

## THIRD DIVISION

[ G.R. No. 180557, September 26, 2008 ]

**HEIRS OF ROQUE F. TABUENA, REPRESENTED BY AURORA P. TABUENA, ESTER P. TABUENA AND ERLINDA T. MARCELLANA, HEIRS OF JOSE TABUENA, REPRESENTED BY MA. LUZ T. MACASINAG, HEIRS OF ROMULO TABUENA, REPRESENTED BY MILAGROS ARROYO, HEIRS OF BENJAMIN TABUENA, REPRESENTED BY MA. VICTORIA TABUENA, AND RAFAELA ROSARIO ESGUERRA, PETITIONERS, VS. LAND BANK OF THE PHILIPPINES, RESPONDENT.**

### *DECISION*

**YNARES-SATIAGO, J.:**

This petition assails the July 11, 2007 Decision<sup>[1]</sup> of the Court of Appeals in CA-G.R. SP No. 88469 which reversed and set aside the October 1, 2004 Decision<sup>[2]</sup> of the Regional Trial Court of Sorsogon City, Branch 52 in Agrarian Case No. 2000-6767. Also assailed is the October 15, 2007 Resolution<sup>[3]</sup> which denied the motion for reconsideration.

The facts of the case as found by the Court of Appeals are as follows:

On September 28, 2000, respondents filed a complaint for determination and payment of just compensation against the Department of Agrarian Reform (DAR) and Land Bank of the Philippines (LBP), which was amended on October 3, 2000, alleging that they were the owners of Lot No. 6183, an irrigated riceland with an area of 29.9557 hectares located at Bibinchan, Sorsogon, Sorsogon; that 26.2585 hectares of said lot were brought by DAR under the coverage of P.D. No. 27 (The Comprehensive Agrarian Reform Law) and set the total value thereof at P105,572.48, excluding increments, in contravention of their right to a just compensation; and that the determination of what constitutes just compensation is inherently a judicial function which cannot and should not be left to administrative officials.

An amended answer was filed by DAR alleging that the determination of just compensation by the court is not necessary because respondents and the farmer-beneficiaries had already executed a Landowner-Tenant Production Agreement and Farmers Undertaking (LTPA-FU) To Pay to the LBP, whereby the parties agreed on the valuation of the riceland; and that in compliance with said agreement, the farmer-beneficiaries have already paid their land amortizations with LBP, as evidenced by a Certification dated July 18, 1980 issued by Mr. Ely Pongpong, Bank Executive Officer I.

A motion to dismiss was filed by LBP alleging that the case did not pass the Department of Agrarian Reform and Adjudication Board (DARAB), which has primary and exclusive original and appellate jurisdiction over the valuation of land, as well as the preliminary determination and payment of just compensation and disputes concerning the functions of LBP; that for failure to exhaust administrative remedies, the case is premature; and that respondents have no cause of action against it.

In an Order dated March 26, 2001, the court *a quo* found LBP's argument on non-exhaustion of administrative remedies to be meritorious and referred the case to the DARAB/PARAD for it to conduct a summary hearing for initial valuation process. However, the Provincial Adjudicator of Sorsogon informed the court *a quo* that the Preliminary Valuation and other pertinent papers have not yet been forwarded to the Board.

LBP then filed an answer alleging that the complaint states no cause of action because respondents already received the payment for their property in the form of cash and bonds and they executed documents evidencing payment of the property to their full satisfaction, such as the Assignment of Rights, Landowner's Affidavit of Warranty and Undertaking, Extrajudicial Settlement of Estate and Waiver of Rights, Payment Release Forms, Special Power of Attorney and Delegation of Special Power of Attorney, copies of which, together with photocopies of the Case Registry Book and Bond Registry Book, were attached thereto as Annexes "A" to "G."

In their position paper, respondents admitted that they have already received the amount of P64,690.19 from the valuation of P105,572.48. However, they claimed that the valuation of P4,398.00 per hectare is unreasonable and shocking to the conscience and since they have not yet been fully paid for their property, they are still the owners thereof and can ask for an increase of the purchase price.

A position paper was filed by DAR alleging that respondents accepted the valuation of P15,572.48 and executed a Deed of Assignment of Rights and Landowner's Affidavit of Warranty and Undertaking, so that they are already estopped from asking for an increase in the purchase price.

LBP filed a position paper alleging that respondents are estopped from claiming an increase in the valuation on the grounds of payment and prescription, as more than twenty (20) years have lapsed from the time said valuation was made.

On October 1, 2004, the court *a quo* rendered judgment, the dispositive portion of which reads:

"WHEREFORE, premises considered, judgment is hereby rendered:

- 1) Fixing the amount of FOUR MILLION EIGHT HUNDRED FIFTY-FIVE THOUSAND PESOS (PHP4,855,000.00) for the area of 26.0012 hectares,

covered by TCT No. T-28473 in the name of the Heirs of Roque Tabuena of that Riceland situated at Baribag, Bibincahan, Sorsogon City which property was taken by the government pursuant to P.D. No. 27.

