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Republic of the Philippines
Supreme Court
Manila

MisDcB-H
MISAEL DOMINGO C. BATTUNG III
Division Clerk of Court
Third Division

MAR 04 2021

THIRD DIVISION

LAND BANK OF THE PHILIPPINES,
Petitioners,

G.R. No. 204010
BY P. SANTIAGO
TIME: 1:25

SUPREME COURT OF THE PHILIPPINES
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Present:

LEONEN, J.,
Chairperson,
GISMUNDO,
CARANDANG,
ZALAMEDA, and
GAERLAN, JJ.

- versus -

LUDOVICO D. HILADO,
Respondent.

Promulgated:
September 23, 2020
MisDcB-H

X-----X

DECISION

GAERLAN, J.:

Before the Court is a petition for review on *certiorari*¹ under Rule 45 of the Rules of Court filed by petitioner Land Bank of the Philippines (LBP), assailing the Resolutions dated March 30, 2011² and September 27, 2012³ issued by the Court of Appeals (CA) – Cebu City in CA-G.R. SP No. 05614, for being contrary to law and established jurisprudence. The first assailed Resolution dismissed the petition for review filed by LBP on purely technical grounds; the second assailed Resolution, on the other hand, denied for lack of merit petitioner's motion for reconsideration of the dismissal.

Ludovico D. Hilado (respondent) is the registered owner of a 31.3196-hectare parcel of land in Brgy. Mailum, Bago City, Negros Occidental covered by Transfer Certificate of Title (TCT) No. T-14735.⁴

¹ Rollo, pp. 18-43.

² Id. at 6-8; penned by Associate Justice Eduardo B. Peralta, Jr., with Associate Justices Edgardo L. Delos Santos (now a Member of this Court) and Gabriel T. Ingles, concurring.

³ Id. at 10-13; penned by Associate Justice Gabriel T. Ingles, with Associate Justices Edgardo L. Delos Santos (now a Member of this Court) and Zenaida T. Galapate-Laguilles, concurring.

⁴ CA rollo, p. 56.

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On October 24, 2000, respondent voluntarily offered his property for sale to the Department of Agrarian Reform (DAR) for coverage under the Comprehensive Agrarian Reform Program (CARP) at ₱200,000.00 per hectare.⁵

Upon ocular inspection, however, it was determined that only the 17.9302-hectare portion of respondent's property devoted to the planting of rice, corn and *ipil-ipil* trees, with a small section used as a homelot, could be included in the said program. The remaining 13.3894 hectares, identified as a slope with no sign of any cultivation, was excluded therefrom.⁶

LBP valued the CARP-covered portion of respondent's property at ₱767,641.07, as reflected in the following breakdown:

LAND USE	AREA (HA.)	PRICE/HA.	LAND VALUE
Riceland - unirrigated	0.5473	Php 84,166.74	Php 46,064.46
Cornland	8.3188	33,272.76	276,789.44
Ipil-ipil	8.9153	49,071.30	437,485.36
Homelot	0.1488	49,071.30	7,301.81
TOTAL	17.9302		Php 767,641.07

Respondent rejected LBP's valuation. Consequently, he lodged a petition for preliminary determination of just compensation before the Department of Agrarian Reform Adjudication Board (DARAB).⁷ The petition was docketed as DARAB Case No. R-0605-1357-01.⁸

After a re-inspection of the property and the presentation of evidence by the parties, the DARAB rendered a judgment sustaining the valuation made by LBP.⁹ Accordingly, the amount of ₱767,641.07 was released to respondent without prejudice to his filing of a case for judicial determination of just compensation.¹⁰

Taking the position that his property could command a higher price, respondent filed, on November 12, 2002, an action¹¹ for "fixing of just compensation" before the Regional Trial Court (RTC) of Bacolod City,

⁵ Id.

⁶ Id. at 73-73.

⁷ Id. at 85.

⁸ Id. at 86.

⁹ Id.

¹⁰ Id. at 113.

¹¹ Id. at 56-59.

Negros Occidental, Branch 46, sitting as a Special Agrarian Court (SAC). It was docketed as CAR Case No. 02-038.

