



REPUBLIC OF THE PHILIPPINES
SUPREME COURT
Manila

SECOND DIVISION

NOTICE

Sirs/Mesdames:

*Please take notice that the Court, Second Division, issued a Resolution dated **28 April 2021** which reads as follows:*

“G.R. No. 231812 (*Land Bank of the Philippines v. Barili Agro Development Corporation*). — Before the Court is a Petition for Review on *Certiorari*¹ assailing the October 13, 2016 Decision² and April 27, 2017 Resolution³ of the Court of Appeals-Cebu City (CA), in CA-G.R. SP No. 07106 which sustained the Decision of the Regional Trial Court (RTC) dated July 18, 2011, on the amount of just compensation and imposition of legal interest.

ANTECEDENTS

Barili Agro Development Corporation (Barili Agro) voluntarily offered its 7.7702-hectare agricultural land, located in Barili, Cebu and covered by Transfer Certificate of Title No. T-48281, for sale under the Comprehensive Agrarian Reform Program (CARP). Being the financial intermediary of the CARP, the Land Bank of the Philippines (Land Bank) offered, and allegedly deposited the total amount of ₱49,094.61 as just compensation.⁴ Barili Agro rejected Land Bank’s offer and valuation.⁵ In the meantime, the Voluntary Offer to Sell was referred to the Department of Agrarian Reform (DAR),⁶ which set just compensation at ₱86,832.68, or ₱11,175.09 per hectare. However, on February 28, 1992, Barili Agro received DAR Adjudication Board’s (DARAB) Decision, dated February 17, 1992, fixing just compensation at a total of ₱49,094.61, identical with the initial offer made by

¹ *Rollo*, pp. 12-35, filed under Rule 45 of the Rules of Court.

² *Id.* at 39-53; penned by Associate Justice Pablito A. Perez, with the concurrence of Associate Justices Pamela Ann Abella Maxino and Gabriel T. Robeniol.

³ *Id.* at 74-75.

⁴ *Id.* at 15, 26.

⁵ *Id.* at 14-15, 40.

⁶ Docketed as DARAB Case No. VII-181-C-91.

Land Bank. Aggrieved, Barili Agro filed its notice of appeal with the DARAB regional office.

On August 2, 1992, during the pendency of its appeal, Barili Agro filed a Complaint against Land Bank before the RTC of Cebu sitting as a Special Agrarian Court (RTC-SAC), and prayed that just compensation be set at ₱20,000.00 per hectare or ₱155,404.00 for the entire property.⁷ Barili Agro subsequently filed an Amended Complaint to implead DAR.⁸ In the course of the proceedings and to aid in the determination of just compensation, the RTC-SAC ordered the creation of a panel of commissioners composed of: (1) Oscar Teodoro S. Labrador, designated by Barili Agro; (2) Engr. Francis S. Mora, designated by Land Bank; and (3) Edward V. Barolo, Municipal Assessor of Barili Cebu, designated by the RTC-SAC.⁹ The panel failed to come up with a joint report but instead submitted their individual recommendations, to wit:¹⁰

Commissioner	Price per hectare	Aggregate amount
Oscar Teodoro S. Labrador	Php300,000.00	Php2,330,000.00
Engr. Francis S. Mora	Php7,767.26	Php60,353.16
Edward V. Barolo	Php28,140.00	Php218,653.43

In its Decision,¹¹ dated July 18, 2011, the RTC-SAC fixed the just compensation at ₱20,000.00 per hectare, and ruled that the valuation of the Municipal Assessor “*appears to be the most fair and realistic recommendation.*”¹² However, since Barili Agro only prayed for ₱20,000.00 per hectare, the RTC-SAC limited the award to what was prayed for in the complaint, and disposed as follows:

WHEREFORE, judgment is hereby rendered ordering the defendants Land Bank of the Philippines and Department of Agrarian Reform to jointly and severally pay unto the plaintiff the sum of ONE HUNDRED FIFTY-FIVE THOUSAND AND FOUR HUNDRED FOUR PESOS (Php155,404.00), as just compensation for Lot N[o]. 6696, Barili Cadastre, covered by TCT N[o]. T-48281, containing an area of 7.7702 [hectares], more or less.

No pronouncement as to costs.

