

## FIRST DIVISION

[ G.R. No. 193455, June 13, 2016 ]

**NATIONAL POWER CORPORATION, PETITIONER, VS. HEIRS OF GREGORIO RAMORAN, NAMELY: DELFIN R. PINEDA, ESPERANZA PINEDA MAGPALI, DIGNA PINEDA ARZADON, CARIDAD R. PINEDA, IMELDA ZIAPNO, TERESITA PINEDA DELFIN, ESTER R. PINEDA, FE Y. UZON, PACENCIA ERFE VERSOZA, IMPRESSION V. CLEMENTE, ALL REPRESENTED BY DELFIN R. PINEDA, ATTORNEY-IN-FACT, RESPONDENTS.**

**SPOUSES ARNULFO R. VERSOZA AND PRISCILLA M. VERSOZA; SPOUSES DOMINGO AND DOMINGA GOMEZ; AND ERLINDA GOMEZ-OCAY, IN HER BEHALF AND IN BEHALF OF CARLITO, MEDELINA, ANGELISTA, SILVERA, LOLITA, & ROMBERTO, ALL SURNAMED GOMEZ, INTERVENOR-RESPONDENTS.**

### DECISION

**SERENO, C.J.:**

This is a Petition for Review on Certiorari filed by the National Power Corporation (petitioner) through the Office of the Solicitor General assailing the Court of Appeals (CA) Decision<sup>[1]</sup> in CA-G.R. CV No. 90778. The CA denied petitioner's appeal from the Decision<sup>[2]</sup> issued by the Regional Trial Court (RTC) Branch 38 in Lingayen, Pangasinan, in Civil Case No. 17355. The RTC imposed legal interest at the rate of 12% per annum from the filing of the complaint until full payment.<sup>[3]</sup>

The issue is whether the CA properly sustained the imposition of 12%, instead of 6%, legal interest on the amount of just compensation for the unpaid portion of the property.

We affirm the ruling of the CA with the modification that the legal interest shall be 12% from 2 March 1995 until 30 June 2013, and 6% from 1 July 2013 until full satisfaction.

### Facts

Petitioner is a government-owned and controlled corporation created and existing by virtue of Republic Act (R.A.) No. 6395.<sup>[4]</sup> On 10 February 1995, it filed a Complaint<sup>[5]</sup> for eminent domain against respondents before the RTC. The complaint was for the expropriation of **67,984** square meters of land in *Barangay Pangascasan, Sual, Pangasinan*, covered by Original Certificate of Title (OCT) No. P-8665 issued in the name of Gregoria Ramoran.<sup>[6]</sup> The property was to form part of the Sual Coal-Fired Thermal Power Plant project.<sup>[7]</sup>

On 23 February 1995, petitioner sent respondents a Notice to Take Possession<sup>[8]</sup> informing them that it had already deposited P2,030 - the assessed value of the property -with the Philippine National Bank, Lingayen, Pangasinan. On 27 February 1995, petitioner filed an Urgent Ex-Parte Motion for Issuance of Writ of Possession,<sup>[9]</sup> after which, a Writ of Possession<sup>[10]</sup> was issued in its favor on 2 March 1995.

In the course of the proceedings, individual motions for intervention were filed by Spouses Arnulfo and Priscilla Versoza, Spouses Domingo and Dominga Gomez, and Erlinda Gomez-Ocay in her own behalf and also in behalf of Carlito, Medelina, Angelista, Silvera, Lolita & Romberto, all surnamed Gomez (collectively, intervenor-respondents), in which they claimed legal interest over the property sought to be expropriated.<sup>[11]</sup> Spouses Versoza pointed out that the entire area sought to be expropriated was not just 67,984 but 91,212 square meters,<sup>[12]</sup> and records showed that the land covered by OCT No. P-8665 indeed had an area of **91,212** square meters.<sup>[13]</sup> Petitioner did not dispute the fact that it had taken possession of the entire 91,212 square meters.

