Republic of the Philippines
Supreme Court
Manila

SECOND DIVISION

LAND BANK OF THE PHILIPPINES, Petitioner,	**G.R. No. 217137**
	Present:
-versus-	LEONEN, *J., Chairperson,* LAZARO-JAVIER, LOPEZ, M., LOPEZ, J., and KHO, JR.*, *JJ.*
PARAMOUNT FINANCE CORPORATION, Respondent.	**Promulgated:** JAN 16 2023

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DECISION

LEONEN, *J.*:

The Comprehensive Agrarian Reform Program covers "all public and private agricultural lands"[1] unless exempted or excluded. Republic Act No. 6657, Section 10 lists these exemptions, which includes lands "with eighteen percent (18%) slope and over" from compulsory coverage, unless "already developed."[2]

Based on such coverage, the Special Agrarian Court may exercise its judicial function to determine just compensation from the time of taking, and may use alternative methods of computing just compensation when warranted by the circumstances and after considering all factors required by Section 17 of Republic Act No. 6657.

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* On leave.

1 Republic Act No. 6657 (1988), sec. 4.

2 Republic Act No. 6657 (1988), sec. 10.

This resolves a Petition for Review on Certiorari under Rule 45 of the Rules of Court, assailing the Court of Appeals Decision[3] and Resolution[4] which affirmed the award[5] of ₱1,193,327.00 as just compensation for a parcel of land taken by the State pursuant to Republic Act No. 6657.

This case involves a 75-hectare parcel of land located in Tagabukud, City of Mati, Davao Oriental (Tagabukud property) and formerly owned by Rolando Yu (Yu). Yu mortgaged the Tagabukud property as security for his loan of ₱40,000.00 from Paramount Finance Corporation (Paramount Finance). When Yu defaulted on his loan payments, Paramount Finance foreclosed the Tagabukud property and purchased it on auction. Despite the Register of Deeds registering the sale in the property's Transfer Certificate of Title, Paramount Finance never received a new title in its name.[6]

In 1991, the Tagabukud property came under compulsory coverage of Republic Act No. 6657, or the Comprehensive Agrarian Reform Program.[7]

By 1993, the Land Bank of the Philippines (Land Bank) had preliminarily computed just compensation based on 60 hectares of the 75-hectare property, after surveying it and finding that 15 hectares of the property had a slope of 18 degrees or greater. Thus, Land Bank set the amount of just compensation at ₱642,770.10 for the 60 hectares of land, which was approved by the Department of Agrarian Reform Adjudication Board.[8] It then deposited the amount in bonds, and made available for withdrawal by the Tagabukud property's owner.[9]

The Department of Agrarian Reform then had the Tagabukud property's title cancelled, and a new one issued to the farmer-beneficiaries under TCT No. CLOA No. 1235. However, this new title covered all 75 hectares of the subject property.[10]

When Paramount Finance discovered that the State had taken the Tagabukud property, it filed a Petition for Review with the Regional Trial Court, as Special Agrarian Court, arguing that it was not notified of any expropriation proceedings and that it had yet to receive payment. Thus,

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3 *Rollo*, pp. 37–45. The June 27, 2014 Decision in CA-G.R. SP No. 03801-MIN was penned by Associate Justice Oscar V. Badelles, with the concurrence of Associate Justices Romulo V. Borja and Pablito A. Perez of the Court of Appeals, Special Twenty-First Division, Cagayan de Oro City.

4 Id. at 49–51. The February 17, 2015 Resolution was penned by Associate Justice Oscar V. Badelles, with the concurrence of Associate Justices Romulo V. Borja and Pablito A. Perez of the Court of Appeals, Special Twenty-First Division, Cagayan de Oro City.

5 Id. at 79–92 and 103–107. The April 26, 2010 Decision and August 12, 2010 Resolution in SP. AGR. Case No. 026 were penned by Presiding Judge Jordan H. Reyes of the Regional Trial Court, Branch 5, Mati, Davao Oriental.

