



Republic of the Philippines  
Supreme Court  
Manila

SECOND DIVISION

LAND BANK OF THE  
PHILIPPINES,

Petitioner,

G.R. No. 187307

Present:

PERALTA\*, CJ.,  
HERNANDO,  
Acting Chairperson,

INTING,

DELOS SANTOS, and

BALTAZAR-PADILLA,\*\* JJ.

- versus -

DEL MORAL, INC.,

Respondent.

Promulgated:

14 OCT 2020

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DECISION

**HERNANDO, J.:**

Challenged in this Petition is the Decision<sup>1</sup> dated May 9, 2008 and Resolution<sup>2</sup> dated March 26, 2009 of the Court of Appeals (CA) in CA-G.R. SP No. 98033 which affirmed the computation of just compensation by the Regional Trial Court (RTC), Urdaneta City, Pangasinan, Branch 45, sitting as a Special Agrarian Court (SAC) in Agrarian Case No. U-1505.

**The Antecedents**

Respondent Del Moral, Inc. (Del Moral) is a domestic family corporation and the registered owner of several parcels of land situated in different municipalities in Pangasinan with a total area of 125.2717 hectares. These parcels of land were originally tobacco farmlands. 102.9766 hectares of Del Moral's property were later placed under

\* Vice Senior Associate Justice Estela M. Perlas-Bernabe per raffle dated April 9, 2013; see *rollo*, Vol. II, p. 757.

\*\*On leave.

<sup>1</sup> *Rollo*, Vol. I, pp. 64-74; penned by Associate Justice Rosmari D. Carandang (now a Member of this Court) and concurred in by Associate Justices Portia Aliño Hormachuelos and Estela M. Perlas-Bernabe (now a Member of this Court).

<sup>2</sup> *Id.* at 77-81.

the coverage of the agrarian reform program under Presidential Decree (P.D.) No. 27.<sup>3</sup>

On July 17, 1987, Executive Order (E.O.) No. 228<sup>4</sup> was issued which (1) provided for the full land ownership to qualified farmer-beneficiaries covered by P.D. No. 27; (2) determined the value of remaining unvalued rice and corn lands subject to P.D. No. 27; and (3) provided for the manner of payment by the farmer beneficiary and mode of compensation to the landowner. Pursuant to Section 2 of E.O. No. 228, the Department of Agrarian Reform (DAR) computed the just compensation to be paid to Del Moral in the total amount of ₱342,917.81.

In 1992, petitioner Land Bank of the Philippines (LBP) informed Del Moral of the approval of its monetary claim pertaining to the 102.9766 hectares of farmlands which were placed under the coverage of P.D. No. 27. The LBP assigned the original total valuation in the amount of ₱342,917.81 or roughly ₱3,329.30 per hectare as just compensation to Del Moral. However, Del Moral found the assigned valuation made by the DAR and the LBP to be grossly inadequate and unreasonably low. Thus, Del Moral filed a petition on April 26, 2002 before the RTC for the proper determination of just compensation.

### **The RTC Ruling:**

On October 16, 2006, the RTC rendered its Decision<sup>5</sup> computing the just compensation based on the recent fair market value of the property, instead of using the prevailing factors at the time of the taking. The court *a quo* used the formula in DAR Administrative Order (A.O.) No. 5 (Series of 1998)<sup>6</sup> and fixed the amount of just compensation at ₱216,104,385.00. In addition, it awarded Del Moral ₱90 million as temperate damages and PhP 10 million as nominal damages. The RTC also imposed legal interest on the monetary awards at the rate of six percent (6%) per *annum* to be computed from the finality of judgment until the amount is actually and fully paid.

The RTC denied<sup>7</sup> both motions for reconsideration<sup>8</sup> filed by the DAR and the LBP. Hence, they both filed separate petitions for review before the CA. The DAR's petition was docketed as CA-G.R. SP No. 98373 while the LBP's the appeal was docketed as CA-G.R. SP No. 98033.

### **DAR's Appeal:**

On October 30, 2007, the CA in CA-G.R. SP No. 98373<sup>9</sup> affirmed the RTC's

<sup>3</sup> 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. Approved: October 21, 1972.

<sup>4</sup> 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. Approved: July 17, 1987.

<sup>5</sup> *Rollo*, Vol. 1, pp. 160-174; penned by Presiding Judge Joven F. Costales.

