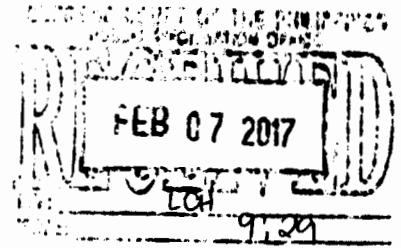




Republic of the Philippines
Supreme Court
Manila



FIRST DIVISION

LAND BANK OF THE PHILIPPINES,
 Petitioner,

G.R. No. 170506

Present:

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

- versus -

HEIRS OF LORENZO TAÑADA AND EXPEDITA EBARLE,
 Respondents.

Promulgated:

JAN 11 2017

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DECISION

LEONARDO-DE CASTRO, J.:

Before the Court is a petition for review under Rule 45 of the 1997 Rules of Civil Procedure assailing the Decision¹ dated April 8, 2005 as well as the Resolution² dated November 22, 2005 of the Court of Appeals in CA-G.R. SP No. 79245, entitled “*Land Bank of the Philippines v. Heirs of Lorenzo Tañada and Expedita Ebarle.*” The assailed April 8, 2005 appellate court ruling was an affirmance of the Decision³ dated July 13, 1999 of Branch 1 of the Regional Trial Court of Bataan in Civil Case Nos. 6328 and 6333. On the other hand, the assailed November 22, 2005 Resolution denied for lack of merit the motion for reconsideration filed by petitioner.

In the aforementioned April 8, 2005 Decision of the Court of Appeals, the factual antecedents of this case were synthesized as follows:

Respondents, the Heirs of Lorenzo Tañada and Expedita Ebarle, are the owners of several parcels of land situated in Gabon, Abucay, Bataan, covered by TCT Nos. T-8483 and T-12610, with respective land areas of 56.8564 and 16.9268 hectares. The record shows that sometime in 1988, the aforesaid parcels of land were placed under the land reform

¹ *Rollo*, pp. 58-69; penned by Associate Justice Rebecca de Guia-Salvador with Associate Justices Conrado M. Vasquez, Jr. and Aurora Santiago-Lagman concurring.
² *Id.* at 71-73.
³ *Id.* at 128-131.

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program of the government. It was determined that 16.7692 hectares from TCT No. T-8483 and 13 hectares from TCT No. T-12610 would be included in the program.

Pursuant to its mandate under Executive Order No. 405, petitioner Land Bank of the Philippines (LBP) valued the properties to be taken at ₱223,837.29 for 16.7692 hectares and ₱192,610.16 for 13 hectares or a total of ₱416,447.43. Dissatisfied with this valuation for being unreasonably and unconscionably low, respondents instituted the summary administrative proceedings for the preliminary determination of just compensation in 1992 and 1993. Said cases were docketed as DARAB Case Nos. 068-B'92 for TCT No. 12610 and 103-BT'93 for TCT No. T-8483 with the Department of Agrarian Reform Adjudication Board (DARAB) in Region III.

With the DARAB's affirmation of the acquisition cost fixed by petitioner for the subject properties, respondents instituted separate petitions for the determination and payment of just compensation, viz.: Civil Case No. 6328 for the 16.7692 hectares covered by TCT No. T-8483 and Civil Case No. 6353 for the 13 hectares under TCT No. T-12610, both with the RTC of Bataan, Branch I. Contending that the price fixed by petitioner was unconscionably low, respondents prayed that their properties be revalued at ₱150,000.00 per hectare. Since they raised similar issues, the two (2) cases were eventually consolidated.

To establish their claim for just compensation, respondents presented Jose Dela Cruz, a vault keeper from the Office of the Bataan Register of Deeds, who testified that he is the custodian of documents and titles in the said office. Said witness identified a Deed of Sale dated 05 April 1997 executed by Horacio Limcangco who sold 6,158 square meters of land in Abucay, Bataan for ₱20,000.00 or for ₱3.24 per square meter. He also identified a Deed of Absolute Sale dated 27 August 1996 executed by Franklin and Benigno Morales whereby 53,102 square meters of land in Abucay, Bataan was sold for ₱830,000.00 or for ₱15.91 per square meter.