6 Id. at 130.

7 Id.

8 Id.

9 Id. at 131.

10 Id. at 133.

Paramount Finance's Petition contested the amount of just compensation computed by the Department of Agrarian Reform Adjudication Board, and prayed that the computation be *increased by at least* ₱857,229.90, for a minimum total of ₱1,500,000.00.[11] However, the Special Agrarian Court understood this prayer to mean that Paramount Finance was asking for a *total* of ₱857,229.90 as just compensation.[12]

The Special Agrarian Court denied Land Bank's prayer for dismissal in its Answer with Motion to Dismiss and proceeded to pre-trial, where the parties failed to amicably resolve the dispute. Thus, the parties agreed on the appointment of three commissioners who would compute the Tagabukud property's value.[13]

Commissioner Marcelino U. Rubia (Commissioner Rubia) valued the property at ₱1,193,327.00, based on "the present situation of the property."[14] The remaining Commissioners, Leah Theresa P. Jovero (Commissioner Jovero) and Engineer Luis N. Lacerna (Commissioner Lacerna), both computed the property's value at ₱3,750,000.00 "based on the zonal value in Mati, Davao Oriental" as well as the "Market Value Approach."[15]

In its Decision, the Special Agrarian Court ruled that all 75 hectares of the subject property should be included in the computation of just compensation, which would be commensurate to the owner's loss and not the taker's gain. Since the government took all 75 hectares of Paramount Finance's land, and since "the 15 hectares would be useless for the landowner if separated from the entire estate,"[16] just compensation should be computed on all 75 hectares, regardless if the lands taken were unsuitable for agriculture.[17]

The Special Agrarian Court then rejected Commissioners Jovero and Lacerna's valuation of the property because their method of using the "zonal value of Mati, Davao Oriental" and "Market Value Approach" disregarded the factors enumerated in Republic Act No. 6657, Section 17.[18]

According to the Special Agrarian Court, the "basic formula" in Department of Agrarian Reform Administrative Order No. 5 incorporates the same factors required by Section 17 and should have been used to determine the land value.[19] However, the Special Agrarian Court also recognized that recourse to "alternative formulae" may be warranted when

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11 Id. at 131.
12 Id. at 140.
13 Id. at 131.
14 Id. at 131.
15 Id. at 131–132.
16 Id. at 134.
17 Id. at 133–134.
18 Id. at 137–138.
19 Id. at 139–140.

the factors required by the basic formula cannot be determined, such as when "any comparable sales factor" is absent.[20]

Since the parties were not able to prove the factors of comparative sales and market value based on tax declarations, the Special Agrarian Court adopted Commissioner Rubia's estimate of the Tagabukud property's value based on its "present situation." Together with Paramount Finance's *supposed* prayer that just compensation be set at ₱857,229.90, the Special Agrarian Court set just compensation at ₱1,193,327.00.[21]

> WHEREFORE, in view of all the foregoing, it is hereby decided and declared that ONE MILLION ONE HUNDRED NINETY THREE THOUSAND THREE HUNDRED TWENTY SEVEN (₱1,193,327.00) PESOS is the just compensation for the entire 75 hectares subject land of this case.
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> SO ORDERED.[22]

Both Land Bank and Paramount Finance moved for reconsideration of the Decision, but were both denied.[23] Thus, both parties appealed the Special Agrarian Court's Decision and insisted on their respective methods of valuing the Tagabukud property for just compensation.

The Court of Appeals affirmed the Special Agrarian Court's computation of just compensation on the entire 75-hectare property, since all 75 hectares were taken pursuant to agrarian reform and were reflected in the titles issued to the farmer beneficiaries.[24] It also affirmed the trial court's computation using the subject property's "present situation," which is consistent with considering "all the facts regarding the condition of the landholding and its surroundings, as well as the improvements and the capabilities of the landholding."[25]

> **WHEREFORE**, the instant Petition for Review is DENIED. The 26 April 2010 Order and the 12 August 2010 Resolution of the Regional Trial Court of Mati City, Davao Oriental, Branch 5 sitting as a Special Agrarian Court (SAC) are hereby AFFIRMED *in toto*.[26] (Emphasis in the original)

Land Bank moved for reconsideration of the Court of Appeals' Decision, but was denied relief.[27] Thus, it filed a Petition for Review under Rule 45 of the Rules of Court before this Court.