Respondent alleged that LBP's valuation was unfair and unjust as it was solely based on the crops planted on his land at the time of the inspection and no consideration was made on the classification of the land based on its kind of soil and productivity. He pointed out that his property is situated not far from the highway and that, at the same time, it runs parallel to the Ma-ao river which can be used as a source for irrigation. He claimed that his property, as with the other surrounding properties, was formerly planted with sugarcane and that the buying price of land in the area was already pegged at ₱200,000.00 per hectare, making the price offered by LBP grossly inadequate.¹²

In its answer,¹³ LBP denied that the basis of its valuation was unfair and unjust. It averred that the value of the 17.9302-hectare property of respondent was computed using the formula laid down by DAR in its Administrative Order (A.O.) No. 5, series of 1998.¹⁴

Thereafter, trial on the merits ensued. On August 17, 2010, the SAC rendered a Decision¹⁵ ruling in favor of respondent and fixing the just compensation at ₱1,496,258.00, the decretal portion of which reads:

IN VIEW OF THE FOREGOING CONSIDERATIONS, this Court fixes the just compensation of [respondent's] 17.9302- hectare CARP-covered area, as follows:

A) For the cornland with an area of 8.3188 hectares, more or less, at P100,000.00 per hectare;

B) For the riceland with an area of .5473 hectares [sic], more or less, at P200,000.00 per hectare;

C) For the ipil-ipil planted area of 8.9153 hectares, more or less, at P60,000.00 per hectare; and

D) For the homelot with an area of .1488 hectare, more or less, at P20,000.00

in the total amount of P1,496,258.00.

SO ORDERED.¹⁶

¹² Id. at 57-58.

¹³ Id. at 67-70.

¹⁴ Entitled "REVISED RULES AND REGULATIONS GOVERNING THE VALUATION OF LANDS VOLUNTARILY OFFERED OR COMPULSORILY ACQUIRED PURSUANT TO REPUBLIC ACT NO. 6657", April 15, 1998.

¹⁵ CA *rollo*, pp. 42-48; under the sala of Judge George S. Patriarca.

¹⁶ Id. at 47-48.

LBP sought reconsideration,¹⁷ but the same was denied by the SAC in its Order¹⁸ dated November 17, 2010.

Subsequently, LBP interposed an appeal *via* a petition for review¹⁹ before the CA. In its first assailed Resolution²⁰ dated March 30, 2011, the CA dismissed LBP's petition outright, citing three reasons:

1. the IBP (Integrated Bar of the Philippines) Receipts and PTRs (Professional Tax Receipt) of the two lawyers who signed the Petition in representation of Landbank of the Philippines were not current as of the year they signed the Petition. The Supreme Court demands strict compliance with the requirement that members of the bar should include the number and date of the official receipt of payment of annual membership dues to the Integrated Bar of the Philippines in all pleadings, motions and papers to be filed in court. In addition the pleadings must indicate the professional tax receipt number of the counsel;
2. the IBP (Integrated Bar of the Philippines) Receipts and PTRs (Professional Tax Receipt) of the Notary Public in the Notarial Acknowledgment of the Verification and Certification of Non-Forum Shopping that was attached to the Petition, were apparently not current for the year the document was notarized in violation of the mandate in Section 2, Rule VIII of the 2004 Rules on Notarial Practice; and
3. there was no proper proof of service of the Petition to the adverse party and the court *a quo* as required by Section 13, Rule 13 of the 1997 Rules of Civil Procedure. Certainly, registry receipts can hardly be considered sufficient proof of receipt by the addressee of registered mail.²¹ (Citations omitted)

On May 2, 2011, LBP filed a motion for reconsideration²² of the aforesaid issuance. In its second assailed Resolution²³ dated September 27, 2012, the CA ruled that, "even if the Court glossed over the procedural infirmities of the [p]etition, the same is still dismissible under Section 4, Rule 42 of the Rules of Court for being patently filed without merit."²⁴ It affirmed the findings made by the SAC that LBP's valuation of respondent's property at ₱767,641.07 was "enormously low, inadequate and contrary to the sporting idea of fairness and equity."²⁵

¹⁷ Id. at 51-52B.

¹⁸ Id. at 50.

¹⁹ Id. at 16-41.

²⁰ *Rollo*, pp. 6-8.

²¹ Id. at 7-8.

²² Id. at 55-65.

²³ Id. at 10-13.

²⁴ Id. at 11.

²⁵ Id. at 13.

