



Republic of the Philippines
Supreme Court
 Manila

THIRD DIVISION

LAND BANK OF THE PHILIPPINES,
 Petitioner,

G.R. No. 213161

Present:

- versus -

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

SPOUSES RENE I. LATOG and
NELDA LUCERO,
 Respondents.

Promulgated:
February 1, 2023
MisDLCB/H

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DECISION

GAERLAN, J.:

This is a Petition for Review on *Certiorari*¹ under Rule 45 of the Rules of Court, seeking the annulment and setting aside of the Decision² dated March 15, 2013 and the Resolution³ dated June 17, 2014 of the Court of Appeals (CA) in CA-G.R. SP No. 03197. The assailed issuances affirmed with modification the Decision⁴ dated September 28, 2007 and the Order⁵ dated November 21, 2007 of Branch 34 of the Regional Trial Court (RTC) of Iloilo City in Civil Case No. 02-27157, for fixing of just compensation.

Antecedents

At the core of the instant controversy are two parcels of land located in Cabatangan, Lambunao, Province of Iloilo, identified as Lot Nos. 6003 and 6004, with an aggregate area of 16.1089 hectares, more or less, and covered

¹ *Rollo*, pp. 11-34.
² Id. at 41-53. Penned by Associate Justice Pedro B. Corales with Executive Justice Pampio A. Abarintos and Associate Justice Gabriel T. Ingles concurring.
³ Id. at 56-58. Penned by Associate Justice Gabriel T. Ingles with Associate Justices Ramon Paul L. Hernando (now a Member of this Court) and Pamela Ann Abella Maxino concurring.
⁴ Id. at 103-115. Rendered by Judge Ma. Yolanda M. Panaguiton-Gaviño.
⁵ Id. at 116.

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by Transfer Certificate of Title (TCT) No. T-86890⁶ in the name of respondents spouses Rene I. Latog and Nelda Lucero (respondents).

Pursuant to Section 64⁷ of Republic Act (R.A.) No. 6657 otherwise known as the Comprehensive Agrarian Reform Law of 1988, in relation to Section 74⁸ of R.A. No. 3844,⁹ petitioner Land Bank of the Philippines (LBP) is the government financial institution established to aid in the implementation of the Comprehensive Agrarian Reform Program (CARP) as well as to act as financial intermediary of the Agrarian Reform Fund.¹⁰

Respondents made a voluntary offer to sell the subject properties to the Department of Agrarian Reform (DAR) for said agency's acquisition under R.A. No. 6657 at the price of ₱150,000.00 per hectare or a total of ₱2,400,000.00, more or less.¹¹ Following its initial evaluation of the subject properties, LBP recommended the total amount of just compensation of Lot Nos. 6003 and 6004 at ₱137,570.68¹² and ₱167,674.63,¹³ respectively, based on the following formula:

$$LV = CNI (0.90) + MV (0.10)$$

Where:

LV = Land Value

CNI = Capitalized Net Income

MV = Market Value per Tax Declaration¹⁴

Rejecting LBP's valuation, respondents sought recourse before the Provincial Agrarian Reform Adjudication Board (PARAB). In a Resolution¹⁵

⁶ Id. at 137.

⁷ Section 64. Financial Intermediary for the CARP. – The Land Bank of the Philippines shall be the financial intermediary for the CARP, and shall insure that the social justice objectives of the CARP shall enjoy a preference among its priorities.

⁸ Sec. 74. *Creation.*—To finance the acquisition by the Government of landed estates for division and resale to small landholders, as well as the purchase of the land-holding by the agricultural lessee from the landowner, there is hereby established a body corporate to be known as the “Land Bank of the Philippines”, hereinafter called the “Bank”, which shall have its principal place of business in Manila. The legal existence of the Bank shall be for a period of fifty years counting from the date of the approval hereof. The Bank shall be subject to such rules and regulations as the Central Bank may from time to time promulgate.

⁹ AN ACT TO ORDAIN THE AGRICULTURAL LAND REFORM CODE AND TO INSTITUTE LAND REFORMS IN THE PHILIPPINES, INCLUDING THE ABOLITION OF TENANCY AND THE CHANNELING OF CAPITAL INTO INDUSTRY, PROVIDE FOR THE NECESSARY IMPLEMENTING AGENCIES, APPROPRIATE FUNDS THEREFOR AND FOR OTHER PURPOSES (August 8, 1963).

