

SPECIAL FIRST DIVISION

[G.R. No. 172352, June 08, 2016]

LAND BANK PHILIPPINES, OF THE PETITIONER, VS. ALFREDO HABABAG, SR., SUBSTITUTED BY HIS WIFE, CONSOLACION, AND CHILDREN, NAMELY: MANUEL, SALVADOR, WILSON, JIMMY, ALFREDO, JR., AND JUDITH, ALL SURNAMED HABABAG, RESPONDENTS.

[G.R. NOS. 172387-88]

ALFREDO HABABAG, SR., SUBSTITUTED BY HIS WIFE, CONSOLACION, AND CHILDREN, NAMELY: MANUEL, SALVADOR, WILSON, JIMMY, ALFREDO, JR., AND JUDITH, ALL SURNAMED HABABAG, PETITIONERS, VS. LAND BANK OF THE PHILIPPINES AND THE DEPARTMENT OF AGRARIAN REFORM, RESPONDENTS.

R E S O L U T I O N

PERLAS-BERNABE, J.:

For the Court's resolution is the Land Bank of the Philippines' (LBP) Motion for Reconsideration of the September 16, 2015 Decision/Motion for Clarification of the Date of Taking^[1] dated December 11, 2015, seeking: (a) to be discharged from the payment of legal interest on the unpaid balance of the just compensation;^[2] and (b) clarification of the date of taking from which to reckon the computation of legal interest on the unpaid balance of the just compensation, in case its Motion for Reconsideration is denied.^[3]

In the Court's September 16, 2015 Decision,^[4] it affirmed the November 15, 2005 Decision^[5] of the Court of Appeals (CA) in CA-G.R. SP Nos. 86066 and 86167, fixing the just compensation for the subject 69.3857 hectare lands at P2,398,487.24 and imposing legal interest on the unpaid balance, but modified the imposable interest rate.^[6]

The Court upheld the CA's valuation which made use of the Department of Agrarian Reform (DAR) formula as reflective of the factors set forth under Section 17 of Republic Act No. (RA) 6657,^[7] and rejected the compensation fixed by the Regional Trial Court of Sorsogon City, Branch 52 (RTC) in Civil Case No. 96-6217, which applied the Income Productivity Approach as contrary to the jurisprudential definition of just compensation in expropriation cases, *i.e.*, "market value" at the time of actual taking by the government.^[8] Considering that the initial valuation in the amount of P1,237,850.00 paid to the landowners is lower than the just compensation finally adjudged, the Court likewise sustained the award of legal interest on the unpaid balance, but modified the imposable interest rate,^[9] in line with the amendment introduced by *Bangko Sentral ng Pilipinas*-Monetary Board

I. With respect to the LBP's Motion for Reconsideration

In its Motion for Reconsideration, the LBP contends that it is not liable for the payment of interest, considering the absence of: (a) delay since it promptly deposited the initial valuation for the subject lands; and (b) substantial difference between the amount of initial valuation and the final just compensation,^[12] which were purportedly the compelling circumstances in the case of *Apo Fruits Corporation vs. LBP*^[13] (*Apo Fruits*), cited^[14] by the Court in its September 16, 2015 Decision to justify the imposition of interest.

The argument is specious.

In *Apo Fruits*, the Court had illuminated that the substantiality of the payments made by the LBP is not the determining factor in the imposition of interest as nothing less than full payment of just compensation is required. The value of the landholdings themselves should be equivalent to the principal sum of the just compensation due, and that interest is due and should be paid to compensate for the unpaid balance of this principal sum after the taking has been completed, viz.:

[T]he interest involved in the present case "runs as a **matter of law** and follows as a matter of course from the right of the landowner to be placed in as good a position as money can accomplish, as of the date of taking."

Furthermore, the allegedly considerable payments made by the LBP to the petitioners cannot be a proper premise in denying the landowners the interest due them under the law and established jurisprudence. **If the just compensation for the landholdings is considerable, this compensation is not undue because the landholdings the owners gave up in exchange are also similarly considerable** x x x. When the petitioners surrendered these sizeable landholdings to the government, the incomes they gave up were likewise sizeable and cannot in any way be considered miniscule. The incomes due from these properties, expressed as interest, are what the government should return to the petitioners after the government took over their lands without full payment of just compensation. In other words, **the value of the landholdings themselves should be equivalent to the principal sum of the just compensation due; interest is due and should be paid to compensate for the unpaid balance of this principal sum after taking has been completed.** This is the compensation arrangement that should prevail if such compensation is to satisfy the constitutional standard of being "just."

x x x x

If the full payment of the principal sum of the just compensation is legally significant at all under the circumstances of this case, the significance is only in putting a stop to the running of the interest due

because the principal of the just compensation due has been paid. To close our eyes to these realities is to condone what is effectively a confiscatory action in favor of the LBP.

x x x **[T]he interest**, however enormous it may be, **cannot be inequitable and unconscionable because it resulted directly from the application of law and jurisprudence** - standards that have taken into account fairness and equity in setting the interest rates due for the use or forbearance of money.

x x x x

It would be utterly fallacious, too, to argue that this Court should tread lightly in imposing liabilities on the LBP because this bank represents the government and, ultimately, the public interest. Suffice it to say that public interest refers to what will benefit the public, not necessarily the government and its agencies whose task is to contribute to the benefit of the public. Greater public benefit will result if government agencies like the LBP are conscientious in undertaking its tasks in order to avoid the situation facing it in this case. **Greater public interest would be served if it can contribute to the credibility of the government's land reform program through the conscientious handling of its part of this program.**^[15] (Emphases and italics in the original, underscoring supplied.)

In the present case, the just compensation for the subject lands was finally fixed at P2,398,487.24,^[16] while the payments made by the LBP only amounted to P1,237,850.00.^[17] Hence, there remained an unpaid balance of the "principal sum of the just compensation," warranting the imposition of interest.

In the recent case of *LBP v. Santos*,^[18] the Court reemphasized that just compensation contemplates of just and timely payment, and elucidated that "prompt payment" of just compensation encompasses the **payment in full of the just compensation to the landholders as finally determined by the courts.** Hence, the requirement of the law is not satisfied by the mere deposit by the LBP with any accessible bank of the provisional compensation determined by it or by the DAR, and its subsequent release to the landowner after compliance with the legal requirements set forth by RA 6657.

Accordingly, the LBP's Motion for Reconsideration should be denied with finality.

II. With respect to the LBP's Motion for Clarification of the Date of Taking

That being said, the Court, in view of the LBP's alternative Motion for Clarification, illumines that the interest shall be pegged at the rate of twelve percent (12%) per annum (p.a.) on the unpaid balance, reckoned from the time of taking,^[19] or the time when the landowner was deprived of the use and benefit of his property,^[20] such as *when title is transferred to the Republic of the Philippines (Republic), or emancipation patents are issued by the government*,^[21] until June 30, 2013, and