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MISAELO DOMINGO C. BATTUNG III
Deputy Division Clerk of Court
Third Division

Republic of the Philippines
Supreme Court
Manila

APR 05 2017

THIRD DIVISION

LAND BANK OF THE
PHILIPPINES,

G.R. No. 193987

Petitioner, Present:

VELASCO, JR., J.,
Chairperson,
BERSAMIN,
REYES,
JARDELEZA, and
TIJAM, JJ.

- versus -

PHIL-AGRO INDUSTRIAL
CORPORATION,

Promulgated:

Respondent. March 13, 2017

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DECISION

REYES, J.:

Before this Court is a Petition for Review on *Certiorari*¹ seeking to annul and set aside the Amended Decision² dated September 30, 2010 of the Court of Appeals (CA) in CA-G.R. CV No. 75045-MIN, which ordered the Land Bank of the Philippines (petitioner) to pay Phil-Agro Industrial Corporation (respondent) the total amount of ₱11,640,730.68 plus interests.

¹ *Rollo*, pp. 38-62.

² Penned by Associate Justice Rodrigo F. Lim, Jr., with Associate Justices Angelita A. Gacutan and Nina G. Antonio-Valenzuela concurring; *id.* at 7-10.

The Facts

The subject of this petition is 19 parcels of land situated in Baungon, Bukidnon, with an aggregate area of 267.0043 hectares, registered under the name of the respondent. These landholdings were then placed under the compulsory coverage of the Comprehensive Agrarian Reform Program (CARP) by the Department of Agrarian Reform (DAR). The petitioner offered an initial valuation of ₱2,139,996.57 for the subject landholdings but this offer was rejected by the respondent. A summary hearing was then conducted before the DAR Adjudication Board for the valuation of the subject landholdings.³

On January 4, 1999, the respondent filed an Amended Complaint against the DAR Secretary and the petitioner before the Regional Trial Court (RTC) praying for the fixing and payment of not less than ₱26,700,000.00 as just compensation.⁴

On June 7, 2000, the parties agreed to the creation of a commission to determine the fair market value of the subject landholdings.⁵

The respondent's nominated commissioner submitted the amount of ₱63,045,000.00 based on the findings of the Asian Appraisal Company, Inc., which used the following valuation factors of the CARP: extent, character and utility of the property, sales and holding prices of similar land, and highest and best use of the property.⁶

On the other hand, using as basis the Revised Rules and Regulations Governing the Valuation of Land Voluntarily Offered or Compulsory Acquired Pursuant to Republic Act (R.A.) No. 6657,⁷ the petitioner's nominated commissioner submitted a lower amount of ₱11,640,730.68.⁸

The Chairman of the Commission, however, appraised the subject landholdings in the amount of ₱20,589,373.00 on the basis of the following factors: physical attributes of the subject landholdings, soil type, terrain, adaptability to various crops, accessibility to roads and properties in the area,

³ Id. at 13.

⁴ Id. at 13-14.

⁵ Id. at 14.

⁶ Id.

⁷ 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 *Rollo*, p. 14.

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and expert opinions of the Municipal Assessor, Municipal Treasurer and Municipal Agriculturist of Baungon, Bukidnon.⁹

On November 21, 2001, the RTC rendered its judgment adopting the Chairman's report assessing the value of the subject landholdings at ₱20,589,373.00.¹⁰

On appeal, the CA modified the trial court's ruling by reducing the amount to be paid by the petitioner from ₱20,589,373.00 to ₱11,640,730.68, thereby adopting the submitted valuation of the petitioner's nominated commissioner.¹¹ The dispositive portion of the decision reads:

WHEREFORE, the assailed Decision is MODIFIED to read as follows:

1. Ordering [the petitioner] to pay [the respondent] ₱11,640,730.68 as just compensation for the subject property;

2. Ordering [the petitioner] to pay 6% interest per annum on the amount of just compensation as well as 12% legal interest on the amount of just compensation plus the 6% interest, counted from September 16, 1992, until all the amounts are fully paid;

3. The award for attorney's fees and costs of litigation to [the respondent] is denied.

SO ORDERED.¹²

The CA ruled that the RTC had no liberty to disregard the guidelines set forth in Section 17¹³ of R.A. No. 6657 and that the valuation report approved by the RTC was computed without considering the valuation formula under DAR Administrative Order (A.O.) No. 5, series of 1998.¹⁴ The CA found that the petitioner's commissioner used the pertinent data from the Department of Agriculture and the Bureau of Agricultural Statistics, and computed the value of the subject landholdings in accordance with the formula under the said DAR A.O. No. 5, series of 1998.¹⁵

⁹ Id. at 15.

