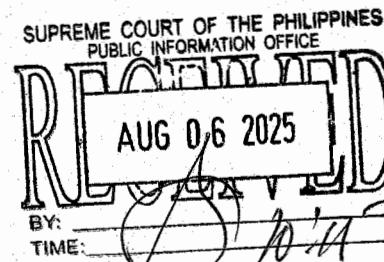




Republic of the Philippines
Supreme Court
Manila

THIRD DIVISION



CITY GOVERNMENT OF
PASAY,

Petitioner,

- versus -

ARELLANO UNIVERSITY,
Respondent.

G.R. No. 260038
(Formerly UDK 17046)

Present:

CAGUIOA, J.,
Chairperson,
INTING,
GAERLAN,
DIMAAPAO, and
SINGH,* JJ.

Promulgated:
MAY 07 2025
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DECISION

GAERLAN, J.:

This is a petition for review of the December 28, 2020 Decision¹ and the March 15, 2021 Resolution² of the Court of Appeals (CA) in CA-G.R. CV No. 113233. The matter originated from a dispute between the City Government of Pasay (Pasay LGU) and Arellano University (Arellano) over just compensation for the conversion of the latter's 805-square-meter parcel of land (the Menlo property, or the property) into a public thoroughfare now known as Menlo Street.

* On leave.

¹ *Rollo*, pp. 28–41. Penned by Associate Justice Marlene B. Gonzales-Sison and concurred in by Associate Justices Pablito A. Perez and Florencio M. Mamaug, Jr. of the Special Eighth Division, Court of Appeals, Manila.

² *Id.* at 44–45. Penned by Associate Justice Marlene B. Gonzales-Sison and concurred in by Associate Justices Pablito A. Perez and Florencio M. Mamaug, Jr. of the Former Special Eighth Division, Court of Appeals, Manila.

On October 26, 2015, Arellano filed a complaint before the Regional Trial Court (RTC) of Pasay City, alleging that the Pasay LGU took a portion of the Menlo property and converted it into a public street without expropriation proceedings or payment of just compensation. Arellano submitted a copy of its title certificate over the Menlo property to prove its ownership and the absence of any encumbrance or annotation thereon indicating the conversion.³ Arellano thus prayed that the Pasay LGU be ordered to pay just compensation in an amount set by the court.⁴

The Pasay LGU answered that the complaint has no basis because Arellano failed to allege the time of taking, making the determination of just compensation impossible. It nevertheless manifested a willingness to compensate Arellano, if needed.⁵

After failed mediation, the parties agreed to refer the determination of just compensation to a board of commissioners composed of three Pasay LGU officials: the City Treasurer, the City Engineer, and the City Assessor.⁶ On October 18, 2017, the commissioners submitted their appraisal report, as follows:

The purpose of this appraisal is to render an opinion regarding the Fair Market Value of a certain property consisting of a parcel of land owned by ARELLANO UNIVERSITY, INC., now being used as Street Road (part of Menlo Street) by virtue of a Court Order dated March 22, 2017 appointing the undersigned as commissioners for the determination of the just compensation on the affected property.

The subject property is known and described as Lot 1 of the cons. Subd. Plan Pcs-00- 012377, being a portion of Lots 2 & 3, Pcs-561, (LRC Record No. 317), situated in Brgy. of San Isidro, City of Pasay, Metro Manila, Island of Luzon. Bounded on the SW., along line 1-2 by Calle Luna; on the NW, along line 2-3 by Lot 8; along 3-4 by Lot 9, along line 4-5 by Lot 10; along line 5-6 by Lot 11; along line 6-7 by Lot 12, all Pcs-561; on the NE, along line 7-8 by Callejon and on the SE, along line 8-9 by Lot 4, Pcs-561; along line 8-9 by Lot 4, Pcs-561; along 9-1 by Lot 2 of the cons. Subd. Plan described on Transfer Certificate of Title (TCT) No. 149092, containing an area of EIGHT HUNDRED FIVE (805.00) SQUARE METERS more or less. It is located at approximately 270 meters away from Ocampo Street (formerly Vito Cruz St.) and around 680 meters away from Sen. Gil Puyat Avenue. Most of the properties within the vicinity are used for residential, commercial and even educational purposes.

A scrutiny of the records of Pasay City yielded the significant information that before the property was purchased by Arellano University, Inc. from

³ *Id.* at 47-48, 57, 81 & 90. Complaint, Pre-trial brief, and sketch maps.

⁴ *Id.* at 49. Complaint.

⁵ *Id.* at 78-79. Answer.

⁶ *Id.* at 29. CA Decision.

Salvador P. de Tagle on January 4, 1965 under a Deed of Sale with Assumption of Mortgage (by virtue of which TCT No. 10668 was issued to Arellano University, Inc.) Menlo Street is already existing.

For purposes of this appraisal, the City Assessor's Office valued the property (located along Menlo Street) for taxation purposes at P200.00/sq.m. for 1978 General Revision, P300.00/sq.m. for 1984 and 1991 General Revision, P1,280.00/sq.m. for 1994 General Revision (Ordinance No. 239, S-1993); P4,000.00/sq.m. for 1997 General Revision (Ordinance No. 735, S-1996); P5,600.00/sq.m. for 2002 General Revision (Ordinance No. 2415, S-2002) and P14,000.00/sq.m. for 2017 General Revision of property assessment (Ordinance No. 5754, S-2016), while the Zonal Valuation of the Bureau of Internal Revenue (BIR) within the area is at the rate of P11,000.00/sq.m, for residential and P18,000.00/sq.m. for commercial properties under Department Order No. 38-09 dated December 11, 2009.

