

SECOND DIVISION

[G.R. No. 175644, October 02, 2009]

LAND BANK OF THE PHILIPPINES, PETITIONER, VS. JOSE MARIE M. RUFINO, NILO M. RESURRECCION, ARNEL M. ATANACIO AND SUZETTE G. MATEO, RESPONDENTS,

[G.R. NO. 175702]

DEPARTMENT OF AGRARIAN REFORM, REPRESENTED BY OIC-SECRETARY NASSER C. PANGANDAMAN, PETITIONER, VS. JOSE MARIE M. RUFINO, NILO M. RESURRECCION, ARNEL M. ATANACIO AND SUZETTE G. MATEO, RESPONDENTS.

DECISION

CARPIO MORALES, J.:

Challenged in these consolidated Petitions for Review is the December 15, 2005 Decision of the Court of Appeals^[1] in CA-G.R. CV No. 69640 affirming with modification that of Branch 52 of the Regional Trial Court (RTC) of Sorsogon in Civil Case No. 98-6438 setting the valuation of respondents' 138.4018-hectare land taken under the Comprehensive Agrarian Reform Program (CARP) at P29,926,000, exclusive of the value of secondary crops thereon.

Respondents Jose Marie M. Rufino (Rufino), Nilo M. Resurreccion (Resurreccion), Arnel M. Atanacio (Atanacio), and Suzette G. Mateo (Suzette) are the registered owners in equal share of a parcel of agricultural land situated in Barangay San Benon, Irosin, Sorsogon, with an area of 239.7113 hectares covered by Transfer Certificate of Title (TCT) No. T-22934.^[2]

By respondents' claim, in 1989, they voluntarily offered the aforesaid property to the government for CARP coverage at P120,000 per hectare. Acting thereon, petitioner Department of Agrarian Reform (DAR) issued a Notice of Land Valuation and Acquisition dated October 21, 1996 declaring that out of the total area indicated in the title, 138.4018 hectares was subject to immediate acquisition at a valuation of P8,736,270.40 based on the assessment of petitioner Land Bank of the Philippines (LBP).

Respondents having found the valuation unacceptable, the matter was referred by the provincial agrarian reform officer of Sorsogon to the DAR Adjudication Board (DARAB) for the conduct of summary administrative proceedings to determine just compensation.^[3]

By Decision of November 21, 1997,^[4] the DARAB sustained LBP's valuation upon respondents' failure to present any evidence to warrant an increase thereof.

Meanwhile, upon the DAR's application, accompanied with LBP's certification of deposit of payment, the Register of Deeds of Sorsogon partially cancelled TCT No. T-22934 corresponding to the 138.4018-hectare covered area (hereafter the property) and issued TCT No. T-47571 in the name of the Republic of the Philippines (the Republic). The Republic thereupon subdivided the property into 85 lots for distribution to qualified farmer-beneficiaries under Republic Act No. 6657 (RA 6657) or the Comprehensive Agrarian Reform Law of 1988.^[5]

On February 23, 1998, respondents lodged with Branch 52 of the Sorsogon RTC (acting as a Special Agrarian Court) a complaint for determination of just compensation against Ernesto Garilao, in his capacity as then DAR Secretary, and LBP. Respondents contended that LBP's valuation was not the full and fair equivalent of the property at the time of its taking, the same having been offered in 1989 at P120,000 per hectare.^[6]

LBP countered that the property was acquired by the DAR for CARP coverage in 1993 by compulsory acquisition and not by respondents' voluntary offer to sell; and that it determined the valuation thereof in accordance with RA 6657 and pertinent DAR regulations.^[7]

The DAR Secretary argued that LBP's valuation was properly based on DAR issuances.^[8]

The trial court appointed the parties' respective nominated commissioners to appraise the property.

Commissioner Jesus S. Empleo, LBP's nominee, appraised the property based on, among other things, the applicable DAR issuances, average gross production, and prevailing selling prices of the crops planted thereon which included coconut, abaca, coffee, and rice. He arrived at a valuation of P13,449,579.08.^[9]

Commissioner Amando Chua of Cuervo Appraisers, Inc., respondents' nominee, used the *market data approach* which relies primarily on sales and listings of comparable lots in the neighborhood. Excluding the secondary crops planted thereon, he valued the property at P29,925,725.^[10]

At the witness stand, Eugenio Mateo, Sr. (Mateo), attorney-in-fact of respondents Rufino, Resurreccion, and Atanacio, declared that Commissioner Chua erroneously considered the secondary crops as merely enhancing the demand for the property without them significantly increasing its value; and that the coffee intercropping on the property which yielded an estimated profit of P3,000,000, spread over a 12-year period, should be considered in the determination of just compensation.^[11]

By Decision of July 4, 2000,^[12] the trial court found the *market data approach* to be more realistic and consistent with law and jurisprudence on the full and fair equivalent of the property. Applying the average rate of P216,226 per hectare, it arrived at a valuation of the 138.4018-hectare property at P29,926,000, to which it added P8,000,000 representing 50% of the value of trees, plants, and other improvements thereon, bringing the total to P37,926,000. It disposed thus:

WHEREFORE, premises considered, judgment is hereby rendered to wit:

a) Fixing the Just Compensation of the entire 138.4018 hectares for acquisition covered by TCT No. T-22934 in the total amount of THIRTY SEVEN MILLION NINE HUNDRED TWENTY-SIX THOUSAND (Php37,926,000.00) Pesos Philippine Currency, less the amount previously deposited in trust with the Land Bank which was already received by the plaintiffs.

b) The Land Bank of the Philippines is hereby ordered to pay the landowners-plaintiffs the afore-cited amount less the amount previously paid to them in the manner provided by law.

c) Without pronouncement as to costs.

