



Republic of the Philippines  
Supreme Court  
Manila

THIRD DIVISION

LAND BANK OF THE  
PHILIPPINES,

Petitioner,

- versus -

SPOUSES LYDIA G. CORTEZ  
and CARLOS CORTEZ,

Respondents.

G.R. No. 210422

Present:

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

Promulgated:

September 7, 2022

*MisDcBett*

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DECISION

**GAERLAN, J.:**

This is a Petition for Review on *Certiorari*<sup>1</sup> dated January 17, 2014 filed by petitioner Land Bank of the Philippines (LBP) assailing the Decision<sup>2</sup> dated July 9, 2013 and the Resolution<sup>3</sup> dated December 16, 2013 promulgated by the Court of Appeals (CA) in CA-G.R. SP. No. 123233, which affirmed the Decision<sup>4</sup> dated December 21, 2011 of the Regional Trial Court (RTC) of Legazpi City, Branch 3, acting as a Special Agrarian Court.

In its decision, the RTC fixed the amount of just compensation for the expropriated 6.0004 hectare land owned by respondent spouses Lydia and Carlos Cortez (spouses Cortez) in the amount of ₱397,958.41.<sup>5</sup> In fixing the amount, the RTC made use of the formula prescribed in the Department of

<sup>1</sup> *Rollo*, pp. 11-36.

<sup>2</sup> *Id.* at 40-49. Penned by Associate Justice Agnes Reyes-Carpio, with Associate Justices Apolinario D. Bruselas, Jr. and Priscilla J. Baltazar-Padilla (former Member of this Court), concurring.

<sup>3</sup> *Id.* at 62-63.

<sup>4</sup> *CA rollo*, pp. 45-62. Penned by Judge Frank E. Lobrigo.

<sup>5</sup> *Id.* at 62.

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Agrarian Reform (DAR) Administrative Order (AO) No. 5, Series of 1998.<sup>6</sup> However, instead of using the respective reckoning dates provided in AO No. 5, Series of 1998 in determining the Annual Gross Production (AGP) and Selling Prices (SP), the RTC made use of June 30, 2009, as provided for in AO No. 1, Series of 2010,<sup>7</sup> as the supposed presumptive date of taking from whence the production data or values should be reckoned with.

### Facts

Spouses Cortez are the owners of a coconut land, identified as Lot 181893, Cad. 56, located at Villahermosa, Daraga, Albay, with an area of approximately 16.5415 hectares and covered by Transfer Certificate of Title (TCT) No. T-45714.<sup>8</sup> On January 5, 2000, spouses Cortez offered the aforesaid property for acquisition under the Comprehensive Agrarian Reform Program.<sup>9</sup>

Thus, sometime in April 2000, the necessary notice of coverage was issued by DAR. Thereafter, on April 24, 2000, LBP together with the DAR representative, the Municipal Agrarian Reform Officer of Daraga, Albay, and the Barangay Agrarian Reform Council representative, conducted a field investigation of spouses Cortez' property.<sup>10</sup> The field investigation revealed that only 6.004 hectares of the 16.5415 hectares are fit for acquisition under the agrarian reform program.<sup>11</sup>

On September 26, 2001, the DAR issued a Memorandum Request to Value Land<sup>12</sup> addressed to LBP. LBP received the claims folder on September 27, 2001.<sup>13</sup>

Thus, on January 15, 2002, the Register of Deeds of Albay partially cancelled TCT No. 45715 and issued TCT No. T-127132 in the name of the Republic of the Philippines, represented by the DAR covering the 6.0004-hectare area (subject property) of the property subject of agrarian reform.<sup>14</sup>

LBP conducted the land valuation for the subject property using the two-factor formula prescribed under AO No. 5, Series of 1998 and arrived at the

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<sup>6</sup> Revised Rules and Regulations Governing the Valuation of Lands Voluntarily Offered or Compulsorily Acquired Pursuant to Republic Act No. 6657.

<sup>7</sup> Rules and Regulations on Valuation and Landowners Compensation Involving Tenanted Rice and Corn Lands Under Presidential Decree No. 27 and Executive Order No. 228.

<sup>8</sup> CA *rollo*, p. 45.

<sup>9</sup> Id.

<sup>10</sup> Id. at 46.

<sup>11</sup> Id.

<sup>12</sup> Not attached to the *rollo*.

<sup>13</sup> CA *rollo*, p. 46.

<sup>14</sup> Id.

amount of ₱106,542.98 or ₱17,755.98 per hectare as the initial determination of the Subject Property's valuation. LBP computed its preliminary valuation using the following formula and values:<sup>15</sup>

*Computation of Land Value of acquired area of 6.0004 hectares coconut land:*

$$\text{Land Value} = (\text{CNI}^{16} \times 0.9) + (\text{MV}^{17} \times 0.1)$$

$$\text{CNI} = \frac{(\text{AGP}^{18} \times \text{SP}^{19} \times \text{NIR}^{20})}{0.12}$$

$$\begin{aligned} &= \frac{480 \text{ kg./ha.} \times \text{₱6.44/kg.} \times 70\%}{0.12} \\ &= \text{₱18,032.00 /hectare} \end{aligned}$$

$$\begin{aligned} \text{MV for Land} &= \text{UMV}^{21} \times \text{Location Adj. Factor} \times \text{RCPI}^{22} \text{ Adj. Factor} \\ &= (\text{₱9,800/ha.} \times 87\% \times 172.7/155.5) \\ &= \text{₱9,472.39/ha.} \end{aligned}$$

