



Republic of the Philippines
Supreme Court
Manila

FIRST DIVISION

NOTICE

Sirs/Mesdames:

*Please take notice that the Court, First Division, issued a Resolution dated **June 22, 2022** which reads as follows:*

“G.R. No. 246040 (*Land Bank of the Philippines, v. Luisita Land Corporation* (Formerly known as *Luisita Realty Corporation*)). – This Petition for Review on *Certiorari*¹ under Rule 45 of the Rules of Court assails the Decision² dated 19 September 2018 and Resolution³ dated 20 March 2019 of the Court of Appeals (CA) in CA-G.R. SP No. 143427 which partly granted the Petition for Review filed by petitioner Land Bank of the Philippines (LBP) and denied for lack of merit petitioner’s Motion for Reconsideration⁴ and respondent Luisita Land Corporation’s (LCC) Motion for Partial Reconsideration,⁵ respectively.

Antecedents

Respondent LLC is the owner of several parcels of land covered by 25 Transfer Certificates of Title (TCT).⁶

On various instances from July 2006 and June 2008, the Department of Agrarian Reform (DAR) issued Notices of Coverage⁷ placing said parcels of land under the coverage of the agrarian reform law. A total area of 88.7232 hectares were affected by this coverage.

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¹ *Rollo*, pp. 11-25

² *Id.* at 33-57. Penned by Associate Justice Carmelita Salandanan Manahan and concurred in by Associate Justices Mario V. Lopez (now a Member of this Court) and Henri Jean Paul B. Inting (now a Member of this Court).

³ *Id.* at 59-61.

⁴ *Id.* at 63-72.

⁵ *Id.* at 61.

⁶ *CA rollo*, pp. 188-287. (Exhs. “MM” to “JJJ”)

⁷ *Id.* at 288-294.

Subsequently, all 25 titles were assessed and valued. Consequently, several Certificates of Deposit⁸ were issued by petitioner LBP which were annotated on all the said titles. LBP deposited a total amount of ₱11,677,388.68 in LLC's account as just compensation using the Comparative Net Income (CNI) formula.

However, LBP moved for the reversion of the deposits made involving three (3) titles – TCT Nos. 215212 (₱270,964.82), 215117 (₱736,680.00), and 215114 (₱736,680.00) – considering the Order of the Department of Agrarian Reform Adjudication Board (DARAB)⁹ declaring these titles null and void. Out of the original 88.7232 hectares covered by the 25 titles, only 73.7299 hectares were considered as compensable area by LBP. Consequently, the deposit was adjusted and reduced to ₱9,933,063.86.

In 2007, the Office of the Provincial Agrarian Reform Adjudicator (PARAD) of Tarlac commenced administrative valuation proceedings participated by LLC. PARAD rendered a Joint Decision ordering LBP to pay LLC the amount of ₱9,436,657.24 for the 73.2494 hectares only. LCC moved for reconsideration but it was denied by the PARAD.¹⁰

LCC then filed a *Petition for Determination of Just Compensation*¹¹ before the Regional Trial Court, Branch 63, Tarlac City, acting as Special Agrarian Court (RTC-SAC). It sought re-evaluation of the just compensation for the covered properties. LLC argued that the compensable area should be 88.7232 hectares, representing the 25 titles. For purposes of valuation, LLC claimed that the CNI Formula is inapplicable as the property is unproductive. Instead, what is relevant is the Comparable Sales (CS) Formula, where land is valued at ₱130.00 per square meter based on the valuation made by LLC's appraiser-witness, Mr. Dennis Segovia (Segovia). Petitioner also averred that LBP is liable for interest due to its gross undervaluation of the covered properties and for the unwarranted delay in the payment of just compensation.

LBP, for its part, argued that the compensable land should only be 73.7299 hectares as the three titles were returned to the Department of Agrarian Reform (DAR) for lack of documentation, and part of the area covered by the 25 titles constituted roads and irrigation canals. It

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⁸ Id. at 100-121 (Exhs. "11" to "11-U")

⁹ Id. at 698-706.

¹⁰ *Rollo*, p. 34.