<sup>6</sup> Revised Rules and Regulations Governing the Valuation of Lands Voluntarily Offered or Compulsorily Acquired Pursuant to Republic Act No. 6657.

<sup>7</sup> Records, Book 3, pp. 848-859. See Order dated February 5, 2007.

<sup>8</sup> *Id.* at 817-827; 829-834.

<sup>9</sup> *CA rollo*, pp. 524-537; penned by Associate Justice Myrna Dimaranan Vidal and concurred in by Associate

computation for just compensation but reduced the award for temperate and nominal damages to ₱10million and ₱1 million, respectively. The CA ratiocinated that Republic Act (R.A.) No. 6657, otherwise known as the *Comprehensive Agrarian Reform Law*, should be applied in computing just compensation because its passage into law came before the completion of Del Moral's agrarian reform process. While the expropriation proceeding for the subject properties was initiated under P.D. No. 27, the process was still incomplete considering that the just compensation has yet to be settled.

Upon denial of its motion for reconsideration,<sup>10</sup> the DAR filed a Petition for Review on *Certiorari*, docketed as G.R. No. 181183, before this Court. However, on June 4, 2008, this Court denied the said petition for failure to (1) state the material date when it filed its motion for reconsideration; and (2) submit a verification of the petition, a certificate of non-forum shopping, and an affidavit of service that shows competent evidence of the affiants' identities.<sup>11</sup> On October 28, 2008, this Resolution became final and executory and the corresponding entry of judgment was issued.<sup>12</sup>

### **LBP's Appeal:**

On May 9, 2008, prior to the finality of the denial of the DAR's Petition for Review before this Court, the CA issued the assailed Decision denying the LBP's appeal regarding the proper computation of just compensation. Aware of its earlier pronouncement in CA-G.R. SP No. 98373, the CA similarly affirmed the RTC's computation for just compensation and reduced the award for damages to conform to its previous ruling. The appellate court reasoned that the appeal of the LBP was practically anchored on the same issues and errors as assigned by the DAR in CA-G.R. SP No. 98373. Thus, the appellate court found no reason to depart from its previous ruling in CA-G.R. SP No. 98373, which involved the same subject matter, issues and parties, with the government represented by the DAR through the Provincial Agrarian Reform Office (PARO) in CA-G.R. SP No. 98373 and the LBP in CA-G.R. SP No. 98033.

Moreover, the CA, applying the doctrine laid down in *Land Bank of the Philippines v. Natividad*<sup>13</sup> which reiterated the ruling in *Office of the President v. Court of Appeals*,<sup>14</sup> held that when payment of just compensation is not effected immediately after the taking of the property, then just compensation must be computed based on the market value of the landholding prevailing at the time of payment. Since the agrarian reform process is not yet complete upon the coverage and taking of the subject properties in 1972, the just compensation to be paid to Del Moral is yet to be settled. In fact, the just compensation had not been judicially determined until after 35 years from the time of taking. Also, even if the deposits made by the LBP for the account of the owners in the total amount of PhP 342,917.81 is to be considered as the determination of just compensation, the same cannot be considered as payment within a reasonable

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Justices Jose L. Sabio, Jr. and Jose C. Reyes, Jr. (now a retired Member of this Court).

<sup>10</sup> Records, Book 3, pp. 1207-1210.

<sup>11</sup> Id. at 1472-1473; see Entry of Judgment.

<sup>12</sup> Id.

<sup>13</sup> 497 Phil 737, 747 (2005)

<sup>14</sup> 413 Phil. 711, 716 (2001).

time as it was deposited only in 1992 or after the lapse of 20 years from the time of taking in 1972.

Unsatisfied, the LBP moved for reconsideration. However, the CA was not persuaded in its assailed Resolution dated March 26, 2009 because of the following: (1) the computation for just compensation had already been definitively resolved in CA-G.R. SP No. 98373; (2) the extreme delay in the payment of just compensation is simply unjust, inequitable, and unrealistic to compute the corresponding just compensation for the subject landholding based on its value in 1972; and (3) *Lubrica v. Land Bank of the Philippines*<sup>15</sup> enunciates that in the event of long delay in the payment of just compensation, the computation must be based on the fair market value of the property prevailing at the time of payment.

Hence, the LBP filed this present Petition.

