

THIRD DIVISION

[G.R. No. 124795, December 10, 2008]

**FORFOM DEVELOPMENT CORPORATION, PETITIONER, VS.
PHILIPPINE NATIONAL RAILWAYS, RESPONDENT.**

DECISION

CHICO-NAZARIO, J.:

Before us is a Petition for Review on *Certiorari* under Rule 45 of the Rules of Court which seeks to set aside the Decision^[1] of the Court of Appeals dated 24 April 1996.

Petitioner Forfom Development Corporation (Forfom) is a domestic corporation duly organized and existing under the laws of the Philippines with principal office at Cabuyao, Laguna, while respondent Philippine National Railways (PNR) is a government corporation engaged in proprietary functions with principal office at the PNR Railway Station, C.M. Recto Avenue, Tutuban, Binondo, Manila.

The facts, stripped of the non-essentials, are as follows:

Forfom is the registered owner of several parcels of land in San Vicente, San Pedro, Laguna under Transfer Certificates of Title (TCT) Nos. T-34384, T-34386 and 34387, all of the Registry of Deeds of Laguna. Said parcels of land were originally registered in the name of Felix Limcaoco, predecessor-in-interest of Forfom, under Original Certificates of Title (OCT) Nos. (0-326) 0-384 and (0-328) 0-386.

In a cabinet meeting held on 1 November 1972, then President Ferdinand E. Marcos approved the Presidential Commuter Service Project, more commonly known as the Carmona Project of the President. Per Resolution No. 751 dated 2 November 1972 of the PNR Board of Directors, its General Manager was authorized to implement the project. The San Pedro-Carmona Commuter Line Project was implemented with the installation of railroad facilities and appurtenances.

During the construction of said commuter line, several properties owned by private individuals/corporations were traversed as right-of-way. Among the properties through which the commuter line passed was a 100,128 square-meter portion owned by Forfom covered by TCT Nos. T-34384, T-34386 and T-34387.

On 24 August 1990, Forfom filed before the Regional Trial Court (RTC) of Binan, Laguna a complaint^[2] for Recovery of Possession of Real Property and/or Damages. It alleged that PNR, with the aid of military men, and without its consent and against its will, occupied 100,128 square meters of its property located in San Pedro, Laguna and installed thereon railroad and railway facilities and appurtenances. It further alleged that PNR rented out portions of the property to squatters along the railroad tracks. Despite repeated verbal and written demands for the return of the property or for the payment of its price, PNR failed to comply. It

prayed that PNR be ordered to vacate the property and to cause the eviction of all shanties and squatters that PNR had taken in as lessees, and that it be restored to the peaceful occupation and enjoyment thereof. It likewise asked that Forfom be ordered to pay (a) P1,000.00 per month per hectare from occupation of the property until the same is vacated as rentals plus interest at 24% per annum; (b) P1,600,000.00 as unrealized income from occupation of the property up to the present plus 12% interest per annum until fully paid; (c) P150,000.00 for actual damages on account of the destruction of crops and improvements on the property when the occupation of the property commenced plus 12% interest per annum until fully paid; (d) at least P100,000.00 as exemplary damages; (e) P100,000.00 plus 15% of the amount and properties to be recovered as attorney's fees; and (f) costs of the suit.^[3]

In its Amended Answer,^[4] PNR alleged that, per authority granted by law (Presidential Decree No. 741), it acquired parcels of land used in the construction of the railway track to Carmona, Cavite. It, however, denied that the property acquired from Forfom was leased to tenants. It likewise denied that the acquisition of Forfom's property was made without the consent of Dr. Felix Limcaoco, the former owner of the property. It stressed that the acquisition of the properties used in the project was done through negotiations with the respective owners. It asserted that no crop was damaged when it acquired the property subject of the case. Further, it denied liability for unrealized income, exemplary damages and attorney's fees.

PNR explained that former President Ferdinand E. Marcos approved what was known to be the Carmona Project -- a 5.1 kilometer railroad extension line from San Pedro, Laguna to San Jose, Carmona, Cavite to serve the squatters' resettlement area in said localities. It claimed that it negotiated with the respective owners of the affected properties and that they were paid just compensation. Dr. Felix Limcaoco, it said, was not paid because he failed to present the corresponding titles to his properties. It claimed that the right to and just compensation for the subject property was the declared fair market value at the time of the taking which was P0.60 per square meter. It disclosed that in a meeting with the representatives of Dr. Limcaoco, the price agreed upon was P1.25 per square meter, the amount the adjoining owners was paid. It prayed that the instant complaint be dismissed, and that the owner of the properties involved be compelled to accept the amount of P1.25 per square meter as price for the properties.