¹⁰ Id.

¹¹ CA Decision dated August 27, 2008 penned by Associate Justice Michael P. Elbinias, with Associate Justices Rodrigo F. Lim, Jr. and Ruben C. Ayson concurring; id. at 12-22.

¹² Id. at 21.

¹³ **Section 17. Determination of Just Compensation.**—In determining just compensation, the cost of acquisition of the land, the current value of the like properties, its nature, actual use and income, the sworn valuation by the owner, the tax declarations, and the assessment made by government assessors shall be considered. The social and economic benefits contributed by the farmers and the farmworkers and by the Government to the property as well as the non-payment of taxes or loans secured from any government financing institution on the said land shall be considered as additional factors to determine its valuation.

¹⁴ Revised Rules and Regulations Governing the Valuation of Lands Voluntarily Offered or Compulsorily Acquired Pursuant to Republic Act No. 6657.

¹⁵ *Rollo*, pp. 17-19.



The CA further ruled that there was delay in the payment of just compensation reckoned from the date of compensable taking on September 16, 1992, the date when the Certificates of Land Ownership Award (CLOA) were issued in the name of three farmer beneficiaries associations; hence, the CA awarded interest of 6% *per annum* as damages for the delay, plus 12% legal interest *per annum* on the amount of such compensation.¹⁶

Thereafter, both the petitioner and the respondent filed a Motion for Partial Reconsideration¹⁷ and a Motion for Reconsideration,¹⁸ respectively.

On September 30, 2010, the CA rendered an Amended Decision,¹⁹ the dispositive portion of which is as follows:

WHEREFORE, premises foregoing, the [respondent's] motion for reconsideration is hereby **DENIED** for lack of merit. On the other hand, [the petitioner's] motion for partial reconsideration is **GRANTED**. Consequently, our August 27, 2008 Decision is **MODIFIED** as follows:

1. Ordering [the petitioner] to pay [the respondent] P11,640,730.68 as just compensation for the subject property;
2. Ordering [the petitioner] to pay 1% interest per annum on the amount of just compensation counted from September 16, 1992, until all the amounts are fully paid;
3. Ordering [the petitioner] to pay 12% legal interest per annum on the amount of just compensation plus the 1% interest, from the finality of this Decision until full payment thereof;
4. The award for attorney's fees and costs of litigation to [the respondent] is denied.

SO ORDERED.²⁰

In amending its previous decision, the CA explained that:

¹⁶ Id. at 19-20.
¹⁷ Id. at 83-98.
¹⁸ Id. at 125-134.
¹⁹ Id. at 7-10.
²⁰ Id. at 9-10.

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Indeed, a second look at our Decision reveals that the 6% interest per annum on the amount of just compensation as well as the 12% legal interest on the amount of just compensation plus the 6% interest, counted from the time of taking, was erroneously granted. Records show that after the taking of the subject propert[ies] and before [the respondent's] title thereto was cancelled, [the petitioner] already made a deposit of its original valuation in the amount of P2,139,996.57 in favor of [the respondent] in the form of cash and bonds. Hence, no delay can be attributed to it. While the court *a quo* directed [the petitioner] to pay its adjudged amount within thirty (30) days from the time its decision was rendered, and while [the petitioner] did not pay within the period given, such failure to pay did not tantamount to a delay in payment on the ground that the said decision was timely assailed in the instant appeal. x x x Moreover, it was likewise an error to have directed that the 12% legal interest be counted from the time of the taking. The same should commence to run from the date of finality of our decision until its full payment, in accordance with the law and jurisprudence.²¹

Unsatisfied, the petitioner filed the instant petition before this Court.