After a careful analysis of the pertinent data and other factors affecting valuation based on the Rules and Procedure of Metro Manila Appraisal Committee (Sec 5.4.13), it is the opinion of this committee that the Fair Market Value of the subject property may be pegged at TWO THOUSAND SIXTY (P2,060.00) PESOS per square meter as the fair market value for the affected parcel of land.⁷

The commissioners started with the base value of PHP 200.00 per square meter based on the 1978 General Revision of the City Assessor's Office, and applied 6% interest per annum thereon from 1978 until 2017, resulting in a value of PHP 2,057.14 per square meter, which was rounded off to PHP 2,060.00.⁸

Sought for comment on the report, Arellano argued that based on the principle of prompt payment in expropriation cases, the value of the Menlo property should be reckoned at the time of the filing of the complaint in 2015, and not at the time of the "discovery" of Menlo Street's existence in 1978.⁹ The Pasay LGU riposted that the prompt payment principle does not apply because it did not unjustifiably delay the payment of just compensation. The Pasay LGU also submitted evidence of its willingness to compensate Arellano as early as 2012. It blamed the delay on the difficulty in determining the time of taking; and argued that the time of taking should be set at the earliest appearance of the Menlo property in the land tax records, which was in 1978.¹⁰

The court ordered Arellano to submit its proposed computation for comment.¹¹

⁷ *Id.* at 109–110. Appraisal Report AR 2017-01, signed by City Treasurer Manuel E. Leycano Jr., City Engineer Edwin Y. Javaluyas, and City Assessor Fernando M. Fandifio.

⁸ *Id.* at 110. Computation of Money Value at 6% per annum.

⁹ *Id.* at 117. Comment on Appraisal Report.

¹⁰ *Id.* at 118–119. Reply.

¹¹ *Id.* at 123. April 26, 2018 Compliance.

On April 26, 2018, Arellano submitted its proposed computation. It accepted the appraisal report's valuation with modification, in that the annual interest was pegged to the rates published by the Bangko Sentral ng Pilipinas (BSP). Arellano thus valued the property at PHP 5,793,664.63 as of 2018.¹² In response, the Pasay LGU maintained that the appraisal report should be followed as it is supported by case law.¹³

On August 14, 2018, the trial court issued an order¹⁴ (August 2018 order) disposing of the case in this manner:

WHEREFORE, premises considered, judgment is hereby rendered fixing the amount of just compensation for 805 square meters of the subject parcel of land expropriated at Two Hundred Pesos per square meter which is equivalent to One Hundred Sixty[-]One Thousand Pesos.

The City Government of Pasay is hereby directed to pay Arellano University:

- 1) the amount of One Hundred Sixty[-]One Thousand Pesos as just compensation plus legal interest of twelve percent (12%) per annum from 1978 until 2018; and
- 2) an indemnity for damages on the total amount of just compensation which shall earn legal interest in the amount of six percent per annum.

SO ORDERED.¹⁵

The RTC agreed that the time of taking should be set at 1978. Thus, it set the base compensation at PHP 161,000.00 (PHP 200.00*805 m²).¹⁶ It also agreed that the base compensation should earn interest, in accordance with the prompt payment principle, "*to compensate [Arellano] for the income [it] would have made had [it] been properly compensated... at the time of the taking.*" Furthermore, the delay in the payment of just compensation may be considered a forbearance of money.¹⁷ The trial court thus changed the interest rate to 12% per annum following the 2017 decision of this Court in *Evergreen Manufacturing Corp. v. Republic*,¹⁸ which applied the legal interest rate on forbearances of money in an award of interest on delayed payment of just compensation.¹⁹ Finally, the RTC awarded damages at the rate of 6% per annum, as the Pasay LGU converted Arellano's private property into a public street without initial payment.

¹² *Id.* at 123–130.

¹³ *Id.* at 131–133. Comment on the April 26, 2018 Compliance.

¹⁴ *Id.* at 135–138. The Order was issued by Acting Presiding Judge Gina M. Bibat-Palamos of the Regional Trial Court, Branch 108, Pasay City.

¹⁵ *Id.* at 138.

¹⁶ *Id.* at 136.

¹⁷ *Id.* at 137.

¹⁸ 817 Phil. 1048 (2017) [Per Acting C.J. Carpio, Second Division].

¹⁹ *Rollo*, pp. 137–138. August 2018 Order.

Both parties sought reconsideration from the August 2018 Order. Arellano asserted that its proposed computation is more accurate as it accounts for relevant factors such as inflation, fiscal policies, and fluctuations in currency exchange rates; while the Pasay LGU maintained that the proper interest rate is 6%.²⁰ Arellano also prayed for exemplary damages and attorney's fees, to penalize the Pasay LGU for appropriating the property without expropriation proceedings.²¹ The Pasay LGU riposted that the non-payment of just compensation was not its fault, as it was Arellano who filed the claim only in 2015 despite admitting that the taking happened in 1978.²²

On December 13, 2018, the trial court denied both motions for reconsideration, finding them mere rehashes of already-raised arguments.²³ Both parties repleaded their arguments before the CA on appeal,²⁴ with the Pasay LGU further calling for the deletion of the 6% per annum indemnity.²⁵

