

## THIRD DIVISION

[ G.R. No. 170245, July 01, 2013 ]

**THE HEIRS OF SPOUSES DOMINGO TRIA AND CONSORCIA  
CAMANO TRIA, PETITIONERS, VS. LAND BANK OF THE  
PHILIPPINES AND DEPARTMENT OF AGRARIAN REFORM,  
RESPONDENTS.**

### D E C I S I O N

**PERALTA, J.:**

Before this Court is a Petition for Review on *Certiorari* under Rule 45 of the Rules of Court assailing the Amended Decision<sup>[1]</sup> of the Court of Appeals (CA), dated October 25, 2005.

The facts follow.

During their lifetime, the deceased spouses Domingo Tria and Consorcia Camano owned a parcel of agricultural land located at Sangay, Camarines Sur, with an area of 32.3503 hectares.

By virtue of Presidential Decree (PD) No. 27, which mandated the emancipation of tenant-farmers from the bondage of the soil, the Government, sometime in 1972, took a sizeable portion of the deceased spouses' property with a total area of 25.3830 hectares. Thereafter, respondent Department of Agrarian Reform (DAR) undertook the distribution and eventual transfer of the property to thirty tenant-beneficiaries. In due time, individual Emancipation Patents were issued by respondent DAR in favor of the tenant-beneficiaries. Pursuant to Section 2 of Executive Order (EO) No. 228, respondent Land Bank of the Philippines (LBP) made an offer on November 23, 1990 to pay petitioners, by way of compensation for the land, the total amount of P182,549.98, broken down as follows: P18,549.98 of which would be in cash, and the remaining P164,000.00 to be satisfied in the form of LBP Bonds.<sup>[2]</sup>

Not satisfied with the LBP's valuation of their property, petitioners rejected their offer and filed a Complaint before the Regional Trial Court (RTC) of Naga City claiming that the just compensation for their property is P2,700,000.00.

During trial, petitioners filed a Motion for Partial Judgment praying that respondent LBP pay them the amount of P182,549.98 pursuant to its previous offer. Hence, the RTC issued a Partial Judgment<sup>[3]</sup> on December 22, 1992 ordering respondent LBP to pay the amount of P182,549.98.

Consequently, respondent LBP filed a Motion for Reconsideration against said Partial Judgment on the ground that the RTC's Order for it to immediately pay the amount of P182,549.98 is not in accord with the provisions of Section 3 of EO No. 228 which

requires payment of just compensation partially in cash and gradually through LBP Bonds.

Hence, the RTC issued an Order<sup>[4]</sup> granting respondent LBP's motion for reconsideration, to wit:

WHEREFORE, partial judgment is hereby rendered ordering Defendant Land Bank of the Philippines to pay the "Heirs of Domingo Tria and Consorcia Camano" the following amounts:

1. EIGHTEEN THOUSAND FIVE HUNDRED FORTY-NINE and 98/100 (P18,549.98) PESOS, Philippine Currency, plus interest earned from investment securities at the shortest time and at the highest rate possible in accordance with Executive Order No. 12; and
2. ONE HUNDRED SIXTY-FOUR THOUSAND (P164,000.00) PESOS, Philippine Currency, plus interest thereon at market rates of interest that are aligned with 90-day treasury bill rates, computed from date of approval of the claim of the said spouses.

This partial judgment shall be without prejudice to further proceedings to determine the just compensation and other claims due the Heirs of the deceased Spouses Domingo Tria and Consorcia Camano as provided by law.

In compliance with the RTC's Order, respondent LBP paid petitioners the total amount of P309,444.97 in the form of manager's checks, and the amount of P43,524.00 in the form of LBP Bonds, representing the cash portion with interest earned from investment securities, and bond payment of the just compensation for the expropriated property, respectively.<sup>[5]</sup>

In the course of the proceedings, the RTC appointed three Commissioners to compute and recommend to the court the just compensation to be paid for the expropriated property.

