

SECOND DIVISION

[G.R. No. 160143, July 02, 2014]

LAND BANK OF THE PHILIPPINES, PETITIONER, VS. BENECIO EUSEBIO, JR., RESPONDENT.

DECISION

BRION, J.:

We resolve in this petition for review on *certiorari*^[1] the challenge to the August 26, 2002 decision^[2] and the September 24, 2003 resolution^[3] of the Court of Appeals (CA) in CA-G.R. CV No. 66022.

The challenged decision affirmed *in toto* the June 29, 1999 judgment^[4] of the Regional Trial Court of Masbate, Masbate, Branch 48, sitting as a Special Agrarian Court (RTC-SAC) in Special Civil Case No. 4325 for Determination and Payment of Just Compensation under Republic Act (R.A.) No. 6657 or the Comprehensive Agrarian Reform Law of 1988.

The Factual Antecedents

Respondent Benecio Eusebio, Jr. was the owner of a 790.4-hectare parcel of land situated in Corba, Cataingan, Masbate, covered by Transfer Certificate of Title (TCT) No. T-4562 registered in the name of Ricardo Tañada. Eusebio purchased this parcel of land from Tañada in 1980.

On February 5, 1988, Eusebio voluntarily offered to sell the entire 790.4-hectare parcel of land to the government, through the Department of Agrarian Reform (DAR), pursuant to R.A. No. 6657 for P19,500,000.00.^[5]

From the entire area of 790.4 hectares, the DAR chose to acquire only 783.37 hectares^[6] and initially offered to purchase it at P2,369,559.64. The DAR subsequently increased its offer to P3,149,718.20, per the Notice of Land Valuation dated April 14, 1992. Eusebio rejected both offered amounts.

On October 1, 1993, petitioner Land Bank of the Philippines (LBP) revalued the acquirable portion at P3,927,188.28, pursuant to DAR Administrative Order No. 6, series of 1992 (DAR AO 6-92). Eusebio likewise rejected this valuation through a letter dated October 26, 1993.

Meanwhile, the LBP opened a trust account in the amount of P3,149,718.20 in favor of Eusebio and Tañada for the covered portion. The DAR then took physical possession of the property, had TCT No. T-4562 cancelled in favor of the Republic of the Philippines, and distributed the property at cost to the recognized farmer-beneficiaries.

The parties subsequently referred the matter to the DAR Adjudication Board (DARAB) for summary determination of just compensation. In a decision dated January 8, 1994, the DARAB fixed the value of the property at P4,874,659.89.

Eusebio likewise found the DARAB's valuation unacceptable. Hence, on July 18, 1994, Eusebio and Tañada filed before the RTC-SAC an action for determination and payment of just compensation against the DAR and the LBP. In the complaint, Eusebio and Tañada prayed for just compensation in the amount of P20,000,000.00, plus damages and attorney's fees equivalent to 20% of the total compensation. They later amended the complaint increasing the prayed just compensation to **P25,000,000.00**.

During trial, the RTC-SAC appointed a Board of Commissioners (Board) consisting of the Clerk of Court V – Atty. Norberto F. Mesa – as the Chairman, with the following as members: the Branch Clerk of Court, Eusebio and Tañada's nominee – Engr. Hernando **Caluag** – and the DAR and the LBP's nominee – Herbert **Heath**. The Board conducted the ocular inspection on September 10, 1997 and arrived at the following unanimous observation:^[7]

Breakdown of developed areas per land use:

Coco productive	26.15 Hectares
Coco Unproductive	3.04 Hectares
Corn (95%)	700.6345 Hectares
Rice (low land)	4.8810 Hectares
Rice (upland)	31.9945 Hectares
Total	766.70 Hectares

Notwithstanding the series of conferences, the Board failed to reach a common and consolidated valuation for the acquired portion.^[8] Hence, the Board submitted the separate valuation report of the parties' respective nominees:

Valuation of Engr. Caluag:^[9]

<u>Land Use</u>	<u>Area</u>	<u>Value/Has.</u>	<u>TLV</u>
Coconut	29.0000	P113,000.00	P 3,277,000.00
Corn	700.0000	P113,000.00	P79,000,000.00
Rice	<u>38.0000</u>	<u>P119,000.00</u>	<u>P 4,522,000.00</u>
TOTAL	767.0000		P86,899,000.00