$$\begin{aligned} \text{MV for Trees} &= \text{No. of Trees/ha.} \times \text{UMV} \times \text{Location Adj. Factor} \times \text{RCPI Adj. Factor} \\ &= (60 \text{ T/ha.} \times \text{₱100/tree} \times 90\% \times 172.7/155.5) \\ &= (60 \text{ T/ha.} \times \text{₱100/tree} \times 90\% \times 1.11) \\ &= \text{₱5,799.42/hectare} \end{aligned}$$

$$\text{MV} = \text{MV for land} + \text{MV for Trees}$$

$$\begin{aligned} \text{Land Value per hectare} &= (\text{CNI} \times 0.9) + (\text{MV} \times 0.1) \\ &= (\text{₱18,032.00/ hectare} \times 90\%) + (\text{₱1,527.18/ hectare} \times 10\%) \\ &= \text{₱16,228.80 / hectare} + \text{₱1,527.18 / hectare} \\ &= \text{₱17,755.98/hectare} \end{aligned}$$

$$\begin{aligned} \text{Total Land Value} &= \text{Land Value/hectare} \times \text{Acquisition Area} \\ &= \text{₱17,755.98/hectare} \times 6.0004 \text{ hectares} \\ &= \text{₱106,542.00}^{23} \text{ (Emphases omitted; citations supplied)} \end{aligned}$$

<sup>15</sup> Id. at 46-47.

<sup>16</sup> Capitalized Net Income.

<sup>17</sup> Market Value per Tax Declaration.

<sup>18</sup> Annual Gross Production corresponding to the latest available 12-months' gross production immediately preceding the date of field investigation.

<sup>19</sup> The average of the latest available 12-months' selling prices prior to the date of receipt of the claims folder by LBP for processing.

<sup>20</sup> Assumed net income rate of 70% for landholdings planted to coconut which are productive at the time of field investigation

<sup>21</sup> Unit Market Value.

<sup>22</sup> Regional Consumer Price Index.

<sup>23</sup> CA rollo, p. 47.

However, spouses Cortez refused to accept the amount of ₱106,542.98 as preliminary determination of compensation by LBP.<sup>24</sup> Because of their rejection of LBP's offer, the amount was deposited in the names of spouses Cortez as provisional compensation on December 20, 2001 in accordance with Section 16(e) of Republic Act (R.A.) No. 6657.<sup>25</sup>

Thus, the matter was elevated to the Department of Agrarian Reform Adjudication Board (DARAB), which eventually rendered a decision fixing the compensation for the acquired subject property at ₱183,273.93.<sup>26</sup> LBP rejected the determination made by the DARAB, as the decision did not include the computation on how the amount was arrived at and its basis.<sup>27</sup>

Accordingly, LBP filed a Petition for Determination of Just Compensation<sup>28</sup> before the RTC docketed as Agrarian Case No. 07-02, arguing that the preliminary determination of valuation of the subject property made by LBP was in accordance with Section 17 of R.A. No. 6657.<sup>29</sup>

### **Ruling of the RTC**

In its Decision<sup>30</sup> dated December 21, 2011, the RTC, acting as a Special Agrarian Court, fixed the amount of compensation for the acquired subject property at ₱397,958.41 based on the report prepared by the court appointed commissioner. The dispositive portion of the decision reads:

**WHEREFORE**, the Court hereby renders judgment and declares, as follow, to wit:

a) The just compensation for the 6.0004 hectares of coconut land owned by the private respondents, Spouses Lydia and Carlos Cortez, is hereby fixed in the amount of **PhP397,958.41**.

b) The petitioner is hereby directed to compensate the private respondents in the afore-said sum minus the amount actually received in cash by the private respondents, if anything, within a period of thirty (30) days from notice of this decision free of any interest, and with interest at the rate of 12 percent *per annum* if not compensated within the 30-day period herein mandated, which payment of interest shall commence on the 31<sup>st</sup> day from notice of the decision until the amount of just compensation is fully satisfied or received by the private respondents.<sup>31</sup> (Emphases in the original)

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<sup>24</sup> Id.

<sup>25</sup> *Rollo*, p. 16.

<sup>26</sup> *CA rollo*, p. 47.

<sup>27</sup> Id.

<sup>28</sup> Id. at 82-86.

<sup>29</sup> *Rollo*, p. 42.

<sup>30</sup> *CA rollo*, pp. 45-62.

<sup>31</sup> Id. at 62.



In computing for the foregoing amount of compensation, the RTC directed the commissioner to make use of the formula prescribed under AO No. 5, Series of 1998, which was similarly used by LBP with a modification that the production values and other relevant data be reckoned with the presumptive date of taking on June 30, 2009, in accordance with AO No. 1, Series of 2010.<sup>32</sup> In arriving at the foregoing ruling, the RTC ratiocinated that fixing the amount of compensation due to spouses Cortez based on the market prices and production data at that time may do injustice to them.<sup>33</sup>

The RTC recognized that AO No. 5, Series of 1998 provides for two reckoning dates in determining the production data or values necessary in arriving at the compensation due to spouses Cortez. *First*, the AGP shall be determined based on the latest available 12-month gross production quantity immediately preceding the date of the field investigation, which was conducted on April 24, 2000. *Second*, the SP shall be determined based on the average selling prices of production within the 12-month period preceding the date of receipt of the claims folder by LBP, which was on September 27, 2001.<sup>34</sup>