Hence, the instant petition anchored on the following grounds:

THE HONORABLE [CA] COMMITTED A SERIOUS ERROR OF LAW WHEN IT DENIED LBP'S MOTION FOR RECONSIDERATION BASED ON ALLEGED LACK OF MERIT.

THE HONORABLE [CA] COMMITTED A SERIOUS ERROR OF LAW WHEN IT ADOPTED THE SAC VALUATION OF P1,496,258.00 FOR THE 17.9302 HECTARE-PROPERTY OF THE RESPONDENT, THE SAC HAVING CLEARLY IGNORED THE VALUATION FACTORS AS ENUMERATED UNDER SECTION 17 OF R.A. 6657 AS TRANSLATED INTO A BASIC FORMULA IN DAR ADMINISTRATIVE ORDER NO. 5, SERIES OF 1998.²⁶

The petition is partly meritorious.

In dismissing outright LBP's petition for review, the CA found the following defects: (1) failure to indicate the current Professional Tax Receipt (PTRs) and Integrated Bar of the Philippines (IBP) official receipts of the lawyers who signed the petition; (2) failure to indicate the current PTR and IBP official receipt of the Notary Public in the notarial acknowledgment of the verification and certification of non-forum shopping; and (3) no proper proof of service.²⁷

It is well to remember that this Court, in not a few cases, has consistently held that cases shall be determined on the merits, after full opportunity to all parties for ventilation of their causes and defenses, rather than on technicality or some procedural imperfection. In so doing, the ends of justice would be better served. The dismissal of cases purely on technical grounds is frowned upon and the rules of procedure ought not to be applied in a very rigid, technical sense, for they are adopted to help secure, not override, substantial justice, and thereby defeat their very ends. Indeed, rules of procedure are mere tools to expedite the resolution of cases and other matters pending in court. A strict and rigid application of the rules that would result in technicalities that tend to frustrate rather than promote justice must be avoided.²⁸

LBP's explanation and subsequent compliance through its motion for reconsideration should have inspired an attitude of liberality on the part of the CA. While it appears to have done so in its second assailed Resolution, it went on to uphold the dismissal of the case for lack of merit, instead of reinstating

²⁶ Id. at 27-28.

²⁷ Id. at 8.

²⁸ *Dr. Malixi v. Dr. Baltazar*, 821 Phil. 423, 442 (2017), citing *Durban Apartments Corporation v. Catacutan*, 514 Phil. 187, 195 (2005).

or giving due course to the petition. Relying on the fact that SACs have original and exclusive jurisdiction over all petitions for the determination of just compensation, the CA made a sweeping statement that the SAC was correct in finding LBP's valuation of ₱767,641.07 to be iniquitous which, in effect, upheld the SAC's valuation of respondent's property at ₱1,496,258.00.

On this, petitioner differs by arguing that despite the nature of the jurisdiction of the SAC, it should not have totally ignored the valuation factors enumerated under Section 17 of Republic Act (R.A.) No. 6657²⁹ and the formula laid down in DAR A.O. No. 5, series of 1998.

The crux of the present controversy, therefore, lies in the binding character of the DAR formula, in relation to Section 17 of R.A. No. 6657, on the SACs in the exercise of their judicial function to determine just compensation.

Respondent's property was taken when R.A. No. 6657 or the "Comprehensive Agrarian Reform Law of 1988" was already in effect. The taking of property under R.A. No. 6657 is an exercise of the power of eminent domain by the State. The valuation of property or determination of just compensation in eminent domain proceedings is essentially a judicial function which is vested in the courts and not in administrative agencies.³⁰ Section 57 of R.A. No. 6657 expressly grants the RTCs, acting as SACs, original and exclusive jurisdiction over all petitions for the determination of just compensation to landowners.

In determining just compensation of lands acquired by the government under CARP, Section 17 of R.A. No. 6657 prescribes the valuation factors to be considered. While Congress passed R.A. No. 9700³¹ on August 7, 2009, further amending certain provisions of R.A. 6657, as amended, among them, Section 17, its implementing rules, *i.e.*, DAR A.O. No. 2, series of 2009³² clarified that the said law shall not apply to claims/cases where the claim folders were received by the LBP prior to July 1, 2009, as in this case. In such a situation, just compensation shall be determined in accordance with Section 17 of R.A. No. 6657, as amended, prior to its further amendment by R.A. No. 9700.³³

²⁹ Comprehensive Agrarian Reform Law of 1988.

