783 Phil. 442

FIRST DIVISION

[G.R. Nos. 201856-57, March 16, 2016]

LAND BANK OF THE PHILIPPINES, PETITIONER, VS. CONCEPCION PADILLA-MUNSAYAC AND BONIFACIO-MUNSAYAC, RESPONDENTS.

[G.R. NO. 201871]

DEPARTMENT OF AGRARIAN REFORM REP. BY SEC. NASSER C. PANGANDAMAN (NOW VIRGILIO R. DELOS REYES), PETITIONER, VS. CONCEPCION PADILLA-MUNSAYAC AND BONIFACIO MUNSAYAC, RESPONDENTS.

D E C I S I O N

SERENO, C.J.:

Before this Court are consolidated Petitions for Review on *Certiorari* under Rule 45 of the Rules of Court, assailing the Decision[1] dated 14 September 2011 issued by the Ninth Division of the Court of Appeals (CA) in CA-G.R. SP No. 109778 and CA-G.R. SP No. 109992. The CA affirmed therein the Decision[2] and Order[3] of the Regional Trial Court (RTC) Branch 33, Guimba, Nueva Ecija.

Factual Antecedents

The Complaint was commenced principally to determine and fix just compensation for the parcels of land, subject of this case.

As culled from the records, the facts of the case are as follows:

Benito Chioco and Constancio Padilla were the registered owners of Lot 1460, which had an area of 53,342 square meters, and Lot 1464, with an area of 28,222 square meters. The lots, which were situated in *Barangay* Parista, Lupao, Nueva Ecija, were covered by Transfer Certificate of Title (TCT) No. 15365.[4] The subject properties were transferred to Concepcion Padilla-Munsayac and Jose Padilla by way of succession, as they were the children and only compulsory heirs of Benito Chioco and Constancio Padilla.[5] Later, by virtue of the Deed of Extrajudicial Partition and Settlement of Properties with Waiver of Rights executed by Jose, his rights over the properties were waived in favor of Concepcion.[6]

Pursuant to the government's agrarian reform program, the subject properties owned by respondents to the extent of 8.0782 hectares (of the total area of 8.1563) were placed under Operation Land Transfer in accordance with Presidential Decree (P.D.) No. 27/ Executive Order (E.O.) No. 228 on 21 October 1972.[7]

In accordance with the formula provided by P.D. 27 and E.O. 228, the Department of Agrarian Reform (DAR) initially fixed the just compensation for the properties at P4,294.50 per hectare. This amount was based on the fact that the value of the landholding was the average gross production (AGP) per hectare of 49.08 cavans of palay (as determined by the *Barangay* Committee on Land Production) multiplied by 2.5; and the product was further multiplied by P35, which was the government support price (GSP) for one cavan of 50 kilos of palay on 21 October 1972.[8] In equation form: LV (Land Value) - 2.5 x AGP x GSP.[9]

Rejecting the DAR's valuation, respondents filed with the court *a quo* a Complaint for the determination of just compensation dated 16 February 1999, docketed as Case No. 1030-G and entitled "*Concepcion Padilla Munsayac, et ah, Plaintiffs, vs. The Department Of Agrarian Reform, et al, Defendants*."[10]

Respondents prayed for the appointment of commissioners to investigate and ascertain facts relative to the dispute.[11] The relevant part of the commissioner's report reads:

> [T]he topography of the land is generally flat, devoted to rice production and accessible to all types of land transportation. It is rainfed, however, the other landholdings being cultivated by the farmer beneficiaries have deep wells which is the source of water. There is only one (1) cropping season. Adjacent lots to the landholdings of the petitioners were sold at P180,000.00 per hectare and it can be mortgaged at P80,000.00 per hectare. The average harvest per hectare is ninety (90) cavans and there are no trees planted thereon. There were seasons that tenant-beneficiaries planted vegetables but the produce was solely for home consumption. A two-hectare portion of the subject land was sold for P300,000.00. The commissioners fixed the just compensation of petitioners' land at P120,000.00 per hectare.[12]