In their report, each of the three Commissioners adopted a different formula in their valuation for the expropriated property: (1) the Commissioner representing respondent LBP adopted the mode of computation provided under EO No. 228; (2) the Commissioner representing petitioners adopted the Sales Value Analysis Formula; and (3) the Commissioner representing the trial court used the Assessor's Schedule of Value Formula.

In order to resolve the differences in their computation, the Commissioners obtained the average of their respective valuations and made a final recommendation of P1,151,166.51 for the entire expropriated property.

However, neither the parties nor the RTC found the computation of the Commissioners acceptable. Resultantly, in a Decision<sup>[6]</sup> dated August 23, 1995, the

RTC made its own computation by using the formula used by the Commissioner representing the LBP with the slight modification that it used the government support price (*GSP*) for one cavan of palay in 1994 as multiplier.

Not in conformity with the RTC's ruling, respondents interposed an appeal before the CA.

On March 31, 2004, the CA rendered a Decision<sup>[7]</sup> affirming the RTC's ruling. It held that the formula and computation adopted by the RTC are well in accord with the working principles of fairness and equity, and likewise finds ample support from the recent pronouncement of the Supreme Court on the matter of determination of just compensation.

Nevertheless, upon a motion for reconsideration filed by respondents, the CA reversed itself and issued an Amended Decision<sup>[8]</sup> dated October 25, 2005, reversing its earlier ruling favoring the RTC's decision.

In its Amended Decision, the CA heavily relied in the *Gabatin v. Land Bank of the Philippines*<sup>[9]</sup> (Gabatin) ruling wherein this Court fixed the rate of the *GSP* for one cavan of palay at P35.00, the value of the corresponding produce at the time the property was taken in 1972.

Accordingly, petitioners filed before this Court a petition for review on *certiorari* assailing the Amended Decision rendered by the CA. Petitioners, therefore, cite the following arguments in their petition:

- I. JUST COMPENSATION IS A JUDICIAL ISSUE NOT AN ADMINISTRATIVE ISSUE.
- II. IF APPLYING THE PROVISIONS OF EO NO. 228 WOULD RESULT TO UNJUST COMPENSATION, THE DISTINCTION BETWEEN ACTUAL TAKING AND ACTUAL PAYMENT WOULD BE OF NO MOMENT AND IRRELEVANT.
- III. RIGHT TO PROPERTY IS A FRAMEWORK OF A WELL-ORDERED SOCIETY AND THIS COURT MUST PROTECT IT FROM CONFISCATION WITHOUT JUST COMPENSATION.
- IV. THE COURT'S ASSERTION OF ITS ROLE AS THE FINAL ARBITER OF INDIVIDUAL'S RIGHTS GUARANTEED BY THE CONSTITUTION AGAINST GOVERNMENT OPPRESSION FAR OUTWEIGHS ANY FINANCIAL RIPPLE THAT MAY BE CAUSED BY OVERTURNING THE DOCTRINE IN GABATIN V. COURT OF APPEALS.
- V. THE AWARD BY THE TRIAL COURT IN 1995 MUST BE INCREMENTED WITH INTEREST OF 12% PER ANNUM.<sup>[10]</sup>

Ultimately, this Court is called upon to determine the issue of whether or not the CA erred in ruling that the valuation of the property for purposes of determining just compensation should be based on the *GSP* at the time the property was taken in

1972, in accordance with the *Gabatin* case.

Petitioners insist that the CA erred in relying on the case of *Gabatin*. They assert that the true guidepost in property taking, whether under the police power of the state or under its eminent domain, is "just compensation."

Petitioners maintain that the jurisprudential definition of just compensation means just and complete equivalent of the loss which the owner of the property expropriated has to suffer by reason of it. Hence, they argue that the valuation offered by respondent LBP at P9,243.50 per hectare in 1972 could have represented the fair market value of its landholdings had the same been actually paid in that same year. However, since the same was never really paid, it would be totally unjust if the valuation offered by respondent LBP in 1972 be paid in 1995.