SO ORDERED.¹³

The RTC-SAC rejected Land Bank-designated commissioner Engr. Mora’s valuation of ₱7,767.26 per hectare because “*it is ridiculously low and even appears to be confiscatory.*”¹⁴ It was doubtful that the computation took into consideration the factors enumerated in Section 17 of Republic Act (RA)

⁷ *Rollo*, pp. 91-93.

⁸ *Id.* at 94-97, dated March 23, 2007.

⁹ *Id.* at 125.

¹⁰ *Id.* at 125-127.

¹¹ *Id.* at 123-128. Penned by Judge Wilfredo Fiel Navarro.

¹² *Id.* at 127.

¹³ *Id.*

¹⁴ *Id.* at 126.

No. 6657.¹⁵ The RTC-SAC also rejected Barili Agro-designated commissioner Mr. Labrador's valuation of ₱300,000.00 per hectare because it "appears to be quite excessive and quite exorbitant."¹⁶ Acting on the motion for reconsideration filed by Land Bank, the RTC-SAC denied the prayer to revisit the valuation, but amended its decision by imposing interest on the amount of just compensation at the rate of 12% *per annum* from October 23, 1991 until full payment.¹⁷

Land Bank then filed a petition for review with the CA, asserting that the February 17, 1992 DARAB Decision has become final and executory, and questioning the RTC-SAC's determination of just compensation and imposition of interest. In a Decision,¹⁸ dated October 13, 2016, the CA denied the petition and affirmed the decision of the RTC-SAC, with modification in that legal interest shall be 12% *per annum* from October 23, 1991 until June 30, 2012, and 6% *per annum* from July 1, 2013 until full payment. As to the alleged finality of the February 17, 1992 DARAB Decision, the CA explained that the determination of DARAB is merely preliminary and is open to challenge before the RTC sitting as special agrarian courts. Land Bank filed a motion for reconsideration, but was denied.¹⁹

Hence, this petition. Land Bank maintains that the February 17, 1992 DARAB Decision is already final after Barili Agro failed to file its petition with the RTC-SAC within 15 days from notice.²⁰ Moreover, the RTC-SAC failed to consider the mandatory formula for the determination of just compensation under Section 17 of RA No. 6657. Neither did the RTC-SAC justify the departure from the application of the formula.²¹ Land Bank urges the Court to adopt the valuation submitted by its commissioner, Engr. Mora, since it complied with the formula under DAR Administrative Order (AO) No. 5-1998 and Section 17 of RA No. 6657.²² Lastly, Barili Agro is not entitled to interest because there was prompt payment of just compensation when Land Bank immediately paid the initial valuation of the property.²³

In its Comment,²⁴ Barili Agro asserted that the CA's ruling is supported by the Court's decision in *Land Bank of the Philippines v. Dalauta*²⁵ where

¹⁵ Entitled "AN ACT INSTITUTING A COMPREHENSIVE AGRARIAN REFORM PROGRAM TO PROMOTE SOCIAL JUSTICE AND INDUSTRIALIZATION, PROVIDING THE MECHANISM FOR ITS IMPLEMENTATION, AND FOR OTHER PURPOSES," approved on June 10, 1988.

¹⁶ *Id.* at 127.

¹⁷ *Id.* at 17. Order dated July 9, 2012.

¹⁸ The dispositive portion of the Decision, reads:

WHEREFORE, the petition is **DENIED**. The July 18, 2011 Decision of the RTC, Branch 19, Cebu City, as amended by its Order of July 9, 2012 is **AFFIRMED** with the **MODIFICATION** that the just compensation of P155,404.00 due to respondent shall earn interest at twelve (12%) per annum from October 23, 1991 until June 30, 2013, and thereafter, from July 1, 2013 until fully paid, the interest rate shall be at the new legal rate of six (6%) percent per annum.

SO ORDERED.

¹⁹ Resolution dated April 27, 2017.

²⁰ *Rollo*, pp. 19-21.

²¹ *Id.* at 23.

²² *Id.* at 23-25.

²³ *Id.* at 25-30.

²⁴ *Id.* at 132-149.

²⁵ 815 Phil. 740 (2017).

the Court ruled that a petition for determination of just compensation need not be filed within 15 days from notice of the DARAB decision.²⁶ The RTC-SAC sufficiently discussed how it arrived with its valuation.²⁷ Moreover, it is entitled to the payment of interest as the just compensation due to it was not paid in full.²⁸

RULING

The petition is partly meritorious.

