

## THIRD DIVISION

[ G.R. No. 204010, September 23, 2020 ]

### LAND BANK OF THE PHILIPPINES, PETITIONERS, VS. LUDOVICO D. HILADO, RESPONDENT.

#### DECISION

**GAERLAN, J.:**

Before the Court is a petition for review on *certiorari*<sup>[1]</sup> under Rule 45 of the Rules of Court filed by petitioner Land Bank of the Philippines (LBP), assailing the Resolutions dated March 30, 2011<sup>[2]</sup> and September 27, 2012<sup>[3]</sup> issued by the Court of Appeals (CA) – Cebu City in CA-G.R. SP No. 05614, for being contrary to law and established jurisprudence. The first assailed Resolution dismissed the petition for review filed by LBP on purely technical grounds; the second assailed Resolution, on the other hand, denied for lack of merit petitioner's motion for reconsideration of the dismissal.

Ludovico D. Hilado (respondent) is the registered owner of a 31.3196-hectare parcel of land in Brgy. Mailum, Bago City, Negros Occidental covered by Transfer Certificate of Title (TCT) No. T-14735.<sup>[4]</sup>

On October 24, 2000, respondent voluntarily offered his property for sale to the Department of Agrarian Reform (DAR) for coverage under the Comprehensive Agrarian Reform Program (CARP) at P200,000.00 per hectare.<sup>[5]</sup>

Upon ocular inspection, however, it was determined that only the 17.9302-hectare portion of respondent's property devoted to the planting of rice, corn and *ipil-ipil* trees, with a small section used as a homelot, could be included in the said program. The remaining 13.3894 hectares, identified as a slope with no sign of any cultivation, was excluded therefrom.<sup>[6]</sup>

LBP valued the CARP-covered portion of respondent's property at P767,641.07, as reflected in the following breakdown:

LAND USE	AREA (HA.)	PRICE/HA.	LAND VALUE
Riceland - unirrigated	0.5473	Php 84,166.74	Php 46,064.46
Cornland	8.3188	33,272.76	276,789.44
Ipil-ipil	8.9153	49,071.30	437,485.36
Homelot	0.1488	49,071.30	7,301.81
<b>TOTAL</b>	<b>17.9302</b>		<b>Php 767,641.07</b>

Respondent rejected LBP's valuation. Consequently, he lodged a petition for preliminary determination of just compensation before the Department of Agrarian Reform Adjudication Board (DARAB).<sup>[7]</sup> The petition was docketed as DARAB Case No. R-0605-1357-01.<sup>[8]</sup>

After a re-inspection of the property and the presentation of evidence by the parties, the DARAB rendered a judgment sustaining the valuation made by LBP.<sup>[9]</sup> Accordingly, the amount of P767,641.07 was released to respondent without prejudice to his filing of a case for judicial determination of just compensation.<sup>[10]</sup>

Taking the position that his property could command a higher price, respondent filed, on November 12, 2002, an action<sup>[11]</sup> for "fixing of just compensation" before the Regional Trial Court (RTC) of Bacolod City, Negros Occidental, Branch 46, sitting as a Special Agrarian Court (SAC). It was docketed as CAR Case No. 02-038.

Respondent alleged that LBP's valuation was unfair and unjust as it was solely based on the crops planted on his land at the time of the inspection and no consideration was made on the classification of the land based on its kind of soil and productivity. He pointed out that his property is situated not far from the highway and that, at the same time, it runs parallel to the Ma-ao river which can be used as a source for irrigation. He claimed that his property, as with the other surrounding properties, was formerly planted with sugarcane and that the buying price of land in the area was already pegged at P200,000.00 per hectare, making the price offered by LBP grossly inadequate.<sup>[12]</sup>

In its answer,<sup>[13]</sup> LBP denied that the basis of its valuation was unfair and unjust. It averred that the value of the 17.9302-hectare property of respondent was computed using the formula laid down by DAR in its Administrative Order (A.O.) No. 5, series of 1998.<sup>[14]</sup>

Thereafter, trial on the merits ensued. On August 17, 2010, the SAC rendered a Decision<sup>[15]</sup> ruling in favor of respondent and fixing the just compensation at P1,496,258.00, the decretal portion of which reads:

IN VIEW OF THE FOREGOING CONSIDERATIONS, this Court fixes the just compensation of [respondent's] 17.9302- hectare CARP-covered area, as follows:

A) For the cornland with an area of 8.3188 hectares, more or less, at P100,000.00 per hectare;

B) For the riceland with an area of .5473 hectares [sic], more or less, at P200,000.00 per hectare;

C) For the ipil-ipil planted area of 8.9153 hectares, more or less, at P60,000.00 per hectare; and

D) For the homelot with an area of .1488 hectare, more or less, at P20,000.00 in the total amount of P1,496,258.00.

SO ORDERED.<sup>[16]</sup>

LBP sought reconsideration,<sup>[17]</sup> but the same was denied by the SAC in its Order<sup>[18]</sup> dated November 17, 2010.

Subsequently, LBP interposed an appeal *via* a petition for review<sup>[19]</sup> before the CA. In its first assailed Resolution<sup>[20]</sup> dated March 30, 2011, the CA dismissed LBP's petition outright, citing three reasons:

1. the IBP (Integrated Bar of the Philippines) Receipts and PTRs (Professional Tax Receipt) of the two lawyers who signed the Petition in representation of Landbank of the Philippines were not current as of the year they signed the Petition. The Supreme Court demands strict compliance with the requirement that members of the bar should include the number and date of the official receipt of payment of annual membership dues to the Integrated Bar of the Philippines in all pleadings, motions and papers to be filed in court. In addition the pleadings must indicate the professional tax receipt number of the counsel;
2. the IBP (Integrated Bar of the Philippines) Receipts and PTRs (Professional Tax Receipt) of the Notary Public in the Notarial Acknowledgment of the Verification and Certification of Non-Forum Shopping that was attached to the Petition, were apparently not current for the year the document was notarized in violation of the mandate in Section 2, Rule VIII of the 2004 Rules on Notarial Practice; and
3. there was no proper proof of service of the Petition to the adverse party and the court *a quo* as required by Section 13, Rule 13 of the 1997 Rules of Civil Procedure. Certainly, registry receipts can hardly be considered sufficient proof of receipt by the addressee of registered mail.<sup>[21]</sup> (Citations omitted)

On May 2, 2011, LBP filed a motion for reconsideration<sup>[22]</sup> of the aforesaid issuance. In its second assailed Resolution<sup>[23]</sup> dated September 27, 2012, the CA ruled that, "even if the Court glossed over the procedural infirmities of the [p]etition, the same is still dismissible under Section 4, Rule 42 of the Rules of Court for being patently filed without merit."<sup>[24]</sup> It affirmed the findings made by the SAC that LBP's valuation of respondent's property at P767,641.07 was "enormously low, inadequate and contrary to the sporting idea of fairness and equity."<sup>[25]</sup>

Hence, the instant petition anchored on the following grounds:

THE HONORABLE [CA] COMMITTED A SERIOUS ERROR OF LAW WHEN IT DENIED LBP'S MOTION FOR RECONSIDERATION BASED ON ALLEGED LACK OF MERIT.

