

EN BANC

[G.R. Nos. 181912 & 183347, November 29, 2016]

**RAMON M. ALFONSO, PETITIONER, VS. LAND BANK OF THE
PHILIPPINES AND DEPARTMENT OF AGRARIAN REFORM,
RESPONDENTS.**

DECISION

JARDELEZA, J.:

The main issue presented in this case concerns the legal duty of the courts, in the determination of just compensation under Republic Act No. 6657,^[1] (RA 6657), in relation to Section 17 of RA 6657 and the implementing formulas of the Department of Agrarian Reform (DAR).

The Court *En Banc* reaffirms the established jurisprudential rule, that is: until and unless declared invalid in a proper case, courts have the positive legal duty to consider the use and application of Section 17 and the DAR basic formulas in determining just compensation for properties covered by RA 6657. When courts, in the exercise of its discretion, find that deviation from the law and implementing formulas is warranted, it must clearly provide its reasons therefor.

The Case

This is a petition for review on *certiorari* of the Decision^[2] and Resolution,^[3] dated July 19, 2007 and March 4, 2008, respectively, of the Court of Appeals in CA-G.R. SP No. 90615 and CA-G.R. SP No. 90643. The Court of Appeals granted the individual petitions filed by the DAR and the Land Bank of the Philippines (LBP) and set aside the Decision^[4] dated May 13, 2005 of the Regional Trial Court fixing the total amount of P6,090,000.00 as just compensation.^[5]

The Facts

Cynthia Palomar (Palomar) was the registered owner of two (2) parcels of land. One is located in San Juan, Sorsogon City, with an area of 1.6530 hectares covered by Transfer Certificate of Title (TCT) No. T-21136,^[6] and the other in Bibincahan, Sorsogon City, with an area of 26.2284 hectares covered by TCT No. T-23180.^[7]

Upon the effectivity of RA 6657, the DAR sought to acquire Palomar's San Juan and Bibincahan properties at a valuation of P36,066.27 and P792,869.06,^[8] respectively. Palomar, however, rejected the valuations.

Land Valuation Case Nos. 68-01 and 70-01 were consequently filed before the DAR Provincial Adjudication Board (Board) for summary determination of just compensation. In the meantime, or on April 16, 2001, Palomar sold her rights over the two properties to petitioner Ramon M. Alfonso (Alfonso).^[9]

Upon orders from the Board, the parties submitted their position papers and evidence to support their respective proposed valuations. On June 20, 2002, Provincial Adjudicator Manuel M. Capellan issued Decisions^[10] in Land Valuation Case Nos. 68-01 and 70-01.

Applying DAR Administrative Order No. 5, Series of 1998, (DAR AO No. 5 [1998]), Provincial Adjudicator Capellan valued the properties as follows:

San Juan Property:

$$\text{Land Value} = \text{CNI} \times 0.9 + \text{MV} \times 0.1$$

Thus:

666.67 kls AGP / FIR
16.70 ASP / PCA data

$$\begin{aligned} \text{CNI} &= 666.67 \times 16.70 \times .70 - .12 \times 0.9 \\ &= 58,450.29 \end{aligned}$$

$$\begin{aligned} \text{MV} &= 30,600 \times 1.2 \times .90 + 70 \times 150.00 \times \\ &\quad 1.2 \times .90 \times 0.1 \\ &= 4,438.80 \end{aligned}$$

$$\begin{aligned} \text{Land Value} &= 58,450.29 + 4,438.80 \\ &= 62,889.09 \times 1.6530 \text{ hectares} \\ &= \mathbf{103,955.66}^{\text{[11]}} \end{aligned}$$

Bibincahan Property:

$$\text{Land Value} = \text{CNI} \times 0.9 + \text{MV} \times 0.1$$

Thus:

952 kls
AGP/ FIR
16.70 ASP
/ PCA data

$$\begin{aligned} \text{CNI} &= 952 \times 16.70 \times .70 - .12 \times 0.9 \\ &= 83,466.59 \end{aligned}$$

$$\begin{aligned} \text{MV} &= 30,600 \times 1.2 \times .90 + 90 \times 150.00 \times \\ &\quad 1.2 \times .90 \times 0.1 \end{aligned}$$

$$\begin{aligned}
 &= 4,762.80 \\
 \text{Land Value} &= 83,466.59 + 4,762.80 \\
 &= 88,229.39 \times 26.2284 \text{ hectares} \\
 &= \mathbf{2,314,115.73} \text{ [12]}
 \end{aligned}$$

Respondent LBP, as the CARP financial intermediary pursuant to Section 64 of RA 6657,^[13] filed a motion seeking for a reconsideration of the Provincial Adjudicator's valuations. This was denied in an Order^[14] dated September 13, 2002.