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20 Id. at 139–140
21 Id. at 142.
22 Id. at 142–143.
23 Id. at 148.
24 Id. at 40.
25 Id. at 43.
26 Id. at 44.
27 Id. at 49–51.

Petitioner Land Bank argues that the computation for just compensation should not have included the 15-hectare portion of the land that was not suitable for agriculture. It claims that instead of including the statutorily excluded portions of the subject property, the lower courts should have been alerted to the need to exclude the 15 hectares. Petitioner insists that the lower courts should have ordered the return of the excluded portions to respondent Paramount Finance with all costs for such return charged to the State, consistent with *Land Bank v. Spouses Montalvan*.[28]

Petitioner also opposes the lower courts' supposed adoption of Commissioner Rubia's "present situation" valuation method. Petitioner argues that Republic Act No. 6657, Section 17 does not contemplate a property's "present situation." Instead, petitioner insists that just compensation should have been based on the subject property's value "when title [was] transferred to the Republic," which was when the Certificates of Land Ownership Award were issued on May 3, 1994, and not on October 19, 2004 when the Commissioners undertook the task of determining the land's value.[29]

In its Comment,[30] respondent reiterated that computing just compensation on all 75 hectares was consistent with aligning payment based on the landowner's loss instead of the State's gain. Respondent also agreed with the lower courts that the basic formula was inapplicable to the present computation because of inadequate evidence proving the formula's requisite components.

However, respondent opposes the use of Commissioner Rubia's "present situation formula" and instead argues for the "zonal valuation" formula used by Commissioners Jovero and Lacerna. In light of the Special Agrarian Court's alleged misapprehension of respondent's prayer in its amended petition, respondent insists that it should receive just compensation of at least ₱1,500,000.00, or at most ₱3,750,000.00, as determined by the "majority of the experts duly appointed by the agrarian court[.]"[31]

In its Reply, petitioner reiterates that the Tagabukud property should be valued at the time of its taking, and not at the time of the Commissioners' appointment.[32] It also argues that only 60 hectares of the subject property are proper for valuation since the remaining 15 hectares are unsuitable for agriculture and are excluded from Republic Act No. 6675's compulsory coverage.[33] Finally, petitioner highlights respondent's belated assignment of

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28 Id. at 22–23 *citing Land Bank v. Spouses Montalvan*, 689 Phil. 641 (2012) [Per J. Sereno, Second Division].
29 Id. at 27–28.
30 Id. at 119–129.
31 Id. at 126.
32 Id. at 163.
33 Id. at 165–166.

error on the supposed misapprehension of respondent's prayer before the Special Agrarian Court. Thus, it argues that respondent's failure to raise this error on appeal should bar its consideration before this Court.[34]

The issue for resolution is whether or not the lower courts properly determined the Tagabukud property's value for just compensation.

We partly grant the Petition.

I

The lower courts erroneously ordered petitioner to pay just compensation for the entire 75 hectares of respondent's land, given that 15 hectares of the same property should have been excluded from compulsory coverage pursuant to the list of exemptions and exclusions in Section 10 of Republic Act No. 6657.

> SECTION 10. *Exemptions and Exclusions.* – Lands actually, directly and exclusively used and found to be necessary for parks, wildlife, forest reserves, reforestation, fish sanctuaries and breeding grounds, watersheds, and mangroves, national defense, school sites and campuses including experimental farm stations operated by public or private schools for educational purposes, seeds and seedlings research and pilot production centers, church sites and convents appurtenant thereto, mosque sites and Islamic centers appurtenant thereto, communal burial grounds and cemeteries, penal colonies and penal farms actually worked by the inmates, government and private research and quarantine centers and *all lands with eighteen percent (18%) slope and over, except those already developed shall be exempt from the coverage of this Act.* (Emphasis supplied)

Thus, a parcel of land having a slope of 18% or more shall be excluded from the compulsory coverage of Republic Act No. 6657. Here, both of the lower courts recognized that 15 hectares of the 75-hectare Tagabukud property had an 18-degree slope.[35] Thus, this 15 hectare portion falls within the law's exemption from compulsory coverage.

