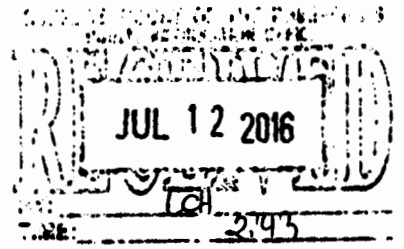




Republic of the Philippines
Supreme Court
Manila



FIRST DIVISION

NATIONAL CORPORATION,

POWER G. R. No. 193455

Petitioner,

- versus -

HEIRS OF GREGORIO RAMORAN, NAMELY: DELFIN R. PINEDA, ESPERANZA PINEDA MAGPALI, DIGNA PINEDA ARZADON, CARIDAD R. PINEDA, IMELDA ZIAPNO, TERESITA PINEDA DELFIN, ESTER R. PINEDA, FE Y. UZON, PACENCIA ERFE VERSOZA, IMPRESSION V. CLEMENTE, ALL REPRESENTED BY DELFIN R. PINEDA, ATTORNEY-IN-FACT,

Respondents.

SPOUSES ARNULFO R. VERSOZA AND PRISCILLA M. VERSOZA; SPOUSES DOMINGO AND DOMINGA GOMEZ; AND ERLINDA GOMEZ-OCAY, IN HER BEHALF AND IN BEHALF OF CARLITO, MEDELINA, ANGELISTA, SILVERA, LOLITA, & ROMBERTO, ALL SURNAMED GOMEZ,

Intervenor-respondents.

Present:

SERENO, *CJ*, Chairperson,
LEONARDO-DE CASTRO,
BERSAMIN,
PERLAS-BERNABE, and
CAGUIOA, *JJ*.

Promulgated:

JUN 13 2016

x ----- x

DECISION

SERENO, *CJ*:

This is a Petition for Review on Certiorari filed by the National Power Corporation (petitioner) through the Office of the Solicitor General assailing

the Court of Appeals (CA) Decision¹ in CA-G.R. CV No. 90778. The CA denied petitioner's appeal from the Decision² issued by the Regional Trial Court (RTC) Branch 38 in Lingayen, Pangasinan, in Civil Case No. 17355. The RTC imposed legal interest at the rate of 12% per annum from the filing of the complaint until full payment.³

The issue is whether the CA properly sustained the imposition of 12%, instead of 6%, legal interest on the amount of just compensation for the unpaid portion of the property.

We affirm the ruling of the CA with the modification that the legal interest shall be 12% from 2 March 1995 until 30 June 2013, and 6% from 1 July 2013 until full satisfaction.

FACTS

Petitioner is a government-owned and controlled corporation created and existing by virtue of Republic Act (R.A.) No. 6395.⁴ On 10 February 1995, it filed a Complaint⁵ for eminent domain against respondents before the RTC. The complaint was for the expropriation of **67,984** square meters of land in *Barangay* Pangascasan, Sual, Pangasinan, covered by Original Certificate of Title (OCT) No. P-8665 issued in the name of Gregoria Ramoran.⁶ The property was to form part of the Sual Coal-Fired Thermal Power Plant project.⁷

On 23 February 1995, petitioner sent respondents a Notice to Take Possession⁸ informing them that it had already deposited ₱2,030 – the assessed value of the property –with the Philippine National Bank, Lingayen, Pangasinan. On 27 February 1995, petitioner filed an Urgent Ex-Parte Motion for Issuance of Writ of Possession,⁹ after which, a Writ of Possession¹⁰ was issued in its favor on 2 March 1995.

In the course of the proceedings, individual motions for intervention were filed by Spouses Arnulfo and Priscilla Versoza, Spouses Domingo and Dominga Gomez, and Erlinda Gomez-Ocay in her own behalf and also in behalf of Carlito, Medelina, Angelista, Silvera, Lolita & Romberto, all

¹ *Rollo*, pp 40-57; dated 18 August 2010, penned by Associate Justice Ramon R. Garcia and concurred in by Associate Justices Rosmari D. Carandang and Manuel M. Barrios.

² *Id.* at 203-210; dated 2 May 2007, penned by Judge Teodoro C. Fernandez.

³ *Id.* at 11.

⁴ *Id.* at 12.

⁵ *Id.* at 62-68.

⁶ *Id.* at 14.

⁷ *Id.* at 43.

⁸ *See id.* at 81.

⁹ *See id.* at 84-86.

¹⁰ *See id.* at 88.

surnamed Gomez (collectively, intervenor-respondents), in which they claimed legal interest over the property sought to be expropriated.¹¹ Spouses Versoza pointed out that the entire area sought to be expropriated was not just 67,984 but 91,212 square meters,¹² and records showed that the land covered by OCT No. P-8665 indeed had an area of **91,212** square meters.¹³ Petitioner did not dispute the fact that it had taken possession of the entire 91,212 square meters.