The Issue

The sole issue raised by the petitioner is the propriety of the award of 1% *per annum* on the amount of just compensation counted from September 16, 1992.

Ruling of the Court

The petition is partly granted.

At the outset, it bears to emphasize that there is no question raised with respect to the amount of ₱11,640,730.68 as just compensation adjudged by the appellate court. The main issue raised by the petitioner centers on the core question of whether the award of 1% *per annum*, allegedly to cover for the increase in value of real properties, is proper. Meanwhile, the respondent had already acquiesced with the said valuation. It, however, lamented on the fact that it has not yet received the full and just compensation for the subject landholdings which have been taken from it since 1992.

In an analogous case of *National Power Corporation v. Elizabeth Manalastas and Bea Castillo*,²² where the bone of contention is the inclusion of the inflation rate of the Philippine Peso in determining the just

²¹ Id. at 8-9.

²² G.R. No. 196140, January 27, 2016.

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compensation due to therein respondents, the Court ruled that valuation of the land for purposes of determining just compensation should not include the inflation rate of the Philippine Peso because the delay in payment of the price of expropriated land is sufficiently recompensed through payment of interest on the market value of the land as of the time of taking from the landowner.²³

The rationale for imposing the interest is to compensate the respondent for the income it would have made had it been properly compensated for its properties at the time of the taking.²⁴ The need for prompt payment and the necessity of the payment of interest is to compensate for any delay in the payment of compensation for property already taken.²⁵

The award of interest is imposed in the nature of damages for delay in payment which makes the obligation on the part of the government one of forbearance to ensure prompt payment of the value of the land and limit the opportunity loss of the owner.²⁶ Therefore, there is no need for the payment of 1% interest *per annum* to cover for the increase in value of real properties.

Nonetheless, the Court observes that the CA erred as to the reckoning point on which the award of legal interest of 12% should accrue.

The Court takes note of the fact that in the petitioner's motion for partial reconsideration, it contended that the 12% legal interest should not be counted from the time of the taking, considering the absence of delay when it promptly deposited the initial valuation for the subject landholdings after the taking of the same and before the respondent's title thereto was cancelled.

Notably, while the petitioner claimed that it deposited the initial valuation in the amount of ₱2,139,996.57, the said amount is way below the just compensation finally adjudged by the CA at ₱11,640,730.68. Clearly, delay in payment occurred and cannot at all be disputed. The respondent was deprived of its lands since September 16, 1992, when CLOAs were issued in the name of three farmer beneficiaries associations, and to date, had not yet received full payment of the principal amount due to it. Evidently, from September 16, 1992 until the present, or after almost 25 years, the respondent is deprived of just compensation which therefore warrants the imposition of interest.

²³ Id.

²⁴ *Secretary of the Department of Public Works and Highways v. Tecson*, G.R. No. 179334, April 21, 2015, 756 SCRA 389, 413.

²⁵ Id. at 414, citing *Apo Fruits Corp., et al. v. Land Bank of the Phils.*, 647 Phil. 251, 273 (2010).

²⁶ *Land Bank of the Philippines v. Spouses Antonio and Carmen Avanceña*, G.R. No. 190520, May 30, 2016.

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It is doctrinal that to be considered as just, the compensation must be fair and equitable, and the landowners must have received it without any delay. The requirement of the law is not satisfied by the mere deposit 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 R.A. No. 6657.²⁷

The amount allegedly deposited by the petitioner was only a partial payment that amounted to almost 18% of the actual value of the subject landholdings. It could be the basis for the immediate taking of the subject landholdings but by no stretch of the imagination can said nominal amount be considered substantial enough to satisfy the full requirement of just compensation, taking into account its income potential and the foregone income lost because of the immediate taking.

