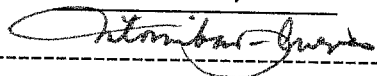


*EN BANC*

G.R. No. 197743 – HEIRS OF JOSE MARIANO and HELEN S. MARIANO, represented by DANILO DAVID S. MARIANO, MARY THERESE IRENE S. MARIANO, MA. CATALINA SOPHIA S. MARIANO, JOSE MARIO S. MARIANO, MA. LENOR S. MARIANO, MACARIO S. MARIANO and HEIRS OF ERLINDA MARIANO-VILLANUEVA, represented in this act by IRENE LOURDES M. VILLANUEVA through her ATTORNEY-IN-FACT EDITHA S. SANTUYO and BENJAMIN B. SANTUYO, Petitioners vs. CITY OF NAGA, Respondent.

Promulgated:

October 18, 2022

X -----  ----- X

**SEPARATE OPINION**

**LEONEN, J.:**

I agree with the conclusion that the Petition should be granted. However, I disagree with the application of the *pro hac vice* consideration. Moreover, I propose further considerations in the imposition of legal interest.

I discuss the issues *in seriatim*.

**I**

At the center of the dispute is a five-hectare parcel of land located in City Heights Subdivision, Naga City and owned by Macario Mariano (Mariano) and Jose A. Gimenez (Gimenez). The subject property has been utilized by the City Government of Naga since 1954 by virtue of a Deed of Donation executed by Mariano and Gimenez and the City Mayor.<sup>1</sup>

In February 2004, the heirs of Mariano filed a Complaint for Unlawful Detainer against the City of Naga before the Municipal Trial Court of Naga City.<sup>2</sup> On February 14, 2005, the Municipal Trial Court dismissed the complaint for lack of jurisdiction.<sup>3</sup> On the City's appeal, the Regional Trial Court set aside the Municipal Trial Court's dismissal and ordered the City of

<sup>1</sup> *Heirs of Mariano v. City of Naga*, 827 Phil. 531, 539 (2018) [Per J. Tijam, First Division].

<sup>2</sup> *Id.* at 541.

<sup>3</sup> *Id.* at 543.

Naga to immediately vacate the subject properties and pay the registered owners reasonable compensation for the use and occupancy of the property, reckoned from November 30, 2003 until the City of Naga have actually vacated the subject property.<sup>4</sup> The ruling of the Regional Trial Court was reversed by the Court of Appeals, only to be reinstated by this Court's First Division in its March 12, 2018 Decision<sup>5</sup> and July 23, 2018 Resolution.<sup>6</sup>

In the First Division's Decision and Resolution, the Deed of Donation from which the City claims its right over the property was found to neither have been registered with the Registry of Deeds nor annotated in the Transfer Certificate Title of the subject property. In addition, the Deed of Donation had defects, which ultimately made it void. Accordingly, the First Division declared that the registered owners of the property, Macario and Gimenez, now represented by their heirs, have the better right of possession over the property. It also ordered the City of Naga to immediately vacate and surrender said property to the former.<sup>7</sup>

Thus, the City of Naga filed a second Motion for Reconsideration<sup>8</sup> before this Court, insisting on its right to the subject property where its city hall and other arms of government stand.

## II

I agree with the *ponencia* that the second Motion for Reconsideration merits this Court's attention. While it is a general rule that a second motion for reconsideration is a prohibited pleading as embodied in Rule 52, Section 2 of the Rules of Court, this Court has laid down instances when a second motion for reconsideration may be entertained: when the assailed decision is legally erroneous, patently unjust, and capable of causing unwanted injuries to the parties.<sup>9</sup> In *Cristobal v. Philippine Airlines*,<sup>10</sup> this Court held that "[w]here a tribunal renders a decision substantially reversing itself on a matter, a motion for reconsideration seeking reconsideration of this reversal, for the first time, is not a prohibited second motion for reconsideration."<sup>11</sup> This applies to the present case.

In the assailed Decision and Resolution of the First Division, the Court failed to take into consideration previous rulings regarding the State's power of eminent domain and the corollary remedies afforded to private citizens.

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<sup>4</sup> *Id.* at 543–544.