A similar situation occurred in *Land Bank v. Spouses Montalvan*,[36] where the Department of Agrarian Reform mistakenly transferred title over the entirety of a 147.6913-hectare property, despite a 75.6913-hectare portion of the same property being "above an 18% slope[.]"[37] This Court remedied the State's erroneous taking of the entire 147.6913-hectare

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34 Id. at 164–165.
35 Id. at 38 and 130.
36 689 Phil. 641 (2012) [Per J. Sereno, Second Division].
37 Id. at 646.

property by ordering the return of the 75.6913-hectare portion to the original owners, with possible payment of damages in the latter's favor.

> *Clearly, it was a mistake on the part of the Republic to transfer the title of respondents Montalvan over the entire 147.6913-hectare land. In its Field Investigation Report, the DAR established its intent to acquire only 72 hectares, which was suitable for agricultural purposes under the CARP.* But instead of dividing the lands and issuing two titles over the two portions (one, subject of the CARP; and the other, excluded therefrom), the DAR simply caused the transfer of the entire title to the name of the Republic, without distinction between the expropriated and the excluded portions.
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> Hence, the DAR unjustly enriched itself when it appropriated the entire 147.6913-hectare real property of respondents Montalvan, because the entire lot was decidedly beyond the area it had intended to subject to agrarian reform under the VOS arrangement. Even the Field Investigation Report issued by the DAR found that the excluded portion together with the five-hectare retention limit was not to be the subject of agrarian reform expropriation. Under the Civil Code, there is unjust enrichment when a person retains the property of another without just or legal ground and against the fundamental principles of justice, equity and good conscience. *Hence, although the Court affirms the award of just compensation for the expropriated portion owned by respondents, the Republic cannot hold on to the excluded portion consisting of 75.6913 hectares, despite both portions being included under one new title issued in its favor.*
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> *The consequence of our finding of unjust and improper titling of the entire property by the Republic is that the title over the excluded portion shall be returned or transferred back to respondents Montalvan, with damages. The costs of the cancellation of the present title and the issuance of two new titles over the divided portions of the property (the expropriated portion to be retained by the Republic under the VOS arrangement in the CARP, and the excluded portion to revert to respondents) shall be borne by DAR, without prejudice to the right of respondents to seek damages in a proper court.*[38] (Emphasis supplied, citations omitted)

We apply the same remedy of re-titling and return here. The lower courts should have ordered the re-titling and return of the 15-hectare portion of the Tagabukud property to respondent pursuant to the Department of Agrarian Reform's findings that the same 15-hectare portion was excluded under Section 10(c) of Republic Act No. 6657. Any costs for the re-titling and return of the excluded portion shall be for the account of the Department of Agrarian Reform, together with any damages that may be proven by respondent in the proper proceedings.

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[38] Id. at 655–657.

II

The Regional Trial Court, as Special Agrarian Court, correctly adopted an alternative method of computing just compensation, given the absence of several factors required by the formula provided in Administrative Order No. 05-98 (basic formula), and consistent with its "original and exclusive jurisdiction" to determine just compensation.[39]

Land Bank v. Manzano[40] provides that courts are "required to consider" the factors enumerated in Republic Act No. 6657, Section 17 and the formulas provided by the relevant administrative issuances. However, *Manzano* also discussed that this requirement must be read together with the discretion given to the Special Agrarian Court in making a final determination of just compensation.

> This Court's ruling in *Lim* is crucial: *the Special Agrarian Court is "required to consider" the factors in Republic Act No. 6657 and the formula in the administrative issuances.* This must be construed to mean that the Special Agrarian Court is legally mandated to take due consideration of these legislative and administrative guidelines to arrive at the amount of just compensation. *Consideration of these guidelines, however, does not mean that these are the sole bases for arriving at the just compensation.*
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> In *Apo Fruits Corporation v. Land Bank*, this Court ruled that *Republic Act No. 6657, Section 17 merely provides for guideposts in ascertaining the valuations for the properties*, but the courts are not precluded from considering other factors.
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> In *Land Bank of the Philippines v. Obias*:
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> > [A]dministrative issuances or orders, though they enjoy the presumption of legalities, are still subject to the interpretation by the Supreme Court pursuant to its power to interpret the law. *While rules and regulations issued by the administrative bodies have the force and effect of law and are entitled to great respect, courts interpret administrative regulations in harmony with the law that authorized them and avoid as much as possible any construction that would annul them as invalid exercise of legislative power.*

Thus, while Section 17 requires due consideration of the formula prescribed by DAR, the determination of just compensation is still subject to the final decision of the proper court. In the recent case of *Alfonso v. Land Bank*, this Court reiterated:

> 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

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39 *Land Bank v. Manzano et al.*, 824 Phil. 339 (2018) [Per J. Leonen, Third Division].
40 824 Phil. 339 (2018) [Per J. Leonen, Third Division].

> 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.*
>
> Taking into consideration the totality of these principles, this Court rules that the Court of Appeals correctly affirmed the findings of the Special Agrarian Court. Petitioner's argument on mandatory adherence to the provisions of the law and the administrative orders must fail. *The Regional Trial Court's judgment must be given due credence as an exercise of its legal duty to arrive at a final determination of just compensation.*[41] (Emphasis supplied, citations omitted)

Land Bank v. Garcia[42] further provides that since determining just compensation is a judicial function, which involves the appreciation of facts "specific and peculiar for each case," the courts cannot be bound by a particular method or formula in doing so.

> *In the exercise of this judicial function, the Special Agrarian Court's determination may not be dictated and curtailed by a legislative or executive issuance. At most, the formula prescribed by the Department of Agrarian Reform is only recommendatory.*
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> *The determination of just compensation involves the appreciation of facts and evidence which may be specific and peculiar for each case.* Thus, the factors which may be considered by a Special Agrarian Court cannot be limited, especially if the available evidence will aid the court to come up with a more precise valuation. *Agrarian courts should be given independence to use a wide range of factors in determining land value.*[43] (Emphasis supplied, citation omitted)

The "basic formula" aimed to standardize the determination of just compensation by incorporating all of the factors mentioned in Section 17 of Republic Act No. 6657. However, the lower courts have recourse to alternative computation methods when required by the circumstances, provided that any deviation is substantiated by evidence on record.[44]

Here, the lower courts found that two of the three factors required by the "basic formula" were absent. According to the records, the parties were unable to submit proof of comparative sales of similar lands in the area, as

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41 Id. at 372–373.

42 G.R. No. 208865, September 28, 2020 [Per J. Leonen, Third Division].

43 Id. at 19. This pinpoint citation refers to a copy of the Decision uploaded to the Supreme Court website.

44 *Alfonso v. Land Bank*, 801 Phil. 207 (2016) [Per J. Jardeleza, En Banc].

well as proof of the subject property's market value based on tax declarations at the time of taking.[45] According to *Apo Fruits Corporation v. Court of Appeals*,[46] the absence of the factors required by the "basic formula" will allow the Special Agrarian Court to resort to alternative means of determining land value.

> Notably, DAR AO No. 5, Series of 1998, itself prescribes that *the basic formula for just compensation shall only be used if all the three factors are present, relevant and applicable.* The three factors are: 1) capitalized net income; 2) comparable sales; and 3) market value per tax declaration. DAR AO No. 5, Series of 1998, II A, underscores that the above formula as therein indicated, i.e., LV = (CNI x.06) + (CS x 0.3) + (MV x 0.1), shall be used if all three factors are "present, relevant, and applicable." What is explicit in said AO, therefore, is the qualification that for the aforesaid basic formula to be utilized in arriving at the land value, the three factors, i.e., capitalized net income; comparable sales; and market value per tax declaration must be determined by the RTC acting as SAC to be "present, relevant, and applicable." Hence, it is within its duty to: 1) identify the presence of the three factors; 2) determine if the factors are relevant to the valuation; and 3) judge their applicability. *The very same DAR AO, therefore, recognizes that there are circumstances when, to the mind of the court, any of the three factors are not present, relevant or applicable; and the basic formula cannot be used. In such cases, alternative formulae are made available.*[47] (Emphasis supplied)

Since two of the three factors were absent, the Special Agrarian Court undertook its own computation of the subject property's value based on other available factors.