On the other hand, neither the Department of Agrarian Reform (DAR) nor petitioner presented any witness to refute the evidence presented by respondents. Instead, they offered documentary exhibits to show how, in adherence to DAR Administrative Order No. 6, Series of 1992, they arrived at the valuation of the just compensation for the subject parcels.⁴ (Citations omitted.)

Upon termination of the proceedings, the trial court acting as a Special Agrarian Court (SAC) rendered the assailed July 13, 1999 Decision which favored the respondents in this case and pegged the value of the lots in question at fifteen pesos per square meter or ₱150,000.00 per hectare. The dispositive portion of the trial court's judgment is reproduced here:

WHEREFORE, judgment is hereby rendered:

⁴ Id. at 59-60.

1. Declaring that the petitioners are entitled to just compensation; and

2. That ₱150,000.00 per hectare is just compensation for the land of the petitioners to be paid by the Land Bank of the Philippines for the areas selected by the Department of Agrarian Reform namely: 16.7692 hectares under Transfer Certificate of Title No. T-8483 and 13 hectares under Transfer Certificate of Title No. T-12610 both of the Office of the Register of Deeds of Bataan.⁵

In arriving at the said ruling, the trial court reasoned, thus:

The issue to be resolved is whether or not the valuation made by the Land Bank of the Philippines and DARAB [is] just compensation for the said properties to be acquired by the Department of Agrarian Reform.

In the case of Association of Small Landowners in the Philippines, Inc. vs. Secretary of Agrarian Reform, 175 SCRA 343, the Supreme Court held that:

Just compensation is defined as the full and fair equivalent of the property taken from its owner by the expropriator. It has been repeatedly stressed by this Court that the measure is not the taker's gain but the owner's loss. The word just is used to intensify the meaning of the word "compensation" to convey the idea that the equivalent to be rendered for the property to be taken shall be real, substantial, full, ample. Manila Railroad Co. vs. Velasquez, 32 Phil. 286; Manotok vs. National Housing Authority, 150 SCRA 89.

Based on said definition of what is just compensation, this Court believes that the price of ₱150,000.00 per hectare or ₱15.00 per square meter which the petitioners are asking is just and reasonable. This is the same price for which the owner of adjoining land was sold in Abucay, Bataan in 1996.

This Court cannot close its eyes to the prevalent practice of tenants that once they are awarded lots under the Comprehensive Agrarian Reform Program, they immediately look for prospective buyers, selling the property from ₱500,000.00 to ₱1,000,000.00 per hectare which they only acquired at a very low price to the point of being confiscatory to the prejudice of the real owners.⁶

A motion for reconsideration was subsequently filed by petitioner but this was denied by the trial court in its Order dated August 7, 2003.⁷

Dissatisfied with the adverse judgment, petitioner elevated the case to the Court of Appeals. However, the appellate court merely denied petitioner's appeal and affirmed the appealed decision of the trial court in the now assailed April 8, 2005 Decision, which dispositively states:

⁵ Id. at 131.

⁶ Id. at 130-131.

⁷ Id. at 132; penned by Judge Benjamin T. Vianzon.



WHEREFORE, the petition is DENIED for lack of merit and the appealed Decision dated 13 July 1999 is **AFFIRMED in toto**.⁸

When the appellate court refused to reconsider the foregoing decision, petitioner sought our review of the case and our ruling on the following issue:

WHETHER OR NOT THE SPECIAL AGRARIAN COURT CAN DISREGARD THE VALUATION GUIDELINES OR FORMULA PRESCRIBED UNDER DAR AO NO. 6, SERIES OF 1992, AND AS HELD IN THE CASE OF SPS. BANAL, *SUPRA*, IN FIXING THE JUST COMPENSATION OF THE SUBJECT PROPERTIES.⁹

Respondents, in turn, opposed the petition on the ground that petitioner's valuation based on the formula in DAR Administrative Order No. 06, series of 1992, may not supplant the valuation of the SAC, which was affirmed by the Court of Appeals.¹⁰ They further argued that the petitioner's valuation of the lots (at an average of a little over one peso per square meter) was grossly unjust and unsupported by proof.

Essentially, the sole issue to be resolved by this Court is whether or not the trial court utilized the correct method in fixing the just compensation due to respondents' parcels of land which have been subjected to land reform proceedings under Republic Act No. 6657 or the Comprehensive Agrarian Reform Law of 1988.

After carefully weighing the issues and arguments presented by the parties in this case, we find the petition meritorious.