**The Writ of Execution and the  
LBP's Motion for a Temporary  
Restraining Order  
(TRO)/Preliminary Injunction:**

Meanwhile, as a result of the finality of this Court's Resolution dated October 28, 2008 in G.R. No. 181183, Del Moral filed a motion for execution on March 12, 2009. The LBP, in turn, filed its comment/opposition saying that despite being an indispensable party, it cannot be bound with the finality of the decision because it was not made a party to the appeal. The LBP even mentioned that it filed a separate appeal, docketed as CA-G.R. SP No. 98033, which was still pending before the CA at that time.

On April 24, 2009, the RTC granted the motion for execution reasoning that by the LBP's own admission, it is merely a custodian of the Agrarian Reform Fund (ARF), thus complementing the duties of the DAR with respect to agrarian reform. Both parties are therefore governed by the same facts, laws and jurisprudence covering just compensation cases. As held in *Tropical Homes, Inc. v. Judge Fortun*,<sup>16</sup> in appellate proceedings, the reversal of the judgment on appeal is binding only on the parties to the appealed case and does not affect or inure to the benefit of those who did not join or were not parties to the appeal except where the rights and liabilities of the parties appealing are so interwoven and dependent on each other as to be inseparable, in which case a reversal as to one operates as a reversal to all.

Moreover, the RTC ratiocinated that even if both the DAR and the LBP filed separate appeals, their obligation is joint and several or solidary in nature. Hence, even if the LBP is not a party to the appeal made by the DAR, the former is necessarily affected by the judgments/orders made therein.

From this Order, on May 26, 2009, the LBP directly filed an urgent verified motion/application for the issuance of a TRO/ preliminary injunction with this Court to

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<sup>15</sup> 537 Phil. 571, 583 (2006).

<sup>16</sup> 252 Phil. 83, 93 (1989).

restrain or enjoin the RTC, its agents, representatives, or any person acting for and in its behalf from enforcing the writ of execution. The LBP mainly argued that the RTC had no jurisdiction to issue a writ of execution.

### Issues

The issues to be resolved in this case are the following:

1. Whether the LBP is bound by the final and executory judgment against the DAR regarding the computation of just compensation and the award for temperate and nominal damages;
2. Whether the just compensation to be paid to Del Moral was properly computed; and
3. Whether the awards for temperate and nominal damages, as well as the legal interest imposed, are proper.

With the enactment of R.A. No. 9700,<sup>17</sup> amending R.A. No. 6657, the LBP argues that the issue as to which formula should be followed in computing the just compensation is already mooted. R.A. No. 9700 amended Section 7 of R.A. No. 6657 to read: "*all previously acquired lands wherein valuation is subject to challenge by landowners shall be completed and finally resolved pursuant to Section 17 of Republic Act No. 6657, as amended.*" Considering that the amount of just compensation for the acquisition of the subject landholdings is being challenged until now, the LBP claims that this case falls squarely within the ambit of the amendment.

Nonetheless, the LBP insists that the computation does not comply with the valuation factors under R.A. No. 6657, as implemented by DAR A.O. No. 2 (2009), and the pertinent valuation guidelines. The amount of ₱216,104,385.00, or ₱2,098,522.57 per hectare, is wrong because it was determined based solely on the current fair market value of the subject landholdings. A cursory reading of the assailed rulings would show that no other factors, *i.e.*, acquisition cost, sworn valuation by the owner, mortgage value, payment of taxes by the owner, and the social and economic benefits contributed by the farmers, were considered. Thus, the LBP posits that the courts *a quo*, by only using the current fair market value to determine just compensation, disregarded the applicable laws and existing jurisprudence.

Moreover, the LBP argues, together with the DAR, that it had not committed any culpable act or omission amounting to bad faith in including the

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<sup>17</sup> 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. Approved: August 7, 2009.

subject landholdings to the coverage of the agrarian reform program and in determining the just compensation to be paid as they were merely implementing the guidelines set by law. The LBP adds that there was no delay in the payment of just compensation as to warrant the award of damages because it had deposited in cash and in agrarian reform bonds the total amount of ₱342,917.81 as payment for just compensation. Finally, the LBP suggests that damages cannot be paid out of the ARF as this fund is answerable only for the payment of just compensation for the properties subject of agrarian reform.

On the other hand, Del Moral contends that the Court's ruling in G.R. No. 181183 can no longer be disturbed under the doctrine of law of the case because said judgment has attained finality.

