



Republic of the Philippines  
Supreme Court  
Manila

THIRD DIVISION

REPUBLIC OF THE PHILIPPINES, represented by the  
DEPARTMENT OF PUBLIC WORKS AND HIGHWAYS,

Petitioner,

-versus-

G.R. No. 226734

Present:

LEONEN, J., *Chairperson*,  
HERNANDO,  
INTING,  
DELOS SANTOS, and  
LOPEZ, J., *JJ.*

HEIRS OF SPOUSES  
VALENTINA JUAN BONIFACIO  
AND AURELIO BONIFACIO,

Respondents.

Promulgated:

May 10, 2021

Mis+DCB+H

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DECISION

LEONEN, J.:

Legal interest accrues on the difference between the final amount of just compensation adjudged by the court and the government's initial provisional deposit. It begins from the time of taking, when the private owner was deprived of the property.

This Court resolves a Petition for Review on Certiorari<sup>1</sup> assailing the Decision<sup>2</sup> and Resolution<sup>3</sup> of the Court of Appeals, which affirmed the

<sup>1</sup> *Rollo*, pp. 31–63. Filed under Rule 45 of the Rules of Court.

<sup>2</sup> *Id.* at 12–26. The January 11, 2016 Decision was penned by Associate Justice Magdangal M. De Leon, and concurred in by Associate Justice Elihu A. Ybañez and Associate Justice Victoria Isabel A. Paredes of the Seventh Division, Court of Appeals, Manila.

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Regional Trial Court Decision ordering the Republic of the Philippines to pay the heirs of Spouses Valentina and Aurelio Bonifacio (the Bonifacio Spouses) just compensation at ₱10,000.00 per square meter, with 12% interest on the total amount, commissioner's fees, and attorney's fees.

In 2007, the Republic, through the Department of Public Works and Highways, filed before the Regional Trial Court a Complaint for expropriation of a lot in Barangay Ugong, Valenzuela City that was registered in Bonifacio Spouses' names.<sup>4</sup>

Covered by Transfer Certificate of Title No. 100100, Bonifacio Spouses' lot spanned 913 square meters, with a zonal value of ₱2,285,500.00 and improvement value of ₱175,932.18.<sup>5</sup> According to the Republic, it offered to purchase the lot for the C-5 Northern Link Road Project, and was willing to pay the Bonifacio Spouses' heirs ₱2,282,500.00, equivalent to the total zonal value of the lot, and ₱175,996.04 as replacement cost for the improvements.<sup>6</sup>

In their Answer to the Complaint, the Bonifacio Spouses' heirs conceded that the zonal valuation of the property was ₱2,500.00 per square meter, but claimed that the prevailing market value of nearby properties ranged from ₱10,000.00 to ₱15,000.00, because the lot was in an industrial site near Mindanao Avenue, Quezon City. They also argued that the improvement's replacement cost should not be less than ₱350,000.00.<sup>7</sup>

In 2009, the Regional Trial Court issued a writ of possession and order of expropriation covering the lot and its improvement.<sup>8</sup> Then, in 2010, the trial court formed a Board of Commissioners pursuant to Rule 67, Section 5 of the Rules of Court, to determine and recommend the just compensation to be paid to the Bonifacio Spouses' heirs.<sup>9</sup>

On March 13, 2014, the Board of Commissioners recommended ₱10,000.00 per square meter as the reasonable, just, and fair market value of the lot.<sup>10</sup>

On July 23, 2014, the Regional Trial Court issued its Decision, the dispositive portion of which reads:

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<sup>3</sup> Id. at 27–28. The August 25, 2016 Resolution was penned by Associate Justice Magdangal M. De Leon, and concurred in by Associate Justice Elihu A. Ybañez and Associate Justice Victoria Isabel A. Paredes of the Seventh Division, Court of Appeals, Manila.

<sup>4</sup> Id. at 13.

<sup>5</sup> Id.

<sup>6</sup> Id. at 14.

<sup>7</sup> Id. at 14–15.

<sup>8</sup> Id. at 15.

<sup>9</sup> Id. at 16.

<sup>10</sup> Id.