The CA remanded the case to the RTC for the proper determination of the amount of just compensation, exemplary damages, attorney's fees and costs of suit. It also ruled that the just compensation award shall earn interest at the rate of 12% from 1978 until June 30, 2013, and then at the rate of 6% from July 1, 2013 until full payment.²⁶

The amount of just compensation must be re-determined at the trial court level because the RTC's computation was based solely on the Pasay City Assessor's 1978 assessment values, without considering other factors such as the zonal valuation of the Bureau of Internal Revenue (BIR), the acquisition cost, tax declarations, size, shape, and location of the property, as well as the value of similar properties.²⁷ The CA refused to uphold Arellano's computation because it is based on circumstances that affected the value of the property *after* its taking.²⁸

Regarding interest, the CA ruled that constant 6% rate set by the RTC is erroneous because between the time of taking in 1978 and the filing of the complaint in 2015, the prevailing legal rate was changed from the 12% rate prevailing in 1978 to 6% in 2013, so the rate must be adjusted accordingly.²⁹ The appellate court also ruled that the indemnity of 6% per annum on the total

²⁰ *Id.* at 140–142, 146–148. Arellano and Pasay LGU's motions for reconsideration.

²¹ *Id.* at 142–143. Arellano's Motion for Partial Reconsideration.

²² *Id.* at 148–149. Pasay LGU's motion for reconsideration.

²³ *Id.* at 152. The Order was issued by Presiding Judge Albert T. Cansino of the Regional Trial Court, Branch 108, Pasay City.

²⁴ *Id.* at 32–35. CA Decision.

²⁵ *Id.* at 162. Appellant's Brief.

²⁶ *Id.* at 40. CA Decision.

²⁷ *Id.* at 35–37.

²⁸ *Id.* at 37.

²⁹ *Id.* at 38–39.

amount of just compensation shall accrue from the finality of its decision until full payment thereof.³⁰

Finally, the CA agreed that the Pasay LGU must pay exemplary damages, attorney's fees, and costs of suit, to deter it from depriving landowners of their ownership rights without legal proceedings; however, the CA left the determination of the exact amounts to the RTC.³¹

The CA denied the Pasay LGU's motion for reconsideration through the assailed resolution, finding it a mere rehash of the appeal briefs;³² hence this petition arguing that the CA erred in: 1) setting aside the RTC's valuation of the Menlo property;³³ 2) not imposing a constant interest rate of 6% on the award of just compensation;³⁴ and 3) awarding exemplary damages, attorney's fees, and costs of suit in favor of Arellano.³⁵

*RTC orders are based on incomplete data;
remand is proper*

Both parties agree that the just compensation for the Menlo property shall be based on its value at the time of taking in 1978. However, Pasay argues that the remand and recomputation are unnecessary because the commissioners' valuation is based on prevailing guidelines for the appraisal of real properties to be acquired for public purposes.³⁶

Article III, Section 9 of the Constitution declares that "*private property shall not be taken for public use without just compensation.*" "*The word 'just' is used to intensify the meaning of the word "compensation" and to convey thereby the idea that the equivalent to be rendered for the property to be taken shall be real, substantial, full and ample.*"³⁷ While the executive and the legislature may draw up guidelines and formulae for the determination of just compensation,³⁸ it ultimately remains a judicial function, in that the "justness" of the amount of compensation due to a landowner is an evidentiary matter

³⁰ *Id.* at 39.

³¹ *Id.*

³² *Id.* at 45. CA Resolution.

³³ *Id.* at 11–16. Petition for Review on *Certiorari*.

³⁴ *Id.* at 16–19.

³⁵ *Id.* at 19–21.

³⁶ *Id.* at 502. Reply.

³⁷ *National Power Corp. v. YCLA Sugar Development Corp.*, 723 Phil. 616, 623 (2013) [Per J. Reyes, First Division].

³⁸ E.g., Republic Act No. 6657, as amended, Secs. 17 & 18 (1988); Republic Act No. 9700, Sec. 7 (2009); Executive Order No. 229, Sec. 18 (1987). *See also Republic v. Mupas*, 785 Phil. 40 (2016) [Per J. Brion, *En Banc*].

which may be decided only by the courts through the exercise of the judicial power.³⁹

In *Export Processing Zone Authority v. Judge Dulay*,⁴⁰ We explained why appraisals by local government assessors are not controlling in the valuation of just compensation in expropriation proceedings:

Various factors can come into play in the valuation of specific properties singled out for expropriation. The values given by provincial assessors are usually uniform for very wide areas covering several barrios or even an entire town with the exception of the poblacion. Individual differences are never taken into account. The value of land is based on such generalities as its possible cultivation for rice, corn, coconuts, or other crops. Very often land described as "cogonal" has been cultivated for generations. Buildings are described in terms of only two or three classes of building materials and estimates of areas are more often inaccurate than correct. Tax values can serve as guides but cannot be absolute substitutes for just compensation.

To say that the owners are estopped to question the valuations made by assessors since they had the opportunity to protest is illusory. The overwhelming mass of land owners accept unquestioningly what is found in the tax declarations prepared by local assessors or municipal clerks for them. They do not even look at, much less analyze, the statements. The idea of expropriation simply never occurs until a demand is made or a case filed by an agency authorized to do so.