Assuming that there could be a different judgment arrived at in this case, Del Moral maintains that the computation for just compensation is in accordance with law and jurisprudence. The LBP did not bother to present any contrary evidence regarding the current market value of the subject landholdings. It was only Del Moral who presented such evidence. Hence, Del Moral concludes that the value of the subject landholdings is already incontrovertible and conclusive.

### **The Court's Ruling**

For a claim of *res judicata* to prosper, the following requisites must concur: (1) there must be a final judgment or order; (2) the court rendering it must have jurisdiction over the subject matter and the parties; (3) it must be a judgment or order on the merits; and (4) there must be, between the two cases, identity of parties, subject matter, and causes of action.<sup>18</sup>

The doctrine of *res judicata* has two aspects, to wit: (1) the effect of a judgment as bar to the prosecution of a second action upon the same claim, demand or cause of action; and (2) preclude relitigation of a particular fact or issue in another action between the same parties on a different claim or cause of action.<sup>19</sup>

Indeed, Agrarian Case No. U-1505 had been the subject of appeal twice before the CA. In both instances, the appeal was dismissed.

The first was on October 30, 2007 in CA-G.R. SP No. 98373 filed by the DAR. The decision in part reads:

In resolving such controversy in the *Lubrica* case, the Supreme Court made [mention] of the ruling enunciated in *Land Bank of the Philippines v. Natividad* which reiterated the ruling in *Office of the President v. Court of*

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<sup>18</sup> *Sendon v. Ruiz*, 415 Phil. 376, 383 (2001); *Linzag v. Court of Appeals*, 353 Phil. 506, 522 (1998); *Cagayan de Oro Coliseum, Inc. v. Court of Appeals*, 378 Phil. 498, 519 (1999); *Mirpuri v. Court of Appeals*, 376 Phil. 628, 664-665 (1999); *Saura v. Saura, Jr.*, 372 Phil. 337, 350 (1999).

<sup>19</sup> *Linzag v. Court of Appeals*, supra at 522.

*Appeals*, which finally settled that the expropriation of the landholdings did not take place on the effectivity of PD 27 on October 21, 1972, but that seizure would take effect on the payment of just compensation judicially determined.

The Supreme Court also stated in *Lubrica* case, *supra*, that the expropriation proceeding was initiated under PD 27 but the agrarian reform process is still incomplete considering that the just compensation to be paid has yet to be settled, and considering the passage of RA No. 6657 before the completion of the process, the just compensation should be determined and the process concluded under the said law; that RA No. 6657 is the applicable law, with PD No. 27 and EO 228 having only supplementary application. The very didactic ruling in *Natividad* case, *supra*, that was cited in the *Lubrica* case, *supra*, is to the effect that since 30 years had passed and petitioners therein had yet to be benefitted (sic) from it, while the farmer-beneficiaries have already been harvesting its produce for the longest time, are events which rendered the applicability of PD No. 27 inequitable. It is worthy to note that in the instant case 35 long years has since passed and still the Respondent has not been given the amount it deserves to receive in exchange for the 102.9793 hectares expropriated by the government.

To date, the Supreme Court's very explicit, exhaustive and comprehensive discussion on just compensation in *Lubrica* case is the most recent and remains the controlling case in point. Perforce, We are thereby compelled to apply the same principles in the case at bar.<sup>20</sup> (Citations omitted)

The second case was, again, in CA-G.R. SP No. 98033 filed by the LBP, which was promulgated on May 9, 2008. The Decision reads:

In the case of *LBP v. Natividad* (458 SCRA 441), which reiterated the doctrine laid down in the case of *Office of the President, Malacañang, Manila vs. Court of Appeals* (361 SCRA 390), the High Court pronounced that while a parcel of farmland may have been acquired and seized by the government pursuant to P.D. No. 27, nonetheless, if the determination of just compensation has dragged on for a long period of time, then the expropriation should not be considered to have taken place upon the effectivity of P.D. No. 27 on October 21, 1972, but the taking must otherwise be deemed to have taken place on the date of payment of just compensation as judicially determined. Corollarily, predicated primarily on lack of payment for a considerable length of time, the Supreme Court ruled in the cases of *Josefina Lubrica vs. LBP* (507 SCRA 415) and *Heirs of Francisco R. Tantoco, Sr., vs. Court of Appeals* (489 SCRA 590) that expropriation of landholdings covered under R.A. No. 6657 takes place, not on the effectivity of the Act on June 15, 1988, but rather on the date of payment of just compensation.