Conversely, respondent LBP contends that the CA correctly ruled in ordering the RTC to compute and fix the just compensation for the expropriated agricultural lands, strictly in accordance with the mode of computation prescribed in the *Gabatin* case. It stresses that when EO No. 228 fixed the basis in determining the value of the land using the GSP for one cavan of palay on October 21, 1972 at P35.00, it was merely in cognizance of the settled rule that just compensation is the value of the property at the time of the taking.

For its part, respondent DAR supports respondent LBP's contention that the CA did not commit reversible error when it reconsidered its decision and remanded the case to the court of origin for the determination of just compensation based on the formula set forth in the *Gabatin* case.

We find for petitioners.

In *Land Bank of the Philippines v. Pacita Agricultural Multi-Purpose Cooperative, Inc.*,<sup>[11]</sup> we ruled that since the *Gabatin* case, this Court had already decided several cases in which it found more equitable to determine just compensation based on the GSP of palay at the current price or the value of said property at the time of payment. In this case, the Court used the standard laid down in Section 17 of Republic Act No. 6657<sup>[12]</sup> (RA No. 6657) as a guidepost in the determination of just compensation in relation to the GSP of *palay*, viz.:

In *Gabatin v. Land Bank of the Philippines*, the formula under Presidential Decree No. 27, Executive Order No. 228 and A.O. No. 13 was applied. In *Gabatin*, the crux of the case was the valuation of the GSP for one cavan of *palay*. In said case, the SAC fixed the government support price (GSP) of *palay* at the current price of P400 as basis for the computation of the payment, and not the GSP at the time of taking in 1972. On appeal therein by respondent Land Bank of the Philippines, the Court of Appeals reversed the ruling of the SAC. The case was then elevated to this Court, wherein therein petitioners set forth, inter alia, the issue of whether just compensation in kind (*palay*) shall be appraised at the price of the commodity at the time of the taking or at the time it was ordered paid by the SAC. The Court declared that the reckoning period should be the time when the land was taken in 1972, based on the following ratiocination.

x x x x

Since Gabatin, however, the Court has decided several cases in which it found it more equitable to determine just compensation based on the **value of said property at the time of payment**, foremost of which is *Land Bank of the Philippines v. Natividad*, cited by the Court of Appeals in its Decision assailed herein.

In *Natividad*, the parcels of agricultural land involved were acquired from their owners for purposes of agrarian reform on 21 October 1972, the time of the effectivity of Presidential Decree No. 27. Still, as late as the year 1993, the landowners were yet to be paid the value of their lands. Thus, the landowners filed a petition before the trial court for the determination of just compensation. The trial court therein ruled in favor of the landowners, declaring that Presidential Decree No. 27 and Executive Order No. 228 were mere guidelines in the determination of just compensation. Said court likewise fixed the just compensation on the basis of the evidence presented on the valuation of the parcels of land in 1993, not the value thereof as of the time of the acquisition in 1972. Therein petitioner Land Bank of the Philippines sought a review of the Decision of the trial court before this Court. This Court found that the petition for review of therein petitioner Land Bank of the Philippines was unmeritorious, to wit:

Land Bank's contention that the property was acquired for purposes of agrarian reform on October 21, 1972, the time of effectivity of PD 27, ergo just compensation should be based on the value of the property as of that time and not at the time of possession in 1993, is likewise erroneous. In *Office of the President, Malacañang, Manila v. Court of Appeals*, we ruled that the seizure of the landholding did not take place on the date of effectivity of PD 27 but would take effect on the payment of just compensation.

**Under the factual circumstances of this case, the agrarian reform process is still incomplete as the just compensation to be paid private respondents has yet to be settled. Considering the passage of Republic Act No. 6657 (RA 6657) before the completion of this process, the just compensation should be determined and the process concluded under the said law. Indeed, RA 6657 is the applicable law, with PD 27 and EO 228 having only supplementary effect**, conformably with our ruling in *Paris v. Alfeche*. [416 Phil. 473.]

x x x x

**It would certainly be inequitable to determine just compensation based on the guideline provided by PD 27 and EO 228 considering the DAR's failure to determine the just compensation for a considerable length of time.**