Notwithstanding the fact that the petitioner had immediately deposited the initial valuation of the subject landholdings after its taking, the fact remains that up to this date, the respondent has not yet been fully paid. Thus, the respondent is entitled to legal interest from the time of the taking of the subject landholdings until the actual payment in order to place it in a position as good as, but not better than, the position that it was in before the taking occurred. The imposition of such interest is to compensate the respondent for the income it would have made had it been properly compensated for the properties at the time of the taking.²⁸

In the recent case of *Land Bank of the Philippines v. Alfredo Hababag, Sr.*,²⁹ the Court reiterated its ruling in *Apo Fruits Corp., et al. v. Land Bank of the Philippines*,³⁰ that the substantiality of the payments made by therein petitioner 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.³¹

As to the proper reckoning point of the legal interest, it is fundamental that just compensation should be determined at the time of the property's taking. Here, the date of the taking of the subject landholdings for purposes of computing just compensation should be reckoned from the issuance dates of the CLOA. A CLOA is a document evidencing ownership of the land

²⁷ *Land Bank of the Philippines v. Alfredo Hababag, Sr.*, G.R. No. 172352, June 8, 2016.

²⁸ *Land Bank of the Philippines v. Spouses Antonio and Carmen Avanceña*, supra note 26.

²⁹ G.R. No. 172352, June 8, 2016.

³⁰ 647 Phil. 251 (2010).

³¹ *Land Bank of the Philippines v. Alfredo Hababag, Sr.*, supra note 29.

granted or awarded to the beneficiary by the DAR, and contains the restrictions and conditions provided for in R.A. No. 6657 and other applicable laws.³² Since the CLOA in this case had been issued on September 16, 1992, the just compensation for the subject landholdings should then be reckoned therefrom, being considered the time of taking. This is based on the principle that interest runs as a matter of law and follows from the right of the landowner to be placed in as good position as money can accomplish, as of the date of the taking.³³

In sum, the respondent has waited too long before the petitioner could fully pay the amount of just compensation due to it. It is clear that the respondent voluntarily offered its subject landholdings to be included in the CARP. The respondent submitted to expropriation and surrendered its landholdings. Although it initially contested the valuation that the government made, the respondent accepted the amount finally fixed by the appellate court. From the time of taking on September 16, 1992 to the present, it has already been 25 years but the respondent has not yet received the full amount of just compensation that was due. Thus, the long delay entitles them to the payment of interest to compensate for the loss of income due to the taking.

WHEREFORE, the petition is **PARTLY GRANTED**. The Amended Decision dated September 30, 2010 of the Court of Appeals in CA-G.R. CV No. 75045-MIN is hereby **AFFIRMED with MODIFICATION** as follows:

1. Petitioner Land Bank of the Philippines is ordered to pay respondent Phil-Agro Industrial Corporation ₱11,640,730.68 representing the just compensation of the subject landholdings; and
2. Legal interest shall be pegged at the rate of twelve percent (12%) *per annum*, reckoned from the time of taking on September 16, 1992. Thereafter, or beginning July 1, 2013, until fully paid, just compensation shall earn interest at the new legal rate of six percent (6%) *per annum*.

³² *Lebrudo, et al. v. Loyola*, 660 Phil. 456, 462 (2011).

³³ *Sy v. Local Government of Quezon City*, 710 Phil. 549, 560 (2013).

SO ORDERED.

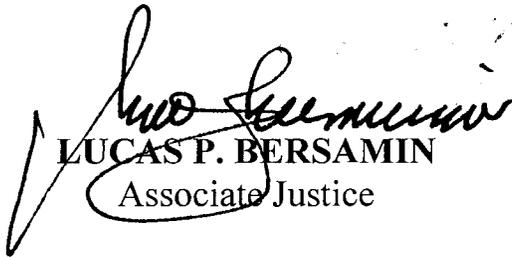


BIENVENIDO L. REYES
Associate Justice

WE CONCUR:



PRESBITERO J. VELASCO, JR.
Associate Justice
Chairperson



LUCAS P. BERSAMIN
Associate Justice



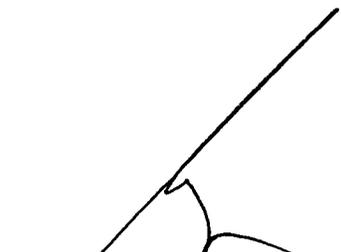
FRANCIS H. JARDELEZA
Associate Justice



NOEL G. TLJAM
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.



PRESBITERO J. VELASCO, JR.
Associate Justice
Chairperson

CERTIFICATION

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



MARIA LOURDES P. A. SERENO
Chief Justice

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Deputy Division Clerk of Court
Third Division

APR 05 2017