¹¹ *CA rollo*, pp. 177-185.

averred that the DAR should have been impleaded to determine the exact area covered. For purposes of valuation, LBP used the CNI Formula and maintained that the amount of ₱9,933,063.86 is fair and just. LBP also claimed that the PARAD award is final and executory for failure of LCC to appeal the same.¹²

Ruling of the RTC-SAC

On 22 April 2015, the RTC-SAC rendered its Decision,¹³ the dispositive portion reads:

WHEREFORE, in view of the premises, respondent's [LBP] initial valuations of the properties taken are hereby SET ASIDE, and it is hereby ORDERED to pay petitioners the amount of **₱79,850,880** as value of the lands taken less whatever has already been paid or released to the petitioners ([LCC]), plus interest in the amount of **₱76,027,750.24** as of March 2015, and 6% additional interest per annum until fully paid, plus attorney's fees in the amount of **₱14,594** and cost of suit in the amount of **₱218,940.40** plus whatever additional fees as may be assessed by the Clerk of Court.

FURTHERMORE, the Clerk of Court is hereby ordered to enforce the lien of judgment, and re-assess and collect additional filing fees.

SO ORDERED.¹⁴

The RTC-SAC ruled that it has jurisdiction over the case. Hence, it can rule on the issue of just compensation even though there was no appeal from the PARAD Decision. The determination of just compensation is essentially a judicial function. Hence, it is not bound by the ruling or decision of a government agency.¹⁵

According to the RTC-SAC, the compensable area is 88.7232 hectares, pertaining to the lands covered by the 25 titles which were taken by the government pursuant to the agrarian reform law. All the 25 titles were assessed and valued by LBP. It has already deposited the amounts representing just compensation as regards the three titles.

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¹² Id. at 387-392 (Answer).

¹³ Id. at 49-69. Penned by Judge Cesar L. Aganon.

¹⁴ Id. at 68-69.

¹⁵ *Rollo*, p. 36.

The RTC-SAC held that LBP failed to satisfactorily explain why the Claim Folders of the three titles were returned to the DAR for completion of documentation. This, despite the Notices of Coverage over the same.¹⁶

In determining the value of the land, the RTC-SAC used the Comparable Sales (CS) Factor in arriving at the true and fair value of the land, there being no CNI since there was no actual production. The RTC-SAC noted that LLC presented actual Deeds of Sale dated 05 August 2004 between the Bases Conversion Development Authority (BCDA) and Hacienda Luisita, Inc., and Tarlac Development Corporation for the sale of an agricultural land for ₱100.00 per square meter. LLC also submitted the Appraisal Report¹⁷ where the property was appraised and the market value determined retrospective as of 31 May 2005 showing the price of the subject properties at ₱120 to ₱130 per square meter. However, the RTC-SAC adopted the BCDA sale price of ₱100.00 per square meter for purposes of computing the appropriate compensation for the subject properties.¹⁸

The just compensation was computed as follows:

$$\begin{aligned} LV &= (CS \times 0.9) + (MV \times 0.1) \\ &= (P100 \times 887,232 \text{ sqm}) \times 0.9 + (P0 \times 887,232 \text{ sqm}) \times 0.1 \\ &= P79,850,880.00^{19} \end{aligned}$$

Noting that there was delay in payment which showed evident bad faith and the grossly disproportionate amount offered by LBP compared to what LLC is entitled, the RTC-SAC awarded interest at the rate of 12% per *annum* from 19 July 2006 to 30 June 2013; and 6% per *annum* from 01 July 2013 until fully paid.

LBP moved for reconsideration²⁰ but it was denied in the Order²¹ dated 09 October 2015.

Hence, LBP elevated the case to the CA.

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¹⁶ Id.

¹⁷ CA *rollo*, p. 55

¹⁸ Id.

¹⁹ Id. at 57.

²⁰ Id. at 70-80.

²¹ Id. at 82.

Ruling of the CA

On 19 September 2018, the CA issued a Decision²² which partially granted the petition. The decretal portion of the ruling states:

WHEREFORE, the Petition is partly **GRANTED**. The April 22, 2015 Decision and the October 9, 2015 Order of the Regional Trial Court, Branch 63, Tarlac City in Land Case No. 7538 are hereby **AFFIRMED** with the **MODIFICATIONS** that petitioner Land Bank of the Philippines is **ORDERED** to pay respondent Luisita Land Corporation (formerly known as Luisita Realty Corporation), the following:

1.) the balance of the final just compensation for the compensable area of 73.7299 hectares (737,299 sq.m.) or Sixty Six Million Three Hundred Fifty Six Thousand Nine Hundred Ten Pesos (Php66,356,910.00) less the amount that was paid or released to respondent;

2.) interest at the rate of twelve percent (12%) per annum on the balance of the final just compensation from July 19, 2006 until June 30, 2013 and six percent (6%) per annum from July 1, 2013 until fully paid; and,

3.) attorney's fees amounting to One Hundred Thousand Pesos (Php100,00.00).

