

FIRST DIVISION

[G.R. No. 182209, October 03, 2012]

LAND BANK OF THE PHILIPPINES, PETITIONER, VS. EMILIANO R. SANTIAGO, JR., RESPONDENT.

D E C I S I O N

LEONARDO-DE CASTRO, J.:

This is a Petition for Review on *Certiorari*^[1] seeking to annul and set aside the September 28, 2007 Decision^[2] and March 14, 2008 Resolution^[3] of the Court of Appeals in **CA-G.R. SP No. 82467**, which affirmed the January 21, 2000 Decision^[4] of the Regional Trial Court of Cabanatuan City, Branch 23, sitting as a Special Agrarian Court (SAC Branch 23), as modified by the January 28, 2004 Resolution^[5] of the Regional Trial Court of Cabanatuan City, Branch 29 (SAC Branch 29) in Agrarian Case No. 125-AF.

The antecedents of this case, as culled from the records, are as follows:

Petitioner Land Bank of the Philippines (LBP) is a government financial institution^[6] designated under Section 64 of Republic Act No. 6657^[7] as the financial intermediary of the agrarian reform program of the government.^[8]

Respondent Emiliano R. Santiago, Jr. (respondent) is one of the heirs of Emiliano F. Santiago (Santiago), the registered owner of an 18.5615-hectare parcel of land (subject property) in Laur, Nueva Ecija, covered by Transfer Certificate of Title (TCT) No. NT-60359.^[9]

Pursuant to the government's Operation Land Transfer (OLT) Program under Presidential Decree No. 27,^[10] the Department of Agrarian Reform (DAR) acquired 17.4613 hectares of the subject property.^[11]

In determining the just compensation payable to Santiago, the LBP and the DAR used the following formula under Presidential Decree No. 27, which states:

For the purpose of determining the cost of the land to be transferred to the tenant-farmer pursuant to this Decree, the value of the land shall be equivalent to two and one-half (2-1/2) times the average harvest of three normal crop years immediately preceding the promulgation of this Decree[.]

and Executive Order No. 228, which reads:

Sec. 2. Henceforth, the valuation of rice and corn lands covered by P.D. No. 27 shall be based on the average gross production determined by the Barangay Committee on Land Production in accordance with Department Memorandum Circular No. 26, series of 1973 and related issuances and regulation of the Department of Agrarian Reform. The average gross production per hectare shall be multiplied by two and a half (2.5), the product of which shall be multiplied by Thirty-Five Pesos (P35.00), the government support price for one cavan of 50 kilos of palay on October 21, 1972, or Thirty One Pesos (P31.00), the government support price for one cavan of 50 kilos of corn on October 21, 1972, and the amount arrived at shall be the value of the rice and corn land, as the case may be, for the purpose of determining its cost to the farmer and compensation to the landowner.

The above formula in equation form is:

$$\text{Land Value (LV)} = (\text{Average Gross Production [AGP]} \times 2.5 \text{ Hectares} \times \text{Government Support Price [GSP]})$$

Using the foregoing formula, the land value of the subject property was pegged at 3,915 *cavans* of *palay*, using 90 *cavans* of *palay* per year for the irrigated portion and 44.33 *cavans* of *palay* per year for the unirrigated portion, as the AGP per hectare in San Joseph, Laur, Nueva Ecija, as established by the Barangay Committee on Land Production (BCLP), based on three normal crop years immediately preceding the promulgation of Presidential Decree No. 27.^[12]

As Santiago had died earlier on November 1, 1987,^[13] the LBP, in 1992, reserved in trust for his heirs the amount of One Hundred Thirty-Five Thousand Four Hundred Eighty-Two Pesos and 12/100 (P135,482.12), as just compensation computed by LBP and DAR using the above formula with P35.00 as the GSP per *cavan* of *palay* for the year 1972 under Executive Order No. 228.^[14]

The land valuation of the subject property is broken down as follows^[15]:

AGP cavans	x 2 and ½ hectares	x Area Acquired (hectare)	= LV in Cavans	x GSP	= LV
90	2.5	16.9544 ^[16]	3,814.74	P35.00	P133,515.92
44.33	2.5	.5069 ^[17]	56.18	P35.00	1,966.20
		17.4613	3,870.92		P 135,482.12

This amount was released to Santiago's heirs on April 28, 1998,^[18] pursuant to this Court's decision in *Land Bank of the Philippines v. Court of Appeals*.^[19] LBP, on May 21, 1998 and June 1, 1998, also paid the heirs the sum of P353,122.62, representing the incremental interest of 6% on the preliminary compensation, compounded annually for 22 years,^[20] pursuant to Provincial Agrarian Reform Council (PARC) Resolution No. 94-24-1^[21] and DAR Administrative Order (AO) No.

13, series of 1994.[22]

However, on November 20, 1998, respondent, as a co-owner and administrator of the subject property, filed a petition before the RTC of Cabanatuan City, Branch 23, acting as a Special Agrarian Court (SAC Branch 23), for the "approval and appraisal of just compensation" due on the subject property. This was docketed as SAC Case No. 125-AF.[23]

While respondent was in total agreement with the land valuation of the subject property at 3,915 *cavans* of *palay*, he contended that the 1998 GSP per *cavan*, which was P400.00, should be used in the computation of the just compensation for the subject property. Moreover, the incremental interest of 6% compounded annually, as per PARC Resolution No. 94-24-1, should be imposed on the principal amount from 1972 to 1998 or for 26 years.[24]

On January 21, 2000, the SAC Branch 23 rendered its Decision, the dispositive portion of which reads:

WHEREFORE, the defendant Land Bank of the Philippines is hereby ordered to pay the plaintiff in the sum of P1,039,017.88 representing the balance of the land valuation of the plaintiff with legal interest at 12% from the year 1998 until the same is fully paid subject to the modes of compensation under R.A. No. 6657.[25]

The SAC Branch 23 arrived at its ruling, ratiocinating in this wise:

The defendant LBP arrived at this aforesaid amount by pegging the price at the rate of P35.00 per *cavan*, which was the government support price [GSP] in 1972, pursuant to E.O. No. 228.

With the GSP of *palay* in 1992 being already P300.00 per *cavan* x x x, it is very clear, then, that the [respondent] was denied the true, current actual money equivalence of the land valuation of 3,915 *cavans* of *palay* mutually agreed upon by the parties.

Aptly, plaintiff had been short-paid. x x x.

x x x x

The sum of P135,482.12 as the money value of 3,915 *cavans* did not, therefore, amount to "just compensation" to [respondent] since what was due to him of 3,915 *cavans* was diluted when the defendant LBP gave a money value at the rate of P35.00 per *cavan*, which was a far cry from the prevailing true and actual GSP of P300.00 per *cavan* in 1992 x x x.
[26]

Discontented with the ruling, respondent filed a Motion for Reconsideration[27] of the SAC's decision on February 16, 2000, arguing that the GSP per *cavan* of *palay*

should be computed at P400.00 instead of P300.00 because payment of the preliminary compensation was made by LBP in 1998 and not in 1992. Respondent likewise insisted that in addition to the 12% legal interest ordered by the SAC, a compounded annual interest of 6% of the principal amount should be awarded to them pursuant to the PARC Resolution and DAR AO No. 13. Furthermore, respondent asked that the DAR be ordered to return to him the unacquired portion of the subject property.^[28]

On February 10, 2000, Judge Andres R. Amante, Jr., the presiding judge of SAC Branch 23, inhibited himself from resolving the motion for reconsideration,^[29] thus, the case was re-raffled to the RTC of Cabanatuan City, Branch 29, acting as Special Agrarian Court (SAC Branch 29).^[30]

On January 28, 2004, the SAC Branch 29 issued a Resolution, with the following *fallo*:

WHEREFORE, the decision is reconsidered as follows:

1. The defendant Land Bank of the Philippines is hereby ordered to pay the petitioner the sum of P1,039,017.88 representing the land valuation of the petitioner with legal interest of six percent (6%) per annum beginning year 1998 until the same is fully paid subject to the modes of compensation under Republic Act No. 6657.
2. The Land Bank of the Philippines is ordered to return to the petitioner the unacquired area embraced and covered by TCT No. NT-60359 after segregating the area taken by the DAR.^[31]

In denying respondent's claim over the 6% compounded annual interest, the SAC Branch 29 explained that the purpose of the compounded interest was to compensate the landowners for unearned interest, as their money would have earned if they had been paid in 1972, when the GSP for a *cavan* of *palay* was still at P35.00. The SAC Branch 29 said that since a higher GSP was already used in the computation of the subject property's land value, there was no more justification in adding any compounded interest to the principal amount.^[32]

The SAC Branch 29 also lowered the legal interest from 12% to 6% on the ground that respondent's claim cannot be considered as a forbearance of money. Furthermore, since the government only acquired 17.4 hectares of the subject property, it ordered LBP to return the unacquired portion to respondent.^[33]

Respondent filed a Petition for Review before this Court, questioning the SAC Branch 29's ruling on his non-entitlement to the incremental interest of 6%. The case, entitled *Heirs of Emiliano F. Santiago, represented by Emiliano [R]. Santiago, Jr. as administrator of the land covered by TCT No. NT 60354 v. Republic of the Philippines, represented by the Department of Agrarian Reform, and Land Bank of the Philippines*, and docketed as G.R. No. 162055, was, however, denied by this Court on March 31, 2004, for lack of merit.^[34]

Meanwhile, LBP filed a Petition for Review^[35] before the Court of Appeals, questioning the just compensation fixed and the legal interest granted by the SAC Branch 23 in its January 21, 2000 Decision and by the SAC Branch 29 in its January 28, 2004 Resolution.

On September 28, 2007, the Court of Appeals, in CA-G.R. SP No. 82467, affirmed the SAC Branch 23's Decision as modified by the SAC Branch 29's Resolution. The dispositive portion of that Decision reads:

WHEREFORE, based on the foregoing, the instant petition for review filed pursuant to **Section 60 of Republic Act No. 6657 is hereby DISMISSED. ACCORDINGLY**, the Decision dated January 21, 2000 of the Regional Trial Court of Cabanatuan City, Branch 23, sitting as **Special Agrarian Court**, as modified by the Resolution dated January 28, 2004 of the Regional Trial Court of Cabanatuan City, Branch 29, is hereby **AFFIRMED**.^[36]

The Court of Appeals held that the formula in DAR AO No. 13 could no longer be applied since the Provincial Agrarian Reform Adjudicator (PARAD) had already been using a higher GSP. Since the formula could no longer be applied, as a higher GSP was used in the computation of respondent's just compensation, the Court of Appeals ruled that he was no longer entitled to the incremental interest of 6%.^[37]

The LBP^[38] moved to reconsider the foregoing decision on October 25, 2007. However, the Court of Appeals, finding no new argument worthy of its reconsideration, denied such motion in a Resolution dated March 14, 2008.

The LBP is now before us, claiming that its petition should be allowed for the following reason:

THE COURT OF APPEALS COMMITTED A SERIOUS ERROR OF LAW IN **AFFIRMING** THE JANUARY 21, 2000 DECISION OF THE REGIONAL TRIAL COURT (RTC) OF CABANATUAN CITY, BR. 23, SITTING AS SPECIAL AGRARIAN COURT (**AS MODIFIED** BY THE RESOLUTION DATED JANUARY 28, 2004 OF THE RTC OF CABANATUAN CITY, BRANCH 29) WHICH FIXED THE JUST COMPENSATION OF SUBJECT PROPERTIES ACQUIRED UNDER P.D. 27 WITHOUT OBSERVING THE PRESCRIBED FORMULA UNDER P.D. 27 AND E.O. 228.^[39]

Issues

The following are the issues propounded by the LBP for this Court's Resolution:

1. WHETHER OR NOT THE COURT OF APPEALS CAN DISREGARD THE FORMULA PRESCRIBED UNDER P.D. 27 AND E.O. 228 IN FIXING THE JUST COMPENSATION OF SUBJECT P.D. 27-ACQUIRED LAND.