<sup>5</sup> The March 12, 2018 Decision was penned by Associate Justice Noel Tijam with the concurrence of Associate Justices Teresita Leonardo-De Castro, Mariano Del Castillo, and Francis Jardeleza.

<sup>6</sup> *Ponencia*, pp. 2–3.

<sup>7</sup> *Heirs of Mariano v. City of Naga*, 827 Phil. 531, 551–574 (2018) [Per J. Tijam, First Division].

<sup>8</sup> *Ponencia*, p. 1.

<sup>9</sup> INTERNAL RULES OF THE SUPREME COURT, rule 15, section 3.

<sup>10</sup> 819 Phil. 343 (2017) [Per J. Leonen, Third Division].

<sup>11</sup> *Id.* at 344.

The most glaring mistake was the First Division's finding that jurisprudence on eminent domain were inapplicable because the case was not for expropriation. It was likewise an error to declare that just compensation was inappropriate given that the property was donated to respondent. Consequently, its *fallo* which ordered respondent to immediately vacate the premises and surrender it to its rightful owners, herein petitioners, was likewise erroneous.

To the contrary, respondent's taking of the private property cannot be denied.

In *Republic v. Vda. de Castellvi*,<sup>12</sup> this Court laid down the circumstances present in taking of private property for purposes of eminent domain: (1) the expropriator must enter a private property; (2) entrance into the private property must be for more than a momentary period; (3) entry into the property should be under warrant or color of legal authority; (4) the property must be devoted to a public use or otherwise informally appropriated or injuriously affected; and (5) the utilization of the property for public use must be in such a way to oust the owner and deprive him of all beneficial enjoyment of the property.<sup>13</sup> Such elements, which have been often repeated in our jurisprudence, were ignored in the assailed Decision and Resolution of the First Division.

There is no question that respondent's occupation of the subject lots was an exercise of its power of eminent domain. Respondent occupied the subject lots owned by petitioners in pursuit of its purpose and objectives through a defective and void Deed of Donation. The area occupied was used by the Land Transportation Office, the National Bureau of Investigation, the Department of Labor and Employment, the Philippine Postal Corporation, the Fire Department, and other government agencies and instrumentalities since 1954.<sup>14</sup> This undeniably made it impossible for petitioners to use their own properties.

Having established respondent's exercise of eminent domain and recognizing its failure to file for expropriation proceedings, it is necessary to examine the remedies afforded the private citizens and registered owners of the affected land. Again, the available remedies were ignored by the First Division in their assailed Decision and Resolution.

In this case, respondent took possession of the subject lots without initiating an expropriation proceeding and relied solely on the defective Deed of Donation to defend its claim. While the First Division was correct in deeming this as an invalid action of a state instrumentality, it was incorrect in

<sup>12</sup> 157 Phil. 329 (1974) [Per J. Zaldivar, *En Banc*].

<sup>13</sup> *Id.* at 345-346.

<sup>14</sup> *Heirs of Mariano v. City of Naga*, 827 Phil. 531, 539 (2018) [Per J. Tijam, First Division].

finding that such was not an exercise of eminent domain. Furthermore, it erred in ordering respondent to vacate the property and surrender possession of the same to petitioners, and pay back rentals instead of just compensation. Such findings directly opposed current jurisprudence.

In *Secretary of the Department of Public Works and Highways v. Spouses Tecson*,<sup>15</sup> this Court stated the remedies for an aggrieved private party when its property is taken by the government for public use, more so, when the aggrieved party is deprived of their property without the benefit of just compensation:

When a property is taken by the government for public use, jurisprudence clearly provides for the remedies available to a landowner. *The owner may recover his property if its return is feasible or, if it is not, the aggrieved owner may demand payment of just compensation for the land taken.* For failure of respondents to question the lack of expropriation proceedings for a long period of time, they are deemed to have waived and are estopped from assailing the power of the government to expropriate or the public use for which the power was exercised. What is left to respondents is the right of compensation. The trial and appellate courts found that respondents are entitled to compensation. The only issue left for determination is the propriety of the amount awarded to respondents.<sup>16</sup> (Emphasis supplied, citations omitted)