It is violative of due process to deny to the owner the opportunity to prove that the valuation in the tax documents is unfair or wrong. And it is repulsive to basic concepts of justice and fairness to allow the haphazard work of a minor bureaucrat or clerk to absolutely prevail over the judgment of a court promulgated only after expert commissioners have actually viewed the property, after evidence and arguments pro and con have been presented, and after all factors and considerations essential to a fair and just determination have been judiciously evaluated.⁴¹

Case law mandates a "totality of circumstances" approach to determining just compensation:

Just compensation means the value of the property at the time of the taking. It means a fair and full equivalent for the loss sustained. All the facts as to the condition of the property and its surroundings, its improvements and capabilities, should be considered.⁴²

³⁹ *National Grid Corp. of the Phils. v. Gaite*, 928 Phil. 626, 635 (2022) [Per J. Gaerlan, Third Division]; *Land Bank of the Phils. v. Franco*, 849 Phil. 65, 69 & 82-84 (2019) [Per J. Leonen, *En Banc*]; *Republic v. Mupas*, *id.* at 65; *Zaballero v. National Housing Authority*, 239 Phil. 218, 231(1987) [Per J. Cortes, *En Banc*]; *City of Manila v. Estrada*, 25 Phil. 208 (1913) [Per J. Trent, First Division].

⁴⁰ 233 Phil. 313 (1987) [Per J. Gutierrez, Jr., *En Banc*].

⁴¹ *Id.* at 324-325.

⁴² *Id.* at 324. (Underscoring supplied)

It is a very difficult matter to limit the scope of the inquiry as to what the market value of condemned property is. The market value of a piece of land is attained by a consideration of all those facts which make it commercially valuable.⁴³

Among the relevant facts and conditions identified in case law are the zonal valuation by the BIR, the cost of acquisition, the current value of similar properties, the actual and potential uses of the property at the time of taking, as well as its size, shape, location, and the tax declarations thereon.⁴⁴ These factors have been adopted and expanded by the executive branch in its own assessment and appraisal guidelines. Item (b) of Executive Order No. 132 (1937),⁴⁵ entitled "Procedure to be Followed in the Acquisition of Private Property for Public Use and Creating Appraisal Committees" provides:

(b) If the negotiations fail, the official concerned shall forthwith, and by formal notification submit the matter to an appraisal committee which is hereby created and which shall be composed of the provincial treasurer, as chairman and the district engineer and the district auditor, as members, of the province where the land is located. If the property is situated in a chartered city, the appraisal committee shall be composed of the city treasurer, as Chairman, and the city engineer and the city auditor, as members.

The committee shall endeavor to secure complete data to ascertain the real or market value of the property to be acquired. The committee is authorized to hold public hearings and make such other investigation as may be deemed necessary. Upon the completion of the investigation and not longer than sixty days after the receipt of notification by the chairman, the committee shall submit a report to the provincial board, city or municipal council or National Government official concerned with recommendation as to whether the property should be purchased at the prices determined upon by the committee and approved by the owners, or condemnation proceedings instituted.

In determining the real or marked value of the property to be acquired for public use, the committee shall make efforts to ascertain the purchase price of the property to be acquired or of other property similarly conditioned in the same vicinity. It should also determine the consequential benefits that may be derived from the construction of the proposed improvement and the damages that may be caused by such improvement. In arriving at a fair valuation as contemplated by law, if the estimated damages exceed the estimated benefits, such excess should be added to the market value. On the other hand, if the estimated benefits exceed the probable damages, the

⁴³ *Manila Railroad Co. v. Velasquez*, 32 Phil. 286, 315 (1915) [Per J. Trent, *En Banc*].

⁴⁴ *National Transmission Corporation v. Spouses Taglao*, 869 Phil. 693, 701 (2020) [Per J. Inting, Second Division]; *Republic v. Spouses Salvador*, 810 Phil. 742, 747 (2017) [Per J. Del Castillo, First Division]; *Republic v. Asia Pacific Integrated Steel Corp.*, 729 Phil. 402, 415 (2014) [Per J. Villarama, First Division]; *National Power Corp. v. Bagui*, 590 Phil. 424, 434 (2008) [Per J. Tinga, Second Division]; *Land Bank of the Phils. v. Wycoco*, 464 Phil. 83, 97 (2004) [Per J. Ynares-Santiago, First Division]; *B.H. Berkenkotter & Co. v. Court of Appeals*, 290-A Phil. 371 (1992) [Per J. Cruz, First Division].

⁴⁵ Referenced and adopted in Executive Order No. 329 (1988) (Creating Appraisal Committees in the Metropolitan Manila Area, Defining Their General Functions and Prescribing Their Procedures).

difference shall be disregarded and the market price considered the fair valuation.

The 2006 Manual on Real Property Appraisal and Assessment Operations issued by the Bureau of Local Government Finance lists the following factors that "*the expropriating agency or its duly authorized assessor in appraising the market value of the private property that is subject to expropriation must consider, among others:*"

- a) The classification and use for which the property is suited;
- b) The developmental costs for improving the land;
- c) The value declared by the owners;
- d) The current selling price of similar lands in the vicinity;
- e) The reasonable disturbance compensation for the removal and/or demolition of certain improvements on the land and for the value of improvements thereon;
- f) The size, shape or location, Field Appraisal and Assessment Sheet, Tax Declaration and zonal valuation of the land;
- g) The price of the land as manifested in the ocular findings, oral as well as documentary evidence presented; and
- h) Such facts and events so as to enable the affected property owners to have sufficient funds to acquire similarly-situated lands of approximate areas as those acquired from them by the government, and thereby rehabilitate themselves as early as possible.⁴⁶

