

SECOND DIVISION

[G.R. No. 175175, September 29, 2008]

LAND BANK OF THE PHILIPPINES, PETITIONER, VS. HEIRS OF ELEUTERIO CRUZ, RESPONDENTS.

D E C I S I O N

TINGA, J.:

This is a Petition for Review on Certiorari^[1] under Rule 45 of the 1997 Rules of Civil Procedure, assailing the Decision^[2] and Resolution^[3] of the Court of Appeals (CA) in CA-G.R. SP No. 93207. The CA decision affirmed the decision of the Regional Trial Court (RTC) of Tuguegarao City, Branch 1 sitting as a Special Agrarian Court (SAC), which approved and ordered the payment of the amount of just compensation fixed by the Cagayan Provincial Agrarian Reform Adjudicator (PARAD) in favor of herein respondents.^[4] The CA resolution denied petitioner's motion for reconsideration of the decision.^[5]

The following factual antecedents are matters of record.

Petitioner Land Bank of the Philippines (LBP) is a government banking institution designated under Section 64 of Republic Act (R.A.) No. 6654 as the financial intermediary of the agrarian reform program of the government.

Respondent Heirs of Eleuterio Cruz are Anicia Cruz-Papa, Resurreccion Cruz-Pagcaliwagan, Antonio D. Cruz, Lourdes Cruz-Doma, Lorna Cruz-Felipe, Mamerto D. Cruz, Eduardo D. Cruz and Victoria Cruz-Dumlao. Eleuterio Cruz is the registered owner of an unirrigated riceland situated in Lakambini, Tuao, Cagayan per Transfer Certificate of Title No. T-368. Of the total 13.7320 hectares of respondents' landholding, an area of 13.5550 hectares was placed by the government under the coverage of the operation land transfer program under Presidential Decree (P.D.) No. 27.^[6]

Petitioner pegged the value of the acquired landholding at P106,935.76 based on the guidelines set forth under P.D. No. 27^[7] and Executive Order (E.O.) No. 228.^[8] Respondents rejected petitioner's valuation and instituted an action for a summary proceeding for the preliminary determination of just compensation before the PARAD. On 23 November 1999, the PARAD rendered a decision fixing the just compensation in the amount of P80,000.00 per hectare.^[9] Petitioner sought reconsideration but was unsuccessful.

Thus, on 28 January 2000, petitioner filed a petition for the determination of just compensation before the RTC of Tuguegarao City.^[10] The petition was docketed as Agrarian Case No. 0058 and entitled *Land Bank of the Philippines v. Heirs of Eleuterio Cruz, represented by Lorna Cruz, et al.*^[11]

Petitioner's evidence consisted of the testimonies of Benedicta Simon, head of the LBP Evaluation Division of Land Owner's Compensation Department, and Francisco de la Cruz, Chief, PARAD, Cagayan. Simon testified that as the officer charged with reviewing claims under the agrarian reform program, she computed the valuation of respondents' landholdings based on the formula set forth in P.D. No. 27, E.O. No. 228 and Administrative Order (A.O.) No. 13, series of 1994 and arrived at the value of P106,935.76. As the PARAD Chief tasked to oversee the implementation of the agrarian reform program, De la Cruz testified that the subject landholding was tenanted and covered by production agreements between the owner and various tenants.^[12] Petitioner offered in evidence Exhibit "H" to prove that the subject landholding had an average production of 25 and 40 *cavans* per hectare annually.

For their part, respondents presented Lorna Cruz Felipe, who testified that as one of the heirs of Eleuterio Cruz, she knew that the subject landholding was planted with rice two or three times a year and had a production capacity of 80 to 100 *cavans* per hectare. Felipe also claimed that the current market value of the property was between P150,000.00 to P200,000.00 per hectare.^[13]

On 07 December 2005, the RTC, sitting as an Special Agrarian Court (SAC), rendered a decision, the dispositive portion of which reads:

WHEREFORE, in the light of the foregoing ratiocination, judgment is hereby rendered fixing the amount of P80,000.00 to be the just compensation of the land subject of this case with an area of 13.7320 hectares situated at Lakambini, Tuao, Cagayan and covered under TCT No. T-368 and ordering Land Bank of the Philippines to pay respondent represented by Lorna Cruz-Felipe the amount of P1,098,560.00 in the manner provided by R.A. No. 6657 by way of full payment of the said just compensation.