In an Order dated 29 October 1990, the pre-trial conference on the case was set.^[5] On 13 March 1991, for failure of the parties to reach any agreement, pre-trial was terminated and trial of the case scheduled.^[6] Thereafter, trial on the merits ensued.

The following witnesses testified for Forfom: (1) Leon Capati; (2) Marites Dimaculangan; (3) Marilene L. de Guzman; (4) Gavino Rosas de Claro; and (5) Jose Elazegui.

Mr. Leon Capati,^[7] employee of Forfom, testified that he knew Dr. Felix Limcaoco, Sr. because he worked for him since 1951 until his death. He knew Forfom Development Corporation to be a corporation formed by the children of Dr. Limcaoco and owner of the properties left behind by said doctor. He said he worked as overseer in Hacienda Limcaoco in San Pedro, Laguna owned by Dr. Limcaoco. Said *hacienda* was converted to the Olympia Complex Subdivision now owned by Forfom.

Being a worker of Forfom, he disclosed that in 1972, the PNR forcibly took portions of the property of Forfom. Armed men installed railroads and even used bulldozers which caused the destruction of around eleven hectares of sugar land. Since 1972, he said PNR used the property for its benefit and even leased part of it to people living near the railroad. At that time, he claimed that the value of sugarcane was P200.00 per *piko* and that the plantation harvested sixty (60) tons annually worth P224,000.00. In all, from 1972 to 1985, he claimed Forfom lost P2,917,200.00 in ruined sugar, unrealized harvest, excluding unrealized harvest for nine mango trees which yielded 60 *kaings* per tree per harvest.

Ms. Marites Dimaculangan,^[8] an officer of Forfom, corroborated the testimony of Mr. Leon Capati. She presented documents^[9] showing that Hacienda Limcaoco was previously owned by Dr. Felix Limcaoco, then the ownership was transferred to Forfom. As proof that Hacienda Limcaoco was converted into a low-cost housing subdivision known as the Olympia Complex Subdivision, she presented permits from the Human Settlements Regulatory Commission and from the Municipality of San Pedro.^[10] She also adduced in evidence several letters^[11] allegedly showing that PNR occupied the property owned by the Limcaocos. As a result, around eleven hectares of the sugar cane plantation were destroyed.^[12] From 1972 to 1985, she claimed that part of the property taken by PNR was leased to squatters beside the railroad tracks. She added that Forfom incurred a loss totaling P2,917,200.00. She claimed that the current price of land contiguous to the parcels taken by PNR was P1,000.00 per square meter.

Ms. Marilene L. De Guzman,^[13] Executive Vice-President of Forfom and daughter of the Late Dr. Felix Limcaoco, corroborated the testimonies of Mr. Capati and Ms. Dimaculangan. She disclosed that his father died on 25 March 1973. She learned from her father and from Mr. Leon Capati that when the armed men took a portion of their property, the armed men did not show any court order or authority from any agency of the government. The armed men used bulldozers destroying 11 hectares of sugarcane and some mango trees. She said those taken over were used as railroad tracks and a portion beside the tracks were being leased to squatters. She revealed that the present fair market value of land at Olympia Complex is P1,400.00 per square meter.^[14] If the land is not developed, same can be sold for P800.00 per square meter. She said from the time their property was taken over by PNR, her family has been writing to PNR regarding compensation for their land.^[15]

Ms. De Guzman said the property was still in the name of Dr. Felix Limcaoco, Sr. and Mrs. Olympia Limcaoco when the PNR took over a portion of their properties. She said she was not informed by Mr. Capati that the PNR took the said property over pursuant to a Presidential Mandate in order to provide transportation for relocated squatters. She explained that her father and Mr. Capati were not advised to harvest their crops and were surprised by the taking over of the land.

Mr. Gavino Rosas de Claro,^[16] Land Register Examiner of the Register of Deeds of Calamba, Laguna, testified as representative of the Register of Deeds. He brought in Court the originals of TCT Nos. T-34384^[17] and T-34386,^[18] both in the name of Forfom Development Corporation and OCT Nos. (O-326) O-384^[19] and (O-328) O-386, both in the name of Dr. Felix Limcaoco, Sr.^[20] Thereafter, photocopies thereof were compared with the originals which were found to be faithful reproductions of

the same.

Jose Elazegui,^[21] Supervisor, Southern Tagalog Facoma, Inc. was presented to show the production of sugar and molasses on the property of Forfom. He presented duplicate original copies of *Tuos ng inaning Tubo* for the years 1984-1985, 1985-1986, 1986-1987 and 1987-1988.^[22] The documents showed the production (average yield per area per picul) in other properties owned by Forfom other than the properties subject matter of this case.