The February 17, 1992 DARAB Decision has not attained finality, and the RTC-SAC properly took cognizance of the Barili Agro's petition for the fixing of just compensation.

In *Land Bank of the Philippines v. Dalauta*,²⁹ the Court *En Banc* declared that the determination of just compensation is a judicial function. Section 57 of the RA No. 6657³⁰ expressly grants the RTC, acting as SAC, the original and exclusive jurisdiction over all petitions for the determination of just compensation to landowners. The Court then abandoned its ruling in *Phil. Veterans Bank v. Court of Appeals*,³¹ *Land Bank of the Philippines. v. Martinez*,³² and *Soriano v. Republic*,³³ that a petition for determination of just compensation before the RTC-SAC must be filed within the 15-day period set by the DARAB Rules, enunciating as follows:

[T]he valuation of property in eminent domain is essentially a judicial function which cannot be vested in administrative agencies. "The executive department or the legislature may make the initial determination, but when a party claims a violation of the guarantee in the Bill of Rights that private property may not be taken for public use without just compensation, no statute, decree, or executive order can mandate that its own determination shall prevail over the court's findings. Much less can the courts be precluded from looking into the 'justness' of the decreed compensation." Any law or rule in derogation of this proposition is contrary to the letter and spirit of the Constitution, and is to be struck down as void or invalid. x x x.

x x x x

²⁶ *Id.* at 133-137.

²⁷ *Id.* at 137-143.

²⁸ *Id.* at 146-149.

²⁹ *Supra* note 25.

³⁰ SEC. 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.

The Special Agrarian Courts shall decide all appropriate cases under their special jurisdiction within thirty (30) days from submission of the case for decision.

³¹ 379 Phil. 141 (2000).

³² 556 Phil. 809 (2007).

³³ 685 Phil. 583 (2012).

Since the determination of just compensation is a judicial function, the Court must abandon its ruling in *Veterans Bank, Martinez and Soriano* that a petition for determination of just compensation before the SAC shall be proscribed and adjudged dismissible if not filed within the 15-day period prescribed under the DARAB Rules.

To maintain the rulings would be incompatible and inconsistent with the legislative intent to vest the original and exclusive jurisdiction in the determination of just compensation with the SAC. Indeed, such rulings judicially reduced the SAC to merely an appellate court to review the administrative decisions of the DAR. This was never the intention of the Congress.

As earlier cited, in Section 57 of R.A. No. 6657, Congress expressly granted the RTC, acting as SAC, the original and exclusive jurisdiction over all petitions for the determination of just compensation to landowners. Only the legislature can recall that power. The DAR has no authority to qualify or undo that. The Court's pronouncement in *Veterans Bank, Martinez, Soriano, and Limkaichong*, reconciling the power of the DAR and the SAC essentially barring any petition to the SAC for having been filed beyond the 15-day period provided in Section 11, Rule XIII of the DARAB Rules of Procedure, cannot be sustained. The DAR regulation simply has no statutory basis.³⁴ (Citation omitted.)

Applying the foregoing to this case, the February 17, 1992 DARAB Decision has not attained finality after the lapse of 15 days from receipt by Barili Agro. The complaint for determination of just compensation filed with the RTC-SAC was timely filed, and the RTC-SAC properly took cognizance of the complaint.

The RTC-SAC failed to consider the factors provided under Section 17 of RA No. 6657 in determining the just compensation.

In the determination of just compensation, the RTC-SAC must be guided by the factors provided under Section 17 of RA No. 6657³⁵ and the valuation formula under the applicable administrative order of the DAR. The interplay of these guidelines with the RTC-SAC's exercise of judicial discretion was restated by the Court in *Land Bank of the Philippines v. Uy*,³⁶ viz.:

Settled is the rule that in eminent domain, the determination of just compensation is principally a judicial function of the RTC acting as a

³⁴ *Land Bank of the Philippines v. Dalauta*, supra note 25 at 774-775.

³⁵ SEC. 17. *Determination of Just Compensation*. — In determining just compensation, the cost of acquisition of the land, the current value of the like properties, its nature, actual use and income, the sworn valuation by the owner, the tax declarations, and the assessment made by government assessors shall be considered. The social and economic benefits contributed by the farmers and the farmworkers and by the Government to the property as well as the non-payment of taxes or loans secured from any government financing institution on the said land shall be considered as additional factors to determine its valuation.