¹⁰ *Land Bank of the Philippines v. Livioco*, 645 Phil. 337, 342-343 (2010).

¹¹ *Rollo*, pp. 146-150 and 151-154.

¹² Id. at 175.

¹³ Id. at 129.

¹⁴ Id.

¹⁵ Id. at 128-130. Rendered by Provincial Agrarian Reform Adjudicator Erlinda S. Vasquez.

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dated April 15, 2002, the PARAB affirmed LBP's recommended amount of just compensation for the subject properties.

Undaunted, respondents filed a Complaint¹⁶ for judicial determination of just compensation with the RTC on May 10, 2002. They filed an Amended Complaint¹⁷ on September 19, 2003.

On September 28, 2007, the RTC, acting as a special agrarian court, rendered judgment adjusting the amount of just compensation due the respondents, albeit not granting the total amount that they sought. The trial court did not follow any particular formula, but rather, ratiocinated as follows:

[I]n determining just compensation, the Court will take into consideration the factors, like the price set by the plaintiffs when they first offered the subject land for voluntary acquisition (P150,000.00 per hectare for the 16.1089 hectare portion of coffee (Date of Offer – February 4, 1998) and the unit market value per tax declaration as reflected in the Land Valuation x x x and those provided under Section 17 of R.A. 6657, to wit: a) the cost of acquisition of the land; b) the current value of like properties; c) the sworn valuation by the owner; d) the tax declarations and assessments; e) the assessments made by government assessors; f) the social and economic benefits contributed by the farmers and the farm workers and by the government to the property; and g) the non-payment of taxes or loans secured from any government financing institution on the said land.¹⁸

Ultimately, the RTC disposed as follows:

WHEREFORE, based on the foregoing premises, judgment is hereby rendered fixing the just compensation of the total area of the land actually taken in the amount [of] P605,291.9149 and ordering LBP to pay the plaintiff Rene Latog, the total sum of P605,291.91 as just compensation for the 16.1089 hectares taken by the government pursuant to R.A. 6657 plus 12% interest per annum from December 1, 2001 until full payment.

Under Section 19 of R.A. 6657, petitioners are also entitled to an additional five percent (5%) cash payment by way of incentive for voluntarily offering the subject lot for sale.

SO ORDERED.¹⁹

LBP's Motion for Reconsideration²⁰ was denied by the RTC in its Order²¹ dated November 21, 2007.

¹⁶ Id. at 131-136.

¹⁷ Id. at 163-168.

¹⁸ Id. at 113.

¹⁹ Id. at 114-115.

²⁰ Id. at 117-119.

²¹ Id. at 116.

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Thereafter, LBP interposed a Petition for Review²² with the CA, asseverating, *inter alia*, that the RTC violated the formula for valuation as stated in DAR Administrative Order (A.O.) No. 5, series of 1998, in connection with Section 17 of R.A. No. 6657;²³ and that the interest awarded in favor of respondents was erroneous because the determination of just compensation does not fall under the auspices of legal interest as defined in Article 2209 of the Civil Code.²⁴

In the herein assailed Decision, the CA deleted the interest awarded to respondents. However, it increased the amount of just compensation computed by the RTC, reasoning that the formula mandated by DAR A.O. No. 5, series of 1998, is not mandatory.²⁵ Thus:

WHEREFORE, the Petition is **PARTLY GRANTED**. The September 28, 2007 Decision of the Regional Trial Court, Branch 34, Iloilo City in Civil Case No. 02-27157 is hereby **AFFIRMED WITH MODIFICATIONS** that the just compensation for Spouse Latog's two parcels of land should be **₱611,445.41** and the award of 12% interest per annum is **DELETED**. All other aspects of the decision stand.

SO ORDERED.²⁶

LBP filed a Partial Motion for Reconsideration²⁷ of the foregoing Decision, which the CA denied in its herein assailed Resolution dated June 17, 2014.

Issue

The Court is called upon to resolve whether the CA erred in affirming with modification the Decision of the RTC.