On 24 October 1995, the RTC issued an Order for the creation of a committee that would determine the amount of just compensation.¹⁴ On 18 May 1998, the trial court adopted one commissioner's recommendation for compensation of the land at ₱10 per square meter, or a total of ₱1,029,840.¹⁵ On 30 May 2000, a partial compromise agreement,¹⁶ providing for the distribution of this amount corresponding to the 67,984-square-meter portion of the property, was executed by respondents and intervenor-respondents Spouses Versoza. The agreement was approved by the RTC on the same day.¹⁷ On 3 October 2000, a compromise agreement,¹⁸ which fixed the shares in terms of ratios and percentages of the remaining 23,228 square meters, was executed by the respondents and intervenor-respondents. The agreement was approved by the trial court on the same day.¹⁹

The just compensation for 67,984 square meters having been resolved, petitioner filed a Manifestation.²⁰ It submitted that the only issue left was the classification of, and just compensation for, the remaining 23,228 square meters.

On 2 May 2007, the RTC ordered petitioner to pay ₱1,675,290²¹ for the remaining portion, with legal interest of 12% per annum from 10 February 1995 until full payment.²² In its Motion for Partial Reconsideration,²³ petitioner insisted that pursuant to *National Power*

¹¹ Id. at 44-45, 47.

¹² Id. at 44.

¹³ See copy of OCT No. P-8665, id. at 70.

¹⁴ Id. at 45.

¹⁵ Id. at 46.

¹⁶ See id. at 144-145.

¹⁷ See Decision dated 30 May 2000, id. at 146-147.

¹⁸ See id. at 159-160.

¹⁹ See Decision dated 3 October 2000, id. at 161-162.

²⁰ Id. at 163-164.

²¹ Broken down as follows:

Lot No.	Land Classification	Area (in sq.m.)	Price (per sq.m.)	Amount
2-B-1	Salvage Zone	4,725	₱300	₱1,417,500
2-B-2-A	Agricultural	3,638	₱30	₱ 109,140
2-B-2-B	Agricultural-Interior	14,865	₱10	₱ 148,650
Total		23,228		₱1,675,290

²² See Decision dated 2 May 2007, id at 203-210.

²³ See id. at 211-216.

Corporation v. Angas,²⁴ the rate should only be 6%. When the motion was denied by the trial court,²⁵ petitioner appealed to the CA.²⁶

The Petition for Review was denied by the CA, which cited *Land Bank of the Phils. v. Chico*,²⁷ *Land Bank of the Phils. v. Imperial*,²⁸ *Land Bank of the Phils. v. Wycoco*,²⁹ *Reyes v. National Housing Authority*,³⁰ and *Republic v. Court of Appeals*³¹ as basis for ruling that the transaction between landowners and the government in expropriation proceedings is one of loan or forbearance of money, which carries the payment of interest at 12% per annum in case of delay of payment.³²

ISSUES

Petitioner contends that the correct rate for legal interest is only 6%, because 1) pursuant to *National Power Corporation v. Angas*,³³ the transaction was not a loan or forbearance of money, goods or credit; and 2) there was no unjustified delay in the payment of just compensation for the remaining portion of the property.

OUR RULING

The case invoked by petitioner was overturned in 2002 by *Republic v. Court of Appeals*.³⁴ In *Republic*, this Court said that just compensation amounted to an effective forbearance on the part of the state. Applying *Eastern Shipping Lines*, the Court fixed the applicable interest rate at 12% per annum, computed from the time the property was taken until the full amount of just compensation was paid, in order to eliminate the issue of the constant fluctuation and inflation of the value of the currency over time.³⁵

Nevertheless, in line with the recent circular of the Monetary Board of the Bangko Sentral ng Pilipinas (BSP-MB) No. 799, Series of 2013, effective 1 July 2013, the prevailing rate of interest for loans or forbearance of money is six percent (6%) per annum, in the absence of an express contract as to such rate of interest.³⁶

²⁴ G.R. Nos. 60225-26, 8 May 1992, 208 SCRA 542.

²⁵ See Order dated 25 October 2007, id. at 219-221.

²⁶ See Appellant's Brief, id. at 228-249.

²⁷ 600 Phil. 272 (2009).

²⁸ 544 Phil. 378 (2007).

²⁹ 464 Phil. 83 (2004).

³⁰ 443 Phil. 603 (2003).

³¹ 433 Phil. 106 (2002).

³² *Rollo*, p. 55.

³³ *Supra* note 24.

³⁴ *Supra* note 31.