³⁶ G.R. No. 221313, December 5, 2019.

special agrarian court. In the exercise of such judicial function, however, the RTC must consider both the guidelines set forth in R.A. No. 6657 and the valuation formula under the applicable Administrative Order of the DAR. These guidelines ensure that landowner is given full and fair equivalent of the property expropriated, in an amount that is real, substantial, full and ample.

Land Bank of the Philippines v. Yatco Agricultural Enterprises, Land Bank of the Philippines v. Peralta, and Department of Agrarian Reform v. Spouses Sta. Romana are instructive on this point. *Yatco* reiterated that the determination of just compensation is a judicial function and the RTC, acting as a special agrarian court, has the original and exclusive power to determine the same. It also emphasized that in the exercise of its function, the court must be guided by the valuation factors under Section 17 of R.A. No. 6657, translated into a basic formula embodied DAR A.O. No. 5-1998 to guarantee that the compensation arrived at would not be absurd, baseless, arbitrary or contradictory to the objectives of the agrarian reform laws. *Peralta* confirmed the mandatory character of the said guidelines under Section 17 of R.A. No. 6657 and restated that the valuation factors under R.A. No. 6657 had been translated by the DAR into a basic formula as outlined in the same DAR A.O. No. 5-1998. In *Sta. Romana*, it was held that the RTC is not strictly bound by the formula created by the DAR, if the situations before it do not warrant its application. The RTC cannot be arbitrarily restricted by the formula outlined by the DAR. While the DAR provides a formula, "it could not have been its intention to shackle the courts into applying the formula in every instance." Thus, *Yatco* states that the RTC may relax the application of the DAR formula, if warranted by the circumstances of the case and provided the RTC explains its deviation from the factors or formula above-mentioned. (Citations omitted.)

In this case, the RTC-SAC, although mindful of the "*confluence of a myriad of factors to be considered in fixing just compensation*" provided under Section 17 of RA 6657, utterly failed to consider them. The RTC-SAC rejected Engr. Mora's recommendation because "*it is ridiculously low and even appears to be confiscatory.*"³⁷ The recommendation of Mr. Labrador was likewise rejected because it "*appears to be quite excessive and quite exorbitant.*"³⁸ The RTC-SAC simply stated that "*what appears to be the most fair and realistic recommendation among those submitted by the three (3) Commissioners, is the one submitted by the Municipal Assessor of Barili, Cebu, that is, the amount of Php28,140.00 per hectare or the aggregate sum of ₱218,653.43*"³⁹ Nevertheless, the RTC-SAC did not grant this amount as it was higher than the amount specifically prayed for by Barili Agro in its petition, *i.e.*, ₱20,000.00 per hectare. Hence, the RTC-SAC only awarded ₱20,000.00 per hectare or the aggregate amount of ₱155,404.00. There is no showing that the RTC-SAC considered the factors as translated into the applicable DAR formula. It was mentioned whether there was an examination of the factual and legal bases for the conflicting valuations of the commissioners. The RTC-SAC's Decision failed to justify the non-application of the legislative factors and the DAR-prescribed formula.

³⁷ *Rollo*, p. 126.

³⁸ *Id.* at 127.

³⁹ *Id.*

Moreover, the RTC-SAC did not make a categorical finding as to the time of taking of the property, which period is crucial since just compensation must be valued at the time of taking or the time when the owner was deprived of the use and benefit of his property.⁴⁰ The time of taking also determines the applicable DAR administrative order to serve as a guideline for the determination of just compensation.⁴¹ Here, in its Order dated July 9, 2012, it appears, however, that the RTC-SAC fixed the time of taking to be on October 23, 1991 – or the date when Land Bank wrote a letter to the Register of Deeds directing it to transfer the Certificate of Title of Barili Agro’s property to the Republic of the Philippines – because it was the date that the RTC-SAC commenced the payment of interest. In this regard, the formula provided by DAR AO No. 17-89,⁴² as amended by AO No. 03-91,⁴³ is applicable. There is no showing that the formula prescribed by the prevailing DAR AO was used by the RTC-SAC.

Remand of the case to the RTC-SAC for the determination of just compensation is proper.