> In arriving at the just compensation, this Court considered the Petitioner's acceptable price based on its amended Petition, i.e. EIGHT HUNDRED FIFTY SEVEN THOUSAND TWO HUNDRED TWENTY NINE THOUSAND 90/100 PESOS (₱ 857,229.90). The findings of the Commissioners were also taken into account. . . .
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> This Court also finds, and it is not disputed by the parties, that the subject property is an agricultural land planted to (sic) coconuts, corn and cogon and these plants are productive during the time when the land was taken for CARP. To emphasize, the parties do not dispute these facts. It is also undisputed that these plants have commercial values. The coconuts alone produce an average annual production of 1,200 kilos per hectare at ₱5.00 per kilo. Add (sic) to that is the production of corn and cogon.[48]

This recourse to an alternative computation method is consistent with the discussion in *Apo Fruits Corporation* regarding the Special Agrarian Court's discretion in evaluating land value.

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45 *Rollo*, pp.139–140.
46 565 Phil. 418 (2007) [Per J. Chico-Nazario, Third Division].
47 Id. at 433.
48 *Rollo*, pp. 141–142.

> What is clearly implicit, thus, is that the basic formula and its alternatives — administratively determined (as it is not found in Republic Act No. 6657, but merely set forth in DAR AO No. 5, Series of 1998) — although referred to and even applied by the courts in certain instances, does not and cannot strictly bind the courts. *To insist that the formula must be applied with utmost rigidity whereby the valuation is drawn following a strict mathematical computation goes beyond the intent and spirit of the law. The suggested interpretation is strained and would render the law inutile.* Statutory construction should not kill but give life to the law. As we have established in earlier jurisprudence, the valuation of property in eminent domain is essentially a judicial function which is vested in the regional trial court acting as a SAC, and not in administrative agencies. *The SAC, therefore, must still be able to reasonably exercise its judicial discretion in the evaluation of the factors for just compensation, which cannot be arbitrarily restricted by a formula dictated by the DAR, an administrative agency.* Surely, DAR AO No. 5 did not intend to straightjacket the hands of the court in the computation of the land valuation. While it provides a formula, it could not have been its intention to shackle the courts into applying the formula in every instance. *The court shall apply the formula after an evaluation of the three factors, or it may proceed to make its own computation based on the extended list in Section 17 of Republic Act No. 6657, which includes other factors, like the cost of acquisition of the land; the current valuation of like properties; its nature, actual use and income; the sworn valuation by the owner; the tax declarations; and the assessment made by the government assessors.*
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> The argument of LBP that the real properties of AFC and HPI must have a lower valuation, since they are agricultural, conveniently disregards our repeated pronouncement that in determining the just compensation to be paid to the landowner, *all the facts as to the condition of the property and its surroundings, as well as its improvements and capabilities, should be considered.*[49] (Emphasis supplied, citations omitted)

After examining the Commissioners' reports, the Special Agrarian Court found that Commissioner Rubia's computation substantially corresponded to its own and, thus, adopted the same.

> On a final note, *although Commissioner Rubia's valuation appears that it is based on the present situation of the property for the entire 75 hectares, this Court rules that the valuation thus mentioned substantially corresponds with the findings of this Court enumerated above since there were standing crops of coconut, corns and cogons during their ocular inspection and that the standing crops are productive.* Moreover, the parties do not dispute these facts. Finally, the valuation of Commissioner Rubia is in fact, more than the acceptable valuation being asked by the Petitioner based on its amended Petition.[50] (Emphasis supplied)

On appeal, the Court of Appeals affirmed the Special Agrarian Court's findings on the sufficiency of just compensation awarded.

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[49] *Apo Fruits Corporation v. Court of Appeals*, 565 Phil. 418, 433–434 (2007) [Per J. Chico-Nazario, Third Division].

[50] *Rollo*, p. 142.

> Given the analysis already made by the RTC, this Court is convinced that the trial court correctly determined the amount of just compensation due to PFC. Therefore, We find no reason to disturb the finding that the proper valuation as just compensation for the entire 75-hectare subject property amounts to ₱1,193,327.00.[51]

Thus, there was sufficient basis for the Special Agrarian Court's recourse to alternative means of computing just compensation and its subsequent adoption of Commissioner Rubia's similar methodology.

III

However, petitioner raises a valid point regarding the lower courts' failure to value the subject property at the time of its taking. The records provide that the lower court's computation considered the subject property's value based on the Commissioners' findings at the time of their appointment in 2004, instead of at the time of the property's taking in 1994.[52] Further, the lower courts and the Commissioners computed just compensation on all 75 hectares of the subject property when only 60 hectares were proper for compulsory coverage under the Republic Act No. 6657.

While the Special Agrarian Court correctly used an alternative formula in the absence of proof of Comparable Sales and Market Value per Tax Declaration, this Court cannot agree that the factors indicating the subject property's "present situation" in 2004 were exactly the same as when it was taken by the State in 1994.

Department of Agrarian Reform v. Beriña[53] provides relevant guidelines in the remand of agrarian reform cases to the Special Agrarian Courts for further computation of land value for just compensation.

> Just compensation is defined as the full and fair equivalent of the property taken from its owner by the expropriator. For purposes of determining just compensation, the fair market value of an expropriated property is determined by its *character* and its *price* at the time of *taking*. In addition, the factors enumerated under Section 17 of RA 6657, as amended, *i.e.*, *(a)* the acquisition cost of the land, *(b)* the current value of like properties, *(c)* the nature and actual use of the property and the income therefrom, *(d)* the owner's sworn valuation, *(e)* the tax declarations, *(f)* the assessment made by government assessors, *(g)* the social and economic benefits contributed by the farmers and the farmworkers, and by the government to the property, and *(h)* the non-payment of taxes or loans secured from any government financing institution on the said land, if any, must be equally considered.

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[51] Id. at 44.
[52] Id. at 28.
[53] 738 Phil. 605 (2014) [Per J. Perlas-Bernabe, Second Division].

The Court has gone over the records and observed that none of the aforementioned factors were even considered and found inapplicable by the RTC and the CA. As such, the Court is led to conclude that the valuation arrived at was not in accordance with the factors enumerated under Section 17 of RA 6657, as amended, thus, necessitating the remand as aforementioned. To this end, the RTC is hereby directed to observe the following guidelines in the remand of the case:

1. ***Compensation must be valued at the time of taking,*** or the time when the landowner was deprived of the use and benefit of his property, such as when title is transferred in the name of the Republic of the Philippines. Hence, the evidence to be presented by the parties before the trial court for the valuation of the subject portion must be based on the values prevalent at such time of taking for like agricultural lands.

2. ***The evidence must conform with Section 17 of RA 6657, as amended, prior to its amendment by RA 9700.*** It bears pointing out that while Congress passed RA 9700 on July 1, 2009, *further* amending certain provisions of RA 6657, as amended, among them, Section 17, and declaring "(t)hat all previously acquired lands wherein valuation is subject to challenge by landowners shall be completed and finally resolved pursuant to Section 17 of [RA 6657], as amended," the law should not be retroactively applied to pending claims/cases.

With this in mind, the Court, cognizant of the fact that the instant consolidated petitions for review on *certiorari* were filed in August 2008, or long before the passage of RA 9700, finds that **Section 17 of RA 6657, as amended, prior to its further amendment by RA No. 9700, should control the challenged valuation.**

3. ***The Regional Trial Court may impose interest on the just compensation as may be warranted by the circumstances of the case and based on prevailing jurisprudence.*** In previous cases, the Court has allowed the grant of legal interest in expropriation cases where there is delay in the payment since the just compensation due to the landowners was deemed to be an effective forbearance on the part of the State. Legal interest shall be pegged at the rate of 12% p.a. from the time of taking until June 30, 2013 only. Thereafter, or beginning July 1, 2013, until fully paid, the just compensation due the landowners shall earn interest at the new legal rate of 6% p.a. in line with the amendment introduced by BSP-MB Circular No. 799, series of 2013.