- 2) Ordering the defendant Land Bank of the Philippines to pay the Plaintiffs the total amount of Four Million Eight Hundred Fifty-Five Thousand Pesos (P4,855,000.00) Philippine currency in the manner provided by law by way of the full payment of the said just compensation after deducting whatever amount previously received by the plaintiffs if any from the defendant Land Bank of the Philippines as part of the just compensation.
- 3) Ordering the plaintiffs to pay whatever deficiency in the docket fees to the Clerk of Court based on the valuation fixed by the Court.
- 4) Without pronouncement as to costs.

SO ORDERED."<sup>[4]</sup>

DAR and LBP filed separate motions for reconsideration<sup>[5]</sup> but were denied; thus, both filed petitions for review<sup>[6]</sup> before the Court of Appeals. However, DAR's petition was dismissed by the Court of Appeals in a Resolution dated August 26, 2005. An Entry of Judgment<sup>[7]</sup> was issued on September 23, 2005. Only LBP's Petition for Review<sup>[8]</sup> was considered by the appellate court.

LBP alleged that the subject land transfer claim had been settled and extinguished by virtue of the Deed of Assignment of Rights executed by petitioners in favor of LBP; that the said deed is the best evidence that the land transfer claim had been consummated; that since there has been no action on the part of petitioners to annul the same, they were estopped from assailing its validity; that the just compensation fixed by the trial court in the amount of P4,855,000.00 was improper since the valuation should be computed at the time of the taking of the property; that petitioners should have first availed of the administrative proceedings before the DAR which has primary jurisdiction over the case; and that it is only after the landowner had disagreed with the valuation of the DAR that he can file a case before the courts for final determination of just compensation.

Petitioners claimed that their acceptance of the offered price does not estop them from questioning the valuation since the Deed of Assignment of Rights is not conclusive proof that their claim was extinguished; that the trial court did not err in fixing just compensation in the amount of P4,855,000.00 since the actual taking of the land would take effect only upon the payment of just compensation.

On July 11, 2007, the appellate court rendered the assailed Decision reversing and setting aside the decision of the trial court and dismissing the complaint for determination and payment of just compensation. The Court of Appeals ruled that although the Deed of Assignment of Rights was not formally offered by the

respondent, the same was incorporated in the records of the case; moreover, petitioners failed to deny it under oath hence, its genuineness and due execution are deemed admitted; that since petitioners executed a Deed of Assignment of Rights and acknowledged receipt of the full compensation for the property, there is no need to bring the matter to the trial court for the determination and payment of just compensation; that petitioners' cause of action has prescribed since the action for determination and payment of just compensation was filed only after 20 years from the time its valuation has been fixed by DAR; that in computing the just compensation for expropriation proceedings, it is the value of the land at the time of the taking, not at the time of the rendition of the judgment, that should be taken into consideration.

Petitioners' motion for reconsideration<sup>[9]</sup> was denied; hence, the instant petition for review on certiorari.

Petitioners contend that the appellate court erred when it admitted the Deed of Assignment of Rights considering that the said document was not offered in evidence by respondent; that petitioners were not given the opportunity to examine the same or to object to its admissibility; that assuming that the said deed may be admitted in evidence, it could not be considered as a binding contract because they executed the same under duress.

The petition lacks merit.

Generally, courts cannot consider evidence which has not been formally offered. Parties are required to inform the courts of the purpose of introducing their respective exhibits to assist the latter in ruling on their admissibility in case an objection thereto is made. Without a formal offer of evidence, courts are constrained to take no notice of the evidence even if it has been marked and identified.<sup>[10]</sup> However, this Court has relaxed the foregoing rule and allowed evidence not formally offered to be admitted and considered by the trial court provided the same must have been identified by testimony duly recorded and incorporated in the records of the case.<sup>[11]</sup>

In the instant case, the Deed of Assignment of Rights<sup>[12]</sup> was set up by LBP as an affirmative defense in its Answer and was incorporated in the records of the case as an annex.<sup>[13]</sup> Petitioners however failed to question its existence or due execution. On the contrary, they acknowledged receipt of a portion of the compensation for the property<sup>[14]</sup> and admitted that the Deed of Assignment of Rights appeared as an encumbrance in their certificate of title.<sup>[15]</sup> Petitioners' failure to specifically deny under oath the existence, authenticity and due execution of the said document is tantamount to a judicial admission of its genuineness and due execution.<sup>[16]</sup> Sections 7 and 8, Rule 8 of the Rules of Court provide:

SEC. 7. *Action or defense based on document.* - Whenever an action or defense is based upon a written instrument or document, the substance of such instrument or document shall be set forth in the pleading, and the original or a copy thereof shall be attached to the pleading as an exhibit, which shall be deemed to be a part of the pleading, or said copy may with like effect be set forth in the pleading.