

[G.R. No. 244115, February 03, 2021]

REPUBLIC OF THE PHILIPPINES, REPRESENTED BY THE DEPARTMENT OF PUBLIC WORKS AND HIGHWAYS, PETITIONER, VS. HEIRS OF ANDRES FRANCISCO, RESPONDENTS. D E C I S I O N

Before the Court is a Petition for Review on *Certiorari*^[1] under Rule 45 of the Rules of Court seeking to annul and set aside the Decision^[2] dated June 13, 2018 and the Resolution^[3] dated January 10, 2019 of the Court of Appeals (CA) in CA-G.R. CV No. 108050. The CA partially granted the Decision^[4] dated February 22, 2016 and the Order^[5] dated September 1, 2016 of the Regional Trial Court (RTC) of Valenzuela City, Branch 172, in Civil Case No. 169-V-12. It remanded the case to the RTC for the proper determination of the just compensation and deleted the award of consequential damages and attorney's fees for lack of adequate factual and legal bases.

Essentially, the Republic of the Philippines, represented by the Department of Public Works and Highways (DPWH; petitioner), is questioning the CA's imposition of the interest rate of 12% per annum from the time of taking until June 30, 2013 considering that the subject lots were taken after the payment of the just compensation.

The Facts

On October 19, 2012, petitioner filed a complaint for expropriation against Andres Francisco and Socorro Luna (spouses Francisco) for the acquisition of the 970.50-square meter (sq. m.) portion of Lot No. 962-D-3-C-3^[6] and the 290-sq. m. portion of Lot No. 962-D-3-B,^[7] residential lots located in *Barangay* General T. De Leon, Valenzuela City, for the construction of the C-5 Northern Link Road Project Phase 2 (Segment 9) from North Luzon Expressway to MacArthur Highway, Valenzuela City.^[8]

Upon their death, the spouses Francisco were substituted by their children Alejandro Francisco and Sonia Francisco Soriano (respondents).^[9]

On November 23, 2012, petitioner deposited with the RTC Land Bank of the Philippines (LBP) Manager's Check No. 698188 in the amount of P1,559,560.62, representing the equivalent of 100% of the cost of the improvements found in the subject lots. On December 13, 2012, it also deposited with the RTC LBP Manager's Check No. 1185752 in the amount of P2,647,050.00, representing the equivalent of 100% of the Bureau of Internal Revenue (BIR) zonal value of the subject lots.^[10]

On February 8, 2013, the RTC issued a Writ of Possession in favor of petitioner.^[11]

On April 17, 2013, the RTC ordered the replacement of the LBP manager's checks after they became stale while in the trial court's custody.^[12] On August 29, 2013 and February 21, 2014, petitioner issued the replacement checks^[13] and deposited the same with the trial court. On June 20, 2013, the parties agreed to execute a compromise agreement to determine the valuation of the subject properties.^[14]

On February 3, 2014, respondents declared that they are no longer amenable to enter into a compromise agreement.^[15] On August 7, 2014, the parties manifested that they would dispense with the referral of the case to the Board of Commissioners for the determination of the just compensation and thereafter submitted their respective position papers.^[16]

In their position paper, respondents claimed that they should be paid the just compensation computed at P7,500.00 per sq. m. and P1,000,000.00 as consequential damages. But petitioner countered that the just compensation should be fixed at P400.00 per sq. m. and P2,100.00 per sq. m. Petitioner likewise prayed that the amount of P1,559,560.62 representing the replacement cost of the subject improvements be considered as the full settlement of the just compensation thereon.^[17]

The Ruling of the RTC

On February 22, 2016, the RTC rendered a Decision^[18] with the dispositive portion as follows:

WHEREFORE, judgment is hereby rendered fixing the just compensation of the total subject of 1,260.50 square meters lot of the defendants in the amount of SEVEN THOUSAND FIVE HUNDRED PESOS (Php7,500.00) per square meter or in the total amount of NINE MILLION FOUR HUNDRED FIFTY-THREE THOUSAND SEVEN HUNDRED FIFTY PESOS (Php9,453,750.00), and authorizing the payment thereof by the plaintiff to the defendants for the property condemned, deducting the provisional deposit previously, made and subject to the payment of all unpaid property taxes and other relevant taxes, by the defendant up to the filing of the complaint, if there be any. The plaintiff is also directed to pay defendants the amount of ONE MILLION PESOS (Php 1,000,000.00) by way of consequential damages and ONE HUNDRED THOUSAND PESOS (Php100,000.00) as attorney's fees. The plaintiff is ordered to pay interest at the rate of 12% per annum on the unpaid balance of just compensation on the lot, as well as the damages, computed from the time of the taking of the property until July 1, 2013 and thereafter the rate of 6% per annum shall apply until the same shall have been paid in full, as per BSP Circular No. 799.

SO ORDERED.^[19]

The RTC pegged the amount of just compensation at P7,500.00 per sq. m. taking into account its decisions in similar expropriation cases involving residential properties in Gen. T. De Leon, Valenzuela City. In 2007 and 2008, the RTC fixed the just compensation in condemnation proceedings between P3,000.00 to P5,000.00 per sq. m. It opined that petitioner's valuation at P400.00 and P2,100.00 per sq. m.

for the subject lots cannot be applied in a complaint for expropriation filed in 2012. [20] Petitioner filed a Motion for Reconsideration, but the same was denied in an Order [21] dated September 1, 2016.

The Ruling of the CA

On June 13, 2018, the CA rendered a Decision, the *fallo* of which reads:

WHEREFORE, the present appeal is PARTIALLY GRANTED. The February 22, 2016 *Decision* and its subsequent September 1, 2016 *Order in Civil Case No. 169-V-12*, is hereby MODIFIED as follows:

a. This case is REMANDED to the Regional Trial Court (RTC) of Valenzuela City, Branch 172, for the proper determination of just compensation in conformity with this Decision. To forestall any farther delay in the resolution of the case, the trial court is ordered to make the determination within six (6) months from receipt of this Decision and afterwards to report to this Court its compliance thereon.

b. From the date of taking of the property on February 8, 2013 until June 30, 2013, the unpaid balance of the just compensation to be determined by the trial court shall earn interest at 12% *per annum*. From July 1, 2013 until the finality of the decision fixing the just compensation, the legal interest shall be 6% *per annum*. The total amount due shall earn a straight 6% *per annum* interest from the finality of the decision fixing the just compensation until full payment.

c. The trial court's award of consequential damages and attorney's fees are hereby DELETED for lack of adequate factual and legal bases.

SO ORDERED. [22]

The CA remanded the case to the RTC because of the absence of reliable and actual data as bases in fixing the value of the condemned properties. It declared that the RTC seemed to have overlooked that the classification and use for which the properties are suited are not the only criteria for the determination of the just compensation.

The CA upheld the 12% interest imposed by the RTC on the unpaid balance of the just compensation clarifying that it should be reckoned from the time of taking, which is on February 8, 2013. The 12% per annum interest rate applies until June 30, 2013 and, thereafter, the interest rate shall be at 6% per annum. [23] The CA deleted the award of consequential damages for failure of respondents to present substantive evidence that the remaining unaffected properties had suffered an impairment amounting to P1,000.000.00. Further, the award of attorney's fees is deleted because of the lack of proof of malice or bad faith to justify its imposition.

[24] Petitioner moved for the reconsideration of the June 13, 2018 CA Decision, but the same was denied in a Resolution [25] dated January 10, 2019.

The Arguments of the Parties

Petitioner argues that the subject lots were taken after the payment of the just compensation. Since there was no delay in the payment of the value of the condemned properties, it asserts that the CA erred in holding it liable to pay interest at the rate of 12% per annum on the unpaid balance of the just compensation computed from the time of taking until July 1, 2013, and thereafter, at the rate of 6% per annum. It invokes the Court's ruling in the case of *Republic v. Soriano*^[26] that the payment of legal interest in expropriation cases only applies when the property was taken prior to the deposit of payment with the court and only to the extent that there is delay in payment. It further maintains that assuming, without conceding, that respondents are entitled to the payment of legal interest, the same should only be at the rate of 6% per annum in accordance with Article 2209^[27] of the Civil Code.