4. The Regional Trial Court is reminded, however, that while it should take into account the different formula created by the DAR in arriving at the just compensation for the subject portion, ***it is not strictly bound thereto if the situations before it do not warrant their application.***[54] (Emphasis in the original, citations omitted)

The comprehensiveness of the quoted guidelines notwithstanding, we note that this Petition was filed *after* the effectivity of the amendments to Section 17 of Republic Act No. 6657, pursuant to Republic Act No. 9700. Thus, the *amended* Section 17 *shall control* in the Special Agrarian Court's further computation of land value for just compensation.

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[54] Id. at 619–621.

SECTION 7. Section 17 of Republic Act No. 6657, as amended, is hereby further amended to read as follows: CS

> "[SECTION] 17. *Determination of Just Compensation.* — In determining just compensation, the cost of acquisition of the land, the value of the standing crop, the current value of like properties, its nature, actual use and income, the sworn valuation by the owner, the tax declarations, the assessment made by government assessors, and seventy percent (70%) of the zonal valuation of the Bureau of Internal Revenue (BIR), translated into a basic formula by the DAR shall be considered, subject to the final decision of the proper court. 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."[55]

In any event, we stress the importance of the Special Agrarian Court's discretion in computing just compensation, as provided in paragraph 4 of the quoted guidelines from *Department of Agrarian Reform v. Beriña*:[56]

> 4. The Regional Trial Court is reminded, however, that while it should take into account the different formula created by the DAR in arriving at the just compensation for the subject portion, ***it is not strictly bound thereto if the situations before it do not warrant their application***.[57] (Emphasis in the original, citation omitted)

Thus, the Special Agrarian Court may continue to exercise its discretion in using alternative formulae should the evidence adduced by the parties be insufficient, irrelevant, or inapplicable to the "basic formula" and its derivatives. However, any such deviation must be substantiated and should remain consistent with the factors required by Section 17 of Republic Act No. 6657, as amended.

ACCORDINGLY, the Petition for Review on Certiorari is **GRANTED**. The June 27, 2014 Decision and the February 17, 2015 Resolution of the Court of Appeals in CA-G.R. SP No. 03801-MIN, upholding the valuation of the 75-hectare parcel of land made by the Regional Trial Court of the City of Mati, Davao Oriental, Branch 5, are hereby **REVERSED** and **SET ASIDE**.

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55 Republic Act No. 9700 (2009), sec. 7, amending Republic Act No. 6657 (2009).
56 738 Phil. 605 (2014) [Per J. Perlas-Bernabe, Second Division].
57 Id. at 621.

SP. AGR CASE No. 026 is hereby **REMANDED** to the said trial court for further reception of evidence on the issue of just compensation, in line with the guidelines discussed in this Decision. The Regional Trial Court, acting as Special Agrarian Court, is hereby directed to conduct the proceedings with reasonable dispatch and is **ORDERED** to submit to this Court a report of its findings and recommendations within sixty (60) days from notice of this Decision.

Transfer Certificate of Title No. CLOA No. 1235 is **CANCELLED** and the Republic is **ORDERED** to cause the issuance of two (2) new titles over the same property, one covering sixty (60) hectares in favor of the same farmer-beneficiaries; and another covering the remaining fifteen (15) hectares to be returned to respondent Paramount Finance Corporation, with costs of the transfer charged to the Department of Agrarian Reform. The Department of Agrarian Reform is hereby **ORDERED** to conduct the necessary re-surveying of the subject property for this purpose, at its own cost.

Respondent Paramount Finance Corporation shall have the right to seek damages for the wrongful titling of the 15-hectare parcel of land covered by Transfer Certificate of Title No. CLOA No. 1235 in an appropriate proceeding.

SO ORDERED.

MARVIC M.V.F. LEONEN
Senior Associate Justice

WE CONCUR:

AMY C. LAZARO-JAVIER
Associate Justice

MARIO V. LOPEZ
Associate Justice

JHOSEP Y. LOPEZ
Associate Justice

On leave
ANTONIO T. KHO, JR.
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
Senior Associate Justice
Chairperson

CERTIFICATION

Pursuant to Article VIII, Section 13 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.

ALEXANDER G. GESMUNDO
Chief Justice