The cost of suit is **DELETED**.

SO ORDERED.²³

The CA determined that the compensable area is not 88.7232 hectares comprising of 25 TCTs, but only 73.7299 hectares or 737,299 square meters, excluding TCT Nos. 215114, 215117, and 215125. The lands covered by the said three TCTs were already declared vacant and open for reallocation to qualified beneficiaries. Also, the same were already nullified and voided in the PARAD Decision²⁴ dated 15 April 2002 affirming the DARAB Decision²⁵ dated 04 October 2006 which became final and executory on 16 December 2006. According

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²² *Rollo*, pp. 33-57.

²³ *Id.* at 56-57.

²⁴ *CA rollo*, pp. 707-708

²⁵ *Id.* at 698-704.

to the CA, LLC is not the owner of the lands covered by the three titles. Hence, only 73.7299 hectares or 737,299 square meters involving 22 TCTs are compensable.

Anent the just compensation of the compensable area, the CA observed that the RTC-SAC not only considered the factors enumerated under Section 17 of Republic Act 6657²⁶ and the applicable DAR formulas, but also sufficiently explained the applicability or inapplicability thereof based on the circumstances of the case and the evidence on record. It held that the RTC-SAC properly used the CS factor or the formula, $LV = (CS \times 0.9) + (MV \times 0.1)$, considering the availability of comparable sales transaction during the 2004 to 2008 period. LLC's witness, Segovia, pointed out that the properties were valued not based on actual use but on other factors such as location, legal restriction, size, shape, frontage and neighborhood development. The government already paid ₱100.00 per square meter for the BCDA property found in the middle of the sugar field and not as centrally located as the subject properties. Thus, to pay for something less for lands which are clearly more valuable would not serve the ends of just compensation.²⁷

Further, the CA imposed interest of 12% per *annum* on the balance of the final just compensation less the amount paid or released to LLC from 19 July 2006, the date when the Notice of Coverage was issued, until 30 June 2013; and 6% per *annum* from 01 July 2013 until fully paid.

Finally, the CA reduced the amount of attorney's fees to ₱100,000.00 and deleted the cost of suit.

LBP moved for reconsideration²⁸ but it was denied in the Resolution dated 20 March 2019. Hence, this Petition for Review on *Certiorari*²⁹ filed by LBP.

Issues

The issues to be resolved are:

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²⁶ Entitled "An Act Instituting a Comprehensive Agrarian Reform Program to Promote Social Justice and Industrialization, Providing the Mechanism for its Implementation, and for Other Purposes"; approved 10 June 1988.

²⁷ *Rollo*, pp. 53-54

²⁸ *CA rollo*, pp. 792-797

²⁹ *Rollo*, pp. 11-26.

1. Whether the CA correctly adopted the RTC-SAC's computation using the comparable sales factor based solely on one transaction which disregarded the guidelines set forth in DAR AO 05-98.
2. Whether there is basis to impose legal interest on just compensation.
3. Whether the award of P100,000.00 as attorney's fees is proper.

Ruling of the Court

The petition is bereft of merit.

After an assiduous examination of the records of the case, the Court finds no reversible error committed by the CA in affirming with modification the RTC-SAC Decision fixing the amount of just compensation at ₱66,356,910.00 using the comparable sales factor. It is to be noted that LLC no longer assailed the exclusion of the three titles as compensable area. Hence, only 22 titles covering an area of 73.7299 hectares or 737,299 square meters are included in determining the just compensation due to LLC.

Proper Amount of Just Compensation

Found in the various provisions of the fundamental law is the uniform treatment of the payment of just compensation as a limitation to the State's exercise of eminent domain. The concept of just compensation likewise bears the consistent and settled meaning as the full and fair equivalent of the property taken from its owner by the expropriator, the measure is not the taker's gain, but the owner's loss. The word "just" is used to qualify the meaning of the word "compensation" and to convey thereby the idea that the amount to be tendered for the property to be taken shall be real, substantial, full and ample.³⁰

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³⁰ *Apo Fruits Corporation v. Land Bank of the Philippines*, 647 Phil. 251, 217 (2010).