In their Complaint, respondents alleged that petitioners did not pay either just compensation for the property previously awarded to beneficiaries or the rentals from 1972 to the present.[13] It further averred that petitioners had valued the property in question at P4,200 per hectare, which was not the just compensation contemplated by law based on the fair market value of the property, which was PI20,000 to P150,000 per hectare.[14]

Petitioners, in their Answer, argued that the valuation of the DAR was arrived at in accordance with P.D. 27 and/or E.O. 228, which by itself already provided the formula for the cost of the land, which was also the compensation for the landowner. [15]

Adopting the recommendation of the commissioners, the court a quo issued its Decision[16] dated 27 May 2009, ruling that the just compensation payable to respondents was P978,756; and that the applicable law for the determination of just compensation was R.A. 6657, as P.D. 27 and E.O. 228 only had suppletory application.[17] The *fallo* of the RTC Decision reads:

WHEREFORE, judgment is hereby rendered:

1. Fixing the just compensation for plaintiffs' 8.1563 hectares land at PI 20,000.00 per hectare or a total of P978756.00;

2. Ordering the defendant Land Bank of the Philippines to pay the above amount to the plaintiffs] in cash and bonds in the manner provided by law.

SO ORDERED.[18]

Petitioners' bid for a reconsideration of the adverse Decision failed, pursuant to the court *a quo*'s, Order[19] dated 7 July 2009.

Petitioners LBP and DAR filed their appeal before the CA, which consolidated[20] the two cases docketed as CA-G.R. SP No. 109992 and CA-G.R. SP No. 109778. In its Decision[21] dated 14 September 2011, the CA denied the appeal for lack of merit and affirmed the RTC Decision.

Hence, these petitions before this Court.

On 18 July 2012, this Court resolved to consolidate G.R. Nos. 201856-57 and 201871, as both cases assailed the same CA Decisions and Resolution.[22]

Ultimately, this Court is called upon to determine the issue of whether or not the CA committed a serious error in law in upholding the RTC ruling.

Ruling of the Court

The Petitions are denied.

R.A. 6657, as amended by R.A. 9700, is the applicable law in this case.

When the agrarian reform process under P.D. 27 remains incomplete and is overtaken by R.A. 6657, the rule is that just compensation for the landowner — if it has yet to be settled — should be determined and the process concluded under R.A. 6657, with P.D. 27 and E.O. 228 applying only suppletorily.[23]

Land Bank of the Philippines v. Natividad[24] is instructive:

> Land Bank's contention that the property was acquired for purposes of agrarian reform on October 21, 1972, the time of the effectivity of P.D. 27, ergo just compensation should be based on the value of the property as of that time and not at the time of possession in 1993, is likewise erroneous. In *Office of the President, Malacañang, Manila v. Court of Appeals,* we ruled that the seizure of the landholding did not take place on the date of effectivity of P.D. 27 but would take effect [upon] payment of just compensation.

> Under the factual circumstances of this case, **the agrarian reform process is still incomplete as the just compensation to be paid private respondents has yet to be settled. Considering the passage of R.A. 6657 before the completion of this process, the just compensation should be determined and the process concluded under the said law. Indeed, R.A. 6657 is the applicable law, with P.D. 27 and EO 228 having only suppletory effect, conformably with our ruling in *Paris v. Alfeche*.**
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> It would certainly be inequitable to determine just compensation based on the guideline provided by P.D. 27 and EO 228 considering the DAR's failure to determine just compensation for a considerable length of time. **That just compensation should be determined in accordance with R.A. 6657, and not P.D. 27 or EO 228, is especially imperative considering that just compensation should be the full and fair equivalent of the property taken from its owner by the expropriator, the equivalent being real, substantial, full and ample**.[25] (Emphases supplied)