The RTC held that strictly observing the foregoing parameters under AO No. 5, Series of 1998 would severely diminish the purchasing power of the payment due to spouses Cortez given the annual inflation rates.<sup>35</sup> Accordingly, to address the “undeserved diminution of value” of compensation – if the RTC were to adhere to the reckoning periods for production value under AO No. 5, Series of 1998 – the RTC proposed to “currentize” the bases for the production data and values and do away with the payment of interest by adopting the new presumptive date of taking of June 30, 2009 as set forth in AO No. 1, Series of 2010.<sup>36</sup>

Thus, the commissioner using the same two-factor formula used by LBP in arriving at its preliminary determination of compensation recomputed the valuation of the subject property, using the production data and values within the 12-month period reckoned from the presumptive date of taking of June 30, 2009.<sup>37</sup> The computation of the amount of ₱397,958.41 fixed by the RTC is as follows:

*Relevant Data:*

*Average Farm Gate Prices of Copra per 100 kilos in the Province of Albay from July to December 2008 and January to June 2009 or the 12-month period preceding 30 June 2009:*

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<sup>32</sup> Id. at 59.

<sup>33</sup> Id.

<sup>34</sup> Id. at 51.

<sup>35</sup> Id. at 59.

<sup>36</sup> Id.

<sup>37</sup> Id.

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|                            |     |                            |
|----------------------------|-----|----------------------------|
| 2008                       |     |                            |
| July - - - - -             | Php | 3,600.00                   |
| August - - - - -           |     | 3,600.00                   |
| September - - - - -        |     | 2,300.00                   |
| October - - - - -          |     | 2,105.00                   |
| November - - - - -         |     | 2,125.00                   |
| December - - - - -         |     | 2,225.00                   |
| 2009                       |     |                            |
| January - - - - -          |     | 1,850.00                   |
| February - - - - -         |     | 1,865.00                   |
| March - - - - -            |     | 1,580.00                   |
| April - - - - -            |     | 1,837.00                   |
| May - - - - -              |     | 1,900.00                   |
| June - - - - -             |     | 1,700.00                   |
| Total                      |     | <u>PhP 26,687.00</u>       |
| 12 months                  |     |                            |
| Average Farm Gate Price of |     |                            |
| Copra per 100 Kilos        |     | <u><b>PhP 2,223.92</b></u> |

Based on the certification of the Philippine Coconut Authority as reported by the commissioner, the average nut per kilo is 4 nuts and the average harvesting cycle per year is **8 times per year**. Based on the PCA certification, the Average Actual Nut Production per Year in the Province of Albay within the 12-month period preceding June 30, 2009 are as follow, to wit:

|                                      |  |                     |
|--------------------------------------|--|---------------------|
| 2008                                 |  |                     |
| July to September - - - - -          |  | 10.06               |
| October to December - - - - -        |  | 10.71               |
| 2009                                 |  |                     |
| January to March - - - - -           |  | 5.81                |
| April to June - - - - -              |  | <u>7.57</u>         |
| <b>Average Annual Nut Production</b> |  | <u><b>34.15</b></u> |

The commissioner reported also that the subject coconut land has coconut density of **65 trees per hectare**.

*To find the gross production per tree:*

Thus:  
65 trees x 34.15 nuts/year  
= 2,219.75 nuts per year divided by 4 nuts (1 kg. of copra is equivalent to 4 nuts)  
**= 554.94 kgs. of copra per year/hectare**

Average Selling Price for the 12-month period preceding 30 June 2009 divided by 100 kgs. = Average Selling Price per kg.  
Thus:  
PhP2,223.92/100 = **PhP22.24** (farm gate price per PCA certification)

There being no available basis to determine comparable sales, the Court shall then use the two-factor formula under AO No. 5, series of 1998.  
Thus:

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*To compute the amount of just compensation using the two-factor formula under AO No. 5, series of 1998.*

*Computation of Land Value of acquired area of 6.0004 hectares coconut land:*

$$\begin{aligned}
 \text{Land Value} &= (\text{CNI} \times 0.9) + (\text{MV} \times 0.1) \\
 \text{CNI} &= \frac{(\text{AGP} \times \text{SP} \times \text{NIR})}{0.12} \\
 &= \frac{554.94 \text{ kgs./ha.} \times \text{PhP}22.24/\text{kg.} \times 70\%}{0.12} \\
 &= \text{PhP}71,994.22/\text{hectare}
 \end{aligned}$$

For lack of updated relevant data reckoned from the presumptive date of taking, 30 June 2009, either based on the report of the Commissioner or the evidence submitted by any of the parties, the Court has no other recourse but to retain the determination of the market value for land as computed by the petitioner. Thus:

$$\begin{aligned}
 \text{MV for Land} &= \text{UMV} \times \text{Location Adj. Factor} \times \text{RCPI Adj. Factor} \\
 &= (\text{P}9,800.00/\text{ha.} \times 87\% \times 172.7/155.5) \\
 &= \text{P}9,472.39/\text{ha.}
 \end{aligned}$$

$$\begin{aligned}
 \text{MV for Trees} &= \text{No. of Trees/ha.} \times \text{UMV} \times \text{Location Adj. Factor} \times \text{RCPI Adj. Factor} \\
 &= (60 \text{ T/ ha.} \times \text{P}100/\text{tree} \times 90\% \times 172.7/155.5) \\
 &= (60 \text{ T/ha.} \times \text{P}100/\text{tree} \times 90\% \times 1.11) \\
 &= \text{P}5,799.42/\text{hectare}
 \end{aligned}$$