With the foregoing recent pronouncements, it is settled that when payment of just compensation is not effected immediately after the taking of the property, then just compensation must be computed on the basis of the market value of the landholding prevailing at the time of payment.

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<sup>20</sup> CA rollo, pp. 534-535.



Under the factual circumstances of the case, We hold that the agrarian reform process is still incomplete upon the coverage and taking of the landholding in 1972, as the just compensation to be paid to Del Moral has yet to be settled. As a matter of fact, the amount of just compensation was not judicially determined until after 35 years have elapsed from the time of taking. And even if we consider the determination of the compensation and the deposits made by LBP for the account of the owners in 1992, where the value was fixed at only P342,917.81, after the lapse of 20 years from the time of taking in 1972, just the same, it cannot be considered as payment made within a reasonable time, but a classic case of “confiscatory taking” of private property without due compensation. It would certainly be inequitable to compute the just compensation on the basis of the values/factors obtaining in 1972 in view of the failure of the proper authorities to determine the sum of just compensation for a considerable length of time. That just compensation must be computed based on the current market value of the landholding is especially imperative considering that just compensation should be the full and fair equivalent of the property taken from its owner by the expropriator, the context of its equivalent being real, substantial, full and ample, with payment made within a reasonable period and not after the lapse of 20 or more years.<sup>21</sup>

All the elements of *res judicata* are present in the case at bar. First, there is a final judgment or order, that is, the RTC Decision dated October 16, 2006 as affirmed by the CA in its Decision dated October 30, 2007 in CA-G.R. SP No. 98373 had already become final and executory by virtue of this Court's Resolution dated June 4, 2008 in G.R. No. 181183 which denied the DAR's Petition for Review on *Certiorari* before this Court. Thereafter, on October 28, 2008, the corresponding Entry of Judgment was issued.

Second, both the CA and the RTC have jurisdiction over (1) the subject matter, that is, the computation of just compensation of the subject properties and the awards for temperate and nominal damages as well as legal interest; and (2) the parties, namely, LBP, DAR and Del Moral. Third, the RTC Decision dated October 16, 2006 and CA Decision dated October 30, 2007 in CA-G.R. SP No. 98373 are judgments on the merits, the rights and obligations of the parties with respect to the causes of action and the subject matter of the case having been unequivocally determined and resolved.

Lastly, CA-G.R. SP No. 98033 and CA-G.R. SP No. 98373 refer to the same subject matter, raise the same issues and involve the same parties. Although CA-G.R. SP No. 98373 was an appeal filed only by the DAR, for purposes of *res judicata*, we have held that only a substantial identity of parties is required and not absolute identity.<sup>22</sup> The LBP may not be impleaded in CA-G.R. SP No. 98373 which had already attained finality, however, the LBP has community of interest with the DAR as both parties represented the government's interest in the expropriation of Del Moral's 102 hectares of landholdings.

Applying the principle of *res judicata* or bar by prior judgment, the present

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<sup>21</sup> *Rollo*, pp. 70-72.

<sup>22</sup> *Sendon v. Ruiz*, supra note 18, citing *Sempio v. Court of Appeals*, 348 Phil. 627, 636 (1998), *Anticamara v. Ong*, 172 Phil. 322, 326-327 (1978).



case becomes dismissible. Section 47, Rule 39 of the Rules of Court enunciates the rule of *res judicata* or bar by prior judgment, thus:

SEC. 47. *Effect of judgments or final orders.* — The effect of a judgment or final order rendered by a court of the Philippines, having jurisdiction to pronounce the judgment or final order, may be as follows:

x x x x

(b) In other cases, the judgment or final order is, with respect to the matter directly adjudged or as to any other matter that could have been raised in relation thereto, conclusive between the parties and their successors-in-interest by title subsequent to the commencement of the action or special proceeding, litigating for the same thing and under the same title and in the same capacity[.]

