

THIRD DIVISION

[G.R. No. 177404, June 25, 2009]

LAND BANK OF THE PHILIPPINES, PETITIONER, VS. KUMASSIE PLANTATION COMPANY INCORPORATED, RESPONDENT.

[G.R. No. 178097]

KUMASSIE PLANTATION COMPANY INCORPORATED, PETITIONER, VS. LAND BANK OF THE PHILIPPINES AND THE SECRETARY OF THE DEPARTMENT OF AGRARIAN REFORM, RESPONDENTS.

D E C I S I O N

CHICO-NAZARIO, J.:

Before Us are two consolidated Petitions for Review on *Certiorari* under Rule 45 of the Rules of Court,^[1] docketed as G.R. No. 177404 and G.R. No. 178097, assailing the Decision,^[2] dated 24 November 2005, and Resolution,^[3] dated 30 March 2007, of the Court of Appeals in CA-G.R. CV No. 65923.

The undisputed facts are as follows:

Kumassie Plantation Company Incorporated (KPCI) is the registered owner of 802.2906 hectares of agricultural land situated in Basiawan, Santa Maria, Davao del Sur, and covered by Transfer Certificate of Title (TCT) No. 646.^[4] In 1982, KPCI and Philippine Cocoa Corporation (PCC) entered into a contract of lease whereby the former agreed to lease the said land together with the improvements thereon to the latter for a period of 25 years beginning 15 May 1982.^[5] Subsequently, PCC executed a deed of assignment transferring all its rights as lessee under the said contract of lease to Philippine Cocoa Estates Corporation (PCEC) effective 31 December 1983.^[6]

On 18 February 1992, a portion of the aforementioned land, measuring 457.9952 hectares, planted with coconuts and cocoa (subject land), was compulsorily acquired by the Department of Agrarian Reform (DAR), Region XI, Davao City, for distribution to farmer-beneficiaries pursuant to Republic Act No. 6657, otherwise known as the Comprehensive Agrarian Reform Law of 1988.^[7] The DAR then requested the Land Bank of the Philippines (LBP) to determine the value of the subject land.^[8] LBP pegged the value of the subject land at P19,140,965.00 or equivalent to P41,792.94 per hectare.^[9] DAR offered to KPCI said amount as compensation for the subject land,^[10] but it was rejected by KPCI for being "unreasonably low."^[11] Despite the rejection by KPCI of the valuation of the subject land by LBP, the amount of P19,140,965.00 was deposited by LBP, upon the instructions of DAR, in the name

and for the account of KPCI.^[12] KPCI withdrew from LBP the entire amount in cash and bonds.^[13]

DAR then advised the Department of Agrarian Reform Adjudication Board (DARAB), on 27 July 1994, to conduct a summary administrative proceeding for the determination of the just compensation due KPCI for the subject land.^[14] The proceeding was docketed as DARAB Case No. JC-R-XI-DAV-OR-0017-CO. LBP and KPCI later submitted their respective position papers with the DARAB.^[15]

DAR next directed the Register of Deeds of Digos, Davao del Sur, on 26 September 1994, to cancel TCT No. 646 covering the subject land in the name of KPCI and to issue a new TCT in the name of the Republic of the Philippines.^[16] After the issuance of a new TCT in the name of the Republic of the Philippines, and again upon the request of the DAR, the Register of Deeds of Digos, Davao del Sur, issued Certificates of Land Ownership Award (CLOAs) to qualified farmer-beneficiaries.^[17]

On 20 January 1997, KPCI filed with the Davao City Regional Trial Court (RTC), Branch 15 (acting as a Special Agrarian Court), a Complaint against LBP and the DAR for determination and payment of just compensation, docketed as Civil Case No. 25,045-97.^[18] KPCI implored the RTC to render judgment fixing the just compensation for the subject land at P160,000.00 per hectare, or equivalent to a total amount of P73,279,232.00, less the amount of P19,140,965.00 which KPCI had previously withdrawn from LBP.^[19]