Even if the Court were to set aside the just compensation set by the RTC-SAC for failure to comply with the mandatory guidelines, we cannot automatically adopt Land Bank’s calculation. Under RA No. 6657 and DAR administrative orders, it is necessary to ascertain the factual basis for the computation of the just compensation. Notably, Rule 45 of the Rules of Court circumscribes that only questions of law may be raised in a petition for review on *certiorari* as the Court is not a trier of facts. Thus, remand of the case is proper. The remand of the case is consistent with the Court’s pronouncement in *Land Bank of the Phils. v. Heirs of Lorenzo Tañada*,⁴⁴ thus:

However, despite the necessity of setting aside the computation of just compensation of the trial court, the Court cannot automatically adopt petitioner’s own calculation as prayed for in the instant petition. As we decreed in *Heirs of Lorenzo and Carmen Vidad v. Land Bank of the Philippines*, the “LBP’s valuation has to be substantiated during an appropriate hearing before it could be considered sufficient in accordance with Section 17 of Republic Act No. 6657 and the DAR regulations.”

The veracity of the facts and figures which petitioner used in arriving at the amount of just compensation under the circumstances involves the resolution of questions of fact which is, as a rule, improper in a petition for review on *certiorari*. We have likewise consistently taken the position that the Court is not a trier of facts. Thus, a remand of this case for reception of further evidence is necessary in order for the trial court acting as a SAC to determine just compensation in accordance with Section 17 of

⁴⁰ *Spouses Mercado v. Land Bank of the Philippines*, 760 Phil. 846, 860 (2015).

⁴¹ *Mateo v. Department of Agrarian Reform*, 805 Phil. 707, 731 (2017).

⁴² “Rules and Regulations Amending Valuation of Lands Voluntarily Offered Pursuant to EO 229 and RA 6657 and Those Compulsorily Acquired Pursuant to RA 6657.”

⁴³ “Rules and Regulations Amending Certain Provisions of AO 17 which Governs the Valuation of Lands Voluntarily Offered Pursuant to EO 229 and RA 6657 and Compulsorily Acquired Pursuant to RA 6657.”

⁴⁴ 803 Phil. 103 (2017).

Republic Act No. 6657 and the applicable DAR regulations.⁴⁵ (Citations omitted.)

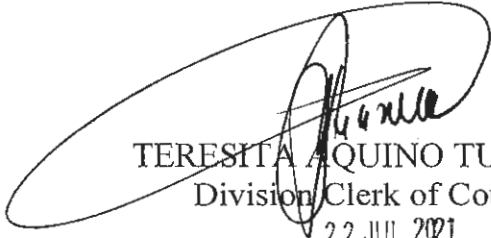
Legal interest is due on the unpaid balance of the just compensation.

Nonetheless, we sustain the imposition of interest on the just compensation due to Barili Agro but only to the extent that was not paid. Here, Barili Agro does not dispute that Land Bank paid the initial valuation of its property. Hence, it is only the unpaid balance of the just compensation that shall earn legal interest. In accordance with Bangko Sentral ng Pilipinas Monetary Board Circular No. 799, Series of 2013, the rate of legal interest is 12% *per annum* from October 23, 1991 until June 30, 2013. From July 1, 2013 until the finality of this Resolution, the unpaid balance of the just compensation due to Barili Agro shall earn interest at the rate of 6% *per annum*. Thereafter, the total amount shall earn an interest at the rate of 6% *per annum* from the finality of this Resolution until full payment.⁴⁶

FOR THESE REASONS, the petition is **GRANTED**. The Decision dated October 13, 2016 and Resolution dated April 27, 2017 of the Court of Appeals-Cebu City in CA-G.R. SP No. 07106 are **SET ASIDE**. The case is **REMANDED** to the court of origin for the proper determination of the amount of just compensation. The unpaid balance of the just compensation, if any, shall be subject to legal interest at the rate of 12% *per annum* from October 23, 1991 to June 30, 2013, and 6% *per annum* from July 1, 2013, until finality of this Resolution, and thereafter, the total amount shall earn an interest at the rate of 6% *per annum* from finality of this Resolution until fully paid.

SO ORDERED." (Lopez, J. Y. J., designated additional Member *per* Special Order No. 2822 dated April 7, 2021.)

By authority of the Court:


TERESITA AQUINO TUAZON
Division Clerk of Court *by 7/21*
22 JUL 2021

⁴⁵ *Id.* at 114-115.

⁴⁶ *Republic v. Spouses Goloyuco*, G.R. No. 222551, June 19, 2019.

Resolution

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G.R. No. 231812
April 28/, 2021

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