*Forfom Development Corporation v. Philippine National Railways*<sup>17</sup> is likewise illustrative:

In the case at bar, the expropriator (PNR) entered the property of Forfom, a private land. The entrance into Forfom's property was permanent, not for a fleeting or brief period. PNR has been in control, possession and enjoyment of the subject land since December 1972 or January 1973. PNR's entry into the property of Forfom was with the approval of then President Marcos and with the authorization of the PNR's Board of Directors. The property of Forfom measuring around eleven hectares was devoted to public use — railroad tracks, facilities and appurtenances for use of the Carmona Commuter Service. With the entrance of PNR into the property, Forfom was deprived of material and beneficial use and enjoyment of the property. It is clear from the foregoing that there was a taking of property within the constitutional sense.

.....

Where actual taking was made without the benefit of expropriation proceedings, and the owner sought recovery of the possession of the property prior to the filing of expropriation proceedings, the Court has invariably ruled that it is the value of the property at the time of taking that is controlling for purposes of compensation. In the case at bar, the just compensation should be reckoned from the time of taking which is January 1973. The determination thereof shall be made in the expropriation case to

<sup>15</sup> 713 Phil. 55 (2013) [Per J. Peralta, Third Division].

<sup>16</sup> *Id.* at 70.

<sup>17</sup> 594 Phil. 10 (2008) [Per J. Chico-Nazario, Third Division].

be filed without delay by the PNR after the appointment of commissioners as required by the rules.<sup>18</sup> (Citation omitted)

Similar to *Forfom Development Corporation*, there was a taking of the property without payment of any just compensation and it is no longer feasible to return the property to petitioners. Respondents currently and continuously occupy the subject lots. Moreover, the improvements found on the landform are vital to its regular operations. Verily, ordering them to vacate the properties at this point would prove tedious and impractical. As such, what can only be given now is the payment of just compensation plus interest for the unjust delay.

### III

I agree with the *ponencia* that instead of monthly rentals, the petitioners must be awarded just compensation. I further agree that this Court must ensure that a reasonable and just amount is awarded the petitioners.

In *Secretary of the Department of Public Works and Highways v. Spouses Tecson*, this Court defined just compensation as the fair value of the property fixed at the time of the actual taking by the government. It expounded:

Just compensation is “the fair value of the property as between one who receives, and one who desires to sell, . . . **fixed at the time of the actual taking by the government.**” This rule holds true when the property is taken before the filing of an expropriation suit, and even if it is the property owner who brings the action for compensation.

....

The Court . . . was confronted with common factual circumstances where the government took control and possession of the subject properties for public use without initiating expropriation proceedings and without payment of just compensation, while the landowners failed for a long period of time to question such government act and later instituted actions for recovery of possession with damages. The Court thus determined the landowners’ right to the payment of just compensation and, more importantly, the amount of just compensation. **The Court has uniformly ruled that just compensation is the value of the property at the time of taking that is controlling for purposes of compensation.** In *Forfom*, the payment of just compensation was reckoned from the time of taking in 1973; in *Eusebio*, the Court fixed the just compensation by determining the value of the property at the time of taking in 1980; in *MIAA*, the value of the lot at the time of taking in 1972 served as basis for the award of compensation to the owner; and in *Republic*, the Court was convinced that the taking occurred in 1956 and was thus the basis in fixing just compensation. As in said cases, just compensation due respondents in this

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<sup>18</sup> *Id.* at 27–34.

case should, therefore, be fixed not as of the time of payment but at the time of taking, that is, in 1940.<sup>19</sup> (Emphasis in the original, citations omitted).