³⁰ *Land Bank of the Philippines v. Celada*, 515 Phil. 467, 477 (2006).

³¹ Entitled "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." (2009).

³² Entitled "RULES AND PROCEDURES GOVERNING THE ACQUISITION AND DISTRIBUTION OF AGRICULTURAL LANDS UNDER REPUBLIC ACT (R.A.) NO. 6657, AS AMENDED BY R.A. 9700" ((2009).

³³ *Heirs of Pablo Feliciano, Jr. v. Land Bank of the Philippines*, 803 Phil. 253, 261-262 (2017).

Thus, Section 17 of R.A. No. 6657 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 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.

Pursuant to the DAR's rule-making power to carry out the object and purposes of R.A. No. 6657, as amended, DAR A.O. No. 5, series of 1998 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,³⁴ viz.:

II. The following rules and regulations are hereby promulgated to 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 lands covered by VOS or CA:

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

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 three factors are present, relevant and applicable.

A.1 When the CS factor is not present and CNI and MV are applicable, the formula shall be:

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

A.2 When the CNI factor is not present, and CS and MV are applicable, the formula shall be:

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

³⁴ *JMA Agricultural Development Corporation v. Land Bank of the Philippines*, G.R. No. 206026, July 10, 2019.

A.3 When both the CS and CNI are not present and only MV is applicable, the formula shall be:

$$LV = MV \times 2$$

In no case shall the value of idle land using the formula $MV \times 2$ exceed the lowest value of land within the same estate under consideration or within the same barangay or municipality (in that order) approved by LBP within one (1) year from receipt of claimfolder. (Emphasis in the original)

In *Alfonso v. Land Bank of the Philippines*,³⁵ the Court harmonized the SAC's exercise of judicial discretion, on the one hand, and the obligatory application of the compensation valuation factors in Section 17 of R.A. 6657 and the DAR formula, on the other, ruling in this wise:

x x x 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 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.³⁶
(Emphasis in the original)

Hence, it is mandatory for the SAC to consider the DAR formula in the determination of just compensation for properties covered by the CARP. However, the SAC may depart from a strict application of the formula, provided the deviation is sufficiently justified by the surrounding circumstances and clearly explained in the decision.

Applying the above principles to the case at bar, it becomes apparent, upon a reading of the Decision dated August 17, 2010, that the SAC did not

³⁵ 801 Phil. 217 (2016).

³⁶ Id. at 282.

consider the valuation factors enumerated under Section 17 of R.A. No. 6657 and did not adhere to the formula laid down in DAR A.O. No. 5, series of 1998, nor did it discuss the reasons for its non-observance:

After considering the entire records of this case and the evidence presented, the Court finds the petition impressed with merit.

Justice and equity dictate that it be so.

R.A. 6657 of the Comprehensive Agrarian Reform Act was signed into law on June 15, 1988. The said law mandates that the Land Bank of the Philippines (LBP) shall compensate the landowner in such amount as may be agreed upon by the landowner, the DAR and LBP or as may be determined by the court as just compensation taking into consideration the costs [sic] of acquisition of the land, the current value of like properties, its nature, actual use, income, sworn valuation by the owner, tax declarations and the assessments by government assessors.

In the case at bar, it appears that petitioner was compensated by respondents the amount of P767,641.07 only for his 17.9302-hectare CARP-covered area, or at the average cost of only around P43,000.00, more or less, per hectare. Applying the tax declaration dated January 1, 2000 (*supra*) with the market value of the said property in the total amount of P1,938,056.85, the average value per hectare would be P62,000.00, more or less, and this average value per hectare even includes the 13 hectares which were rejected by respondents because the same constituted a slope.

Likewise, it appears that the eight (8)-hectare portion which was planted to corn has a land valuation of only P33,272.76 per hectare. The evidence showed that this area was previously planted by petitioner to sugarcane (Exhibit "G"). Petitioner claimed that the value of the land adjacent to this portion was assessed by respondents a land valuation of P100,000.00 per hectare.