As keenly pointed out by the CA, the RTC and the commissioners relied solely on the 1978 general assessment revision issued by the city assessor of Pasay. The BIR zonal valuation was mentioned only in passing, and no other evidence or data sources appear to have been considered. Clearly, the RTC's August and December 2018 orders are based on incomplete data. Where the determination of just compensation is based on incomplete or inaccurate data, the proper recourse is to remand the case to the trial court for reception of

⁴⁶ Bureau of Local Government Finance, *Manual on Real Property Appraisal and Assessment Operations*, Chapter VIII, Section 1, Item D.2. (January 2006), available at <https://blgf.gov.ph/wp-content/uploads/2015/08/ManualRPAandAO.pdf> archive link at <http://web.archive.org/web/20220731201601/https://blgf.gov.ph/wp-content/uploads/2015/08/ManualRPAandAO.pdf> (last accessed March 1, 2025).

evidence and data on the abovementioned factors⁴⁷ as of the time of taking,⁴⁸ and the CA did not err in so ordering.

Application of BSP interest rate is proper

The Pasay LGU incorrectly asserts that the interest should only be 6% per annum from 1978 onwards.

"The concept of just compensation contemplates of just and timely payment; it embraces not only the correct determination of the amount to be paid to the landowner, but also the payment of the land within a reasonable time from its taking. Without prompt payment, compensation cannot... be considered "just" for the owner is made to suffer the consequence of being immediately deprived of his land while being made to wait for years before actually receiving the amount necessary to cope with his loss."⁴⁹ To ensure that compensation remains just if payment is not promptly made, jurisprudence has evolved a rule stating that when property is taken for public use before payment of just compensation, the amount of final compensation shall earn legal interest from the time of taking until payment or deposit of the compensation is made.⁵⁰ In such cases, the expropriation subject to payment of just compensation is considered a forbearance of money,⁵¹ which earns interest at the rate set by the central monetary authority:

⁴⁷ See *Land Bank of the Phils. v. Heirs of Alsua*, 938 Phil. 570 (2023) [Per J. Kho, Jr., Second Division] at 8–9 (This pinpoint citation refers to the copy of the Decision uploaded to the Supreme Court website); *National Transmission Corp. v. Religious of the Virgin Mary*, 927 Phil. 84, 102 & 108 (2022) [Per J. Leonen, Second Division]; *Sy v. Local Government of Quezon City*, 710 Phil. 549, 562–563 (2013) [Per J. Perlas-Bernabe, Second Division]; *Land Bank of the Phils. v. Heirs of De Leon*, 605 Phil. 537, 545–546 (2009) [Per J. Tinga, Second Division]; *Land Bank of the Phils. v. Dumlaao*, 592 Phil. 486, 509 & 517 (2008) [Per J. R.T. Reyes, Third Division]; *Meneses v. Secretary of Agrarian Reform*, 535 Phil. 819, 832–834 (2006) [Per J. Austria-Martinez, First Division].

⁴⁸ *Evergreen Manufacturing Corp. v. Republic*, 817 Phil. 1048, 1060–1062 (2017); *National Power Corporation v. Spouses Chiong*, 452 Phil. 649, 664 (2003) [Per J. Quisumbing, Second Division]; *National Power Corp. v. Henson*, 360 Phil. 922, 926 (1998) [Per J. Pardo, Third Division].

⁴⁹ *Land Bank of the Phils. v. Department of Agrarian Reform Adjudication Board*, 624 Phil. 773, 781 (2010) [Per J. Velasco, Jr., Third Division].

⁵⁰ *Republic v. Tamparong, Jr.*, 937 Phil. 625 (2023) [Per J. Lopez, M., Second Division]; *Republic v. Decena*, 837 Phil. 314, 330–333 (2018) [Per J. Caguioa, Second Division]; *Export Processing Zone Authority v. Pulido*, 671 Phil. 834, 845–846 (2011) [Per J. Bersamin, First Division]; *Manila International Airport Authority v. Rodriguez*, 518 Phil. 750, 761 (2006) [Per J. Tinga, Third Division]; *Ansaldo v. Tantuico, Jr.*, 266 Phil. 319, 321 (1990) [Per J. Narvaza, First Division]; *Amigable v. Cuenca, et al.*, 150 Phil. 422, 426–427 (1972) [Per J. Makalintal, First Division]; *Alfonso v. Pasay City*, 106 Phil. 1017, 1021–1022 (1960) [Per J. Montemayor, *En Banc*]; *Philippine Railway Co. v. Solon*, 13 Phil. 34, 43–44 (1909) [Per J. Willard, *En Banc*].

⁵¹ Previous rulings characterizing the interest on delayed just compensation as actual damages for delayed payment have been abandoned. *Republic v. Tamparong, Jr.*, *id.*; *Republic v. Soriano*, 755 Phil. 187, 198–200 (2015) [Per J. Peralta, Third Division]; *Apo Fruits Corp. v. Land Bank of the Phils.*, 647 Phil. 251, 273–275 (2010) [Per J. Brion, *En Banc*]; *Republic of the Phils., v. Court of Appeals*, 433 Phil. 106, 123 (2002) [Per J. Vitug, First Division].