In *Land Bank of the Philippines v. American Rubber Corporation*,¹¹ we elaborated on the concept of just compensation in this wise:

This Court has defined "just compensation" for parcels of land taken pursuant to the agrarian reform program as "the **full and fair** equivalent of the property taken from its owner by the expropriator." The measure of compensation is not the taker's gain but the owner's loss. Just compensation means the equivalent for the value of the property at the time of its taking. It means a fair and full equivalent value for the loss sustained. All the facts as to the condition of the property and its surroundings, its improvements and capabilities should be considered. x x x. (Citations omitted.)

⁸ Id. at 69.

⁹ Id. at 256.

¹⁰ Id. at 234.

¹¹ 715 Phil. 154, 169 (2013).

Since there is no dispute that the subject properties are qualified for coverage under the agrarian reform law, the just compensation for the said properties must be governed by the valuation factors under Section 17 of Republic Act No. 6657 which provides:

SEC. 17. **Determination of Just Compensation.** - In determining just compensation, the cost of acquisition of the land, the current value of 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 nonpayment of taxes or loans secured from any government financing institution on the said land shall be considered as additional factors to determine its valuation.

Thus, we have held that when handling just compensation cases, the trial court acting as a SAC should be guided by the following factors: (1) the acquisition cost of the land; (2) the current value of the properties; (3) its nature, actual use, and income; (4) the sworn valuation by the owner; (5) the tax declarations; (6) the assessment made by government assessors; (7) the social and economic benefits contributed by the farmers and the farmworkers, and by the government to the property; and (8) the nonpayment of taxes or loans secured from any government financing institution on the said land, if any.¹²

Pursuant to the rule-making power of the Department of Agrarian Reform (DAR) under Section 49 of Republic Act No. 6657,¹³ the enumerated factors were translated into a formula that was outlined in DAR Administrative Order No. 17, series of 1989, as amended by DAR Administrative Order No. 03, series of 1991, and as further amended by DAR Administrative Order No. 06, series of 1992, entitled "RULES AND REGULATIONS AMENDING THE VALUATION OF LANDS VOLUNTARILY OFFERED AND COMPULSORILY ACQUIRED AS PROVIDED FOR UNDER ADMINISTRATIVE ORDER NO. 17, SERIES OF 1989, AS AMENDED, ISSUED PURSUANT TO REPUBLIC ACT NO. 6657."¹⁴

In determining the just compensation to be paid to respondents, petitioner utilized the formula indicated in DAR Administrative Order No. 06, series of 1992, which was in effect at the time the lots of respondents were subjected to coverage by the government's land reform program. The said formula is reproduced as follows:

¹² *Land Bank of the Philippines v. Palmares*, 711 Phil. 336 (2013).

¹³ SEC. 49. **Rules and Regulations.** -- The PARC and the DAR shall have the power to issue rules and regulations, whether substantive or procedural, to carry out the objects and purposes of this Act. Said rules shall take effect ten (10) days after publication in two (2) national newspapers of general circulation.

¹⁴ CA rollo, pp. 47-56.

II. THE FOLLOWING RULES AND REGULATIONS ARE HEREBY PROMULGATED TO AMEND CERTAIN PROVISIONS OF ADMINISTRATIVE ORDER NO. 17, SERIES OF 1989, AS AMENDED BY ADMINISTRATIVE ORDER NO. 3, SERIES OF 1991 WHICH GOVERN THE VALUATION OF LANDS SUBJECT OF ACQUISITION WHETHER UNDER VOLUNTARY OFFER TO SELL (VOS) OR COMPULSORY ACQUISITION (CA)

A. There shall be one basic formula for the valuation of land covered by VOS or CA regardless of the date of offer or coverage of the claim:

$$LV = (CNI \times 0.6) + (CS \times 0.3) + (MV \times 0.1)$$

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

The above formula shall be used if all the three factors are present, relevant, and applicable.