The controlling doctrine is that when there is actual taking by the government without expropriation proceedings, the owner of the property is entitled to just compensation which is pegged at the value of the property at the time of taking.<sup>20</sup> Such parameter is deemed a reasonable and equitable compensation to the property owner. However, this would only be fair if payment of just compensation is made promptly. Failure to pay the property owners' appropriate compensation is not only tantamount to robbing them of their property, but has the effect of taking away their potential earnings or income if they were able to utilize their property. In *Apo Fruits Corporation v. Land Bank of the Philippines*,<sup>21</sup> this Court held:

Apart from the requirement that compensation for expropriated land must be fair and reasonable, **compensation, to be "just," must also be made without delay.** Without prompt payment, compensation cannot be considered "just" *if the property is immediately taken* as 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. Thus, when property is taken, full compensation of its value must immediately be paid to achieve a fair exchange for the property and the potential income lost. The just compensation is made available to the property owner so that he may derive income from this compensation, in the same manner that he would have derived income from his expropriated property. If full compensation is not paid for property taken, then the State must make up for the shortfall in the earning potential immediately lost due to the taking, and the absence of replacement property from which income can be derived[.]<sup>22</sup> (Emphasis in the original, citations omitted)

Here, respondent has been using petitioner's property since 1954 without instituting expropriation proceedings for the property owners' benefit. Just compensation was never determined nor paid. To base the value of the property at the time of taking over seven decades ago would be unjust as it does not contemplate the opportunities lost nor does it acknowledge the extreme delay in payment. Accordingly, the value of just compensation awarded to petitioners should consider not only the fair market value of the property upon taking, but also the opportunity loss petitioners suffered due to respondent's use of the property without payment.

<sup>19</sup> 713 Phil. 55, 70–72 (2013) [Per J. Peralta, Third Division].

<sup>20</sup> *Felisa Agricultural Corporation v. National Transmission Corporation*, 834 Phil. 861, 881–882 (2018) [Per J. Perlas-Bernabe, Second Division].

<sup>21</sup> 647 Phil. 251 (2010) [Per J. Brion, *En Banc*].

<sup>22</sup> *Id.* at 273–276.

I concur with the ponente's application of the formula for calculating just compensation in *Republic v. Spouses Nocom*.<sup>23</sup> The present value of the property's fair market value at the time of acquisition is considered, allowing private citizens to recover what they have lost and ensuring justice and equity.

In economics, the definition of present value is the value for an asset that yields a stream of income over time.<sup>24</sup> It recognizes that the value of money is not static and that a certain amount of money may be worth more in the future due to a variety of factors,<sup>25</sup> such as interest and inflation. It demonstrates that receiving the same amount in the future would not have the same value as receiving it today.

For example, PHP 5,000 which will be received three years from now will be worth less than PHP 5,000 received today. This is because given a specified rate of return, PHP 5,000 invested for three years would yield earnings. At the same time, waiting three years before investing the same amount of money results in three years' worth of lost interest, thereby diminishing the future value of the same amount of money.

Additionally, the passage of three years will diminish purchasing power. Given current prices, PHP 5,000 could purchase more items today, whereas three years from now, prices of basic commodities will have increased due to inflation. Consequently, the concept of present value considers the interest income a property owner could earn if compensation was received when the property was seized.<sup>26</sup> In addition, it considers the potential depreciation of the amount due to the passage of time between the taking of the property and the payment of just compensation.

I reiterate the formula set forth in *Secretary of the Department of Public Works and Highways v. Spouses Tecson*:

For purposes of explaining this method, consider property owner AA who owns a piece of land. The government took his property at Year 0. Let us assume that his property had a fair market value of ₱100 at the time of taking. In our ideal situation, the government should have paid him ₱100 at Year 0. By then, AA could have put the money in the bank so it could earn interest. Let us peg the interest rate at 5% per annum (or in decimal form, 0.05).

If the expropriation proceedings took just one year (again, another ideal situation), AA could only be paid after that year. The value of the ₱100 would have appreciated already. We have to take into consideration

<sup>23</sup> G.R. No. 233988, November 15, 2021 [Per J. Leonen, Third Division].

<sup>24</sup> PAUL A. SAMUELSON & WILLIAM D. NORDHAUS, *ECONOMICS* 285 (19<sup>th</sup> ed.).

<sup>25</sup> J. Leonen, Separate Opinion in *Secretary of the Department of Public Works and Highways v. Spouses Tecson*, 713 Phil. 55, 75 (2013) [Per J. Peralta, Third Division].