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

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

Nevertheless, in line with the recent circular of the Monetary Board of the Bangko Sentral ng Pilipinas (BSP-MB) No. 799, Series of 2013, effective 1 July 2013, the prevailing rate of interest for loans or forbearance of money is six percent (6%) per annum, in the absence of an express contract as to such rate of interest.⁵²

The Pasay LGU's reliance on the cases of *Eusebio v. Luis*⁵³ and *Secretary of Public Works and Highways (SPWH) v. Spouses Tecson*⁵⁴ is misplaced. As correctly pointed out by the CA, *SPWH* did not apply a straight 6% interest rate to the compensation award. Instead, the Court tracked the changes in the BSP interest rate between the time of taking in 1940 and 2014, which were taken into account in the computation of the base market value and interest.⁵⁵ The imposition of a 6% rate in *Eusebio* appears to have been an inadvertent carryover from the cases cited therein, namely the 2006 case of *Manila International Airport Authority (MIAA) v. Rodriguez*⁵⁶ and the 1968 case of *Urtula v. Republic*.⁵⁷ In both *MIAA* and *Urtula*, the prevailing legal rate at the time of taking was 6%.⁵⁸ The rate remained at that level for the whole timeline of *Urtula*;⁵⁹ but in *MIAA*, the expropriation proceedings took place after the adjustment of the BSP rate to 12%.⁶⁰ Despite the adjustment, the *MIAA* Court

⁵² *National Power Corp. v. Heirs of Ramoran*, 787 Phil. 77, 83 (2016) [Per C.J. Sereno, First Division], citations omitted; *Republic v. Soriano*, *id.*

⁵³ 618 Phil. 586 (2009) [Per J. Peralta, Third Division].

⁵⁴ 758 Phil. 604 (2015) [Per J. Peralta, *En Banc*].

⁵⁵ *Id.* at 635–646.

⁵⁶ 518 Phil. 750 (2006) [Per J. Tinga, Third Division].

⁵⁷ *Urtula, et al., v. Rep. of the Phil.*, 130 Phil. 449 (1968) [Per J. J.B.L. Reyes, *En Banc*].

⁵⁸ The taking in *Urtula* happened in 1958 (*id.* at 453–454), while the taking in *MIAA* happened in 1972 (518 Phil. 750, 756 (2006) [Per J. Tinga, Third Division]) under the regime of Act No. 2655, which set the default interest rate on forbearances of money at 6%. Using the authority granted by Act No. 2655, the Central Bank adjusted the rate to 12% in 1974, through Central Bank Circular No. 416. *SPWH v. Tecson*, 758 Phil. 604, 637–638 (2015) [Per J. Peralta, *En Banc*].

⁵⁹ The events in *Urtula* began with the taking in 1958 and ended with the decision of this Court in 1968, still under the regime of Act No. 2655. *Urtula v. Republic*, 130 Phil. 449 (1968) [Per J. J.B.L. Reyes, *En Banc*].

⁶⁰ The negotiations between the parties in *MIAA* began in 1996 and the trial court decision was rendered sometime after that. The CA Decision that led to the elevation of the matter to this Court was rendered in 2003. *Manila International Airport Authority v. Rodriguez*, 518 Phil. 750, 753–754 (2006) [Per J.

still used the 6% rate because it was the prevailing rate at the time of taking, without accounting for the subsequent rate adjustment. *Eusebio* then cited *MIAA* as basis for applying the 6% rate,⁶¹ despite the prevalence of the 12% rate throughout the whole timeline of the former case.⁶²

These aberrations notwithstanding, case law has consistently used the BSP rate in the imposition of interest on delayed just compensation awards, in line with the characterization thereof as a forbearance of money.⁶³ We thus uphold the CA's guideline on the computation of the interest due to Arellano, as set forth in page 12 of the assailed decision, with modification in that the interest on the value of the property at the time of taking shall also earn interest, also following the BSP rate, from the finality of this decision until full payment, in line with prevailing case law regarding interest on forbearances of money.⁶⁴

Award of damages

Finally, the Pasay LGU asks Us to delete the awards of indemnity, exemplary damages, attorney's fees, and costs of litigation because it did not unduly refuse just compensation to Arellano, as evinced by the correspondence between the parties regarding the issue since 2012. The Pasay LGU maintains its good faith in dealing with Arellano, still blaming the delay in the payment of just compensation on the difficulties experienced by both parties in determining the time of taking.⁶⁵

The RTC and the CA imposed 6% interest on the total compensation award as indemnity, and We find no reason to reverse their common ruling. Arellano was deprived of the fruits of the Menlo property without any

Tinga, Third Division]. The prevailing rate between 1996 and 2003 was still 12% under Central Bank Circular Nos. 416 and 905. *SPWH v. Tecson*, 758 Phil. 604, 638–639 (2015) [Per J. Peralta, *En Banc*].

⁶¹ *Eusebio v. Luis*, 618 Phil. 599–600 (2009) [Per J. Peralta, Third Division].

⁶² The taking in *Eusebio* happened in 1980. Judicial proceedings were initiated in 1996, and the CA decision that reached this Court was rendered in 2003 (*Eusebio v. Luis*, *id.* at 591–593); and the prevailing rate between 1980 and 2003 was still 12% under Central Bank Circular Nos. 416 and 905. *SPWH v. Tecson*, 758 Phil. 604, 638–639 (2015) [Per J. Peralta, *En Banc*].