Both the LBP^[15] and Alfonso^[16] filed separate actions for the judicial determination of just compensation of the subject properties before Branch 52 of the Regional Trial Court, sitting as Special Agrarian Court (SAC), of Sorsogon City. These actions were docketed as Civil Case No. 2002-7073 and Civil Case No. 2002-7090, respectively. Upon Alfonso's motion, the cases were consolidated on December 10, 2002^[17] and Amado Chua (Chua) of Cuervo Appraisers, Inc. was appointed Commissioner who was ordered to submit his report (Cuervo Report) within thirty (30) days.^[18]

Trial on the merits ensued, with each party presenting witnesses and documentary evidence to support their respective case. Aside from presenting witnesses, the LBP submitted as evidence the following documents: Field Investigation Report, Land Use Map and Market Value per Ocular Inspection for each of the affected properties.^[19] Alfonso, for his part, submitted as evidence the Cuervo Report and the testimony of Commissioner Chua.^[20]

In his appraisal of the properties, Commissioner Chua utilized two approaches in valuing the subject properties, the Market Data Approach (MDA) and the Capitalized Income Approach (CIA), due to their "different actual land use."^[21] He opined that "the *average* of the two indications reasonably represented the just compensation (fair market value) of the land with productive coconut trees":^[22]

Site	Unit Land Value (Php/Sq. M.) ^[23]		
	Market Data Approach (MDA)	Capitalized Income Approach (CIA)	Average (rounded to the nearest tens)
1	Php 25	Php18.1125	22
2	Php 22	Php 17.1275	20

He thereafter computed the final land value as follows:^[24]

	Area (Sq. m.)	Unit Land Value (Php)	Just Compensation (Fair Market Value)
Site 1			
Coconut Land	15,765	22	Php 346,830
Residential Land	600	160	96,000

Irrigation Canal	165	*	*
Total for Site 1 -	16,530sq.m.		Php 442,830
Site 2			
Coconut Land	258,534	20	Php 5,170,680
Residential Land	3,000	160	480,000
Irrigation Canal	750	*	*
Total for Site 2 -	262,284sq.m.		Php 5,650,680
Grand Total			
(Sites 1 & 2) -	278,814sq.m.		Php 6,093,510
		Say -	Php 6,094,000

Ruling of the SAC

On May 13, 2005, the SAC rendered its Decision. Finding the valuations of both the LBP and the Provincial Adjudicator to be "unrealistically low,"^[25] the SAC adopted Commissioner Chua's valuation as set out in the Cuervo Report. It also held that the provisions of Section 2, Executive Order No. 228 (EO 228) were mere "guiding principles" which cannot substitute the court's judgment "as to what amount [of just compensation] should be awarded and how to arrive at such amount."^[26] The dispositive portion of the SAC's Decision reads:

WHEREFORE, premises considered, judgment is hereby rendered:

- 1) Fixing the amount of FOUR HUNDRED FORTY TWO THOUSAND EIGHT HUNDRED THIRTY PESOS ([P]442,830.00)[], Philippine currency for Site 1 with an area of 16,530 sq. m. covered by TCT No. T-21136 situated at San Juan, Sorsogon City and the amount of FIVE MILLION SIX HUNDRED FIFTY THOUSAND SIX HUNDRED EIGHTY [PESOS] ((P]5,650,680.00) Philippine currency for Site 2 with an area of 262,284 sq. m. covered by TCT No. T-23180 situated at Bibincahan, Sorsogon City or a total amount of SIX MILLION NINETY THOUSAND PESOS ([P]6,090,000.00) for the total area of 278,814 sq. m. in the name of Cynthia Palomar/Ramon M. Alfonso which property was taken by the government pursuant to the Agrarian Reform Program of the government as provided by R.A. 6657.
- 2) Ordering the Petitioner Land Bank of the Philippines to pay the Plaintiff/Private Respondent the amount of FOUR HUNDRED FORTY-TWO THOUSAND EIGHT HUNDRED THIRTY PESOS ([P]442,830.00) and the amount of FIVE MILLION SIX HUNDRED FIFTY THOUSAND AND SIX HUNDRED EIGHTY PESOS ([P]5,650,680.00) or the total amount of SIX MILLION NINETY THOUSAND PESOS ([P]6,090,000.00) Philippine currency for Lots 1604 and 2161 respectively, in the manner provided by R.A. 6657 by way of full payment of the said just compensation after deducting whatever amount previously received by the private respondents from the Petitioner Land Bank of the Philippines as part of the just compensation.

3) Without pronouncement as to costs.

SO ORDERED.^[27]

In an Order^[28] dated July 5, 2005, the SAC denied the motions filed by the LBP and the DAR seeking reconsideration of the Decision. These government agencies filed separate petitions for review before the Court of Appeals.

In its petition, docketed as CA-G.R. SP No. 90615, the LBP faulted the SAC for giving considerable weight to the Cuervo Report and argued that the latter's valuation was arrived at in clear violation of the provisions of RA 6657, DAR AO No. 5 (1998), and the applicable jurisprudence.^[29]

According to the LBP, there is nothing in Section 17 of RA 6657 which provides that capitalized income of a property can be used as a basis in determining just compensation. Thus, when the SAC used the capitalized income of the properties as basis for valuation, "it actually modified the valuation factors set forth by RA 6657."^[30]

The DAR, for its part, imputed error on the part of the SAC for adopting "the average between the Market Data Approach and Capitalized Income Approach as the just compensation of subject landholdings."^[31]

Ruling of the Court of Appeals

In its challenged Decision dated July 19, 2007, the Court of Appeals found that the SAC failed to observe the procedure and guidelines provided under DAR AO No. 5 (1998). It consequently granted the petitions filed by the LBP and the DAR and ordered the remand of the case to the SAC for the determination of just compensation in accordance with the DAR basic formula.^[32]

Alfonso filed a motion seeking reconsideration of the Court of Appeals' Decision.^[33] Finding no cogent reason to reverse its earlier Decision, the Court of Appeals denied Alfonso's motion.^[34]

Hence, this petition.

Issue

As stated in the outset, the issue sought to be resolved in this case involves the legal duty of the courts in relation to Section 17 and the implementing DAR formulas. Otherwise stated, are courts obliged to apply the DAR formula in cases where they are asked to determine just compensation for property covered by RA 6657?