREZ
 Associate Justice

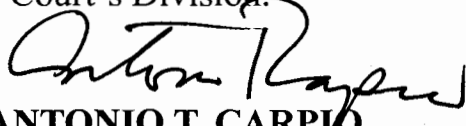
A T T E S T A T I O N

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 Leonardo de Castro
TERESITA J. LEONARDO-DE CASTRO
 Associate Justice
 Acting Chairperson, First Division

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution, and the Division Acting 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.



ANTONIO T. CARPIO
Acting Chief Justice