By the principle of *res judicata*, a final judgment on the merits rendered by a court of competent jurisdiction is conclusive as to the rights of the parties and their privies; and constitutes an absolute bar to subsequent actions involving the same claim, demand or cause of action.<sup>23</sup> *Res judicata* is based on the ground that the party to be affected, or some other with whom he/she is in privity, has litigated the same matter in the former action in a court of competent jurisdiction, and should not be permitted to litigate it again.<sup>24</sup>

The records reveal that the two appeals before the CA stemmed from the same factual circumstances between the same parties as both the DAR and the LBP were parties in Agrarian Case No. U-1505 before the RTC for the proper determination and payment of just compensation. To reiterate, the DAR's appeal of the RTC's Agrarian Case No. U-1505 before the CA docketed as CA-G.R. SP No. 98373 was already terminated in our Resolution dated June 4, 2008. Meanwhile, the LBP filed a separate appeal of the same RTC Agrarian Case No. U-1505, before the CA docketed as CA-G.R. SP No. 98033, which is now the subject of this review. This explains why CA-G.R. SP No. 98373 and CA-G.R. SP No. 98033 having identical subject matter, cause of action, and involving the same parties, existed.

Thus, when we dismissed the DAR's Petition for Review on *Certiorari* in G.R. No. 181183 of the CA's Decision dated October 30, 2007 in CA-G.R. SP No. 98373 which affirmed the RTC's computation for just compensation but reduced the award for temperate and nominal damages to ₱10 million and ₱1 million, respectively, the Decision of the RTC in Agrarian Case No. U-1505 became the law of the case and constituted a bar to any relitigation of the same issues in any other proceeding under the principle of *res judicata*.

For elucidation, we will discuss further the issue on the proper computation of the just compensation as well the award of damages. In *Lubrica v. Land Bank of the*

<sup>23</sup> *Bardillon v. Barangay Masili of Calamba, Laguna*, 450 Phil. 521, 528 (2003).

<sup>24</sup> *Development Bank of the Philippines v. Court of Appeals*, 409 Phil. 717, 727 (2001) citing *Watkins v. Watkins*, 117 CA2d 610, 256 P2d 339 (1953).

*Philippines*,<sup>25</sup> we declared that just compensation should be computed using the values at the time of payment judicially determined and not at the time of taking in 1972 considering that the government and the farmer-beneficiaries have already benefited from the land although ownership thereof has not yet been transferred in their names. In the same manner, Del Moral was deprived of its landholdings since 1972 and until now, it has not been paid just compensation for its properties. It would certainly be inequitable to determine just compensation based on the guidelines provided by P.D. No. 27 and E.O. No. 228 considering the lapse of a considerable length of time. Just compensation should be determined in accordance with R.A. No. 6657, and not P.D. No. 27 or E.O. No. 228 considering that just compensation is the full and fair equivalent of the property taken from its owner by the expropriator, the equivalent being real, substantial, full, and ample. Both the RTC and CA, therefore, correctly considered the values of the subject properties at the time of payment judicially determined and not at the time of taking in 1972.

We have reiterated in *Land Bank of the Philippines v. Spouses Chu*,<sup>26</sup> that when the agrarian reform process is still incomplete as the just compensation due the landowner has yet to be settled, just compensation should be determined, and the process concluded, under Section 17 of R.A. No. 6657, which enumerates the specific factors to be considered in ascertaining just compensation, *viz.*:

SECTION 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, and the sworn valuation by the owner, the tax declarations, 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.

However, during the pendency of this case, R.A. No. 9700 was enacted on August 7, 2009 which amended Section 7 of R.A. No. 6657, *viz.*:

Section 5. Section 7 of Republic Act No. 6657, as amended, is hereby further amended to read as follows:

SEC. 7. Priorities. — The DAR, in coordination with the Presidential Agrarian Reform Council (PARC) shall plan and program the final acquisition and distribution of all remaining unacquired and undistributed agricultural lands from the effectivity of this Act until June 30, 2014. Lands shall be acquired and distributed as follows:

Phase One: During the five (5)-year extension period hereafter

<sup>25</sup> *Supra*, note 15 at 580.

<sup>26</sup> 808 Phil. 179 (2017) citing *Land Bank of the Philippines v. Natividad*, *supra* note 13, *Lubrica v. Land Bank of the Philippines*, *supra* note 15, *Land Bank of the Philippines v. Gallego, Jr.*, 596 Phil. 742 (2009), *Land Bank of the Philippines v. Heirs of Maximo and Gloria Puyat*, 689 Phil. 505 (2012) and *Land Bank of the Philippines v. Santiago, Jr.*, 696 Phil. 142, (2012).

all remaining lands above fifty (50) hectares shall be covered for purposes of agrarian reform upon the effectivity of this Act. All private agricultural lands of landowners with aggregate landholdings in excess of fifty (50) hectares which have already been subjected to a notice of coverage issued on or before December 10, 2008; rice and corn lands under Presidential Decree No. 27; all idle or abandoned lands; all private lands voluntarily offered by the owners for agrarian reform: Provided, That with respect to voluntary land transfer, only those submitted by June 30, 2009 shall be allowed: Provided, further, That after June 30, 2009, the modes of acquisition shall be limited to voluntary offer to sell and compulsory acquisition: Provided, furthermore, **That all previously acquired lands wherein valuation is subject to challenge by landowners shall be completed and finally resolved pursuant to Section 17 of Republic Act No. 6657, as amended: x x x.** (Emphases supplied.)