A1. When the CS factor is not present and CNI and MV are applicable, the formula shall be:

$$LV = (CNI \times 0.9) + (MV \times 0.1)$$

A2. When the CNI factor is not present, and CS and MV are applicable, the formula shall be:

$$LV = (CS \times 0.9) + (MV \times 0.1)$$

A3. When both the CS and CNI are not present and only MV is applicable, the formula shall be:

$$LV = MV \times 2^{15}$$

It is settled in jurisprudence that, in order to determine just compensation, the trial court acting as a SAC must take into consideration the factors prescribed by Section 17 of Republic Act No. 6657 and is obliged to apply the formula crafted by the DAR. We discussed the long line of cases calling for the mandatory application of the DAR formula in *Land Bank of the Philippines v. Honeycomb Farms Corporation*,¹⁶ to wit:

In *Land Bank of the Philippines v. Sps. Banal*, we recognized that the DAR, as the administrative agency tasked with the implementation of the agrarian reform program, already came up with a formula to determine just compensation which incorporated the factors enumerated in Section 17 of RA 6657. We said:

¹⁵ Id. at 48-49.

¹⁶ 698 Phil. 298, 318-319 (2012).

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These factors [enumerated in Section 17] have been translated into a basic formula in DAR Administrative Order No. 6, Series of 1992, as amended by DAR Administrative Order No. 11, Series of 1994, issued pursuant to the DAR's rule-making power to carry out the object and purposes of R.A. 6657, as amended.

In *Landbank of the Philippines v. Celada*, we emphasized the duty of the RTC to apply the formula provided in the applicable DAR AO to determine just compensation, stating that:

While [the RTC] is required to consider the acquisition cost of the land, the current value of like properties, its nature, actual use and income, the sworn valuation by the owner, the tax declaration and the assessments made by the government assessors to determine just compensation, it is equally true that these factors have been translated into a basic formula by the DAR pursuant to its rule-making power under Section 49 of R.A. No. 6657. As the government agency principally tasked to implement the agrarian reform program, it is the DAR's duty to issue rules and regulations to carry out the object of the law. [The] DAR [Administrative Order] precisely "filled in the details" of Section 17, R.A. No. 6657 by providing a basic formula by which the factors mentioned therein may be taken into account. The [RTC] was at no liberty to disregard the formula which was devised to implement the said provision.

It is elementary that rules and regulations issued by administrative bodies to interpret the law which they are entrusted to enforce, have the force of law, and are entitled to great respect. Administrative issuances partake of the nature of a statute and have in their favor a presumption of legality. As such, courts cannot ignore administrative issuances especially when, as in this case, its validity was not put in issue. Unless an administrative order is declared invalid, courts have no option but to apply the same.

We reiterated the mandatory application of the formula in the applicable DAR administrative regulations in *Land Bank of the Philippines v. Lim*, *Land Bank of the Philippines v. Heirs of Eleuterio Cruz*, and *Land Bank of the Philippines v. Barrido*. x x x.

In *Land Bank of the Philippines v. Gonzalez*,¹⁷ we reiterated this doctrine:

While the determination of just compensation is essentially a judicial function vested in the RTC acting as a SAC, the judge cannot abuse his discretion by not taking into full consideration the factors specifically identified by law and implementing rules. SACs are not at liberty to disregard the formula laid down in DAR A.O. No. 5, series of 1998, because unless an administrative order is declared invalid, courts

¹⁷ 711 Phil. 98, 113 (2013), citing *Allied Banking Corporation v. Land Bank of the Philippines*, 600 Phil. 346, 356 (2009).

have no option but to apply it. Simply put, courts cannot ignore, without violating the agrarian reform law, the formula provided by the DAR for the determination of just compensation. (Citation omitted.)

To settle the lingering legal objections to the use of Section 17 of Republic Act No. 6657 and the implementing formulas of the DAR in the valuation of properties covered by the government's agrarian reform program, the Court *En Banc* held in the recent case of *Alfonso v. Land Bank of the Philippines*¹⁸:

For clarity, we restate the body of rules as follows: **The factors listed under Section 17 of RA 6657 and its resulting formulas provide a uniform framework or structure for the computation of just compensation which ensures that the amounts to be paid to affected landowners are not arbitrary, absurd or even contradictory to the objectives of agrarian reform. Until and unless declared invalid in a proper case, the DAR formulas partake of the nature of statutes, which under the 2009 amendment became law itself, and thus have in their favor the presumption of legality, such that courts shall consider, and not disregard, these formulas in the determination of just compensation for properties covered by the CARP. When faced with situations which do not warrant the formula's strict application, courts may, in the exercise of their judicial discretion, relax the formula's application to fit the factual situations before them, subject only to the condition that they clearly explain in their Decision their reasons (as borne by the evidence on record) for the deviation undertaken. It is thus entirely allowable for a court to allow a landowner's claim for an amount higher than what would otherwise have been offered (based on an application of the formula) for as long as there is evidence on record sufficient to support the award.**

In the case at bar, the trial court, in arriving at the amount of just compensation to be paid to respondents, solely based its conclusion on the alleged selling price or market value of the land adjoining respondents' properties.