<sup>26</sup> J. Leonen, Separate Opinion in the *Heirs of Spouses Tria v. Land Bank of the Philippines*, 713 Phil. 1, 16–17 (2013) [Per J. Peralta, Third Division].

the fact that in Year 1, AA could have earned an additional ₱5 in interest if he had been paid in Year 0.

In order to compute the present value of ₱100, we have to consider this formula:

**Present Value in Year 1 = Value at the Time of Taking  
+ (Interest Earned of the Value at the Time of Taking)**

In formula terms, it will look like this:

$$PV_1 = V + (V*r)$$

$$PV_1 = V * (I+r)$$

**PV<sub>1</sub>** = present value in Year 1  
**V** = value at the time of taking  
**r** = interest rate

So in the event that AA gets paid in Year 1, then:

$$PV_1 = V * (I+r)$$

$$PV_1 = ₱100 (1 + 0.05)$$

$$PV_1 = ₱105$$

So if AA were to be paid in Year 1 instead of in Year 0, it is only just that he be paid [₱]105 to take into account the interest earnings he has foregone due to the expropriation proceedings. If he were to be paid in Year 2, we should take into consideration not only the interest earned of the principal, but the fact that the interest earned in Year 1 will also be subject to interest earnings in Year 2. This concept is referred to as *compounding* interest rates. So our formula becomes:

**Present Value in Year 2 = [Present Value in Year 1] +  
[Interest Earned of Present Value in Year 1].<sup>27</sup>**  
 (Emphasis in the original, citations omitted)

To further clarify the concept of present value before this Court, I offered the expanded formula below:<sup>28</sup>

Due to compounding interests, the formula for present value at any given year becomes:

$$PV_t = V*(I+r)^t$$

*PV* stands for the present value of the property. In order to calculate the present value of the property, the corresponding formula is used. *V* stands for the value of the property at the time of the taking, taking in all the considerations that the court may use in order to arrive at the fair market value in accordance with law.

<sup>27</sup> J. Leonen, Separate Opinion in *Secretary of the Department of Public Works and Highways v. Spouses Tecson*, 713 Phil. 55, 75–77 (2013) [Per J. Peralta, Third Division].

<sup>28</sup> 713 Phil. 55 (2013) [Per J. Peralta, Third Division].



This is multiplied to  $(1 + r)$  where  $r$  equals the implied rate of return (average year-to-year interest rate) and raised to the exponent  $t$ . The exponent  $t$  refers to the time period or the number of years for which the value of the money would have changed. It is treated as an exponent because it is the number of times you have to multiply  $(1+r)$  to capture the effect of compounding interest rates.

So if AA were to be paid seventy-three (73) years from the time of taking, the present value of the amount he should have been paid at the time of taking would be:

$$\begin{aligned}
 PV_t &= V*(1+r)^t \\
 PV_{73} &= \text{P}100 * (1+0.05)^{73} \\
 PV_{73} &= \text{P}100 * (35.2224) \\
 PV_{73} &= \text{P}3,522.24^{29} \text{ (Emphasis in the original)}
 \end{aligned}$$

In applying the formula, just compensation will reflect not only on the value of the property during the time of the taking, but also the cost of the property today.

Given that the subject property in the current controversy did not undergo just compensation proceedings, this Court does not hold any data as to how much the property was worth during the time of the taking. Verily, this Court is unable to compute for just compensation. Accordingly, I concur with the majority that the case must be remanded to the Regional Trial Court for the determination of the appropriate amount of just compensation using the present value formula.

#### IV

The initial complaint for unlawful detention was filed before the Municipal Trial Court of Naga City and was later elevated to the Regional Trial Court on appeal. The majority believes a *pro hac vice* ruling is necessary for the remand of this case to the Regional Trial Court of Naga City, it not being the court of origin. I disagree.

*Pro hac vice* means “on this particular occasion” in Latin. It is used when the facts of a case are so exceptional that the court’s decision applies only to those facts and not to other situations. It avoids setting a precedent and may lead to duplicative litigation. However, to put the issue at rest, that is, whether this Court may remand to the Regional Trial Court the determination of just compensation, our decision in this case should not only bind the parties in this case, but also future parties in similar situations.<sup>30</sup>

<sup>29</sup> *Id.* at 78.