On 24 October 1995, the RTC issued an Order for the creation of a committee that would determine the amount of just compensation.<sup>[14]</sup> On 18 May 1998, the trial court adopted one commissioner's recommendation for compensation of the land at P10 per square meter, or a total of P1,029,840.<sup>[15]</sup> On 30 May 2000, a partial compromise agreement,<sup>[16]</sup> providing for the distribution of this amount corresponding to the 67,984-square-meter portion of the property, was executed by respondents and intervenor-respondents Spouses Versoza. The agreement was approved by the RTC on the same day.<sup>[17]</sup> On 3 October 2000, a compromise agreement,<sup>[18]</sup> which fixed the shares in terms of ratios and percentages of the remaining 23,228 square meters, was executed by the respondents and intervenor-respondents. The agreement was approved by the trial court on the same day.<sup>[19]</sup>

The just compensation for 67,984 square meters having been resolved, petitioner filed a Manifestation.<sup>[20]</sup> It submitted that the only issue left was the classification of, and just compensation for, the remaining 23,228 square meters.

On 2 May 2007, the RTC ordered petitioner to pay P1,675,290<sup>[21]</sup> for the remaining portion, with legal interest of 12% per annum from 10 February 1995 until full payment.<sup>[22]</sup> In its Motion for Partial Reconsideration,<sup>[23]</sup> petitioner insisted that pursuant to *National Power Corporation v. Angas*,<sup>[24]</sup> the rate should only be 6%. When the motion was denied by the trial court,<sup>[25]</sup> petitioner appealed to the CA.<sup>[26]</sup>

The Petition for Review was denied by the CA, which cited *Land Bank of the Phils. v. Chico*,<sup>[27]</sup> *Land Bank of the Phils. v. Imperial*,<sup>[28]</sup> *Land Bank of the Phils. v. Wycoco*,<sup>[29]</sup> *Reyes v. National Housing Authority*,<sup>[30]</sup> and *Republic v. Court of Appeals*<sup>[31]</sup> as basis for ruling that the transaction between landowners and the government in expropriation proceedings is one of loan or forbearance of money, which carries the payment of interest at 12% per annum in case of delay of payment.<sup>[32]</sup>

## Issues

Petitioner contends that the correct rate for legal interest is only 6%, because 1) pursuant to *National Power Corporation v. Angas*,<sup>[33]</sup> the transaction was not a loan or forbearance of money, goods or credit; and 2) there was no unjustified delay in the payment of just compensation for the remaining portion of the property.

## Our Ruling

The case invoked by petitioner was overturned in 2002 by *Republic v. Court of Appeals*.<sup>[34]</sup> In *Republic*, this Court said that just compensation amounted to an effective forbearance on the part of the state. Applying *Eastern Shipping Lines*, the Court fixed the applicable interest rate at 12% per annum, computed from the time the property was taken until the full amount of just compensation was paid, in order to eliminate the issue of the constant fluctuation and inflation of the value of the currency over time.<sup>[35]</sup>

Nevertheless, in line with the recent circular of the Monetary Board of the Bangko Sentral ng Pilipinas (BSP-MB) No. 799, Series of 2013, effective 1 July 2013, the prevailing rate of interest for loans or forbearance of money is six percent (6%) per annum, in the absence of an express contract as to such rate of interest.<sup>[36]</sup>

The only question that remains is whether there has been a delay in the payment of just compensation for the remaining portion of the property that would warrant the imposition of 12% legal interest.

The issue being one of fact, We accord great respect to the finding of the trial court as affirmed by the CA, that the taking of the 23,228-square-meter portion preceded the payment or deposit of just compensation. Petitioner does not even contradict this finding, but merely attributes the delay in the resolution of the case to intervenor-respondents, who had asserted their legal interest over the property, and to the court-appointed commissioners, who had failed to submit their reports on time.<sup>[37]</sup>

Petitioner appears to have misunderstood the concept of "delay" in expropriation cases. The term does not pertain to the length of time that elapsed from the filing of the Complaint until its resolution. Rather, it refers to the fact that property was taken for public use before compensation was deposited with the court having jurisdiction over the case.<sup>[38]</sup> The argument that the resolution of the case was prolonged by several factors is therefore unmeritorious.

These are the undisputed facts: 1) the Complaint alleged that only 67,984 of 91,212 square meters of land covered by OCT No. P-8665 were being sought to be expropriated; 2) petitioner actually took possession of the entire 91,212 square meters; 3) it paid just compensation for 67,984 square meters only; 4) as early as 19 June 1995, intervenor-respondents Spouses Versoza had already called the attention of petitioner regarding the discrepancy; and 5) petitioner failed to tender even the provisional value of the remaining 23,228 square meters.

Clearly, there was delay because property was taken for public use before compensation was paid or deposited with the court. Without prompt payment,