The satisfaction of just compensation is elaborated by law under RA 6657³¹ (Comprehensive Agrarian Reform Law). Section 17 thereof prescribes a guideline in the determination of just compensation in the taking of agricultural land. It reads:

SECTION 17. *Determination of Just Compensation.*

— In determining just compensation, the cost of acquisition of the land, the current value of like properties, its nature, actual use and income, 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.

DAR Administrative Order (DAR AO) 05-98³² translates Section 17 of RA 6657 into a basic formula for the valuation of lands subject to either voluntary offer to sell or compulsory acquisition. The pertinent provisions of DAR AO 05-98 states:

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.

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

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

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

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

$$LV = MV \times 2$$

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³¹ Entitled "An Act Instituting a Comprehensive Agrarian Reform Program to Promote Social Justice and Industrialization, Providing the Mechanism for its Implementation, and for Other Purposes"; approved 10 June 1988.

³² Revised Rules And Regulations Governing The Valuation Of Lands Voluntarily Offered Or Compulsorily Acquired Pursuant To Republic Act No. 6657, 15 April 1998.

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 claim folder.³³

The determination of just compensation is, and remains, a judicial function.³⁴ In making its own determination of just compensation, the SAC is not confined to the limits laid down by the DAR. The valuation of the land is an exercise which cannot be exactly measured by law or executive issuance.³⁵ The RTC-SAC is not merely tasked to verify the correctness of the computation of the DAR, but it is given the jurisdiction to make its own, independent evaluation.³⁶ The RTC-SAC is not strictly bound to apply the DAR formula to its minute detail when the situation does not warrant the formula's strict application.³⁷

LBP insists that the CNI formula should be used in determining the amount of just compensation considering that the subject properties are being utilized as irrigated rice land. It is emphasized that the factual finding of the RTC-SAC, as affirmed by the CA, that the subject properties had no actual production, is final and binding upon this Court. It is settled that the subject properties are unproductive and idle. There being no actual production, the CS formula should thus be used in computing the amount of just compensation.³⁸

According to LBP, the CS factor is absent following the guidelines in DAR AO 05-98 that requires at least three comparable

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³³ Emphasis Ours.

³⁴ *Land Bank of the Philippines v. Omengan*, 813 Phil. 901, 911 (2017), citing *Export Processing Zones Authority v. Dulay*, 233 Phil. 313 (1987).

³⁵ *Land Bank of the Philippines v. Garcia*, G.R. No. 208865, 28 September 2020.

³⁶ Id.

³⁷ *Land Bank of the Philippines v. Yatco Agricultural Enterprises*, 724 Phil. 276, 287-288 (2014).

³⁸ *Rollo*, p. 50.

sales.³⁹ However, only one comparable sale was presented by LLC. LBP points out that there is nothing in the RTC-SAC Decision which explains why it relaxed the application of the DAR formula and relied on only one comparable sale as more appropriate for appraising the subject properties. Further, LBP claims that only sales transactions within 01 January 1985 to 15 June 1988 may be used in using the CS factor, pursuant to DAR AO 05-98.⁴⁰

The Court carefully perused the records of the case and, contrary to LBP's assertion, LLC presented more than one comparable sale. LCC submitted various sales between BCDA and Tarlac Development Corp. (TDC) and Hacienda Luisita, Inc. for the construction of the Subic-Clark-Tarlac Express Way (SCTEX) in 2004.⁴¹ It also presented seven actual Deeds of Sale, which were marked in evidence as Exhs. "LLL" to "RRR."⁴² Based on the said Deeds, the lands were priced at ₱100.00 per square meter. LLC likewise submitted listings of similar lands in nearby municipalities

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³⁹ "C. CS shall refer to any one or the average of all the applicable sub-factors, namely ST, AC and MVM:

Where:

ST = Peso Value of Sales Transactions as defined under Item C.2

AC = Acquisition Cost as defined under Item C.3

MVM = Market Value Based on Mortgage as defined under Item C.4

C.1 The following rules shall be observed in the computation of CS:

a. As a general rule, there shall be at least three (3) Sales Transactions.