However, despite the foregoing, we have held in *Land Bank of the Philippines v. Spouses Chu*<sup>27</sup> that R.A. No. 9700 applies to landholdings that are yet to be acquired and distributed by the DAR. This is further strengthened by Paragraph VI (Transitory Provision) of DAR A.O. No. 02-09, the implementing rules of R.A. No. 9700, which specifically provides that:

VI. Transitory Provision

With respect to cases where the Master List of ARBs has been finalized on or before July 1, 2009 pursuant to Administrative Order No. 7, Series of 2003, the acquisition and distribution of landholdings shall continue to be processed under the provisions of R.A. No. 6657 prior to its amendment by R.A. No. 9700.

However, **with respect to land valuation, all Claim Folders received by LBP prior to July 1, 2009 shall be valued in accordance with Section 17 of R.A. No. 6657 prior to its amendment by R.A. No. 9700.** (Emphasis supplied)

Thus, based on the foregoing, the amendments introduced by R.A. No. 9700 and its implementing rules with respect to the factors to be considered in computing just compensation shall not be applicable in the case at bar as Del Moral's claim was approved by the LBP as early as 1992, or 17 years before July 1, 2009. Hence, the proper determination of just compensation of Del Moral's landholdings shall be based on Section 17 of R.A. No. 6657 prior to its amendment by R.A. No. 9700. The RTC and the CA are therefore duty bound to utilize the basic formula prescribed and laid down in pertinent DAR regulations existing prior to the passage of R.A. No. 9700 to determine just compensation.

Nevertheless, we explained in *Land Bank of the Philippines v. Spouses Chu*<sup>28</sup> citing *Land Bank of the Philippines v. Kho*,<sup>29</sup> that:

<sup>27</sup> *Supra* note 26.

<sup>28</sup> *Id.*

<sup>29</sup> 787 Phil. 478 (2016). See *Heirs of Pablo Feliciano, Jr. v. Land Bank of the Philippines*, 803 Phil. 253 (2017).

Nonetheless, the RTC, acting as a SAC, is reminded that it is not strictly bound by the different [formulas] created by the DAR if the situations before it do not warrant their application. To insist on a rigid application of the formula goes beyond the intent and spirit of the law, bearing in mind that the valuation of property or the determination of just compensation is essentially a judicial function which is vested with the courts, and not with administrative agencies. Therefore, the RTC must still be able to reasonably exercise its judicial discretion in the evaluation of the factors for just compensation, which cannot be restricted by a formula dictated by the DAR when faced with situations that do not warrant its strict application. However, the RTC must explain and justify in clear [terms] the reason for any deviation from the prescribed factors and formula.<sup>30</sup>

The determination of just compensation is a judicial function which cannot be curtailed or limited by legislation, much less by an administrative rule.<sup>31</sup> Section 57 of R.A. No. 6657 vests the Special Agrarian Courts the "original and exclusive jurisdiction over all petitions for the determination of just compensation to landowners." While Section 17 of R.A. No. 6657 requires the due consideration of the formula prescribed by the DAR, the determination of just compensation is still subject to the final decision of the proper court. We reiterated this in *Alfonso v. Land Bank of the Philippines*<sup>32</sup> to wit:

Out of regard for the DAR's expertise as the concerned implementing agency, courts should henceforth consider the factors stated in Section 17 of RA 6657, as amended, as translated into the applicable DAR formulas in their determination of just compensation for the properties covered by the said law. **If, in the exercise of their judicial discretion, courts find that a strict application of said formulas is not warranted under the specific circumstances of the case before them, they may deviate or depart therefrom, provided that this departure or deviation is supported by a reasoned explanation grounded on the evidence on record. In other words, courts of law possess the power to make a final determination of just compensation.** [Emphasis supplied.]