Likewise, the Court of Appeals merely sustained the trial court's method of valuation which was chiefly based on the market value of adjoining properties. The appellate court held:

In the case at bench, it cannot be gainsaid that the valuation of respondents' properties was based mainly on the market value of properties within the surrounding area. To our mind, the trial court's fixing of the just compensation for respondents' properties at ₱150,000.00 per hectare or at ₱15.00 per square meter is a fair valuation considering their suitability for agriculture, accessibility to both provincial and municipal roads and close proximity to the barangay road in the locality. Aside from the income-yielding crops and fruit bearing trees to which the subject realties are already planted, we find that the trial court also correctly took appropriate note of the fact that properties within the area

¹⁸ G.R. Nos. 181912 & 183347, November 29, 2016.

commanded the price of ₱3.24 per square meter in 1977 and ₱15.91 per square meter in 1996.¹⁹ (Citations omitted.)

Notably, in *Alfonso*, we recognized that comparable sales is one of the factors that may be considered in determining the just compensation that may be paid to the landowner. However, there must still be proof that such comparable sales met the guidelines set forth in DAR AO No. 5 (1998), which included among others, that such sales should have been executed within the period January 1, 1985 to June 15, 1988 and registered within the period January 1, 1985 to September 13, 1988.

It is apparent from the foregoing that both the trial court and the Court of Appeals did not observe the valuation factors under Section 17 of Republic Act No. 6657 as translated into a basic formula in DAR Administrative Order No. 06, series of 1992, without a well-reasoned justification for the deviation as supported by the evidence on record. This is in clear violation of the express mandate of both the law and jurisprudence concerning the determination of just compensation of land subjected to coverage by the agrarian reform law. For this reason, the valuation made by the trial court cannot be upheld and must be struck down as illegal.

However, despite the necessity of setting aside the computation of just compensation of the trial court, the Court cannot automatically adopt petitioner's own calculation as prayed for in the instant petition. As we decreed in *Heirs of Lorenzo and Carmen Vidad v. Land Bank of the Philippines*,²⁰ the "LBP's valuation has to be substantiated during an appropriate hearing before it could be considered sufficient in accordance with Section 17 of Republic Act No. 6657 and the DAR regulations."

The veracity of the facts and figures which petitioner used in arriving at the amount of just compensation under the circumstances involves the resolution of questions of fact which is, as a rule, improper in a petition for review on *certiorari*. We have likewise consistently taken the position that the Court is not a trier of facts.²¹ Thus, a remand of this case for reception of further evidence is necessary in order for the trial court acting as a SAC to determine just compensation in accordance with Section 17 of Republic Act No. 6657 and the applicable DAR regulations.

WHEREFORE, premises considered, the petition is **PARTIALLY GRANTED**. The Decision dated April 8, 2005 and the Resolution dated November 22, 2005 of the Court of Appeals in CA-G.R. SP No. 79245 are **REVERSED** and **SET ASIDE**. Civil Case Nos. 6328 and 6333 are **REMANDED** to the Regional Trial Court of Bataan, Branch 1 for the determination of just compensation, based on Section 17 of Republic Act

¹⁹ *Rollo*, pp. 66-67.


²⁰ 634 Phil. 9, 38 (2010).

²¹ *3rd Alert Security and Detective Services, Inc. v. Navia*, 687 Phil. 610, 615 (2012).


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No. 6657 and the applicable administrative orders of the Department of Agrarian Reform, and in consonance with prevailing jurisprudence.


SO ORDERED.


TERESITA J. LEONARDO-DE CASTRO
Associate Justice

WE CONCUR:


MARIA LOURDES P. A. SERENO
Chief Justice
Chairperson



MARIANO C. DEL CASTILLO
Associate Justice


ESTELA M. PERLAS-BERNABE
Associate Justice


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
Chief Justice