WHEREFORE, judgment is hereby rendered condemning the 913-square meter lot, owned by the defendants, covered by TCT No. T-10001000 of the Registry of Deeds of Valenzuela City, free from all liens and encumbrances whatsoever, for the construction of C-5 Northern Link Road Project, Segment 8.1 from Mindanao Avenue in Quezon City to the North Luzon Expressway, Valenzuela City, a public purpose, in favor of the plaintiff, Republic of the Philippines, upon payment of just compensation which is fixe at Php 10,000.00/square meter or in the total amount of Php 9,130,000.00 (NINE MILLION ONE HUNDRED THIRTY THOUSAND PESOS) (913 X Php 10,000.00), deducting the provisional deposit of Php 2,282,500.00 (TWO MILLION TWO HUNDRED EIGHTY-TWO THOUSAND FIVE HUNDRED PESOS) previously made and subject to the payment of all unpaid taxes and other relevant taxes by the defendants, if there by any up to the filing of the complaint.

The plaintiff is ordered to pay interest at the rate of 12% per annum on the unpaid balance of just compensation of Php 6,847,500.00 (SIX MILLION EIGHT HUNDRED FORTY-SEVEN THOUSAND FIVE HUNDRED PESOS) (Php 9,130,000.00-Php 2,282,500.00)] computed from the time of the filing of the complaint on December 7, 2007 until plaintiff fully pays the balance.

The plaintiff is likewise ordered to pay interest at the rate of 12% per annum on the initial deposit of Php 2,282,500.00 from the time of the filing of the complaint on December 7, 2007 up to the time that the said amount was deposited by the plaintiff on November 21, 2008.

The plaintiff is likewise ordered to pay the defendant the amount of Php 50,000.00 at attorney's fee, as well as Php 5,000.00 for each commissioner as commissioner's fee.

Let a certified true copy of this decision be forwarded to the Office of the Register of Deeds of Valenzuela City for the latter to annotate this decision in the Transfer Certificate of Title No. T-100100.

SO ORDERED.<sup>11</sup>

On appeal, the Court of Appeals affirmed the Regional Trial Court Decision. The dispositive portion of its January 11, 2016 Decision<sup>12</sup> reads:

WHEREFORE, the appeal is DENIED. The Decision dated July 23, 2014 of the Regional Trial Court, Branch 172, Valenzuela City is AFFIRMED.

SO ORDERED.<sup>13</sup>

The Court of Appeals ruled that the Regional Trial Court correctly followed the procedure in Rule 67 of the Rules of Court when it formed the Board of Commissioners to determine the just compensation. The Board of

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<sup>11</sup> Id. at 17–18.

<sup>12</sup> Id. at 12–26.

<sup>13</sup> Id. at 25.

Commissioners used a market-data approach, valuing the lot based on sales and listings of comparable properties registered within the vicinity. It based its comparison on the expropriated Hobart and Serrano properties, also located in Barangay Ugong.<sup>14</sup> To the Court of Appeals, the trial court correctly adopted the Board's report, finding it accurate and supported by sufficient evidence. It also noted that the market-data approach has already been upheld by this Court in *Public Estates Authority v. Estate of Yujuico*.<sup>15</sup>

The Court of Appeals denied the Republic's Motion for Reconsideration in its August 25, 2016 Resolution.<sup>16</sup> Thus, the Republic filed its Petition for Review on Certiorari.<sup>17</sup>

Petitioner argues that the just compensation awarded to the Bonifacio Spouses' heirs was arbitrary, as the lower court failed to consider its evidence on the "actual use, classification, size, area, and actual condition" of the property.<sup>18</sup>

Further, petitioner claims that the trial court erred in setting the legal interest at 12% per annum, as the just compensation award was a forbearance, the legal interest rate of which depends on the Monetary Board of the Bangko Sentral ng Pilipinas. It points to Bangko Sentral ng Pilipinas Circular No. 799, which took effect on July 1, 2013 and set the rate of legal interest at 6% per annum.<sup>19</sup>

Finally, petitioner argues that it is exempt from paying the commissioner's fees. It cites *Republic v. Garcia*,<sup>20</sup> where this Court ruled that in expropriation cases, the Republic is not liable to pay costs, including commissioner's fees.<sup>21</sup>

On January 9, 2017, this Court ordered the Bonifacio Spouses' heirs to comment, which they did on March 21, 2017.<sup>22</sup>

In its Comment,<sup>23</sup> respondents argue that the Regional Trial Court correctly took into account the Board of Commissioners' report in setting the just compensation.<sup>24</sup> As for the applicable interest rate, they argue that *Sy v. Local Government of Quezon City*<sup>25</sup> and *Republic v. Soriano*<sup>26</sup> imposed a

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<sup>14</sup> Id. at 22.