Thus, the CA correctly affirmed the findings of the RTC. The LBP's argument on mandatory adherence to the provisions of the law and administrative orders must fail. The RTC's judgment must be given due respect as an exercise of its legal duty to arrive at a final determination of just compensation.

We affirm the findings of the RTC regarding its computation of the just compensation based on the present or current fair market value of the subject properties founded on the evidence presented by Del Moral, that is, the

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<sup>30</sup> Id. at 492.

<sup>31</sup> *Land Bank of the Philippines v. Manzano*, G.R. No. 188243, January 24, 2018 citing *National Power Corporation v. Spouses Zabala*, 702 Phil. 491, 499-501 (2013).

<sup>32</sup> 801 Phil. 217 (2016).

Appraisal Report dated March 21, 2005<sup>33</sup> prepared by the expert witness Manrico Alhama (Alhama), a licensed real estate broker or appraiser. The RTC properly gave credence on the testimony of Alhama as an expert witness and his appraisal report which considered the area, technical descriptions stated in the title, boundaries, bodies of water surrounding the subject properties, actual and potential use of the subject properties, distance to roads and highways, agro-industrial zones, hospitals, public market and other infrastructures. An ocular inspection and interview of the residents and barangay officials were also conducted. The appraisal report likewise considered the Land Usage Map of Rosales, Pangasinan-Municipal Planning and Development Office to determine the comprehensive land use planning and the proximity of the subject properties to the urban center of Rosales, Pangasinan.

The RTC properly disregarded the valuation presented by the LBP using the formula provided in E.O. No. 228, that is, AGP (average gross production in 50 kilos for the last three normal crop years prior to the effectivity of P.D No. 27 or in 1972) x 2.5 (constant factor) x ₱35.00/cavan (the government support price for *palay* in 1972), because the said formula was based solely on the production of the land without considering other factors such as the value of the land.

Regarding the award of temperate and nominal damages, we hold that temperate or moderate damages may be recovered if pecuniary loss has been suffered but the amount cannot be proved with certainty from the nature of the case.<sup>34</sup> The trial and appellate courts found that Del Moral was unable to use productively the 102 hectares of its landholdings after it was deprived of its possession in 1972. With the passage of time, it is, however, impossible to determine Del Moral's losses with any certainty. Thus, considering the particular circumstances of this case, the award of ₱10 million as temperate damages is reasonable.

Although *res judicata* applies in this case, for the greater interest of justice, nominal damages of ₱1 million should be deleted as temperate and nominal damages are incompatible and thus, cannot be granted concurrently. We affirm the imposition of legal interest of six percent (6%) per *annum* from the time this judgment becomes final and executory until this judgment is wholly satisfied.

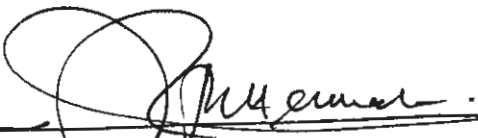
**WHEREFORE**, the Petition is **DENIED**. The Decision dated May 9, 2008 and Resolution dated March 26, 2009 of the Court of Appeals in CA-G.R. SP No. 98033 are hereby **AFFIRMED** with **MODIFICATION** in that the nominal damages in the amount of ₱1 million is **DELETED**. All monetary awards are subject to interest at the rate of six percent (6%) per *annum* from the finality of this Decision until fully paid.

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<sup>33</sup> Records, p. 350.


<sup>34</sup> CIVIL CODE, Article 2224.

**SO ORDERED.**

  
**RAMON PAUL L. HERNANDO**  
Associate Justice

WE CONCUR:

  
**DIOSDADO M. PERALTA**  
Chief Justice


  
**HENRI JEAN PAUL B. INTING**  
Associate Justice

  
**EDGARDO L. DELOS SANTOS**  
Associate Justice

On leave.  
**PRISCILLA J. BALTAZAR-PADILLA**  
Associate Justice

**ATTESTATION**

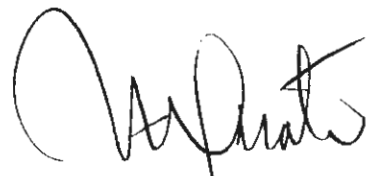
I attest that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.



**RAMON PAUL L. HERNANDO**  
Associate Justice  
Acting Chairperson

**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 Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.



**DIOSDADO M. PERALTA**  
Chief Justice