$$\begin{aligned}
 \text{MV} &= \text{MV for land} + \text{MV for Trees} \\
 &= \text{P}9,472.39/\text{ha.} + \text{P}5,799.42/\text{ha.} \\
 &= \text{P}15,271.81/\text{hectare}
 \end{aligned}$$

$$\begin{aligned}
 \text{Land Value per hectare} &= (\text{CNI} \times 0.9) + (\text{MV} \times 0.1) \\
 &= (\text{PhP}71,994.22/\text{hectare} \times 90\%) + (\text{P}15,271.81/\text{hectare} \times 10\%) \\
 &= \text{P}64,794.80/\text{hectare} + \text{P}1,527.18/\text{hectare} \\
 &= \text{P}66,321.98/\text{hectare}
 \end{aligned}$$

$$\begin{aligned}
 \text{Total Land Value} &= \text{Land Value/hectare} \times \text{Acquisition Area} \\
 &= \text{P}66,321.98/\text{hectare} \times 6.0004 \text{ hectares} \\
 &= \text{P}397,958.41^{38}
 \end{aligned}$$

LBP moved for the reconsideration of the foregoing decision of the RTC, which was eventually denied by the RTC in its Order<sup>39</sup> dated January 11, 2012.

Thereafter, LBP filed a petition for review<sup>40</sup> with the CA assailing the RTC decision.

<sup>38</sup> Id. at 59-61.

<sup>39</sup> Id. at 64.

<sup>40</sup> Id. at 10-43.

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### **Ruling of the CA**

In its Decision<sup>41</sup> dated July 9, 2013, the Court of Appeals denied LBP's petition for review and affirmed the RTC's Decision, the dispositive portion of which reads:

**WHEREFORE**, in view of the foregoing, the Petition for Review is **DENIED**. The Decision, dated December 21, 2011, rendered by the Regional Trial Court of Legazpi City, Branch 3 in Agrarian Case No. 07-02, is **AFFIRMED**.

**SO ORDERED.**<sup>42</sup> (Emphases in the original; citation omitted)

The CA affirmed the RTC's computation of the valuation of the subject property and similarly concluded that the RTC's use of the formula set prescribed in AO No. 5, Series of 1998 was proper.<sup>43</sup> Notably, however, the CA made no discussion as to the propriety of the RTC's modification of the reckoning dates in the determination of the production values and prices needed in the said formula.

LBP then filed its Motion for Reconsideration,<sup>44</sup> which was eventually denied by the CA in its Resolution<sup>45</sup> dated December 16, 2013.

Hence, the present petition for review on *certiorari*.

### **The Present Petition**

LBP now comes before this Court challenging the decision of the CA, arguing that the CA committed reversible error in affirming the findings and conclusion of the RTC when the latter arrived at a different valuation for the subject property. LBP insists that the RTC incorrectly made use of the formula and valuation guidelines prescribed by AO No. 1, Series of 2010 considering that the said issuance covers acquisitions of land under Presidential Decree (P.D.) No. 27 and Executive Order (E.O.) No. 228, while the acquisition of the subject property was made under a voluntary offer scheme pursuant to R.A. No. 6657.<sup>46</sup> Thus, LBP vehemently argues that the RTC committed grave error in using June 30, 2009 as the presumptive date of taking in reckoning the period to determine the relevant production values and prices.<sup>47</sup> Accordingly, LBP

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<sup>41</sup> *Rollo*, pp. 40-49.

<sup>42</sup> *Id.* at 48.

<sup>43</sup> *Id.* at 45.

<sup>44</sup> *Id.* at 52-59.

<sup>45</sup> *Id.* at 62-63.

<sup>46</sup> *Id.* at 26.

<sup>47</sup> *Id.* at 25.

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contends that while the RTC, acting as a Special Agrarian Court, has the jurisdiction and discretion to determine the amount of just compensation, such authority should not be exercised arbitrarily.<sup>48</sup>

Finally, LBP disputes the imposition of interest at the rate of 12%, claiming that as early as December 20, 2001, it had already deposited the amount in the name of spouses Cortez, based on LBP's preliminary determination of just compensation in accordance with Section 16(e) and 18 of R.A. No. 6657.<sup>49</sup>

### The Court's Ruling

**I. Courts do not have an unbridled authority to determine just compensation, such discretion must be exercised in accordance with the factors identified in R.A. No. 6657 and the applicable issuances of the DAR.**

Just compensation is defined as the full and fair equivalent of the property taken from its owner by the expropriator.<sup>50</sup> The word "just" modifies the term compensation, which means that the equivalent to be given for the property to be taken shall be real, substantial, full, and ample.<sup>51</sup> In determining just compensation, a wide range of factors must be considered in approximating the real and full value of a land.<sup>52</sup> In this regard, it is settled that the final determination of just compensation is a judicial function,<sup>53</sup> vested in the Regional Trial Courts, acting as a Special Agrarian Court, who have original and exclusive jurisdiction to determine just compensation<sup>54</sup> for lands acquired for purposes of agrarian reform.<sup>55</sup>

However, while the determination of just compensation is essentially a judicial function vested in the RTC, a judge cannot abuse his or her discretion by not taking into full consideration the factors specifically identified by law and implementing rules.<sup>56</sup> As early as *Landbank of the Philippines v. Spouses*

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<sup>48</sup> Id. at 30.

<sup>49</sup> Id. at 32.

<sup>50</sup> *Association of Small Landowners in the Philippines, Inc. v. Secretary of Agrarian Reform*, 256 Phil. 777, 812 (1989).

<sup>51</sup> *Land Bank of the Philippines v. Heirs of Barrameda*, G.R. No. 221216, July 13, 2020, citing *National Power Corp. v. Manubay Agro-Industrial Development Corp.*, 480 Phil. 470 (2004).

<sup>52</sup> *Land Bank of the Philippines v. Garcia*, G.R. No. 208865, September 28, 2020.

<sup>53</sup> *Heirs of Vidad v. Land Bank of the Philippines*, 634 Phil. 9, 31 (2010).

<sup>54</sup> Section 57 of R.A. No. 6657 states:

Section 57. *Special Jurisdiction.* – The Special Agrarian Courts shall have original and exclusive jurisdiction over all petitions for the determination of just compensation to landowners, and the prosecution of all criminal offenses under this Act. The Rules of Court shall apply to all proceedings before the Special Agrarian Courts, unless modified by this Act.

<sup>55</sup> *Land Bank of the Philippines v. De Jesus-Macaraeg*, G.R. No. 244213, September 14, 2021.

<sup>56</sup> *Land Bank of the Philippines v. Gonzalez*, 711 Phil. 98, 113 (2013).

*Banal*,<sup>57</sup> We have already recognized the binding nature and mandatory application of the guidelines and formula prescribed by the DAR, issued pursuant to its mandate to implement agrarian reform programs.<sup>58</sup>

Thus, in *Alfonso v. Land Bank of the Philippines*<sup>59</sup> (*Alfonso*), the Court *En banc*, through former Justice Francis H. Jardeleza, settled the mandatory application of the guidelines and formula prescribed by the DAR, while recognizing that Courts may deviate from a strict application of the formula, provided such departure is supported by a reasoned explanation grounded on the evidence on record:

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, 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.

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The determination of just compensation is a judicial function. The “justness” of the enumeration of valuation factors in Section 17, the “justness” of using a basic formula, and the “justness” of the components (and their weights) that flow into the basic formula, are all matters for the courts to decide. As stressed by *Celada*, however, until Section 17 or the basic formulas are declared invalid in a proper case, they enjoy the presumption of constitutionality. This is more so now, with Congress, through RA 9700, expressly providing for the mandatory consideration of the DAR basic formula. In the meantime, *Yatco*, akin to a legal safety net, has tempered the application of the basic formula by providing for deviation, where supported by the facts and reasoned elaboration.

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<sup>57</sup> 478 Phil. 701 (2004).  
<sup>58</sup> Id. See also *Land Bank of the Philippines v. Honeycomb Farms Corp.*, 698 Phil. 298 (2012); *Land Bank of the Philippines v. Barrido*, 642 Phil. 595 (2010); *Land Bank of the Philippines v. Lim*, 555 Phil. 831 (2007).  
<sup>59</sup> 801 Phil. 217 (2016).

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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.<sup>60</sup>

Verily, Courts are not at liberty to simply ignore and disregard the guidelines and formula prescribed by the DAR for the determination of just compensation.<sup>61</sup> We emphasize that such exercise of judicial discretion must be discharged within the metes and bounds of the law,<sup>62</sup> particularly, the factors enumerated in Section 17 of R.A. No. 6657, which states:

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 farm workers 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.

Guided by the foregoing factors, the DAR issued AO No. 5, Series of 1998 to fill in the details and provide a basic formula to operationalize the determination of just compensation pursuant to Section 17 of R.A. No. 6657, to wit:

- II. *The following rules and regulations are hereby promulgated to govern the valuation of lands subject of acquisition whether under voluntary offer to sell (VOS) or compulsory acquisition (CA).*
- 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 |

<sup>60</sup> Id. at 282, 320-322.  
<sup>61</sup> *Land Bank of the Philippines v. Gonzalez*, 711 Phil. 98, 113 (2013).  
<sup>62</sup> *Land Bank of the Philippines v. Sps. Banal*, 478 Phil. 701, 715 (2004).



The above formula shall be used if all three factors are present, relevant and applicable.

- A.1 When the CS factor is not present and CNI and MV are applicable, the formula shall be:

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

- A.2 When the CNI factor is not present, and CS and MV are applicable, the formula shall be:

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

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

$$LV = MV \times 2$$

AO No. 5, Series of 1998 provides that when the CS is not available, and CNI and MV are available, the formula in A.1, which states  $LV = (CNI \times 0.9) + (MV \times 0.1)$  shall be applicable. Furthermore, in computing the CNI, the AGP shall be based on the latest available 12-months' gross production immediately preceding the date of field investigation, while the SP shall refer to the average of the latest available 12-months' selling prices prior to the date of receipt of the claims folder by LBP for processing.

LBP, in arriving at a preliminary determination of the value of the acquired subject property, made use of the two-factor formula in A.1 given that the values for CS were either unavailable or not applicable.<sup>63</sup> Pertinently, the RTC similarly made use of the foregoing formula prescribed under A.1 of AO No. 5, Series of 1998 given the absence of data for comparable sales.<sup>64</sup> However, the RTC modified the formula by changing the reckoning date in determining the production data and values. Instead of using the 12-month period preceding the Field Investigation or receipt of the Claims Folder by LBP, the RTC made use of June 30, 2009 as the reckoning date for the 12-month period.<sup>65</sup> The RTC applied by analogy the presumptive date of taking – June 30, 2009 used in AO No. 1, Series of 2010.<sup>66</sup> In modifying the reckoning dates, the RTC reasoned that it was to “currentize” the bases for the production data and values to compensate for the diminution of value of the just compensation due to inflation.<sup>67</sup>

However, although We recognize in *Alfonso* that courts may depart from the strict application of the applicable DAR guidelines and formula, such

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<sup>63</sup> CA *rollo*, p. 46

<sup>64</sup> Id. at 60.

<sup>65</sup> Id. at 61.

<sup>66</sup> Id. at 59.

<sup>67</sup> Id. at 59.

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deviation should be warranted by the specific circumstance before them and supported by a reasoned explanation grounded on the evidence on record. In its exercise of original jurisdiction, courts may deviate from the formulas if it can show that the value is not equivalent to the fair market value at the time of the taking.<sup>68</sup>

In the present case, We are not convinced with the RTC's reasoning to deviate from the application of AO No. 5, Series of 1998. In fact, as will be discussed in more detail below, in anchoring the production values and data within the 12-month period preceding June 30, 2009 as stated in AO No. 1, Series of 2010, it was the RTC that had disregarded an established principle that just compensation must be valued at the time of taking.<sup>69</sup>

The RTC's concern regarding the diminution of purchasing power of just compensation although reasonable is not supported by the evidence on record. Mere allegations would not suffice and the landowner must prove why the applicable formula could not be strictly applied.<sup>70</sup> In any event, the solution is not to depart from the strict application of AO No. 5, Series of 1998, but to impose interest which is intended to eradicate the issue of the constant variability of the value of the currency over time, and to limit the opportunity loss of the owner from non-payment of just compensation, which We will elaborate later on.<sup>71</sup>

Given the foregoing, We find the RTC's deviation from the law, DAR issuance, and established jurisprudence is an "utter and blatant disregard of the factors" laid down therein and amounts to grave abuse of discretion.<sup>72</sup>

## **II. The applicable formula in determining just compensation**

In its petition, LBP argues that the RTC improperly applied the provisions of AO No. 1, Series of 2010 by adopting the period prescribed therein of June 30, 2009 as the presumptive date of taking from whence the production values and data shall be reckoned with.<sup>73</sup> LBP argues that AO No. 1, Series of 2010 is not applicable, since the acquisition made was pursuant to R.A. No. 6657, while the said DAR issuance applies to land acquired under P.D. No. 27 and E.O. No. 228.<sup>74</sup>

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<sup>68</sup> *Land Bank of the Philippines v. Franco*, G.R. No. 203242, March 12, 2019.

<sup>69</sup> *Land Bank of the Philippines v. Rural Bank of Hermosa (Bataan), Inc.* 814 Phil. 157, 166 (2017).

<sup>70</sup> *Land Bank of the Philippines v. Franco*, *supra*.

<sup>71</sup> *Land Bank of the Philippines v. Heirs of the Estate of Mariano* G.R. No. 233401, June 17, 2019.

<sup>72</sup> *Land Bank of the Philippines v. Franco*, *supra*.

<sup>73</sup> *Rollo*, p. 26.

<sup>74</sup> *Id.*

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We find merit in LBP's protestations.

In determining just compensation, it is imperative to consider the nature and character of the land at the time of its taking<sup>75</sup> or the time when the owner was deprived of the use and benefit of his property<sup>76</sup> such as when title is transferred in the name of the Republic.<sup>77</sup> The time of taking also determines the applicable DAR administrative order to serve as a guideline for the determination of just compensation.<sup>78</sup>

Pertinently, Section 17 of R.A. No. 6657, which provided for the factors in determining just compensation was amended by Section 7 of R.A. No. 9700, which came into effect on August 7, 2009. It was pursuant to the statutory mandate of R.A. No. 9700 that the DAR issued AO No. 1, Series of 2010. However, even with the enactment of R.A. No. 9700,<sup>79</sup> the completion and final resolution of all previously acquired lands wherein valuation is subject to challenge by the landowners shall still be made pursuant to Section 17 of R.A. No. 6657.<sup>80</sup>

In the instant case, TCT No. T-127132 in the name of the Republic of the Philippines covering the subject property was issued on January 15, 2002. Thus, the actual date of taking was on January 15, 2002 prior to the effectivity of R.A. No. 9700 and AO No. 1, Series of 2010.

In addition, the DAR issued AO No. 2, Series of 2009<sup>81</sup> to clarify the coverage of the amendments introduced by R.A. No. 9700. The transitory provision of AO No. 2, Series of 2009, in part, provides that "with respect to

<sup>75</sup> *Land Bank of the Philippines v. Villegas*, G.R. No. 224760, October 6, 2021, citing *National Power Corporation v. Sps. Iletto*, 690 Phil. 453 (2012).

<sup>76</sup> *Sps. Mercado v. Land Bank of the Philippines*, 760 Phil. 846, 860 (2015).

<sup>77</sup> *Land Bank of the Philippines v. Rural Bank of Hermosa (Bataan), Inc.*, supra note 74.

<sup>78</sup> *Mateo v. Department of Agrarian Reform*, 805 Phil. 707, 731 (2017).