For the defendant, Mrs. Edna Ramos, Department Manager of the Real Estate Department of the PNR, took the stand.^[23] She testified that she was familiar with the acquisition by the PNR of the right of way for the San Pedro-Carmona Commuter Line. It was acquired and established by Presidential Mandate and pursuant to the authority of the PNR to expropriate under its charter (Presidential Decree No. 741).^[24] She explained that President Ferdinand E. Marcos authorized the PNR to acquire said right of way in a Cabinet Meeting on 1 November 1972 as evidenced by an excerpt of the minutes of the meeting of the PNR Board of Directors on Resolution No. 751.^[25] The right of way was acquired to provide a cheap, efficient and safe means of transportation to the squatters who were relocated in Cavite. The commuter line, she said, was primarily for service rather than profit. As shown by the letter^[26] dated 30 April 1974 of Nicanor T. Jimenez, former General Manager of the PNR, to Mrs. Olympia Hemedes Vda. de Limcaoco, the acquisition of the right of way was with the knowledge and consent of Dr. Felix Limcaoco, Sr.

Mrs. Ramos disclosed that the total area acquired by the PNR for the San Pedro-Carmona Commuter Line was 15.7446 hectares or sixteen (16) lots in all owned by seven (7) private landowners and three (3) corporations. Among the private landowners were Isabel Oliver, Leoncia Blanco, Catalina Sanchez, Tomas Oliver, Alejandro Oliver and Antonio Sibulo. Per record of PNR, they were paid P1.25 per square meter for their lands. They executed Absolute Deeds of Sale in favor of the PNR, as a result of which, titles to the lands were transferred to PNR.^[27] The remaining 9 lots belonging to the three private corporations - Forfom Development Corporation, Alviar Development Manufacturing & Trading Supply Corp. and Life Realty Development Corporation - were not paid for because these corporations were not able to present their respective titles, which had been used as loan collaterals in the Philippine National Bank and the Government Service Insurance System.^[28] The unit price per square meter, which the negotiating panel of the PNR and the representatives of the three corporations was considering then, was P1.25. In a letter dated 3 October 1975, Mr. Felix Limcaoco, Jr. of Forfom was asking for P12.00 per square meter for their land and P150,000.00 for damaged sugar crops and mango trees.^[29] She likewise said she had the minutes of the conference between Mr. Limcaoco and the PNR Chief Construction Engineer held at the PNR General Manager's Office on 24 July 1979.^[30]

Mrs. Ramos clarified that as a matter of policy, PNR employees and other persons were not allowed to settle on the PNR's right of way. Squatting along the right of way had never been encouraged. To prevent its proliferation, special contracts were entered into with selected parties under strict conditions to vacate the property leased upon notice. She explained that the leasing of PNR's right of way was an incidental power and was in response to the government's social housing project.

In its decision dated 29 October 1992, the trial court ruled generally in favor of plaintiff, the dispositive portion reading:

WHEREFORE, premises considered, judgment is hereby rendered in favor of plaintiff and against defendant ordering the latter to pay the former the following:

1. Just compensation of the subject real properties consisting of 100,128 square meters and covered by TCT Nos. T-34387, T-34384 and T-34386 at P10.00 per square meter, with legal interest from the time of actual taking of plaintiff's real properties until payment is made by the defendant;
2. The amount of P4,480,000.00 as unearned income of plaintiff from 1972 up to the current year, and thereafter, the amount of P224,000 yearly, with legal interest until payment is made;
3. Actual damages in the amount of P150,000 corresponding to sugarcane crops and mango trees destroyed or damaged as a result of the unlawful taking of plaintiff's real properties, with legal interest until payment is made;
4. The amount of P100,000 as and for attorney's fees;
5. The amount of P150,000 for litigation expenses plus the costs of this suit.

Plaintiff's claim for recovery of possession and the other prayers in the complaint are hereby dismissed for want of merit.^[31]

The trial court found that the properties of Forfom were taken by PNR without due process of law and without just compensation. Although the power of eminent domain was not exercised in accordance with law, and PNR occupied petitioner's properties without previous condemnation proceedings and payment of just compensation, the RTC ruled that, by its acquiescence, Forfom was estopped from recovering the properties subject of this case. As to its right to compensation and damages, it said that the same could not be denied. The trial court declared that P10.00 per square meter was the fair and equitable market value of the real properties at the time of the taking thereof.

Not contented with the decision, both parties appealed to the Court of Appeals by filing their respective Notices of Appeal.^[32] PNR questioned the trial court's ruling fixing the just compensation at P10.00 per square meter and not the declared value of P0.60 per square meter or the fair market value of P1.25 paid to an adjacent owner. It likewise questioned the award of actual damages and unearned income to Forfom.

On 24 April 1996, the appellate court disposed of the case as follows:

WHEEFORE, the decision appealed from is hereby AFFIRMED insofar as (1) it denies plaintiff's claim for recovery of possession and (2) it awards just compensation at the rate of P10.00 per square meter which