<sup>30</sup> *Re: Martin S. Villarama, Jr.*, 827 Phil. 152, 167 (2018) [Per J. Martires, *En Banc*].

Moreover, the *pro hac vice* application goes against the principle of judicial economy. Judicial economy refers to the effectiveness of the court system and its operations.<sup>31</sup> It stipulates that cases must be resolved at the lowest possible cost to the parties and to the courts' time, effort, and resources.<sup>32</sup> Here, the only issue remaining is the determination of just compensation. Given the dearth of information on the subject property's valuation, this Court is constrained to remand the case for the determination of just compensation which is well within the jurisdiction of the Regional Trial Court. To require the parties to file an entirely new case to once again and go through the process of trial would deplete the resources of both the litigants and the courts.

## V

As a final point, while just compensation should ideally be provided in full to the property owner upon taking, this is rarely the case. In numerous cases, like the one at hand, the taking by the government occurs well before the filing of lawsuits for appropriate compensation. Thus, determining just compensation based on the date of the taking is insufficient to recompense the property owner for the loss suffered. Consequently, the remedy for this delay has been the application of interest to the amount of just compensation.

In the present case, the majority ordered respondents to pay petitioners just compensation with legal interest of 6% *per annum* on the value of the property at the time of taking or August 16, 1954, until full payment is made. Nevertheless, the imposition of interest in expropriation or inverse condemnation must be clarified further.

In *Lara's Gifts & Decors, Inc. v. Midtown Industrial Sales, Inc.*<sup>33</sup> this Court identified two kinds of interest: conventional interest and compensatory interest. These are conceptually distinct. Conventional interest refers to the compensation paid by a borrower for the "cost of the use of money[.]"<sup>34</sup> This is due only if expressly stipulated in writing.<sup>35</sup> Compensatory interest, on the other hand, is a penalty or indemnity on monetary judgments that is demandable when the borrower incurs delay.<sup>36</sup> These two must be distinguished from the compounded interest used to calculate present value. The compounded interest rates are made "part of the value of the property

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<sup>31</sup> *Ren Transport Corporation v. National Labor Relations Commission (2<sup>nd</sup> Division)*, 788 Phil. 234, 244 (2016) [Per J. Sereno, First Division].

<sup>32</sup> *Malixi v. Baltazar*, 821 Phil. 423, 452 (2017) [Per J. Leonen, Third Division].

<sup>33</sup> G.R. No. 225433 (Resolution), September 20, 2022 [Per J. Leonen, *En Banc*].

<sup>34</sup> *Id.* at 9. This refers to the pinpoint citation in the copy of the Resolution uploaded in the Supreme Court website.

<sup>35</sup> *Sun Life of Canada (Philippines), Inc. v. Kit*, 745 Phil. 482, 491 (2014) [Per J. Del Castillo, Second Division].

<sup>36</sup> *Id.* at 491.

itself and not merely the interest given by two parties entering into a loan or an interest rate given together with a monetary judgment.”<sup>37</sup>

In *Secretary of the Department of Public Works and Highways v. Spouses Tecson*,<sup>38</sup> this Court discussed how interest has been imposed in expropriation cases:

In other words, the just compensation due to the landowners amounts to an effective forbearance on the part of the State—a proper subject of interest computed from the time the property was taken until the full amount of just compensation is paid—in order to eradicate the issue of the constant variability of the value of the currency over time.

....

It is important to note, however, that interest shall be compounded at the time judicial demand is made pursuant to Article 2212 of the Civil Code of the Philippines, and sustained in *Eastern Shipping Lines v. Court of Appeals*, then later on in *Nacar v. Gallery Frames*, save for the reduction of interest rate to 6% for loans or forbearance of money, thus:

1. When the obligation is breached, and it consists in the payment of a sum of money, *i.e.*, **a loan or forbearance of money**, the interest due should be that which may have been stipulated in writing. Furthermore, the **interest due shall itself earn legal interest from the time it is judicially demanded**. In the absence of stipulation, the rate of interest shall be 6% per annum to be computed from default, *i.e.*, from judicial or extrajudicial demand under and subject to the provisions of Article 1169 of the Civil Code.<sup>39</sup> (Emphasis in original, citations omitted)

Depending on the applicable Central Bank circular, the legal interest rate is either 6% or 12%. Yet, these Central Bank circulars impose rates without any explanation and exist merely to prevent the imposition of unduly high interest rates. The calculation of present value, meanwhile, depends on the average annual interest rate over time.<sup>40</sup> Considering the current situation does not involve a loan or forbearance for which a conventional interest rate is acceptable, it is recommended that the present value method be utilized, as it is more compatible with the notion of equitable and fair compensation.

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<sup>37</sup> *National Transmission Corporation v. Religious of the Virgin Mary*, G.R. No. 245266, August 1, 2022, [Per J. Leonen, Second Division] p. 18, *citing* J. Leonen, Dissenting Opinion in *Secretary of the Department of Public Works and Highways v. Spouses Tecson*, 713 Phil. 55, 75 (2013) [Per J. Peralta, Third Division].

<sup>38</sup> 758 Phil. 604 (2015) [Per J. Peralta, *En Banc*].

<sup>39</sup> *Id.* at 636–640.

<sup>40</sup> J. Leonen, Dissenting Opinion in *Secretary of the Department of Public Works and Highways v. Spouses Tecson*, 758 Phil. 604, 709 (2015) [Per J. Peralta, *En Banc*].

As for compensatory interest, its application was succinctly illustrated in *Lara's Gifts & Decors*<sup>41</sup> as follows:

*Compensatory interest*, also referred to as *penalty interest*, *indemnity*, or *moratory interest*, is the *indemnity for damages* arising from *delay* on the part of the debtor in an obligation consisting in the payment of a sum of money. It is interest allowed by law in the absence of a promise to pay interest as compensation for delay in paying a fixed sum or a delay in assessing and paying damages.

....

.... the summary of rules on the imposition of interest, as provided in *Eastern Shipping Lines* and *Nacar*, are amended as follows:

With regard to an award of interest in the concept of actual and compensatory damages, the rate of interest, as well as the accrual thereof, is imposed, as follows:

A. In obligations consisting of loans or forbearances of money, goods or credit:


1. The compensatory interest due shall be that which is stipulated by the parties in writing as the penalty or compensatory interest rate, provided it is not unconscionable. In the absence of a stipulated penalty or compensatory interest rate, the compensatory interest due shall be that which is stipulated by the parties in writing as the conventional interest rate, provided it is not unconscionable. *In the absence of a stipulated penalty or a stipulated conventional interest rate, or if these rates are unconscionable, the compensatory interest shall be the prevailing legal interest rate prescribed by the Bangko Sentral ng Pilipinas. Compensatory interest, in the absence of a stipulated reckoning date, shall be computed from default, i.e., from extrajudicial or judicial demand, until full payment.*

2. Interest on conventional/monetary interest and stipulated compensatory interest shall accrue at the stipulated interest rate (compounded interest) from the stipulated reckoning point or, in the absence thereof, from extrajudicial or judicial demand *until full payment*, provided it is not unconscionable. In the absence of a stipulated compounded interest rate or if this rate is unconscionable, the prevailing legal interest rate prescribed by the Bangko Sentral ng Pilipinas shall apply from the time of judicial demand *until full payment*.<sup>42</sup> (Emphasis supplied, citations omitted)

<sup>41</sup> G.R. No. 225433 (Resolution), September 20, 2022 [Per J. Leonen, *En Banc*].

<sup>42</sup> *Id.* at 8–20. This refers to the pinpoint citation in the copy of the Resolution uploaded in the Supreme Court website.

In view of the foregoing and to properly compensate petitioners for respondent's almost seven-decade long possession of the subject lots without compensation, petitioners are entitled to payment of just compensation reflecting the present value of the amount of money owed to the property owners, and the payment of compensatory legal interest at the rate of 6% per annum from the finality of the Decision until its full payment.<sup>43</sup>



**MARVIC M.V.F. LEONEN**  
Senior Associate Justice

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<sup>43</sup> *Id. See also Nacar v. Gallery Frames*, 716 Phil. 267 (2013) [Per J. Peralta, *En Banc*].