Ruling of the Court

In *Land Bank of the Philippines v. American Rubber Corporation*,²⁸ the Court defined the concept of just compensation as follows:

This Court has defined "just compensation" for parcels of land taken pursuant to the agrarian reform program as "the full and fair equivalent of

²² Id. at 68-100.

²³ Id. at 80-85.

²⁴ Id. at 94.

²⁵ Id. at 50.

²⁶ Id. at 52.

²⁷ Id. at 279-285.

²⁸ 715 Phil. 154 (2013).

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the property taken from its owner by the expropriator.” The measure of compensation is not the taker’s gain but the owner’s loss. Just compensation means the equivalent for the value of the property at the time of its taking. It means a fair and full equivalent value for the loss sustained. All the facts as to the condition of the property and its surroundings, its improvements and capabilities should be considered. x x x²⁹ (Citations omitted)

In setting the valuation of just compensation for lands that are covered by the Comprehensive Agrarian Reform Law of 1988, as amended, Section 17 thereof provides for the guideposts that must be observed therefor:

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.

Prescinding from the foregoing, the factors to be considered in the determination of just compensation are: (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, (j) 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 nonpayment of taxes or loans secured from any government financing institution on the said land, if any, must be equally considered.³⁰

In *Alfonso v. Land Bank of the Philippines*³¹ (*Alfonso*), the Court made the following pronouncement:

For clarity, we restate the body of rules as follows: The factors listed under Section 17 of RA 6657 and its resulting formulas provide a uniform framework or structure for the computation of just compensation which ensures that the amounts to be paid to affected landowners are not arbitrary, absurd or even contradictory to the objectives of agrarian reform. Until and unless declared invalid in a proper case, the DAR formulas partake of the nature of statutes, which under the 2009 amendment became law itself, and thus have in their favor the presumption of legality, such that courts shall consider, and not disregard, these formulas in the determination of just compensation for properties covered by the CARP. When faced with situations which do not warrant the formula’s strict application, courts may,

²⁹ Id. at 169.

³⁰ *Land Bank of the Philippines v. Esteban*, G.R. No. 197674, September 23, 2020.

³¹ 801 Phil. 217 (2016).

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in the exercise of their judicial discretion, relax the formula's application to fit the factual situations before them, subject only to the condition that they clearly explain in their Decision their reasons (as borne by the evidence on record) for the deviation undertaken. It is thus entirely allowable for a court to allow a landowner's claim for an amount higher than what would otherwise have been offered (based on an application of the formula) for as long as there is evidence on record sufficient to support the award.

x x x x

For the guidance of the bench, the bar, and the public, we reiterate the rule: **Out of regard for the DAR's expertise as the concerned implementing agency, courts should henceforth consider the factors stated in Section 17 of RA 6657, as amended, as translated into the applicable DAR formulas in their determination of just compensation for the properties covered by the said law. If, in the exercise of their judicial discretion, courts find that a strict application of said formulas is not warranted under the specific circumstances of the case before them, they may deviate or depart therefrom, provided that this departure or deviation is supported by a reasoned explanation grounded on the evidence on record. In other words, courts of law possess the power to make a final determination of just compensation.**³² (Emphasis Ours and citation omitted)

Courts are not at liberty to deviate from the DAR basic formula, unless such deviations are amply supported by facts and reasoned justification.³³ This formula, as stated in DAR A.O. No. 5, series of 1998, is as follows:

$$LV = (CNI \times 0.60) + (CS \times 0.30) + (MV \times 0.10)$$

Where:

LV = Land Value
 CNI = Capitalized Net Income
 CS = Comparable Sales
 MV = Market Value per Tax Declaration

The above-stated formula shall be used only if all the three factors, *i.e.*, CNI, CS, and MV, are present, relevant, and applicable. In case one or two factors are not present, the said A.O. provides for alternate formulas.³⁴

One such alternate formula provides that when the CS factor is not present and CNI and MV are applicable, the formula shall be: $LV = (CNI \times 0.90) + (MV \times 0.10)$. This is the formula that LBP adopted in coming up with its own valuation of respondents' just compensation.

³² Id. at 282 and 321-322.

³³ *Land Bank of the Philippines v. Prado Verde Corporation*, 837 Phil. 286, 298 (2018).