Subsequently, LBP and the DAR filed with the RTC their respective Answers contending that the Complaint was prematurely filed as KPCI failed to exhaust administrative remedies; that KPCI was already paid just compensation for the subject land, determined to be P41,792.94 per hectare, for a total amount of P19,140,965.91; and that KPCI admitted in the Complaint having received such amount from LBP. LBP asserted that it correctly calculated the value of the subject land to be P19,140,965.91, applying the formula prescribed in DAR Administrative Order (DAO) No. 6, Series of 1992, as amended by DAO No. 11, Series of 1994. At the end of their respective Answers, both LBP and DAR sought the dismissal of the Complaint of KPCI.^[20]

The RTC thereafter directed the parties to submit the names of their respective nominees for commissioners in Civil Case No. 25,045-97.^[21] KPCI nominated Oliver A. Morales (Morales), President of Cuervo Appraisers Incorporated,^[22] while LBP submitted the name of a certain Engineer Romeo Cabanial.^[23] For its part, the DAR endorsed Tomasa L. Miranda (Miranda), a DAR employee.^[24] The RTC appointed Morales and Miranda as commissioners. The two subsequently took their oaths of office as court-appointed commissioners.^[25]

Meanwhile, the DARAB issued, on 19 May 1997, a Resolution in JC-R-XI-DAV-OR-0017-CO, affirming the valuation of the subject land by the LBP.^[26] The DARAB found the LBP valuation of the subject land to be "accurate and just," as it was in harmony with the pertinent provisions of Republic Act No. 6657 and DAO No. 6, Series of 1992, as amended.^[27]

After trial in Civil Case No. 25,045-97, the RTC rendered its Decision on 18 February 1999, fixing the fair and reasonable value of the subject land at P100,000.00 per hectare. In arriving at said valuation, the RTC considered the location of the subject land, the nature of the trees planted thereon, and the reasons stated in Morales' appraisal report. The RTC then ordered LBP and DAR to pay KPCI an amount equivalent to P100,000.00 per hectare as just compensation for the subject land, plus legal interest computed from 23 March 1994 until fully paid.^[28]

LBP filed with the RTC a Motion for Reconsideration of the foregoing Decision;^[29] while DAR filed a Notice of Appeal, manifesting that it would appeal said RTC Decision to the Court of Appeals.^[30]

On 23 July 1999, the RTC issued an Order denying the Motion for Reconsideration of LBP.^[31] Aggrieved, LBP filed its appeal with the Court of Appeals, docketed as CA-G.R CV No. 65923.^[32] LBP filed, on 27 September 2000, its Appellant's Brief in CA-G.R CV No. 65923.^[33] DAR joined the appeal of LBP by filing, on 18 January 2001, in CA-G.R CV No. 65923, a Manifestation adopting *in toto* the Appellant's Brief of LBP.^[34]

On 24 November 2005, the Court of Appeals promulgated its Decision in CA-G.R CV No. 65923, affirming with modification the appealed RTC Decision. The appellate court sustained the finding of the RTC that the fair and reasonable value of the subject land was P100,000.00 per hectare. Nevertheless, it ruled that the imposition of legal interest should be deleted, as there was no delay on the part of LBP in depositing the amount of P19,140,965.91 in the account of KPCI, which amount was admittedly withdrawn by KPCI. The *fallo* of the Decision of the Court of Appeals reads:

WHEREFORE, premises considered, the Decision of the Regional Trial Court (RTC), 11th Judicial Region, Br. 15, Davao City is **AFFIRMED with MODIFICATION**. As modified, as none should be awarded, the award of interest is deleted. No costs.^[35]

LBP and KPCI each filed its own Motion for Reconsideration of the 24 November 2005 Decision of the Court of Appeals,^[36] but both Motions were denied by the appellate court in its Resolution dated 30 March 2007.