SO DECIDED.^[14]

The SAC held that the value of P80,000.00 per hectare fixed by the PARAD should be accorded weight and probative value and that the SAC is guided by the various factors enumerated in Section 17^[15] of R.A. No. 6657 in determining just compensation. It disregarded respondents' claim that the valuation should be based on the current market value of the landholding since no evidence was adduced in support of the claim. The SAC also did not accept petitioner's valuation as it was based on P.D. No. 27, in which just compensation was determined at the time of the taking of the property.^[16]

Petitioner filed a motion for reconsideration, which was denied in a Resolution dated 26 January 2006,^[17] prompting petitioner to elevate the matter to the CA. In its petition for review,^[18] petitioner questioned the total land area as well as the amount of just compensation adjudged by the SAC.^[19]

On 17 August 2006, the CA rendered the assailed decision partly granting petitioner's appeal.^[20] The appellate court ruled that the total area covered by the agrarian reform program as was duly established before the PARAD and expressly stated in the pre-trial order was only 13.5550 hectares and not 13.7320 hectares as

was stated in the dispositive portion of the decision of the SAC.^[21] However, the appellate court affirmed the SAC decision fixing just compensation at P80,000.00 per hectare. Petitioner sought consideration but was denied in the assailed Resolution dated 30 October 2006.^[22]

Hence, the instant petition, arguing that the formula set forth in P.D. No. 27/E.O. No. 228 should be applied in fixing just compensation since respondents' landholding was acquired under P.D. No. 27. Citing Section 2^[23] of E.O. No. 228 and *LBP v. Hon. David C. Naval*,^[24] petitioner posits that the correct formula in determining the just compensation should be $\text{Land Value} = (2.5 \times \text{AGP} \times \text{P35}) \times A$, where AGP is the Average Gross Production per hectare; P35.00 is the Government Support Price for *palay* in 1972; and A is the total land area.

Petitioner insists that the values in E.O. No. 228 are applicable to lands acquired under P.D. No. 27 in cognizance of the well-settled rule that just compensation is the value of the property at the time of the taking on 21 October 1972, when the ownership of the subject property was transferred from the landowner to the farmers-beneficiaries and when the former was effectively deprived of dominion and possession over said land.

The petition lacks merit.

The Court laid down in *Paris v. Alfeche*^[25] the applicability of P.D. No. 27 and E.O. No. 228 in relation to R.A. No. 6657 in the matter of the payment of just compensation. There the Court explained that while under P.D. No. 27 tenant farmers are already deemed owners of the land they till, they are still required to pay the cost of the land before the title is transferred to them and that pending the payment of just compensation, actual title to the tenanted land remains with the landowner.

In *Paris*, the application of the process of agrarian reform was still incomplete thus, the Court held therein that with the passage of R.A. No. 6657 before its completion, the process should now be completed under R.A. No. 6657, with P.D. No. 27 and E.O. No. 228 applying only suppletorily.^[26]

In *Land Bank of the Philippines v. Natividad*,^[27] the Court explained why the guidelines under P.D. No. 27 and E.O. No. 228 are no longer applicable to the delayed payment of lands acquired under P.D. No. 27, to wit:

It would certainly be inequitable to determine just compensation based on the guideline provided by PD No. 27 and EO 228 considering the DAR's failure to determine the just compensation for a considerable length of time. That just compensation should be determined in accordance with RA 6657, and not PD 27 or EO 228, is especially imperative considering that just compensation should be the full and fair equivalent of the property taken from its owner by the expropriator, the equivalent being real, substantial, full and ample.^[28]

The decisive backdrop of the instant case coincides with that in *Paris*, that is, the amount of just compensation due to respondents had not yet been settled by the time R.A. No. 6657 became effective. Following the aforementioned pronouncement