At least one comparable sales transaction must involve land whose area is at least ten percent (10%) of the area being offered or acquired but in no case less than one hectare. The other transaction/s should involve land whose area is/are at least one hectare each.

b. If there are more than three (3) STs available in the same barangay, all of them shall be considered.

c. If there are less than three (3) STs available, the use of STs may be allowed only if AC and/or MVM are/is present.

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⁴⁰ C.2 The criteria in the selection of the comparable sales transaction (ST) shall be as follows:

a. When the required number of STs is not available at the barangay level, additional STs may be secured from the municipality where the land being offered/covered is situated to complete the required three comparable STs. In case there are more STs available than what is required at the municipal level, the most recent transactions shall be considered. The same rule shall apply at the provincial level when no STs are available at the municipal level. In all cases, the combination of STs sourced from the barangay, municipality and province shall not exceed three transactions.

b. The land subject of acquisition as well as those subject of comparable sales transactions should be similar in topography, land use, i.e., planted to the same crop. Furthermore, in case of permanent crops, the subject properties should be more or less comparable in terms of their stages of productivity and plant density.

c. The comparable sales transactions should have been executed within the period January 1, 1985 to June 15, 1988, and registered within the period January 1, 1985, to September 13, 1988.

d. STs shall be grossed up from the date of registration up to the date of receipt of CF by LBP from DAR for processing, in accordance with Item II.A.9.

⁴¹ *CA rollo*, p. 55.

⁴² *Id.*

available from archives of newspapers such as the Manila Bulletin from March to May 2005. The listings from archives pertained to sales of raw or agricultural lands that were acquired by banks.

In addition, the RTC-SAC also took into account the Appraisal Report submitted by LLC, marked as Exh. "ZZZ," and testified to by Segovia,⁴³ where the property was appraised and the market value determined retrospective as of 31 May 2005, showing the price of the subject properties ranging from ₱120.00 to ₱130.00 per square meter.

As opposed to LBP's claim, the RTC-SAC was able to provide an explanation why it considered the sales transaction during the period 2004 to 2008, and not the sales transactions within 01 January 1985 to 15 June 1988 as provided for in DAR AO 05-98. The RTC-SAC pronounced:

Respondent [LBP], however, questioned the use of the CS value as the sales transactions referred to by petitioner were not executed between 1985 and 1988 in contravention of the guidelines set by DAR A.O. No. 5. This matter has been laid to rest, however, in the case of *Land Bank of the Philippines vs. Manuel Gallego, G.R. No. 173226, July 29, 2013*. In said case, Land Bank argued that CS is absent considering that the appraisal report submitted by the land owner do not refer to sales transactions executed and registered between 1985 and 1988. The Supreme Court, however, dismissed Land Bank's contention. It ruled that the sales transactions can be used to determine the CS factor even though they were not executed and registered between 1985 and 1988. The Supreme Court held:

If we were to strictly apply the formula laid down in DAR A.O. No. 05-98 and disregard both the CNI and CS factors to be equally flawed, then the only present, relevant and applicable factor left is MV, which, when used following the third alternate formula "LV = MV x 2," will significantly reduce the just compensation to an absurd amount. Clearly, we cannot support this, as our agrarian reform laws never intended to deprive landowners of

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⁴³ See Judicial Affidavit of Dennis Luisiot B. Segovia (Exh. "BBBB"), *CA rollo*, pp. 673-682.

their property without just compensation. Just compensation refers to the full and fair equivalent of the property taken from the owner. In several cases, we emphasized that to be "just," the compensation must be real, substantial, full and ample.

The danger avoided by the Supreme Court in *Gallego* could happen in this case if the provisions of item II.C.2.c of A.O. NO. 5 is to be strictly applied. The High Tribunal struck down the CNI factor proposed by respondent not being the true measure of the net income of the parcels of land in question. If the Court would also deny the application of petitioner's proposed CS factor despite the availability of comparable sales transactions, the only factor that will remain would be the market value. Using the formula "LV = MV x 2" would greatly decrease the value of the lands in question in contradiction to the concept of "just compensation."

Nevertheless, even without this Supreme Court pronouncement in *Gallego*, this Court would still arrived (*sic*) at the same conclusion – that the CS factor should be used in considering the availability of comparable sales transactions during the 2004 to 2008 period.