Hence, LBP and KPCI separately sought recourse from this Court by virtue of the Petitions for Review presently before us, docketed as **G.R. No. 177404** and **G.R. No. 178097**, respectively. The two Petitions were consolidated since they arose from the same set of facts.^[37]

The procedure for the determination of compensation cases under Republic Act No. 6657, as devised by this Court,^[38] commences with the valuation by the LBP of the lands taken by the State from private owners under the land reform program. Based on the valuation of the land by the LBP, the DAR makes an offer to the landowner through a written notice. In case the landowner rejects the offer, a summary administrative proceeding is held and, afterwards, depending on the value of the

land, the Provincial Agrarian Reform Adjudicator (PARAD), the Regional Agrarian Reform Adjudicator (RARAD), or the DARAB, fixes the price to be paid for the said land. If the landowner still does not agree with the price so fixed, he may bring the matter to the RTC, acting as Special Agrarian Court.

In the process of determining the just compensation due to landowners, it is a necessity that the RTC takes into account several factors enumerated in Section 17 of Republic Act No. 6657, as amended, to wit:

Sec. 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 **non-payment of taxes or loans** secured from any government financing institution on the said land shall be considered as additional factors to determine its valuation.

Being the government agency primarily charged with the implementation of the agrarian reform program, DAR issued DAO No. 6, Series of 1992, as amended, filling out the details necessary for the implementation of Section 17 of Republic Act No. 6657. DAR translated the factors specified in Section 17 of Republic Act No. 6657, into a basic formula, presented as follows in DAO No. 6, Series of 1992, as amended:

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

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 the three factors are present, relevant, and applicable.

A.1 When the CS factor is not present and CNI and MV are applicable, the formula shall be:

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

A.2 When the CNI factor is not present, and CS and MV are applicable, the formula shall be:

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

A.3 When both the CS and CNI are not present and only MV is applicable, the formula shall be:

$$LV = MV \times 2$$

In its Petition docketed as **G.R. No. 177404**, LBP maintains that the RTC and the Court of Appeals erred in their valuation of the subject land at P100,000.00 per hectare because both courts did not consider the factors enumerated in Section 17 of Republic Act No. 6657 and the formula for valuation of lands under DAO No. 6, Series of 1992, as amended.^[39]

While the determination of just compensation is essentially a judicial function which is vested in the RTC acting as Special Agrarian Court, we, nonetheless, disregarded the determination of just compensation made by the RTC in *Land Bank of the Philippines v. Banal*,^[40] *Land Bank of the Philippines v. Celada*,^[41] and in *Land Bank of the Philippines v. Lim*,^[42] when, as in this case, the judge gravely abused his discretion by not taking into full consideration the factors specifically identified by law and implementing rules.

In several cases, we have reminded the special agrarian courts to resolve just determination cases judiciously and with utmost observance of Section 17 of Republic Act No. 6657 and the administrative orders issued by the DAR to implement said statutory provision.

In *Land Bank of the Philippines v. Banal*,^[43] we emphasized that the factors laid down in Section 17 of Republic Act No. 6657 and the formula stated in DAO No. 6, Series of 1992, as amended, must be adhered to by the RTC in fixing the valuation of lands subjected to agrarian reform, thus:

In determining just compensation, the **RTC is required** to consider several factors enumerated in Section 17 of R.A. 6657, as amended, thus:

x x x x

These factors have been translated into a basic formula in [**DAO 6-92**], as amended by [DAO 11-94], issued pursuant to the DAR's rule-making power to carry out the object and purposes of R.A. 6657, as amended.

x x x x

While the determination of just compensation involves the exercise of judicial discretion, however, such discretion must be discharged within the bounds of the law. Here, the RTC wantonly disregarded R.A. 6657, as amended, and its implementing rules and regulations. ([DAO 6-92], as amended by [DAO 11-94]).

x x x x