THE HONORABLE [CA] COMMITTED A SERIOUS ERROR OF LAW WHEN IT ADOPTED THE SAC VALUATION OF P1,496,258.00 FOR THE 17.9302 HECTARE-PROPERTY OF THE RESPONDENT, THE SAC HAVING CLEARLY IGNORED THE VALUATION FACTORS AS ENUMERATED UNDER SECTION 17 OF R.A. 6657 AS TRANSLATED INTO A BASIC FORMULA IN DAR ADMINISTRATIVE ORDER NO. 5, SERIES OF 1998.<sup>[26]</sup>

**The petition is partly meritorious.**

In dismissing outright LBP's petition for review, the CA found the following defects: (1) failure to indicate the current Professional Tax Receipt (PTRs) and Integrated Bar of the Philippines (IBP) official receipts of the lawyers who signed the petition; (2) failure to indicate the current PTR and IBP official receipt of the Notary Public in the notarial acknowledgment of the verification and certification of non-forum shopping; and (3) no proper proof of service.<sup>[27]</sup>

It is well to remember that this Court, in not a few cases, has consistently held that cases shall be determined on the merits, after full opportunity to all parties for ventilation of their causes and defenses, rather than on technicality or some procedural imperfection. In so doing, the ends of justice would be better served. The dismissal of cases purely on technical grounds is frowned upon and the rules of procedure ought not to be applied in a very rigid, technical sense, for they are adopted to help secure, not override, substantial justice, and thereby defeat their very ends. Indeed, rules of procedure are mere tools to expedite the resolution of cases and other matters pending in court. A strict and rigid application of the rules that would result in technicalities that tend to frustrate rather than promote justice must be avoided.<sup>[28]</sup>

LBP's explanation and subsequent compliance through its motion for reconsideration should have inspired an attitude of liberality on the part of the CA. While it appears to have done so in its second assailed Resolution, it went on to uphold the dismissal of the case for lack of merit, instead of reinstating or giving due course to the petition. Relying on the fact that SACs have original and exclusive jurisdiction over all petitions for the determination of just compensation, the CA made a sweeping statement that the SAC was correct in finding LBP's valuation of P767,641.07 to be iniquitous which, in effect, upheld the SAC's valuation of respondent's property at P1,496,258.00.

On this, petitioner differs by arguing that despite the nature of the jurisdiction of the SAC, it should not have totally ignored the valuation factors enumerated under Section 17 of Republic Act (R.A.) No. 6657<sup>[29]</sup> and the formula laid down in DAR A.O. No. 5, series of 1998.

The crux of the present controversy, therefore, lies in the binding character of the DAR formula, in relation to Section 17 of R.A. No. 6657, on the SACs in the exercise of their judicial function to determine just compensation.

Respondent's property was taken when R.A. No. 6657 or the "Comprehensive Agrarian Reform Law of 1988" was already in effect. The taking of property under R.A. No. 6657 is an exercise of the power of eminent domain by the State. The valuation of property or determination of just compensation in eminent domain proceedings is essentially a judicial function which is vested in the courts and not in administrative agencies.<sup>[30]</sup> Section 57 of R.A. No. 6657 expressly grants the RTCs, acting as SACs, original and exclusive jurisdiction over all petitions for the determination of just compensation to landowners.

In determining just compensation of lands acquired by the government under CARP, Section 17 of R.A. No. 6657 prescribes the valuation factors to be considered. While Congress passed R.A. No. 9700<sup>[31]</sup> on August 7, 2009, further amending certain provisions of R.A. 6657, as amended, among them, Section 17, its implementing rules, *i.e.*, DAR A.O. No. 2, series of 2009<sup>[32]</sup> clarified that the said law shall not

apply to claims/cases where the claim folders were received by the LBP prior to July 1, 2009, as in this case. In such a situation, just compensation shall be determined in accordance with Section 17 of R.A. No. 6657, as amended, prior to its further amendment by R.A. No. 9700.<sup>[33]</sup>

Thus, Section 17 of R.A. No. 6657 provides:

*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 fanners 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.

Pursuant to the DAR's rule-making power to carry out the object and purposes of R.A. No. 6657, as amended, DAR A.O. No. 5, series of 1998 precisely "filled in the details" of Section 17, R.A. No. 6657 by providing a basic formula by which the factors mentioned therein may be taken into account,<sup>[34]</sup> viz.:

**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

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:

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