³⁴ *Land Bank of the Philippines v. Heirs of Jesus Alsua*, 753 Phil. 323, 333 (2015).

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While it may appear at first glance that LBP's valuation should be upheld outright, the records at Our disposal do not offer sufficient justification for LBP's use of this alternate formula in lieu of the main formula mandated by DAR A.O. No. 5, series of 1998.

The records are shorn of any adequate explanation from LBP as to why the CS factor is not applicable to the instant case. And in disregarding this alternate formula, the trial court did not even discuss the presence or absence of the elements of CNI, CS and MV. Thus, there is a need for the parties to adduce further evidence in support of their respective postures.

Indeed, the determination of just compensation is a judicial function because what is sought to be determined is a full, just, and fair value due to the owner of the property, with an equally important consideration that the payment of the same entails the expenditure of public funds, and this can only be attained by reception of evidence consisting of reliable and actual data, and the circumspect evaluation thereof.³⁵

However, We cannot perform this function because this Court is not a trier of facts.³⁶ In the absence of competent evidence to support the RTC and the CA's own valuation, as well as sufficient justification to bolster LBP's use of the alternate formula for the determination of just compensation, We are constrained to remand the case to the trial court for reception of further evidence in accordance with this Court's ruling in *Alfonso* and pursuant to Section 17 of R.A. No. 6657 and the applicable DAR regulations.³⁷

If the RTC finds that there is sufficient basis to relax the application of the formulas stated in DAR A.O. No. 5, series of 1998, it may, in the exercise of judicial discretion, deviate from applying the same. However, it must clearly discuss in its decision the reasons for doing so, supported by the evidence on record.³⁸

WHEREFORE, the Decision dated March 15, 2013 and the Resolution dated June 17, 2014 of the Court of Appeals in CA-G.R. SP No. 03197 are hereby **REVERSED** and **SET ASIDE**. Civil Case No. 02-27157 is **REMANDED** to the Regional Trial Court of Iloilo City, Branch 34, for reception of evidence on the issue of just compensation in accordance with this ruling.

³⁵ *Republic v. Barcelon*, G.R. No. 226021, July 24, 2019.

³⁶ *Gatan v. Vinarao*, 820 Phil. 257, 265 (2017).

³⁷ *Land Bank of the Philippines v. Heirs of Lorenzo Tañada*, 803 Phil. 103, 114-115 (2017).


³⁸ *Land Bank of the Philippines v. Paliza, Sr.*, G.R. Nos. 236772-773, June 28, 2021.


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SO ORDERED.


SAMUEL H. GAERLAN
Associate Justice

WE CONCUR:


ALFREDO BENJAMIN S. CAGUIOA
Associate Justice

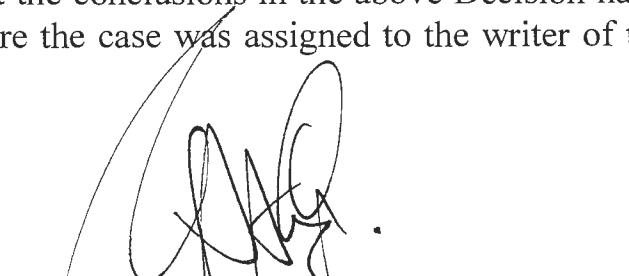

HENRI JEAN PAUL B. INTING
Associate Justice


JAPAR B. DIMAAMPAO
Associate Justice


MARIA FLOMENA D. SINGH
Associate Justice

ATTESTATION

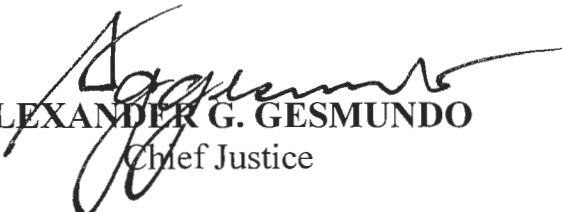
I attest that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.


ALFREDO BENJAMIN S. CAGUIOA
Associate Justice
Chairperson

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CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution and the Division Chairperson's Attestation, I certify that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.


ALEXANDER G. GESMUNDO
Chief Justice

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