

THIRD DIVISION

[G.R. No. 174647, December 05, 2012]

LAND BANK OF THE PHILIPPINES, PETITIONER, VS. SPOUSES ROSA AND PEDRO COSTO, RESPONDENTS.

D E C I S I O N

PERALTA, J.:

This is a petition for review on *certiorari* under Rule 45 of the Rules of Court seeking to reverse and set aside the Decision^[1] dated July 14, 2006 of the Court of Appeals (CA) in CA-G.R. SP No. 91469, and the Resolution^[2] dated September 15, 2006 denying petitioner's motion for reconsideration.

The procedural and factual antecedents are as follows:

Respondents spouses Rosa and Pedro Costo are the registered owners of a parcel of land located at Catamlangan, Pilar, Sorsogon with an area of 9.1936 hectares covered by Original Certificate of Title (OCT) No. P-6487. After the passage of Republic Act (R.A.) No. 6657,^[3] respondents voluntarily offered the said property to the Department of Agrarian Reform (DAR) under the Comprehensive Agrarian Reform Program (CARP) and its implementing Rules. Out of the total area, 7.3471 hectares was deemed qualified for acquisition under the program by the DAR. Petitioner Land Bank of the Philippines (Land Bank) then computed and valued the 7.3471 hectares in the amount of P104,077.01.

However, respondents rejected the valuation. This impelled petitioner to deposit the offer in the form of cash and bonds in favor of respondents as provisional compensation for the acquired property. Thereafter, respondents sought the determination of just compensation with the Provincial Adjudication Board of the DAR.

On July 30, 2002, the Provincial Agrarian Reform Adjudicator (PARAD) rendered a Decision^[4] in favor of respondents. The PARAD recomputed the land valuation and fixed the value of the property at P468,575.92. Petitioner filed a Motion for Reconsideration, but was denied.^[5] Aggrieved, pursuant to Section 57^[6] of R.A. No. 6657, petitioner filed a petition for determination of just compensation with the Regional Trial Court (RTC), sitting as a Special Agrarian Court (SAC).

On June 28, 2005, the SAC rendered a Decision^[7] finding the valuation made by the PARAD as the more realistic appraisal of the subject property, of which, the decretal portion reads as follows:

WHEREFORE, premises considered, judgment is hereby rendered:

- 1) Fixing the amount of FOUR HUNDRED SIXTY-EIGHT THOUSAND FIVE HUNDRED SEVENTY-FIVE 92/100 (P468,575.92) Pesos, Philippine currency for the acquired area of 7.3471 hectares, situated at Catamlangan, Pilar, Sorsogon in the name of Rosa P. Costo married to Pedro Costo, covered by OCT No. P-6487, 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 Private Respondents the amount of Four Hundred Sixty-Eight Thousand Five Hundred Seventy-Five and 92/100 (P468,575.92) Pesos, Philippine currency, 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.^[8]

Undeterred, petitioner sought recourse before the CA, which case was docketed as CA-G.R. SP No. 91469, raising the sole error that:

THE COURT A *QUO* GRAVELY ERRED IN FIXING THE AMOUNT OF P468,575.92 AS THE JUST COMPENSATION FOR THE ACQUIRED PROPERTY OF THE RESPONDENTS, THE SAME BEING IN CLEAR VIOLATION OF THE FACTORS UNDER SECTION 17 OF R.A. 6657 AS TRANSLATED INTO A BASIC FORMULA IN DAR ADMINISTRATIVE ORDER NO. 5, SERIES OF 1998.^[9]

On July 14, 2006, the CA rendered a Decision^[10] affirming the decision of the SAC in favor of the respondents, to wit:

WHEREFORE, the decision dated June 28, 2005 is **AFFIRMED**.

SO ORDERED.^[11]

In ruling for the respondents, the CA opined that the determination of just compensation is the exclusive domain of the courts and that the executive and legislative acts of fixing just compensation are not conclusive or binding upon the court, but should only be regarded as an initial valuation. Moreover, the SAC upheld the determination of the PARAD only after considering the relevant evidence of the parties. Thus, the CA was satisfied that the SAC decided the issue of just compensation based on factual grounds.

Hence, the petition assigning the lone error:

I

The court of appeals COMMITTED A SERIOUS ERROR OF LAW IN **AFFIRMING** THE DECISION DATED JUNE 28, 2005 OF THE SPECIAL AGRARIAN COURT (SAC), THE COMPENSATION FIXED BY THE SAC BEING NOT IN ACCORDANCE WITH THE VALUATION FACTORS MANDATED UNDER SECTION 17 OF R.A. 6657 AS TRANSLATED INTO A BASIC FORMULA IN DAR ADMINISTRATIVE ORDER, AND UPHELD BY THE SUPREME COURT IN THE CASE OF *SPS. BANAL*, G.R. NO. 143276 (JULY 20, 2004.)^[12]

Petitioner argues that contrary to the ruling in *Land Bank of the Philippines v. Banal*,^[13] the PARAD, the SAC, and the CA disregarded and did not follow the valuation factors under Section 17 of R.A. No. 6657 as translated into a basic formula in DAR Administrative Order (AO) No. 5, Series of 1998 in fixing the just compensation of the subject property. In fine, petitioner insists that the PARAD, the SAC, and the CA, should have relied on the ruling in *Land Bank of the Philippines v. Banal* in resolving the issue of just compensation.

On their part, respondents maintain that the PARAD, the SAC, and the CA did not err when they fixed the value of the subject property at P468,575.92.

The petition is bereft of merit.

The procedure for the determination of just compensation cases under R.A. No. 6657, as summarized in *Land Bank of the Philippines v. Banal*, is that initially, the Land Bank is charged with the responsibility of determining the value of lands placed under land reform and the compensation to be paid for their taking under the voluntary offer to sell or compulsory acquisition arrangement. The DAR, relying on the Land Bank's determination of the land valuation and compensation, then makes an offer through a notice sent to the landowner. If the landowner accepts the offer, the Land Bank shall pay him the purchase price of the land after he executes and delivers a deed of transfer and surrenders the certificate of title in favor of the government. In case the landowner rejects the offer or fails to reply thereto, the DAR Adjudicator conducts summary administrative proceedings to determine the compensation for the land by requiring the landowner, the Land Bank and other interested parties to submit evidence as to the just compensation for the land. A party who disagrees with the Decision of the DAR Adjudicator may bring the matter to the RTC designated as a Special Agrarian Court for the determination of just compensation. In determining just compensation, the RTC is required to consider several factors enumerated in Section 17 of R.A. No. 6657.^[14]

Section 17 of R.A. No. 6657 has defined the parameters for the determination of the just compensation, to wit:

Section 17. *Determination of Just Compensation.* – In determining just compensation, the cost of acquisition of the land, the current value of like properties, its nature, actual use and income, the sworn valuation by the owner, the tax declarations, and the assessment made by government assessors shall be considered. The social and economic benefits contributed by the farmers and the farmworkers and by the Government to the property as well as the nonpayment of taxes or loans secured from any government financing institution on the said land shall be considered as additional factors to determine its valuation.

Thus, in determining just compensation, the RTC is required to consider the following factors: (1) the acquisition cost of the land; (2) the current value of the properties; (3) its nature, actual use, and income; (4) the sworn valuation by the owner; (5) the tax declarations; (6) the assessment made by government assessors; (7) the social and economic benefits contributed by the farmers and the farmworkers, and by the government to the property; and (8) the non-payment of taxes or loans secured from any government financing institution on the said land, if any.^[15]

In *Land Bank of the Philippines v. Celada*,^[16] the Court ruled that the factors enumerated under Section 17 of R.A. No. 6657 had already been translated into a basic formula by the DAR pursuant to its rule-making power under Section 49 of R.A. No. 6657. Thus, the Court held that the formula outlined in DAR AO No. 5, series of 1998, should be applied in computing just compensation.^[17] DAR AO No. 5, series of 1998, provides:

A. There shall be one basic formula for the valuation of lands covered by VOS or CA:

$$LV = (CNI \times 0.6) + (CS \times 0.3) + (MV \times 0.1)$$

Where: LV = Land Value

CNI = Capitalized Net Income

CS = Comparable Sales

MV = Market Value per Tax Declaration

The above formula shall be used if all three factors are present, relevant and applicable.

A1. When the CS factor is not present and CNI and MV are applicable, the formula shall be:

$$LV = (CNI \times 0.9) + (MV \times 0.1)$$

A2. When the CNI factor is not present, and CS and MV are applicable, the formula shall be:

$$LV = (CS \times 0.9) + (MV \times 0.1)$$

A3. When both the CS and CNI are not present and only MV is applicable,