<sup>15</sup> Id. at 23–25 citing 634 Phil. 339 (2010) [Per J. Carpio Morales, First Division].

<sup>16</sup> Id. at 27–28.

<sup>17</sup> Id. at 31–63.

<sup>18</sup> Id. at 43–44.

<sup>19</sup> Id. at 51–54.

<sup>20</sup> Id. at 54.

<sup>21</sup> 166 Phil. 502 (1977) [Per J. Aquino, Second Division].

<sup>22</sup> *Rollo*, p. 221.

<sup>23</sup> Id. at 221–239.

<sup>24</sup> Id. at 225–226.

<sup>25</sup> 710 Phil. 549 (2013) [Per J. Perlas-Bernabe, Second Division].

12% per annum interest rate.<sup>27</sup> They likewise argue that Rule 141, Sections 12 and 13 consider commissioner's fees as part of the costs of the proceedings.<sup>28</sup>

In its Reply,<sup>29</sup> petitioner reiterates that the just compensation awarded should be set aside for being arbitrary.<sup>30</sup> Then, it claims that the cases respondents cited on legal interest have been superseded by Circular No. 799, which took effect on July 1, 2013.<sup>31</sup> As for the commissioner's fees, it points to Rule 141, Section 16 of the Rules of Court, which exempts it from paying legal fees, including those mentioned in Sections 12 and 13.<sup>32</sup>

The issues to be resolved in this case are:

First, whether or not the Regional Trial Court imposed the correct amount of just compensation;

Second, whether or not the Regional Trial Court correctly imposed a 6% per annum interest rate; and

Finally, whether or not the Regional Trial Court correctly ordered petitioner Republic of the Philippines to pay the commissioner's fees.

The determination of just compensation is inherently a judicial function, which cannot be curtailed by legislation.<sup>33</sup> Legislative enactments and executive issuances that provide for a method of computing just compensation amount to "impermissible encroachment on judicial prerogatives."<sup>34</sup>

Further, Section 5 of Republic Act No. 8974, on the standards for assessing the value of land in expropriation proceedings or negotiated sale, uses the phrase, "the court may consider . . . the following relevant standards[.]"<sup>35</sup> This indicates that the list of factors enumerated in the provision are merely permissive.

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<sup>26</sup> 755 Phil. 187 (2015) [Per J. Peralta, Third Division].

<sup>27</sup> *Rollo*, pp. 234–236.

<sup>28</sup> *Id.* at 236.

<sup>29</sup> *Id.* at 248–258.

<sup>30</sup> *Id.* at 251–253.

<sup>31</sup> *Id.* at 254.

<sup>32</sup> *Id.* at 255–256.

<sup>33</sup> J. Leonen, Dissenting Opinion in *Heirs of Sps. Tria v. Land Bank of the Philippines and Department of Agrarian Reform*, 713 Phil. 1, 17–18 (2013) [Per J. Peralta, Third Division] citing *Export Processing Zone Authority v. Dulay*, 233 Phil. 313 (1987) [Per J. Gutierrez, Jr., En Banc].

<sup>34</sup> *Republic v. C.C. Unson Company, Inc.*, 781 Phil. 770, 783 (2016) [Per J. Mendoza, Second Division].

<sup>35</sup> Republic Act No. 8974 (2000), sec. 5 states in part:

Section 5. Standards for the Assessment of the Value of the Land Subject of Expropriation Proceedings or Negotiated Sale. – In order to facilitate the determination of just compensation, the court may consider, among other well-established factors, the following relevant standards[.]

The ascertainment of the just compensation award is a question of fact. This Court in *Republic v. Spouses Bautista*<sup>36</sup> held:

This Court is not a trier of facts. Questions of fact may not be raised in a petition brought under Rule 45, as such petition may only raise questions of law. This rule applies in expropriation cases. Moreover, factual findings of the trial court, when affirmed by the CA, are generally binding on this Court. An evaluation of the case and the issues presented leads the Court to the conclusion that it is unnecessary to deviate from the findings of fact of the trial and appellate courts.

Under Section 8 of Rule 67 of the Rules of Court, the trial court sitting as an expropriation court may, after hearing, accept the commissioners' report and render judgment in accordance therewith. This is what the trial court did in this case. The CA affirmed the trial court's pronouncement in toto. Given these facts, the trial court and the CA's identical findings of fact concerning the issue of just compensation should be accorded the greatest respect, and are binding on the Court absent proof that they committed error in establishing the facts and in drawing conclusions from them. There being no showing that the trial court and the CA committed any error, we thus accord due respect to their findings.