⁶³ *Land Bank of the Phils. v. Heirs of Alsua*, 938 Phil. 570 (2023) [Per J. Kho, Jr., Second Division]; *Republic v. Tamparong, Jr.*, 937 Phil. 625 (2023) [Per J. Lopez, M., Second Division]; *Republic v. Spouses Goloyuco*, 854 Phil. 310, 321–322 (2019) [Per J. J.C. Reyes, Jr., Second Division]; *National Grid Corp. of the Phils. v. Gaite*, 928 Phil. 626, 638–641 (2022) [Per J. Gaerlan, Third Division]; *Republic v. Decena*, 837 Phil. 314, 330–336 (2018) [Per J. Caguioa, Second Division]; *Apo Fruits Corp. v. Land Bank of the Phils.*, 828 Phil. 652, 666–670 (2018) [Per J. Tijam, First Division]; *Evergreen Manufacturing Corp. v. Republic*, 817 Phil. 1048, 1068–1071 (2017) [Per Acting C.J. Carpio, Second Division]; *Republic v. Mupas*, 785 Phil. 40, 73–74 & 96–97 (2016) [Per J. Brion, *En Banc*]; *Export Processing Zone Authority v. Pulido*, 671 Phil. 834, 845–847 (2011) [Per J. Bersamin, First Division] and cases cited therein. The flat rate of 6% advocated by the Pasay LGU would be proper under the old characterization of interest on delayed just compensation as actual damages, following Article 2209 of the Civil Code.

⁶⁴ *Lara's Gifts & Decors, Inc. v. Midtown Industrial Sales, Inc.*, 929 Phil. 754, 779–780 (2022) [Per J. Leonen, *En Banc*].

⁶⁵ *Rollo*, pp. 19–21. Petition for Review.

expropriation proceedings or just compensation, for *at least* 34 years, as the precise time of taking could not be identified due to missing records, forcing Arellano to stipulate thereon. Arellano had to initiate the judicial process for its own compensation, as the Pasay City LGU defaulted in its duty to do so. During the trial, the commissioners found that Menlo Street already existed when Arellano bought the Menlo property in 1965; but the TCT of Arellano's predecessor-in-interest bore no annotation regarding the use of the lot as a public street.⁶⁶ The record is silent as to whether Arellano's predecessors-in-interest were paid any compensation, and the Pasay LGU never alleged any prior compensation it had paid for the Menlo property. Given the dearth of relevant data, the Pasay LGU could not even propose a just price for the Menlo property. The commissioners, all Pasay LGU officials, had to "*guesstimate*"⁶⁷ the property's value by using its earliest appearance in the extant assessment records as the time of taking. Apparently, the Pasay LGU simply took the Menlo property, turned it into a street, and forgot about it, to Arellano's prejudice.

Given this factual context, the 6% interest imposed by the RTC is more properly characterized as temperate damages, as the Pasay LGU's failure to ascertain the actual time of taking made it impossible to calculate the loss or damage to Arellano.⁶⁸

As for exemplary damages and attorney's fees, exemplary damages are a public interest measure intended to correct reprehensible conduct⁶⁹ such as uncompensated eminent domain takings. Articles 2229 and 2234 of the Civil Code nevertheless state that exemplary damages are imposed *in addition* to moral, temperate, liquidated, or compensatory damages, when the claimant is able to "*show that he is entitled to moral, temperate or compensatory damages.*" Article 2208 of the Code then enumerates the situations where attorney's fees and costs of litigation may be awarded without stipulation, one of which is when exemplary damages are awarded.

⁶⁶ *Id.* at 64–67. Transfer Certificate of Title.

⁶⁷ A *guesstimate* is an estimate usually made without adequate information; an approximate calculation of the size or amount of something without knowledge of all the pertinent facts; an estimate that is hardly any better than a guess, often because it is based on insufficient or unreliable data. Merriam-Webster, Inc., *GUESSTIMATE Definition & Meaning - Merriam-Webster*, available at <https://www.merriam-webster.com/dictionary/guesstimate> (last accessed March 4, 2025); Cambridge University Press & Assessment, *GUESSTIMATE | definition in the Cambridge English Dictionary*, available at <https://dictionary.cambridge.org/us/dictionary/english/guesstimate> (last accessed March 4, 2025); Wikimedia Foundation, *guesstimate - Wiktionary, the free dictionary*, available at <https://en.wiktionary.org/wiki/guesstimate> (last accessed March 4, 2025).

⁶⁸ Actual damages must be pleaded and proved (CIVIL CODE, Art. 2199), while temperate damages may be awarded when the fact of pecuniary loss is proven but the amount cannot be ascertained from the nature of the case (CIVIL CODE, Art. 2224). *See National Power Corp. v. Court of Appeals*, 479 Phil. 850 (2004) [Per J. Carpio, First Division] and *Republic v. Court of Appeals*, 494 Phil. 494, 497 (2005) [Per J. Carpio, First Division].

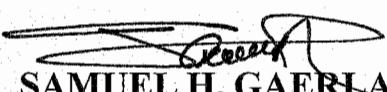
⁶⁹ CIVIL CODE, Art. 2229; Rommel J. Casis, *Analysis of Philippine Law and Jurisprudence on Damages* 285-287 (2012).