The Court applied the ruling in *Land Bank of the Philippines v. Natividad to its ruling in Meneses v. Secretary of Agrarian Reform*:[26]

> As previously noted, the property was expropriated under the Operation Land Transfer scheme of P.D. No. 27 way back in 1972. More than 30 years have passed and petitioners are yet to benefit from it, while the farmer-beneficiaries have already been harvesting its produce for the longest time. **Events have rendered the applicability of P.D. No. 27 inequitable. Thus, the provisions of R.A. No. 6657 should apply in this case**.[27](Emphasis supplied)

Still, in *Lubrica v. Land Bank of the Philippines*,[28] the Court also adhered to *Land Bank of the Philippines v. Natividad:*

> The Natividad case reiterated the Court's ruling in Office of the *President v. Court of Appeals* [413 Phil. 711] that the expropriation of the landholding did not take place on the effectivity of P.D. No. 27 on October 21, 1972 but seizure would take effect on the payment of just compensation judicially determined.
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> Likewise, in the recent case of *Heirs of Francisco R. Tantoco, Sr. v. Court of Appeals* [489 SCRA 590], we held that expropriation of landholdings covered by R.A. No. 6657 takes place, not on the effectivity of the Act on June 15, 1988, but on the payment of just compensation.[29]

This ruling was reiterated in a recent case, *Holy Trinity Realty & Development Corp.*

v. Dela Cruz:[30]

> The terse statement by the OIC-Regional Director that the Dakila property would still be subject to Republic Act No. 6657 should Presidential Decree No. 27 be inapplicable did not meet the requirements under Republic Act No. 6657. Section 7 of Republic Act No. 6657 identified rice and corn lands subject to Presidential Decree No. 27 for priority distribution in the first phase and implementation of the CARP.
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> Insofar as the interplay of these two laws was concerned, **the Court has said that during the effectivity of the Republic Act No. 6657 and in the event of incomplete acquisition under Presidential Decree No. 27, the former should apply, with the provisions of the latter and Executive Order No. 228 having only suppletory effect.**[31] (Citations omitted; emphasis supplied)

Indeed, R.A. 6657,[32] which took effect on 15 June 1988, was enacted to promote social justice for landless farmers and provide "a more equitable distribution and ownership of land with due regard for the rights of landowners to just compensation and to the ecological needs of the nation."[33] Section 4 thereof provides that the Comprehensive Agrarian Reform Law shall cover all public and private agricultural lands, including other lands of public domain suitable for agriculture. Pertinent to this provision is Section 75 of R.A. 6657, which reads:

> SECTION 75. *Suppletory Application of Existing Legislation.* — The provisions of Republic Act No. 3844 as amended, Presidential Decree Nos. 27 and 266 as amended, Executive Order Nos. 228 and 229, both Series of 1987; and other laws not inconsistent with this Act shall have suppletory effect.

It is clear from the above that R.A. 6657 is the applicable law when the acquisition process under P.D. 27 is still incomplete and is overtaken by the former's enactment. Petitioners, therefore, cannot insist on applying P.D. 27; otherwise, Section 75 of R.A. 6657 would be rendered inutile.

This Court is mindful of a new agrarian reform law, R.A. 9700, entitled "An Act Strengthening the Comprehensive Agrarian Reform Program (CARP), Extending the Acquisition and Distribution of all Agricultural Lands, Instituting Necessary Reforms, Amending for the Purpose Certain Provisions of Republic Act No. 6657, Otherwise Known as the Comprehensive Agrarian Reform Law of 1988, as amended, and Appropriating Funds Therefor." This law, which further amended R.A. 6657, was passed by the Congress on 01 July 2009.[34] Notwithstanding this new law, R.A. 6657 is still applicable. The later is supported by R.A. 9700, Section 5 of which provides:

> **Section 5**. Section 7 of Republic Act No. 6657, as amended, is hereby further amended to read as follows: