

THIRD DIVISION

[G.R. No. 190520, May 30, 2016]

LAND BANK OF THE PHILIPPINES, PETITIONER VS. SPOUSES ANTONIO AND CARMEN AVANCENA, RESPONDENTS.

DECISION

PERALTA, J.:

Before us is a petition for review on *certiorari* filed by petitioner Land Bank of the Philippines seeking to annul and set aside the Decision^[1] dated August 11, 2008 of the Court of Appeals (CA) issued in CA-G.R. CV No. 00067 directing it to pay twelve percent (12%) interest *per annum* for the delay in the payment of just compensation. Also assailed is the CA Resolution^[2] dated December 1, 2009 denying reconsideration thereof.

Respondents-spouses Antonio and Carmen Avanceña were the registered owners of a parcel of agricultural land situated at Sanghan, Cabadbaran, Agusan del Norte covered by Transfer Certificate of Title No. RT-2937 containing an area of 205.0074 hectares. In 1988, respondents spouses voluntarily offered to sell their land to the government under the Comprehensive Agrarian Reform Program (CARP), which consisted of 160.2532 hectares of the land. In 1991, petitioner Land Bank of the Philippines initially valued the subject lot at P1,877,516.09 based on the guidelines prescribed in DAR Administrative Order No. 17, Series of 1989. Upon recomputation in 1994 and based on DAR AO No. 6, Series of 1992, as amended, by DAR AO No. 11, Series of 1994, the land was revalued at P3,337,672.78 but respondents rejected the valuation. Petitioner deposited the difference in the cash portion between the revalued amount and the initial valuation of P1,877,516.09 in trust for the respondents on July 24, 1996. The parties brought the matter of valuation to the Department of Agrarian Reform Adjudication Board (DARAB), Caraga Regional Office, which affirmed petitioner's second valuation.

Respondents-spouses filed with the Regional Trial Court, acting as a Special Agrarian Court (SAC), a complaint for determination of just compensation, docketed as Civil Case No. 4507. They prayed for a valuation of no less than P200,000.00 per hectare for the subject lot or in the alternative, to appoint Commissioners to determine the just compensation; and that they be allowed to withdraw the valuation amount that petitioner had deposited for them including the earned interest, pending the court's final valuation. Petitioner filed its Answer alleging that the valuation was computed based on the factors enumerated in Section 17 of Republic Act No. (R.A.) 6657, the Comprehensive Agrarian Reform Law.

While the complaint was pending, petitioner made a reevaluation of the property using the valuation prescribed by DAR AO 5, series of 1998 which yielded the amount of P9,057,180.32.

On March 29, 2000, the SAC issued its Decision,^[3] the dispositive portion of which reads:

WHEREFORE, premises considered, judgment is hereby rendered directing the defendants Land Bank of the Philippines (*LBP*) and the Department of Agrarian Reform (*DAK*) to pay plaintiffs the following:

1. The sum of Twenty Million Four Hundred Seventy-Five Thousand, Seven Hundred Seventy-Five (P20,475,775) Pesos for the 160.253 hectares [of] land with its improvements with six (6%) percent legal interest thereon, less the provisional deposits from April 1991 until actually paid;
2. The sum of One Hundred Thousand (P100,000) Pesos, as Attorneys' fees;
3. The sum of One Hundred Thousand (P100,000) Pesos, litigation expenses;
4. All other claims and counterclaims are dismissed for lack of merit.

SO ORDERED.^[4]

Petitioner's motion for reconsideration was denied, hence it appealed the decision with the CA. In the meantime, respondents spouses moved for the execution of the RTC decision pending appeal^[5] which was granted in a Resolution^[6] dated October 2, 2000; thus, the writ of execution was issued and implemented.

On August 11, 2008, the CA issued the assailed decision, the decretal portion of which reads:

WHEREFORE, in view of all the foregoing, the instant appeal is hereby GRANTED and the assailed March 29, 2006 decision of the Regional Trial Court (RTC), 10th Judicial Region, Branch 5, Butuan City, in Civil Case No. 4507, is hereby SET ASIDE. Consequently, this case is remanded to the court *a quo* for the recomputation of just compensation. In determining the valuation of the subject property, the factors provided under Section 17 of R.A. 6657 shall be considered in accord with the formula prescribed in DAR Administrative Order No. 5, Series of 1998. Moreover, the just compensation due the [S]pouses Avancena should bear 12% interest per annum from the time title to the property was transferred in the name of the government up to the time that LBP deposited the amount of its valuation for the subject land under the account of the appellees. The basis of the 12% interest would be the just compensation that would be determined by the court *a quo* after remand of the instant case.

SO ORDERED.^[7]

Petitioner filed a motion for partial reconsideration arguing that the CA erred in awarding interest at the rate of 12% p.a. reckoned from the time title to property was transferred in the name of the government to the time petitioner deposited the valuation in July 1996. It argued that upon receipt of the DAR order of deposit, it immediately deposited the cash portion of the initial valuation of P1,877,516.09 on October 17, 1991, thus it never incurred delay as the title to the subject lot was transferred in the name of the government only in December 1991.

On December 1, 2009, the CA issued its resolution denying the motion for reconsideration. It found that nowhere in the records showed that petitioner made a deposit of P1,877,516.09 on October 17, 1991.

Dissatisfied, petitioner is now before us alleging that:

THE HONORABLE COURT OF APPEALS COMMITTED A SERIOUS ERROR OF LAW IN AWARDING INTEREST AT THE RATE OF 12% PER ANNUM FROM THE TIME TITLE TO THE PROPERTY WAS TRANSFERRED IN THE NAME OF THE GOVERNMENT IN 1991 UP TO THE TIME LBP ALLEGEDLY DEPOSITED THE VALUATION IN 1996.^[8]

Petitioner claims that it deposited cash and bonds for the initial valuation of P1,877,516.09 on October 17, 1991. It attached in this petition a Certification^[9] dated October 22, 1991 which stated that the cash and bonds due the respondents-spouses have been earmarked by petitioner for respondents spouses on October 17, 1991. It argues that such deposit was the basis for the DAR to take possession of the property and caused the issuance of the title in the name of the government in December 1991, pursuant to Section 16 (e) of RA 6657, thus, it did not incur any delay in depositing the amounts due the respondents-spouses which can validly justify the payment of interest.

Petitioner cites the case of *Apo Fruits Corporation et al, v. CA*^[10] saying that we have categorically declared therein that payment of interest for delay cannot be applied where there is prompt and valid payment of just compensation as initially determined, as subsequently determined after revaluation, and even if the amount was later on increased pursuant to the court's judgment.

Petitioner further contends that despite the pendency of the case with the CA, the RTC issued a Writ of Execution dated March 9, 2000 directing petitioner to pay the RTC's valuation of P20,475,775.00 plus legal interest thereon at the rate of 6% *per annum* from April 1991 until fully paid; that since such valuation was, however, set aside by the CA in its assailed decision, there is now a huge possibility that the recomputed value will be much lower than P20,475,775.00; that the advance payment it made amounting to P23,416,772.55 may have exceeded the value of the subject land so that there is a need for respondents spouses to return the difference between its valuation of P9,057,182.30 and the advance payment.

We are not persuaded.

The CA found that the title to respondents spouses' land was canceled and a new

title was issued in the name of the Republic of the Philippines in December 1991, but there was no showing that petitioner had made payments prior to the taking of the land.

Thus, there was delay in the payment of just compensation which entitles the respondents spouses to the payment of interest from the time the property was transferred in the name of the government in December 1991 up to the time petitioner deposited the valuation in the account of the respondents-spouses in July 1996. We agree with the CA that petitioner should pay interest for the delay in the payment of just compensation. However, such payment of interest should be computed up to the full payment of just compensation.

Petitioner argues that it had made a deposit on October 17, 1991, *i.e.*, prior to the cancellation of the title of the respondents-spouses, and submitted with us a Certification dated October 22, 1991 issued by the petitioner's Bonds Servicing Department stating that it had earmarked the sum of PI,877,516.09 in cash and in LBP bonds as compensation for the parcel of lands covered by RT-2937 in the name of respondents spouses on October 17, 1991 pursuant to RA 6657 through voluntary offer. However, such certification was not among those that the petitioner offered as evidence during the trial.^[11] More importantly, We had rejected the practice of earmarking funds and opening trust accounts for purposes of effecting payment, hence, the law^[12] requires payment of just compensation in cash or Land Bank of the Philippines (*LBP*) bonds, not by trust account.^[13]

The certificate of title to respondents-spouses' land was canceled and a new certificate was issued in the government's name in December 1991 without giving the former just compensation for such taking. We have allowed the grant of interest in expropriation cases where there is delay in the payment of just compensation.^[14] We recognize that the owner's loss is not only his property but also its income-generating potential.^[15] Thus, when property is taken, full compensation of its value must immediately be paid to achieve a fair exchange for the property and the potential income lost.^[16] The rationale for imposing the interest is to compensate the landowners for the income they would have made had they been properly compensated for their properties at the time of the taking.^[17]

In *Republic v. CA*,^[18] we held:

The constitutional limitation of "just compensation" is considered to be the sum equivalent to the market value of the property, broadly described to be the price fixed by the seller in open market in the usual and ordinary course of legal action and competition or the fair value of the property as between one who receives, and one who desires to sell it, fixed at the time of the actual taking by the government. Thus, if property is taken for public use before compensation is deposited with the court having jurisdiction over the case, the final compensation must include interests on its just value to be computed from the time the property is taken to the time when compensation is actually paid or deposited with the court. In fine, between the taking of the property and the actual payment, legal interests accrue in order to place the owner in

a position as good as (but not better than) the position he was in before the taking occurred.

The Bulacan trial court, in its 1979 decision, was correct in imposing interests on the zonal value of the property to be computed from the time petitioner instituted condemnation proceedings and "took" the property in September 1969. This allowance of interest on the amount found to be the value of the property as of the time of the taking computed, being an effective forbearance, at 12% *per annum* should help eliminate the issue of the constant fluctuation and inflation of the value of the currency over time. Article 1250 of the Civil Code, providing that, in case of extraordinary inflation or deflation, the value of the currency at the time of the establishment of the obligation shall be the basis for the payment when no agreement to the contrary is stipulated, has strict application only to contractual obligations. In other words, a contractual agreement is needed for the effects of extraordinary inflation to be taken into account to alter the value of the currency.^[19]

Thus, the CA did not err in imposing interest on the just compensation which will be determined after the remand of the case to the SAC. The interest should be computed from December 1991 up to the full payment of just compensation and not only up to the time petitioner deposited the valuation in 1996 as the CA ruled. The concept of just compensation embraces not only the correct determination of the amount to be paid to the owners of the land, but also payment within a reasonable time from its taking.^[20] Without prompt payment, compensation cannot be considered "just" inasmuch as the property owner is made to suffer the consequences of being immediately deprived of his land while being made to wait for a decade or more before actually receiving the amount necessary to cope with his loss.^[21]

The award of interest is imposed in the nature of damages for delay in payment which, in effect, makes the obligation on the part of the government one of forbearance to ensure prompt payment of the value of the land and limit the opportunity loss of the owner.^[22] The just compensation due respondents-spouses shall earn legal interest at the rate of 12% per annum computed from the time of taking in December 1991 until June 30, 2013.^[23] And from July 1, 2013 until full payment, the interest will be at the new legal rate of 6% *per annum*, in accordance with the revisions governing the rate of interest established by Bangko Sentral ng Pilipinas Monetary Board Circular No. 799,^[24] Series of 2013.^[25] The amount which petitioner had already paid respondents-spouses by virtue of the RTC's Order granting the issuance of the Writ of Execution dated October 2, 2000 shall be deducted from the amount of the just compensation which will be awarded after the remand of this case.

Petitioner's reliance on our Third Division's December 19, 2007 Resolution in the case of *Apo Fruits Corporation v. CA*^[26] wherein we declared that the payment of interest for the delay of payment cannot be applied where there is prompt and valid payment of just compensation as initially determined, even if the amount of just compensation was later on increased pursuant to the Court's judgment, is misplaced. We found then that as Land Bank had deposited pertinent amounts in