<sup>79</sup> Section 5 of R.A. No. 9700 provides:

Section 5. Section 7 of Republic Act No. 6657, as amended, is hereby further amended to read as follows:

"SEC. 7. *Priorities.* – The DAR, in coordination with the Presidential Agrarian Reform Council (PARC) shall plan and program the final acquisition and distribution of all remaining unacquired and undistributed agricultural lands from the effectivity of this Act until June 30, 2014. Lands shall be acquired and distributed as follows:

"Phase One: During the five (5)-year extension period hereafter all remaining lands above fifty (50) hectares shall be covered for purposes of agrarian reform upon the effectivity of this Act. All private agricultural lands of landowners with aggregate landholdings in excess of fifty (50) hectares which have already been subjected to a notice of coverage issued on or before December 10, 2008; rice and corn lands under Presidential Decree No. 27; all idle or abandoned lands; all private lands voluntarily offered by the owners for agrarian reform: *Provided*, That with respect to voluntary land transfer only those submitted by June 30, 2009 shall be allowed. *Provided, further*, That after June 30, 2009, the modes of acquisition shall be limited to voluntary offer to sell and compulsory acquisition: *Provided, furthermore*, **That all previously acquired lands wherein valuation is subject to challenge by landowners shall be completed and finally resolved pursuant to Section 17 of Republic Act No. 6657, as amended: x x x (Emphasis supplied).**

<sup>80</sup> *Land Bank of the Philippines v. Heirs of Barrameda*, supra note 55.

<sup>81</sup> Rules and Procedures Governing the Acquisition and Distribution of Agricultural Lands under Republic Act (R.A.) No. 6657, as amended by R.A. No. 9700.

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land valuation, all Claim Folders received by LBP prior to **July 1, 2009 shall be valued in accordance with Section 17 of R.A. No. 6657** prior to its amendment by R.A. No. 9700.”<sup>82</sup> We have recognized and upheld the foregoing provision and ruled that lands where the claim folders were received by LBP prior to July 1, 2009 shall be valued in accordance with Section 17 of R.A. No. 6657 prior to its further amendment by R.A. No. 9700, and thus will be governed by the applicable DAR issuance.<sup>83</sup>

Thus, in *Land Bank of the Philippines v. Kho*,<sup>84</sup> this Court was very emphatic that the application of DAR AO No. 1, Series of 2010 should be limited to those where the claim folders were received on or subsequent to July 1, 2009:

However, it bears pointing out that while Congress passed RA 9700 on August 7, 2009, further amending certain provisions of RA 6657, as amended, among them, Section 17, and declaring “[t]hat all previously acquired lands wherein valuation is subject to challenge by landowners shall be completed and finally resolved pursuant to Section 17 of [RA 6657], as amended,” DAR AO 2, series of 2009, which is the implementing rules of RA 9700, had clarified that the said law shall not apply to claims/cases where the claim folders were received by LBP prior to July 1, 2009. In such a situation, just compensation shall be determined in accordance with Section 17 of RA 6657, as amended, prior to its further amendment by RA 9700.

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It is significant to stress, however, **that DAR AO 1, series of 2010 which was issued in line with Section 31 of RA 9700 empowering the DAR to provide the necessary rules and regulations for its implementation, became effective only subsequent to July 1, 2009. Consequently, it cannot be applied in the determination of just compensation for the subject land where the claim folders were undisputedly received by the LBP prior to July 1, 2009, and, as such, should be valued in accordance with Section 17 of RA 6657 prior to its further amendment by RA 9700 pursuant to the cut-off date set under DAR AO 2, series of 2009 83 (cut-off rule). Notably, DAR AO 1, series of 2010 did not expressly or impliedly repeal the cut-off rule set under DAR AO 2, series of 2009, having made no reference to any cut-off date with respect to land valuation for previously acquired lands under PD 27 and EO 228 wherein valuation is subject to challenge by landowners. Consequently, the application of DAR AO 1, series of 2010 should be, thus, limited to those where the claim folders were received on or subsequent to July 1, 2009.**<sup>85</sup> (Emphasis and underscoring supplied; italics and citations omitted)

<sup>82</sup> Emphasis supplied.

<sup>83</sup> *Land Bank of the Philippines v. Paliza, Sr.*, G.R. Nos. 236772-73. June 28, 2021.

<sup>84</sup> 787 Phil. 478 (2016). See also *Land Bank of the Philippines v. Sps. Chu*, 808 Phil. 179 (2017).

<sup>85</sup> *Id.* at 490-491.

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In the present case, there is no dispute that the claims folder for the subject property was received by LBP on September 27, 2001<sup>86</sup> placing it well within the ambit of R.A. No. 6657 and AO No. 5, Series of 1998 and beyond the scope and applicability of the amendments introduced by R.A. No. 9700 and DAR guidelines issued in relation thereto.

Clearly, therefore, the RTC had no basis to apply the presumptive date of taking prescribed under R.A. No. 9700 and as further reiterated under AO No. 1, Series of 2010. Thus, the RTC committed grave abuse of discretion when it abandoned the reckoning periods for the production values and data prescribed under AO No. 5, Series of 1998.

Given the foregoing discussion, this Court finds cogent and compelling reason to set aside the decision of the CA.

### III. Imposable Interest

Just compensation entails not only the correct determination of the amount to be paid to the owners of the land, but also payment within a reasonable time from its taking.<sup>87</sup> Thus, apart from the requirement that the compensation for expropriated property must be fair and reasonable, the payment must also be made without delay.<sup>88</sup> Otherwise, absent any prompt and full payment, compensation could not be considered “just” inasmuch as the property owner is made to suffer the consequences of being immediately deprived of his land while being made to wait before actually receiving the amount necessary to cope with loss.<sup>89</sup>

Verily, the Court has upheld the imposition of legal interest in expropriation cases where there is delay in the payment since the just compensation due to the landowners was deemed to be an effective forbearance on the part of the State.<sup>90</sup> It is intended to eradicate the issue of the constant variability of the value of the currency over time, and to limit the opportunity loss of the owner from non-payment of just compensation that can drag from days to decades.<sup>91</sup>

It must be clarified, however that the award of interest shall be computed only on the unpaid balance of the just compensation, which pertains to the difference between the final amount as properly adjudged by the court in

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<sup>86</sup> CA rollo, p. 46.