LBP filed a Motion for Reconsideration, while the DAR filed a Notice of Appeal. By Order dated August 21, 2000, the trial court denied the motion of LBP,^[13] prompting it to also file a Notice of Appeal.^[14]

By consolidated Decision of December 15, 2005,^[15] the Court of Appeals sustained the trial court's valuation of P29,926,000 as just compensation.

The appellate court found that, among other things, it would be specious to rely on the DAR's computation in ostensible compliance with its own issuances; that Commissioner Empleo failed to consider available sales data of comparable properties in the locality; and that the value of secondary crops should be excluded as the same is inconclusive in view of conflicting evidence.

Petitioners and respondents filed their respective Motions for Reconsideration which were denied by the appellate court by Resolution of November 28, 2006.^[16] Hence, petitioners LBP and DAR separately sought recourse to this Court through the present Petitions for Review, which were consolidated in the interest of uniformity of rulings on related cases.

In G.R. No. 175644, LBP maintains that its valuation of the property at P13,449,579.08 was based on the factors mentioned in RA 6657 and formula prescribed by the DAR; that its determination should be given weight as it has the expertise to do the same; and that the taking of private property for agrarian reform is not a traditional exercise of the power of eminent domain as it also involves the exercise of police power, hence, part of the loss is not compensable.^[17]

In G.R. No. 175702, the DAR avers that the valuation sustained by the appellate court was determined in contravention of the criteria set by RA 6657 and relevant jurisprudence.^[18]

Respondents, for their part, posit in their consolidated Comment^[19] that factual findings of the trial court, when affirmed by the appellate court, are conclusive; and that the just compensation due them should be equivalent to the market value of the property.

In determining the just compensation due owners of lands taken for CARP coverage, the RTC, acting as a Special Agrarian Court, should take into account the factors enumerated in Section 17 of RA 6657, as amended, to wit:

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

The DAR, being the government agency primarily charged with the implementation of the CARP, issued Administrative Order No. 6, Series of 1992 (DAR AO 6-92), as amended by DAR Administrative Order No. 11, Series of 1994 (DAR AO 11-94), translating the factors mentioned in Section 17 of RA 6657 into a basic formula, presented as follows:

$$LV = (CNI \times 0.6) + (CS \times 0.3) + (MV \times 0.1)$$

Where: LV = Land Value

CNI = Capitalized Net Income

CS = Comparable Sales

MV = Market Value per Tax Declaration

The above formula shall be used if all the 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:

$$LV = MV \times 2$$

The threshold issue then is whether the appellate court correctly upheld the valuation by the trial court of the property on the basis of the *market data approach*, in disregard of the formula prescribed by DAR AO 6-92, as amended.

The petitions are partly meritorious.

While the determination of just compensation is essentially a judicial function which is vested in the RTC acting as a Special Agrarian Court, the Court, in *LBP v. Banal*,

[20] *LBP v. Celada*,^[21] and *LBP v. Lim*,^[22] nonetheless disregarded the RTC's determination thereof when, as in the present case, the judge did not fully consider the factors specifically identified by law and implementing rules.

In *LBP v. Banal*,^[23] the Court ruled that the factors laid down in Section 17 of RA 6657 and the formula stated in DAR AO 6-92, as amended, must be adhered to by the RTC in fixing the valuation of lands subjected to agrarian reform:

In determining just compensation, the RTC is required to consider several factors enumerated in Section 17 of R.A. 6657, as amended, thus:

x x x x

These factors have been translated into a basic formula in [DAO 6-92], as amended by [DAO 11-94], issued pursuant to the DAR's rule-making power to carry out the object and purposes of R.A. 6657, as amended.

x x x x

While the determination of just compensation involves the exercise of judicial discretion, however, such discretion must be discharged within the bounds of the law. Here, the RTC wantonly disregarded R.A. 6657, as amended, and its implementing rules and regulations. ([DAO 6-92], as amended by [DAO 11-94]).

x x x x

WHEREFORE, . . . The trial judge is directed to observe strictly the procedures specified above in determining the proper valuation of the subject property. (Underscoring supplied)

And in *LBP v. Celada*,^[24] the Court was emphatic that the RTC is not at liberty to disregard the DAR valuation formula which filled in the details of Section 17 of RA 6657, it being elementary that rules and regulations issued by administrative bodies to interpret the law they are entrusted to enforce have the force of law.

In fixing the just compensation in the present case, the trial court, adopting the *market data approach* on which Commissioner Chua relied,^[25] merely put premium on the location of the property and the crops planted thereon which are not among the factors enumerated in Section 17 of RA 6657. And the trial court did not apply the formula provided in DAR AO 6-92, as amended. This is a clear departure from the settled doctrine regarding the mandatory nature of Section 17 of RA 6657 and the DAR issuances implementing it.

Not only did Commissioner Chua not consider Section 17 of RA 6657 and DAR AO 6-92, as amended, in his appraisal of the property. His conclusion that the *market data approach* conformed with statutory and regulatory requirements is bereft of basis.

Resolving in the negative the issue of whether the RTC can resort to any other