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In the present case, the government commenced the "taking of the 88.7232-hectare property when it issued the Notice of Coverage starting July 19, 2006. The Notices of Coverage were followed by the inscriptions of the Certificates of Deposits and registration of CLOA at the back of each title covering the parcels of land in question. Therefore, the time of taking should be reckoned sometime in 2006 – two decades away from the period 1985 to 1988. It would be the height of injustice if the sales transactions two decades ago would be used as basis in determining the value of the lands in question. xxx"

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Clearly, it is more rational to take into account more current prices in the computation of the comparable sales. In this case, the gap of more than 20 years (*i.e.*, 1985 to 2006) is extremely significant when it comes to land appraisal. It may mean a hefty price difference considering that land is a property that generally appreciates over time.⁴⁴ Strict compliance with the period laid down in the DAR AO 05-98 would have resulted to an inaccurate valuation.⁴⁵

It must be stressed that the RTC-SAC did not only consider the actual use of lands but other factors as well, like the location, legal restrictions, size, shape, frontage and neighborhood development, as pointed out by Segovia, the land appraiser. While the RTC-SAC opined that the subject properties can fetch a price higher than ₱100.00 per square meter, given its better location than the BCDA property, the only consummated sale submitted by LCC is the BCDA deal. Hence, it adopted the BCDA sale price of ₱100.00 per square meter as the value of CS for purposes of computing the appropriate compensation.

Considering that LLC failed to submit evidence as to the market value (MV) of the properties such as the tax declaration, LLC was deemed to have waived the right to present the same. Thus, for purposes of computing just compensation, the MV was pegged at zero (0).

Applying the above values,⁴⁶ the CA computed the amount of just compensation using the CS formula, *viz*:

$$\begin{aligned} LV &= (CS \times 0.9) + (MV \times 0.1) \\ &= ([\text{P}100.00 \times 737,299 \text{ sq.m.}] \times 0.9) + ([\text{P}0 \times 737,299 \\ &\quad \text{sq.m.}] \times 0.1) \\ &= \text{P } 66, 356, 910.00^{47} \end{aligned}$$

Indeed, the CA correctly affirmed the findings of the RTC-SAC as to the formula used (*i.e.*, comparative sales formula) and the proper value of the CS and MV in the computation of just compensation. The amount of ₱66,356,910.00 appears to be the real, substantial, full and ample compensation of the subject properties.

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⁴⁴ *Land Bank of the Philippines v. Garcia*, G.R. No. 208865, 28 September 2020.

⁴⁵ *Id.*

⁴⁶ Compensable area of 73.9299 hectares or 737,299 square meters

CS = ₱100.00 per square meter

MV = 0

⁴⁷ *Rollo*, p. 54.

Payment of Interest on the Unpaid Balance of Just Compensation from Time of Taking Until Full Payment

Just compensation in expropriation cases has been held to contemplate just and timely payment, and prompt payment is the payment in full of the just compensation as finally determined by the courts. Thus, just compensation envisions a payment in full of the expropriated property. Absent full payment, interest on the balance would necessarily be due on the unpaid amount.⁴⁸

As explained by this Court in *Apo Fruits Corporation v. Land Bank of the Philippines*,⁴⁹ the rationale for imposing interest on just compensation is to compensate the property owners for the income that they would have made if they had been properly compensated - meaning if they had been paid the full amount of just compensation - at the time of taking when they were deprived of their property. Without prompt payment, the property owner suffers the immediate deprivation of both his land and its fruits or income. The owner's loss, of course, is not only his property but also its income-generating potential.⁵⁰

Although LBP timely deposited in the account of LLC the amount of ₱9,933,063.86 based on its initial valuation of the property, it is, nevertheless, guilty of delay insofar as the balance is concerned.⁵¹ LBP commenced the taking of the subject properties when it issued the Notices of Coverage on 19 July 2006. Up to this date, or more than a decade after, LLC has not been fully paid. LLC is entitled to legal interest from the time of the taking of the subject properties until the actual payment in order to place them in a position as good as, but not better than, the position that they were in before the taking occurred.⁵²

Pursuant to *Nacar v. Gallery Frames*,⁵³ interest on the unpaid balance shall be pegged at the rate of 12% per *annum* from the date of taking on 19 July 2006 until 30 June 2013. Thereafter, or beginning 01 July 2013, until fully paid, the just compensation due the landowners shall earn interest at the legal rate of 6% per *annum*.

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⁴⁸ *Evergreen Manufacturing Corporation vs. Republic*, 817 Phil. 1048, 1065 (2017).