The only legal question raised by the petitioner relates to the commissioners' and the trial court's alleged failure to take into consideration, in arriving at the amount of just compensation, Section 5 of RA 8974 enumerating the standards for assessing the value of expropriated land taken for national government infrastructure projects. What escapes petitioner, however, is that the courts are not bound to consider these standards; the exact wording of the said provision is that "in order to facilitate the determination of just compensation, the courts may consider" them. The use of the word "may" in the provision is construed as permissive and operating to confer discretion. In the absence of a finding of abuse, the exercise of such discretion may not be interfered with. For this case, the Court finds no such abuse of discretion.<sup>37</sup> (Citations omitted)

As the trial court's findings on just compensation were affirmed by the Court of Appeals, they are binding on this Court and are no longer reviewable. Petitioner was unable to point out any reversible error in the lower courts' findings on the just compensation award.

However, this Court must review the imposition of interest rate and the order for petitioner to pay costs.

In *Evergreen Manufacturing Corporation v. Republic*,<sup>38</sup> this Court explained that interest accrues on the difference between the final amount adjudged by the court and the government's initial payment, starting from the time of taking, when the private owner was deprived of the property:

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<sup>36</sup> 702 Phil. 284 (2013) [Per J. Del Castillo, Second Division].

<sup>37</sup> Id. at 297-298.

<sup>38</sup> 817 Phil. 1048 (2017) [Per Acting C.J. Carpio, Second Division].

With respect to the amount of interest on the difference between the initial payment and final amount of just compensation as adjudged by the court, we have upheld in *Eastern Shipping Lines, Inc. v. Court of Appeals*, and in subsequent cases thereafter, the imposition of 12% interest rate from the time of taking when the property owner was deprived of the property, until 1 July 2013, when the legal interest on loans and forbearance of money was reduced from 12% to 6% per annum by BSP Circular No. 799. Accordingly, from 1 July 2013 onwards, the legal interest on the difference between the final amount and initial payment is 6% per annum.

In the present case, Republic-DPWH filed the expropriation complaint on 22 March 2004. As this preceded the actual taking of the property, the just compensation shall be appraised as of this date. No interest shall accrue as the government did not take possession of the Subject Premises. Republic-DPWH was able to take possession of the property on 21 April 2006 upon the agreement of the parties. Thus, a legal interest of 12% per annum on the difference between the final amount adjudged by the Court and the initial payment made shall accrue from 21 April 2006 until 30 June 2013. From 1 July 2013 until the finality of the Decision of the Court, the difference between the initial payment and the final amount adjudged by the Court shall earn interest at the rate of 6% per annum. Thereafter, the total amount of just compensation shall earn legal interest of 6% per annum from the finality of this Decision until full payment thereof.<sup>39</sup> (Citations omitted)

As petitioner pointed out, this Court in *Republic v. Soriano*<sup>40</sup> held that the interest rate imposable on just compensation is now 6% per annum, per Bangko Sentral ng Pilipinas Circular No. 799:

Effectively, therefore, the debt incurred by the government on account of the taking of the property subject of an expropriation constitutes a forbearance which runs contrary to the trial court's opinion that the same is in the nature of indemnity for damages calling for the application of Article 2209 of the Civil Code. Nevertheless, in line with the recent circular of the Monetary Board of the Bangko Sentral ng Pilipinas (BSP-MB) No. 799, Series of 2013, effective July 1, 2013, the prevailing rate of interest for loans or forbearance of money is six percent (6%) per annum, in the absence of an express contract as to such rate of interest.<sup>41</sup> (Citation omitted)

Nonetheless, as *Evergreen Manufacturing Corporation* teaches, the 12% interest rate still applies in the period prior to July 1, 2013, when the circular became effective. The total amount of just compensation further earns interest from the finality of the decision until its full payment.<sup>42</sup>

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<sup>39</sup> Id. at 1070–1071.

<sup>40</sup> 755 Phil. 187 (2015) [Per J. Peralta, Third Division].

<sup>41</sup> Id. at 199–200.

<sup>42</sup> *Evergreen Manufacturing Corp. v. Republic*, 817 Phil. 1048 (2017) [Per Acting C.J. Carpio, Second Division].

Here, sometime in 2008, petitioner deposited with the clerk of court of the Regional Trial Court ₱2,458,496.04, representing 100% of the property's zonal value and the improvement's replacement cost.<sup>43</sup> After this, the trial court on February 24, 2009 issued the writ of possession in petitioner's favor.<sup>44</sup> This appears to be the time when respondents were deprived of their property, and represents the starting point of the delay in the payment of just compensation.