In the case of LBP vs. Pacita Agricultural Multi-Purpose Coop., etc., G.R. No. 177607, January 19, 2009, the Supreme Court held that it is more equitable for the Special Agrarian Court (SAC) to determine just compensation of the property using the valuation at the time of its payment and considering the full and fair equivalent of the property taken from its owner by the expropriator, equivalent being real, substantial, full and ample.

Verily, respondents' valuation of petitioner's landholding is enormously low, inadequate and contrary to the sporting idea of fairness and equity. Petitioner has presented its case with clear, compelling and substantive evidence.³⁷ (Underscoring in the original)

The SAC merely stated that LBP's valuation is "enormously low, inadequate and contrary to the sporting idea of fairness," which approximates the statement made by the SAC in *Alfonso* that the government's valuation is

³⁷ CA *rollo*, pp. 46-47.

“unrealistically low.” In arriving at the amount of just compensation to be paid to respondent, the SAC solely based its conclusion on the market value per tax declaration of respondent’s property and the alleged assessment made by LBP on the land adjacent thereto. This Court notes that the 17.9302-hectare property of respondent comprises of several portions with varying land uses and the SAC did not even bother to offer a detailed explanation as to how the land values for each of them came about, as well as the evidence to support the same.

For these reasons, the valuation made by the SAC cannot be upheld and must be struck down as illegal. Nevertheless, this Court cannot automatically adopt LBP’s own calculation as prayed for in the instant petition. The veracity of the facts and figures which it 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 this Court is not a trier of facts.³⁸

In view of the foregoing, it is necessary to remand the case to the SAC for the determination of just compensation due to the respondent based on Section 17 of R.A. No. 6657, DAR A.O. No. 5, series of 1998, and in consonance with prevailing jurisprudence.

WHEREFORE, premises considered, the petition is **PARTIALLY GRANTED**. Accordingly, the Resolutions dated March 30, 2011 and September 27, 2012 issued by the Court of Appeals – Cebu City in CA-G.R. SP No. 05614 are **ANNULLED and SET ASIDE**.

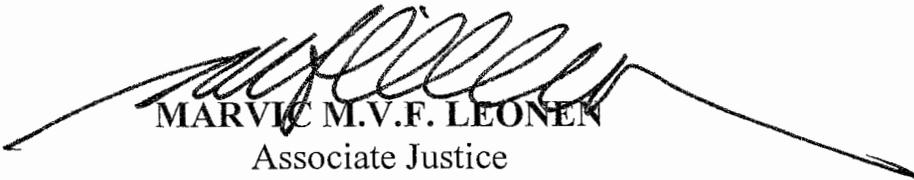
CAR Case No. 02-038 is **REMANDED** to the Regional Trial Court of Bacolod City, Negros Occidental, Branch 46 for the recomputation of the final valuation of respondent Ludovico Hilado’s 17.9302-hectare property with deliberate dispatch.

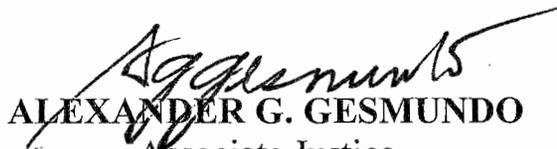
SO ORDERED.


SAMUEL H. GAERLAN
Associate Justice

³⁸ *Land Bank of the Philippines v. Heirs of Lorenzo Tañada, et al.*, 803 Phil. 103, 114 (2017).

WE CONCUR:


MARVIC M.V.F. LEONEN
Associate Justice
Chairperson

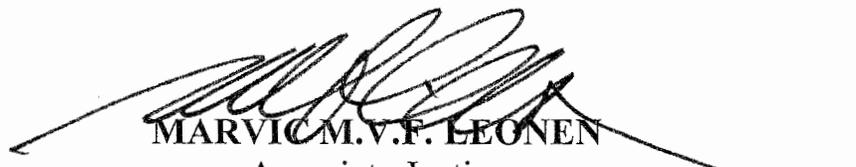

ALEXANDER G. GESMUNDO
Associate Justice


ROSMARI D. CARANDANG
Associate Justice

(On official leave)
RODIL V. ZALAMEDA
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.


MARVIC M.V.F. LEONEN
Associate Justice
Chairperson, Third Division

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.



DIOSDADO M. PERALTA
Chief Justice

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MisaelDCBatt
MISAELO DOMINCO C. BATTUNG III
Division Clerk of Court
Third Division

MAR 04 2021

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