Case law distills the Civil Code provisions on exemplary damages into three requisites:⁷⁰ (1) exemplary damages may be imposed **only** in addition to moral, temperate, liquidated, or compensatory damages, and only after the claimant's right to them has been established;⁷¹ (2) they cannot be recovered as a matter of right, their determination depending upon the amount of compensatory damages that may be awarded to the claimant;⁷² and (3) the act must be accompanied by bad faith or done in a wanton, fraudulent, oppressive or malevolent manner.⁷³

While the State and its agents may be held liable for exemplary damages in belatedly litigated and compensated takings,⁷⁴ We find that the Pasay LGU's negligence in paying just compensation for the taking of the Menlo property is tempered by Arellano's corresponding failure to timely demand the same. Arellano bought the property in 1965 but only initiated negotiations with the Pasay LGU in 2012, almost 47 years after buying the property. The record gives the impression that, initially, neither party was aware that a portion of the Menlo property had been annexed into Menlo Street, and the present dispute emerged only after such fact had been discovered, almost four decades later. Given these circumstances, We do not find the award of exemplary damages appropriate.

ACCORDINGLY, the petition is **PARTIALLY GRANTED**. The December 28, 2020 Decision and the March 15, 2021 Resolution of the Court of Appeals in CA-G.R. CV No. 113233 are **MODIFIED**, in that: 1) the award of exemplary damages is **DELETED**; and 2) the interest on the value of the property at the time of taking shall likewise earn interest at the rate of 6% per annum from the date of finality of this Decision until full payment.

SO ORDERED.



SAMUEL H. GAERLAN
Associate Justice

⁷⁰ *Ricafort v. Bautista*, 866 Phil. 507, 518–519 (2019) [Per J. Inting, Second Division]; *Octot v. Ybañez*, 197 Phil. 76 (1982) [Per J. Teehankee, First Division].

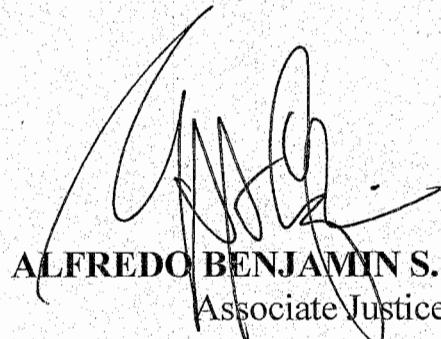
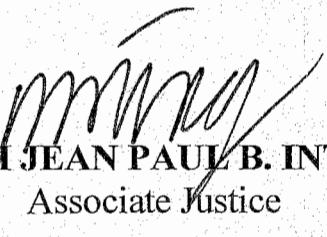
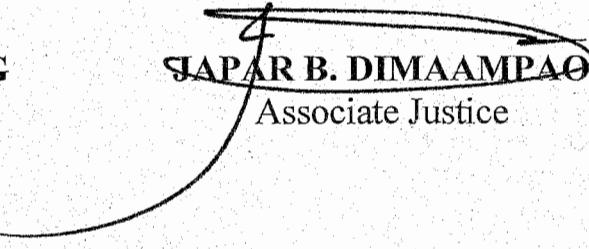
⁷¹ *Singson v. Aragon*, 92 Phil. 514 (1953) [Per J. Bautista Angelo, *En Banc*], citing CIVIL CODE, Arts. 2229, 2233, and 2234; *Marchan v. Mendoza*, 136 Phil. 126 (1969) [Per J. Fernando, *En Banc*].

⁷² *Yutuk v. Manila Electric Co.*, 112 Phil. 271 (1961) [Per J. Dizon, *En Banc*], citing CIVIL CODE, Arts. 2229 and 2234.

⁷³ *Corpus v. Cuaderno, Sr.*, 121 Phil. 568 (1965), [Per J. J.B.L. Reyes, *En Banc*], citing CIVIL CODE, Arts. 2231 and 2232; *Ong Yiu v. Court of Appeals*, 180 Phil. 185 (1979) [Per J. Melencio-Herrera, First Division], citing CIVIL CODE, Art. 2232.

⁷⁴ *National Transmission Corp. v. Oroville Development Corp.*, 815 Phil. 91, 113–115 (2017) [Per J. Mendoza, *En Banc*]; *Republic v. Court of Appeals*, 494 Phil. 494, 497, 512–514 (2005) [Per J. Carpio, First Division]; *National Power Corp. v. Court of Appeals*, 479 Phil. 850, 854–855, 857, 869 (2004) [Per J. Carpio, First Division]; *Alfonso v. Pasay City*, 106 Phil. 1017, 1021–1022 (1960) [Per J. Montemayor, *En Banc*].

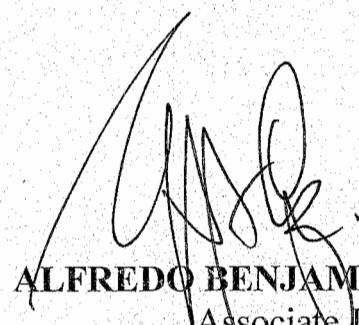
WE CONCUR:


ALFREDO BENJAMIN S. CAGUIOA
Associate Justice*The Separate
Opinion*
HENRI JEAN PAUL B. INTING
Associate Justice
SAPAR B. DIMAAMPAO
Associate Justice

(On leave)
MARIA FILOMENA D. SINGH
Associate Justice

ATTESTATION

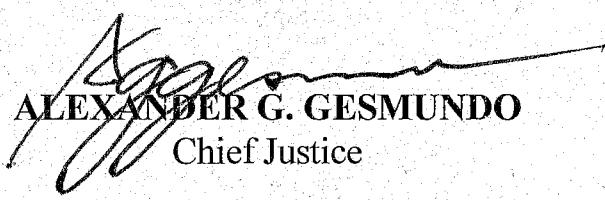
I attest that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.


ALFREDO BENJAMIN S. CAGUIOA
Associate Justice

Chairperson, Third Division

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