<sup>87</sup> *Land Bank of the Philippines v. Uy*, G.R. No. 221313, December 5, 2019.

<sup>88</sup> *Land Bank of the Philippines v. Heirs of Barrameda*, supra note 55.

<sup>89</sup> *Land Bank of the Philippines v. Uy*, supra.

<sup>90</sup> Id. See also *Land Bank of the Philippines v. Paliza, Sr.*, supra note 88; *Mateo v. Department of Agrarian Reform*, supra note 83.

<sup>91</sup> *Land Bank of the Philippines v. Heirs of the Estate of Mariano*, supra note 76.



accordance with the applicable DAR issuance and the initial provisional deposit made by the government.<sup>92</sup>

Thus, in line with recent jurisprudence<sup>93</sup> and Bangko Sentral ng Pilipinas Monetary Board Circular No. 799, Series of 2013, legal interest shall be fixed at the rate of twelve percent (12%) interest *per annum* from the time of taking, which in this case was on January 15, 2002, until June 30, 2013. From July 1, 2013, until finality of the Decision, interest shall be at six percent (6%) *per annum*. Thereafter, the total amount of compensation shall earn legal interest at six percent (6%) *per annum* from the finality of the Decision until its full payment.

#### **IV. A remand of the case is warranted given the foregoing findings**

Although We agree with LBP's arguments that the CA committed reversible error in affirming the RTC Decision, We could not simply adopt LBP's preliminary determination of just compensation.

LBP's valuation is not conclusive.<sup>94</sup> To repeat, the final determination of just compensation is a judicial function.<sup>95</sup> In the exercise of such function, the reception of evidence is necessary to establish and prove the facts and figures to be used in determining just compensation.<sup>96</sup> As this Court is not a trier of facts, We are thus constrained to remand the case to the RTC, acting as Special Agrarian Court to determine just compensation, guided by this Court's discussion and strictly in accordance with Section 17 of R.A. No. 6657 and applicable DAR regulations, in particular, DAR AO No. 5, Series of 1998.<sup>97</sup>

**WHEREFORE**, premises considered, the Petition for Review on *Certiorari* dated January 17, 2014 filed by petitioner Land Bank of the Philippines is **PARTIALLY GRANTED**. Accordingly, the Decision dated July 9, 2013 and the Resolution dated December 16, 2013 of the Court of Appeals in CA-G.R. SP No. 123233 are **ANNULLED** and **SET ASIDE**.

Agrarian Case No. 07-02 is hereby **REMANDED** to the Regional Trial Court of Legazpi City, Branch 3, for reception of evidence to determine with utmost dispatch the just compensation due to respondent spouses Lydia and Carlos Cortez in accordance with the guidelines set forth in this Decision.

<sup>92</sup> *Land Bank of the Philippines v. Villegas*, supra note 80, citing *Evergreen v. Republic*, 817 Phil. 1048, 1069 (2017).

<sup>93</sup> *Republic v. Heirs of Bonifacio*, G.R. No. 226734, May 10, 2021; *Republic v. Sps. Goloyuco*, G.R. No. 222551, June 19, 2019.

<sup>94</sup> *Land Bank of the Philippines v. Heir of Vda. de Arieta*; 642 Phil. 198, 222 (2010).


<sup>95</sup> *Heirs of Vidad v. Land Bank of the Philippines*, supra note 57.

<sup>96</sup> *Land Bank of the Philippines v. Heirs of Tañada*, 803 Phil. 103 (2017).

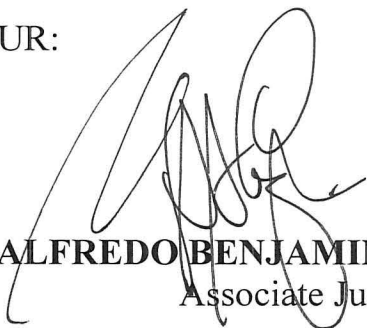
<sup>97</sup> *Land Bank of the Philippines v. Paliza, Sr.*, supra note 88.

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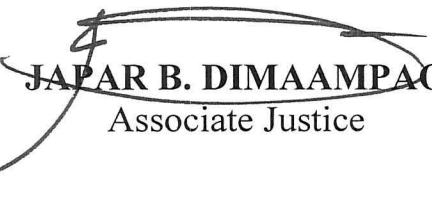
**SO ORDERED.**

  
**SAMUEL H. GAERLAN**  
Associate Justice

WE CONCUR:

  
**ALFREDO BENJAMIN S. CAGUIOA**  
Associate Justice

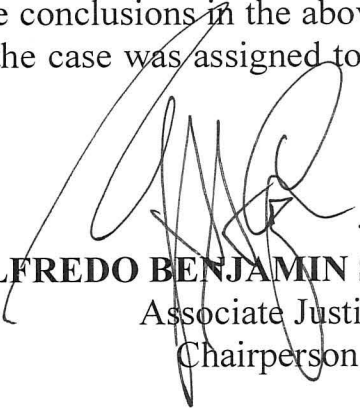
  
**HENRI JEAN PAUL B. INTING**  
Associate Justice

  
**JAPAR B. DIMAAMPAO**  
Associate Justice

  
**MARIA 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



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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