³⁵ *Apo Fruits Corporation v. Land Bank of the Phils.*, 647 Phil. 251 (2010).

³⁶ See *Nacar v. Gallery Frames*, G.R. No. 189871, 13 August 2013, 703 SCRA 439.

The only question that remains is whether there has been a delay in the payment of just compensation for the remaining portion of the property that would warrant the imposition of 12% legal interest.

The issue being one of fact, We accord great respect to the finding of the trial court as affirmed by the CA, that the taking of the 23,228-square-meter portion preceded the payment or deposit of just compensation. Petitioner does not even contradict this finding, but merely attributes the delay in the resolution of the case to intervenor-respondents, who had asserted their legal interest over the property, and to the court-appointed commissioners, who had failed to submit their reports on time.³⁷

Petitioner appears to have misunderstood the concept of "delay" in expropriation cases. The term does not pertain to the length of time that elapsed from the filing of the Complaint until its resolution. Rather, it refers to the fact that property was taken for public use before compensation was deposited with the court having jurisdiction over the case.³⁸ The argument that the resolution of the case was prolonged by several factors is therefore unmeritorious.

These are the undisputed facts: 1) the Complaint alleged that only 67,984 of 91,212 square meters of land covered by OCT No. P-8665 were being sought to be expropriated; 2) petitioner actually took possession of the entire 91,212 square meters; 3) it paid just compensation for 67,984 square meters only; 4) as early as 19 June 1995, intervenor-respondents Spouses Versoza had already called the attention of petitioner regarding the discrepancy; and 5) petitioner failed to tender even the provisional value of the remaining 23,228 square meters.

Clearly, there was delay because property was taken for public use before compensation was paid or deposited with the court. Without prompt payment, compensation cannot be considered "just," for property owners are made to suffer the consequence of being immediately deprived of their land, while being made to wait for a decade or more, before actually receiving the amount necessary to cope with their loss.³⁹ Hence, between the taking of the property and the actual payment, legal interests accrue in order to place the owners in a position as good as the position they were in before the taking occurred.⁴⁰

In its Consolidated Reply, petitioner invokes good faith. It claims that at the time of the filing of the Complaint in 1995, it merely relied on the

³⁷ *Rollo*, p. 33.

³⁸ See *Republic v. CA*, supra note 31.

³⁹ *Cosculleula v. CA*, 247 Phil. 359 (1988).


⁴⁰ See *Cosculleula v. CA*, id.

available tax declaration covering the entire property, which allegedly indicated the area to be 67,984.⁴¹ The records prove otherwise. In its Pre-trial Brief dated 5 April 1995, petitioner specified OCT No. P-8665 as one of the documents to be presented during trial.⁴² The certificate of title, which was issued as early as 3 October 1966, shows on its face that the area covered was “9 hectares, 12 ares, and 12 centares” or 91,212 square meters.⁴³ The lawyers who signed that pleading are reminded of Canon 10.1 of the Code of Professional Responsibility: “A lawyer shall not do any falsehood, nor consent to the doing of any in Court; nor shall he mislead, or allow the Court to be misled by any artifice.” The Court expects candor from its officers.

On a last note, the RTC and the CA imposed legal interest from the time of the filing of the Complaint on 10 February 1995. Both courts, however, failed to determine when petitioner actually took possession of the property. Absent such finding, We are left to rely on the records showing that a Writ of Possession was issued on 2 March 1995. Since it is from this fact that the date of the deprivation of property can be established, it is only proper that accrual of legal interest should begin on that date, not on the date of the filing of the Complaint.

WHEREFORE, the Petition is **DENIED**. The Court of Appeals Decision dated 18 August 2010 in CA-G.R. CV No. 90778 is hereby **AFFIRMED** with **MODIFICATION**. The just compensation shall be subject to legal interest at the rate of 12% per annum from 2 March 1995 to 30 June 2013 and, thereafter, 6% per annum from 1 July 2013 until full payment is made, pursuant to *Bangko Sentral ng Pilipinas* Monetary Board Circular No. 799, Series of 2013, and applicable jurisprudence.

SO ORDERED.



MARIA LOURDES P. A. SERENO
Chief Justice, Chairperson

⁴¹ *Rollo*, p. 334.

⁴² *Id.* at 94.

⁴³ *Supra* note 13.

WE CONCUR:

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

Lucas P. Bersamin
LUCAS P. BERSAMIN
Associate Justice

Estela M. Perlas-Bernabe
ESTELA M. PERLAS-BERNABE
Associate Justice

Alfredo Benjamin S. Caguioa
ALFREDO BENJAMIN S. CAGUIOA
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
MARIA LOURDES P. A. SERENO
Chief Justice