Respondents, on the other hand, counter that the just compensation in expropriation cases earns interest and that petitioner is liable therefor. Citing *Evergreen Manufacturing Corp. v. Republic*,^[28] they contend that that interest on the unpaid compensation becomes due if there is no full compensation for the expropriated property, as in this case where only the initial payment has been made.

The Issue

Whether or not the award of interest on the unpaid compensation is proper.

The Court's Ruling

The petition is denied.

The power of eminent domain of the State is enshrined in Section 9, Article III of the 1987 Constitution which provides that "no private property shall be taken for public use without just compensation." While the power is inherent in nature and deeply ingrained in the exercise of sovereignty, limitations still exist to cushion the blow to an individual's right to property. Thus, no less than the Constitution requires that the purpose of taking must be for public use and that just compensation must be given to the owner of the private property.^[29] Clearly, the exercise of the right to reassert dominion over a private property pivots on the recognition of the State's authority to expropriate or condemn said property and the determination of the amount and the payment of just compensation, the latter being the *crux* of the instant petition. Jurisprudence defines just compensation as the full and fair equivalent of the property subject of expropriation. It is ascertained based on the owner's loss and not the taker's gain. Hence, to recoup the loss suffered by the owner of the private property, it is essential that the compensation be just such that the equivalent to be given for the property to be taken shall be real, substantial, full, and ample.^[30] Simply put, the just compensation in condemnation proceedings envisages timely or **prompt payment in full** of the just compensation **as finally determined by the courts**.^[31] In *Republic v. Judge Mupas*,^[32] the Court explained that prompt payment must be made to the property owner so that he may derive income from both the condemned property and its income-generating potential. This is because the property owner suffers the immediate deprivation of both his land and its fruits or income.

As to the manner of payment of the just compensation, Section 4 of Republic Act (R.A.) No. 8974^[33] instructs:

SEC. 4. *Guidelines for Expropriation Proceedings.* – Whenever it is necessary to acquire real property for the right-of-way or location for any national government infrastructure project through expropriation, the appropriate implementing agency shall initiate the expropriation proceedings before the proper court under the following guidelines:

(a) Upon the filing of the complaint, and after due notice to the defendant, **the implementing agency shall immediately pay the owner of the property the amount equivalent to the sum of (1) one hundred percent (100%) of the value of the property based on the current relevant zonal valuation of the Bureau of Internal Revenue (BIR); and (2) the value of the improvements and/or structures as determined under Section 7 hereof;**

(b) In provinces, cities, municipalities and other areas where there is no zonal valuation, the BIR is hereby mandated within the period of sixty (60) days from the date of the expropriation case, to come up with a zonal valuation for said area; and

(c) In case the completion of a government infrastructure project is of utmost urgency and importance, and there is no existing valuation of the area concerned, the implementing agency shall immediately pay the owner of the property its proffered value taking into consideration the standards prescribed in Section 5 hereof.

Upon compliance with the guidelines [abovementioned], the court shall immediately issue to the implementing agency an order to take possession of the property and start the implementation of the project.

Before the court can issue a Writ of Possession, the implementing agency shall present to the court a certificate of availability of funds from the proper official concerned.

In the event that the owner of the property contests the implementing agency's proffered value, the court shall determine the just compensation to be paid the owner within sixty (60) days from the date of filing of the expropriation case. **When the decision of the court becomes final and executory, the implementing agency shall pay the owner the difference between the amount already paid and the just compensation as determined by the court.** (Emphases and underscoring supplied)

In *Evergreen Manufacturing Corp. v. Republic*,^[34] the Court noted that the just compensation contemplated in R.A. No. 8974 contemplates the completion of two payments to the property owner, to wit: (1) the initial payment of the amount equivalent to the sum of 100% of the value of the property based on the current relevant BIR zonal valuation and the value of the improvements and/or structures thereon, which is made upon the filing of the complaint; and (2) the payment of the