⁴⁹ 647 Phil. 251, 276 (2010).

⁵⁰ *Republic v. Mupas*, 769 Phil. 21, 194 (2015).

⁵¹ See *Land Bank of the Philippines v. Del Rosario*, G.R. No. 210105, 02 September 2019.

⁵² *Land Bank of the Philippines vs. Navarro*, GR 196264, 06 June 2019.

⁵³ 716 Phil. 267, 281-283 (2013).

The award of attorney's fees is proper

The CA affirmed the award of attorney's fees but reduced the same to ₱100,000.00, being more realistic, reasonable, commensurate, and just under the circumstances. In granting the award of attorney's fees, the RTC-SAC held, among others, that LBP acted in gross and evident bad faith as shown in its insistence to use the industry production data when the land is unproductive in the first place; delay in payment which showed evident bad faith; and the grossly disproportionate amount offered by LBP compared to what LLC is entitled.

The general rule is that attorney's fees cannot be recovered as part of the damages because no premium should be placed on the right to litigate. However, in the case of *Apo Fruits Corp. v. Land Bank of the Philippines*,⁵⁴ the Court affirmed the award of attorney's fees and justified the award quoting the ruling of the CA, thus:

Despite pragmatic considerations and actualities, convincing figures and statistics, [LBP] and DAR stood firm on their unreasonableness. P16.50 per [sq. m.], the valuation of [LBP] and DAR, is way off P134.00. The disparity is too obvious; their stubbornness, impossible (*sic*). [LBP] and DAR should not delude themselves that they are being robbed merely because another deserves to be paid justly. Every person, especially government entities, must, in the exercise of his rights and in the performance of his duties, act with justice, give everyone his due, and observe honesty and good faith.

Simple fairness dictates that the [DARAB] should have resolved the matter of just compensation brought before it. The lapse of six years without the adjudication board acting on the case not only compelled Apo Fruits to litigate, this refusal to satisfy Apo Fruits' plainly valid, just and demandable claim is also tantamount to gross and evident bad faith.

As in this case, Certificate of Land Ownership Awards titles had been issued to selected farmer-beneficiaries. The unreasonableness of LBP's valuation is too obvious not to be noticed for it only valued the subject properties at ₱9,933,063.86, as compared to the amount of ₱66,356,910.00 fixed by the CA. The difference of ₱56,423,846.10 is, certainly, grossly disproportionate to what LLC is justly entitled to. This is because LBP insisted in using the CNI

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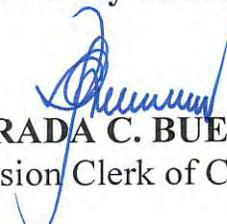
⁵⁴ Supra at 49.

Formula when it was established that the subject properties had no actual production. The gross undervaluation made by LBP is akin to robbing LLC of its properties without just and fair payment of compensation. LLC also pointed out that the PARAD failed to act on its motion for reconsideration for almost three years from the time it filed the same.⁵⁵ LLC likewise mentioned that despite its written requests to LBP for an improved valuation,⁵⁶ LBP refused to do so. The award of attorney's fees is, thus, justified by LBP's refusal to satisfy LLC's valid, just, and reasonable claim which forced the latter to litigate to protect its property rights.

WHEREFORE, the instant petition is **DENIED**. The assailed Decision dated 19 September 2018 and Resolution dated 20 March 2019 of the Court of Appeals in CA-G.R. SP No. 143427 are hereby **AFFIRMED**.

SO ORDERED."

By authority of the Court:


LIBRADA C. BUENA
Division Clerk of Court

by:

MARIA TERESA B. SIBULO
Deputy Division Clerk of Court

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AUG 09 2022

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(CA-G.R. SP No. 143427)

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- over -

⁵⁵ See Petition, CA *rollo*, pp. 180-181.

⁵⁶ LLC stated that the initial valuation of the land made by LBP was at the range of ₱14.73 per square meter and some were even pegged at ₱5.42, which is unconscionable and unacceptable when compared to the value of the adjacent lots in the area at the range of ₱100.00 per square meter. CA *rollo*, pp. 304-305.



LBP LEGAL SERVICES GROUP
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The Hon. Presiding Judge
Regional Trial Court, Branch 63
2300 Tarlac City
(Civil Case No. 7538)

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