Valuation of Heath:^[10]

<u>Land Use</u>	<u>Area</u>	<u>Value/Has.</u>	<u>TLV</u>
Coco	26.1500	P 22,228.80	P 581,283.12
Productive			
Coco	3.0400	P 11,190.49	P 34,019.09
Unproductive			
Corn	75.0000	P 13,742.65	P 1,030,698.75

Rice	4.8810	P 15,715.38	P 76,706.77
Unirrigated			
Cogon w/	674.2990	P 3,498.00	P 2,358,697.90
history of			
corn			
production			
TOTAL	783.3700		P 4,081.405.63

Engr. Caluag affirmed the contents of his report in open court. He revealed that, in determining the property's fair market value, he used as basis the "records of sale and listings of similar properties offered for sale" and compared the properties using "such factors as location, type of development, crops planted, terrain, size and element."^[11] Finally, he factored in the necessary adjustments resulting from the current real estate selling trends and the property's location, size and development to arrive at the total land valuation of P86,899,000.00.

Heath, on the other hand, testified that, in arriving at the total land valuation of P4,081,405.63, he used the guidelines enumerated under R.A. No. 6657 and other applicable agrarian statutes and issuances instead of the current land valuation that Engr. Caluag employed in his valuation. He pointed out that per the records, the recognized farmer-beneficiaries took possession of their respective portions of the property in 1992. Thus, the improvements that the Board found on the property at the time it conducted the ocular inspection in 1997 were clearly introduced by the farmer-beneficiaries.^[12]

The RTC-SAC's decision

In its judgment^[13] of June 29, 1999, the RTC-SAC fixed the just compensation at P25,000,000.00 for the entire 790.4-hectare parcel of land, and ordered the DAR and the LBP to solidarily pay attorney's fees equivalent to 10% of the total just compensation. The RTC-SAC brushed aside both valuations fixed by the parties' respective nominees, particularly those fixed by the DAR and the LBP which it regarded as unconstitutional and confiscatory. Consequently, the RTC-SAC found as considerable just compensation the sum of P25,000,000.00 that Eusebio and Tañada prayed for in their complaint; it, however, found as exorbitant and unreasonable, and thus reduced to 10% from 20%, the claimed attorney's fees.

In a resolution dated October 21, 1999, the RTC-SAC denied the parties' respective motions for reconsideration. The parties separately appealed the RTC-SAC's ruling before the CA.^[14]

The CA's ruling

In its August 26, 2002 decision,^[15] the CA affirmed *in toto* the RTC-SAC's judgment. Firstly, brushing aside Eusebio and Tañada's position, the CA pointed out that the just compensation should be fixed as of the time the government took possession of the property and not as of the filing of the complaint. Thus, the CA declared unfair the P86,899,000.00 valuation that Eusebio and Tañada's nominee fixed based on the data determined at the time of the filing of the complaint instead of at the time of the taking. The CA, however, took note of the offer Eusebio made in 1988 to sell the

entire 790.4 hectares at P19,500,000.00 that it pointed out should at least set the ceiling price for the property's compensation.

And *secondly*, likewise dismissing the DAR's and the LBP's contentions, the CA noted that as early as 1992, a considerable portion of the property had already been cultivated and developed. The CA also pointed out that the DAR and the LBP's nominee merely confined his determination to the factors enumerated under R.A. No. 6657 and the guidelines enumerated under the pertinent DAR administrative orders, disregarding, in effect, the other factors relevant to the determination of what the CA considered as the full and fair equivalent of Eusebio's property. Thus, the CA considered as too low and unreasonable the P4,081,405.63 valuation that the DAR and the LBP fixed as just compensation.

Accordingly, the CA considered as fair and equitable the amount the RTC-SAC fixed as just compensation, given the four-year time lapse between 1988, when Eusebio offered to sell the property for P19,500,000.00 and 1992, when the government actually deprived Eusebio of his property.