As such, the Regional Trial Court erred in imposing a 12% interest rate on the unpaid balance computed from the time of the filing of the Complaint, when respondents were not yet deprived of their property. Both lower courts erred in not applying Bangko Sentral ng Pilipinas Circular No. 799, which lowered the interest rate starting July 1, 2013.

Moreover, the Regional Trial Court incorrectly ordered petitioner to pay respondent ₱5,000.00 for each commissioner in commissioner's fees. Rule 141, Section 16 of the Rules of Court exempts the government from paying the legal fees:

SECTION 16. Government exempt. — The Republic of the Philippines is exempt from paying the legal fees provided in this rule.

Commissioner's fees in expropriation cases are costs for which the government is not liable. In *Republic v. Garcia*:<sup>45</sup>

We hold that the Republic's appeal is meritorious because section 16 of Rule 141 unmistakably provides that the State is exempt from paying legal fees. Section 1, Rule 142 of the Rules of Court complements Rule 141 by providing that "no costs shall be allowed against the Republic of the Philippines unless otherwise provided by law." There is no law requiring the Republic to pay costs in eminent domain proceedings. The commissioners' fees in expropriation cases are taxed as part of the costs and the government is not liable for costs.<sup>46</sup>

As a final matter, the award of attorney's fees is misplaced. "The general rule is that attorney's fees cannot be recovered as part of damages because of the policy that no premium should be placed on the right to litigate."<sup>47</sup> Entitlement to attorney's fees must be justified by the facts of the case, and be reasonable, just, and equitable.<sup>48</sup> Here, there are insufficient factual and legal justifications for attorney's fees in respondents' favor.

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<sup>43</sup> *Rollo*, p. 14.

<sup>44</sup> *Id.* at 15.

<sup>45</sup> 166 Phil. 502 (1977) [Per J. Aquino, Second Division].

<sup>46</sup> *Id.* at 504.

<sup>47</sup> *Apo Fruits Corp. v. Court of Appeals*, 565 Phil. 418, 447 (2007) [Per J. Chico-Nazario, Third Division].

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



**WHEREFORE**, the Petition for Review on Certiorari is **PARTIALLY GRANTED**. The January 11, 2016 Decision and August 25, 2016 Resolution of the Court of Appeals in CA-G.R. CV No. 103492 are **AFFIRMED with MODIFICATIONS**. Petitioner Republic of the Philippines is **ORDERED** to pay interest at the following rates:

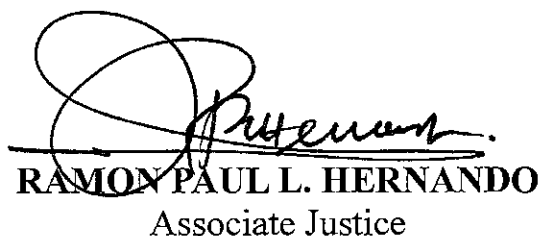
- (1) The difference between the total amount of just compensation of ₱9,130,000.00 and the provisional deposit of ₱2,282,500.00 shall earn legal interest at 12% per annum from the date of taking, February 24, 2009, until June 30, 2013;
- (2) The difference between the total amount of just compensation and the initial deposit shall earn legal interest at 6% per annum from July 1, 2013 until the finality of the Decision; and
- (3) The total amount of just compensation shall earn legal interest of 6% per annum from the finality of the Decision until its full payment.

The awards of attorney's fees and commissioner's fees are **DELETED**.

**SO ORDERED.**

  
MARVIC M.V.F. LEONEN  
Associate Justice

WE CONCUR:

  
RAMON PAUL L. HERNANDO  
Associate Justice


  
HENRI JEAN PAUL B. INTING  
Associate Justice

  
EDGARDO L. DELOS SANTOS  
Associate Justice

  
**JHOSEP Y. LOPEZ**  
Associate Justice

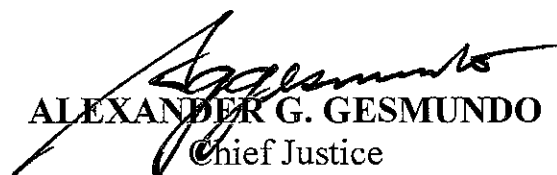
**ATTESTATION**

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.

  
**MARVIC M.V.F. LEONEN**  
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