

SECOND DIVISION

[G.R. NO. 166777, July 10, 2007]

**LAND BANK OF THE PHILIPPINES, PETITIONER, VS. SPS.
VICENTE M. ESTANISLAO AND LUZ B. HERMOSA, RESPONDENTS.**

D E C I S I O N

CARPIO MORALES, J.:

The Land Bank of the Philippines (petitioner) challenges, via petition for review, the Court of Appeals' Decision^[1] dated October 13, 2004 and Resolution^[2] dated January 19, 2005 affirming the valuation and determination of just compensation by the Regional Trial Court of Balanga City, Branch I, sitting as a Special Agrarian Court (SAC).

Petitioner, a government financial institution, organized and existing under Republic Act (R.A.) No. 3844,^[3] is the duly designated financial intermediary of the Comprehensive Agrarian Reform Program under R.A. No. 6657, as amended or the Comprehensive Agrarian Reform Law of 1988.^[4]

Spouses Vicente M. Estanislao and Luz B. Hermosa (respondents) are the registered owners of eight parcels of land situated in Hermosa, Bataan with a total land area of 10.8203 hectares covered by Transfer Certificates of Title Nos. T-137114, T-137115, T-137116, T-137117, T-137118, T-137119, T-119275 and T-136253.

Sometime in 1996, 1997 and 1999, 10.5321 hectares (subject lots) of respondents' lands were awarded to tenant-beneficiaries^[5] pursuant to the Operation Land Transfer Program (OLT) under Presidential Decree (P.D.) No. 27.^[6]

Applying Executive Order (E.O.) 228,^[7] petitioner, together with the Department of Agrarian Reform (DAR), valued the subject lots at P97,895 or P1.075 per square meter,^[8] which was arrived at by multiplying 80 cavans per hectare,^[9] the average gross production as determined by the Barangay Committee on Land Production, by 2.5, the result of which was multiplied by P35, the government support price for one cavan of 50 kilos of palay as of October 21, 1972, to which was added the amount of P139,194.02 as interest increment per DAR Administrative Order 13, series of 1994, or for a total amount of P237,089.02.^[10]

The following table shows the formula used by petitioner and the DAR to compute the amount payable to respondents:

LV (land value) = AGP (average gross production) x 2.5 x GSP
(government support price)

Title	Lot	Area	Orig.	Interest	Total Amount
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No.	Nos.	Acquired	Valuation	Increment per DAR A.O. 13 series of 1994	due to Landowner
137114	823	0.0596 ha.	P417.20		
137115	823	1.3457 ha.	P9, 419.90		
137116	823	0.4643 ha.	P3,250.10		
137117	823	0.3564 ha.	P2,494.80		
137118	823	0.1318 ha.	P922.60		
137119	823	0.3414 ha.	P2,389.80		
	Sub Total	2.6992 has.	P18,894.40	P49,246.64	P68,141.04
119275	823	4.9300 has.	P34,510.00	P89,947.38	P124,457.38
136253	830	2.9029 has.	P44,490.60	(covered by DAR Order of Replacement)	P44,490.60
Total		10.5321 has	P97,895.00	P139,194.02	P237,089.02

Upon the request of the DAR, petitioner deposited the amount of P237,089.02, in cash and in bond, in favor of respondents. Respondents, however, rejected the DAR's valuation by letter^[11] dated April 21, 1997.

Respondents subsequently filed a complaint^[12] on June 7, 2001, before the SAC, against the DAR, petitioner, and the OLT tenant-beneficiaries namely: Encarnacion Desenganio, Honorio M. Torres, Alfredo Cortez, Lucio Tolentino, Elizalde S. Mendoza, Adelmo R. Tolentino, Clarita T. Torio and Maricar R. Tolentino, for the determination of fair market value and the payment of just compensation. The case was docketed as Civil Case No. 7312.

In their complaint, respondents prayed that the fair market value for purposes of just compensation be pegged at P2,106,420 or P20 per square meter since the subject lots form "one whole compact area, contig[u]ous to each other, adjacent to Layac River, [and] traversed by the Bataan National highway at Layac Junction, with irrigation systems put in place and planted twice annually."^[13]

In their respective Answers to the complaint, petitioner and the DAR prayed for its dismissal, claiming that their valuation was made pursuant to P.D. No. 27 and/or E.O. 228.

The SAC, which named a panel of Commissioners to receive and evaluate evidence on the amount of compensation to be paid to respondents, rendered a Decision^[14] on October 8, 2003, fixing the just compensation at P20 per square meter, noting

the August 6, 2002 report^[15] of the Chairman of the Commissioners that the subject lots are "located along the Roman Super-Highway" and that the "beneficiaries were harvesting at least 100 cavans per hectare in every harvest."^[16] The dispositive portion of the SAC decision reads:

WHEREFORE, in view of the foregoing, it is hereby ordered that the valuation for the properties covered by TCT Nos. T-137114, T-137115, T-137116, T-137117, T-137118, T-137119, T-119275 and T-136253 is hereby fixed at **P20.00 per square meter** which this Court considers as just and reasonable, no pronouncement as to cost.

SO ORDERED.^[17] (Emphasis supplied)

Only petitioner filed a motion for reconsideration^[18] of the decision of the SAC, which motion was denied, hence, petitioner appealed to the Court of Appeals which affirmed the SAC decision.

Its motion for reconsideration of the appellate court's decision having been denied, the present petition for review was filed, raising the issue of "whether or not the special agrarian court can disregard the formula prescribed under P.D. No. 27 and E.O. 228 in fixing the just compensation of P.D. 27-covered land."^[19]

That the subject lots fall within the coverage of P.D. No. 27 which became effective on October 21, 1972 is not disputed.

E.O. 228, issued on July 17, 1987, by then President Corazon Aquino, provided the basis for determining the value of remaining unvalued rice and corn lands subject to P.D. No. 27. Section 2 of E.O. 228 reads:

SECTION 2. Henceforth, the valuation of rice and corn lands covered by P.D. No. 27 shall be based on the average gross production determined by the Barangay Committee on Land Production in accordance with Department Memorandum Circular No. 26, Series of 1973, and related issuances and regulations of the Department of Agrarian Reform. The average gross production per hectare shall be multiplied by two and a half (2.5), the product of which shall be multiplied by Thirty Five Pesos (P35.00), the government support price for one cavan of 50 kilos of palay on October 21, 1972, or Thirty One Pesos (P31.00), the government support price for one cavan of 50 kilos of corn on October 21, 1972, and the amount arrived at shall be the value of the rice and corn land, as the case may be, for the purpose of determining its cost to the farmer and compensation to the landowner.

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Petitioner, citing *Gabatin v. Land Bank of the Philippines*,^[20] contends that the taking of the subject lots was deemed effected on October 21, 1972, when respondents were, under P.D. No. 27 deprived of ownership over the subject lands in favor of qualified beneficiaries.^[21]

Petitioner further contends that the fixing of the value of the land under E.O. 228, using the government support price of P35 for one cavan of 50 kilos of palay as of