The LBP filed the present petition after the CA denied its motion for reconsideration^[16] in the CA's September 24, 2003 resolution.^[17]

The Court initially denied the LBP's petition for review on *certiorari* in a Resolution dated November 10, 2003.^[18] On the LBP's motion for reconsideration,^[19] the Court reinstated the petition in a Resolution dated January 26, 2004.^[20]

The Petition

In this petition,^[21] the LBP concedes that the RTC-SAC has original and exclusive jurisdiction to determine just compensation. Nevertheless, it argues that the RTC-SAC's determination must be guided by the valuation factors enumerated under R.A. No. 6657 and the implementing guidelines that the DAR issued for the purpose. The LBP points out that the DAR, in the exercise of its rule-making power granted under R.A. No. 6657, issued DAR AO 6-92, as amended by DAR AO 11-94 that prescribes the formulae in the computation of just compensation for lands acquired pursuant to R.A. No. 6657. Unless otherwise declared null and void, the LBP stresses that these DAR administrative orders have the force and effect of law and are entitled to great respect, even by this Court. In carrying out its functions under Executive Order No. 405,^[22] the LBP points out that it, in turn, simply observed and used the DAR prescribed formulae in arriving at the P4,081,405.63 valuation, which, it emphasizes, the CA even noted in its decision.

Addressing directly the CA's valuation, the LBP directs the Court's attention to the testimony of Eusebio's witness^[23] and points out that when the government took possession of the property in 1990, Eusebio and his family had already discontinued investing and had stopped developing it from thereon; in addition, over 674 hectares of the acquired property's area was then cogonal. Thus, the marked difference in the property's condition from the time the government acquired it in 1990 up to the time the Board conducted its ocular inspection in 1997 should and must be properly accounted for as developments introduced by the farmer-beneficiaries. Accordingly, the LBP argues, the valuation that the RTC-SAC and the CA made clearly contravened the Court's mandate that just compensation should be

determined as of the property's time of taking, which in this case was, at the most, in 1992 when TCT No. T-4562 was cancelled and Certificates of Land Transfer were issued to the recognized farmer-beneficiaries.

Additionally, the LBP argues that R.A. No. 6657 directs the determination of just compensation based on the covered property's "actual use and income" and not on its "potential or future use" as applied by the RTC-SAC when it relied on the market value approach. The LBP also points out that the RTC-SAC did not offer any formula in arriving at the ₱25,000,000.00 valuation.

Finally, the LBP contends that the award of attorney's fees was erroneous for clear lack of basis and bad faith on its part.

In its reply,^[24] the LBP additionally emphasizes that the just compensation for property taken, pursuant to the government's agrarian reform program, should not and cannot be based on the property's market value, more so on the amount by which Eusebio offered it for sale. The LBP points out that the "just compensation" in the realm of agrarian reform is vastly different from "just compensation" in an ordinary eminent domain proceeding. The taking of private property for purposes of agrarian reform is revolutionary, involving as it does both the exercise of the power of eminent domain and police power. As such, the just compensation for property taken, pursuant to the government's agrarian reform program, cannot exceed its market value.

The Case for the Respondent

Equally conceding to the RTC-SAC's original and exclusive jurisdiction to determine just compensation, Eusebio contends in his comment^[25] that the CA correctly affirmed the RTC-SAC's valuation for lack of reversible error. Eusebio stresses that while the DAR, indeed, has the power to prescribe the formula and determine just compensation, the RTC-SAC is, nevertheless, not bound by such determination as valuation of property in eminent domain cases is essentially a judicial function. In this case, neither the DAR's valuation nor the Board's report could have bound the RTC-SAC in the exercise of this function; more so for, in this case, the Board failed to reach a common valuation. Finally, Eusebio argues that the award of attorney's fees is lawful as he was compelled to litigate or incur expenses to protect his interest by reason of the LBP's unjustified act.

In his memorandum,^[26] Eusebio adds that the various testimonial and documentary pieces of evidence presented before the RTC-SAC, and which it fully considered, support the ₱25,000,000.00 valuation for the property. Moreover, the factual findings of the RTC-SAC that the CA affirmed deserve great weight and finality.

The Issue

The core issue for the Court's resolution is whether the RTC-SAC's determination of just compensation for the property at ₱25,000,000.00, with 10% attorney's fees, is proper.

The Court's Ruling