380 Phil. 20

SECOND DIVISION

[G.R. No. 101932, January 24, 2000]

FRANCISCO H. ESCAÑO, JR. AND LYDIA T. ESCAÑO, PETITIONERS, VS. COURT OF APPEALS AND LAND BANK OF THE PHILIPPINES, RESPONDENTS.

D E C I S I O N

QUISUMBING, J.:

This petition for review on certiorari seeks: (1) to set aside the decision of respondent Court of Appeals in CA G.R. SP 24585, promulgated on July 18, 1991; (2) to set aside its resolution dated September 11, 1991; and (3) to order the Special Agrarian Court of Bohol to continue hearing Civil Case 4644.

Petitioners owned 63.6226 hectares of agricultural land in Vallehermoso, Carmen, Bohol. They offered 59.6237 hectares of the land to the government through the Department of Agrarian Reform (DAR) pursuant to E.O. No. 229. DAR twice fixed the value, which petitioners also twice rejected for being much lower than the actual fair value. After the second rejection, DAR stopped communicating with petitioners. Petitioners claimed that during the hiatus, farm production fell by 80% because the farmers were allegedly advised by Provincial Agrarian Reform Officers (PARO) to deliberately reduce their production to depress the land value.

On November 29, 1989, petitioners filed a petition for just compensation, docketed as Civil Case No. 4644, in the Special Agrarian Court in Bohol. On April 10, 1990, respondent Land Bank filed a motion to dismiss on two grounds: (1) that the plaintiffs had not exhausted administrative remedies and (2) that plaintiffs were not the real parties in interest, but were merely lessees and not the registered owners. The land, according to the Land Bank was owned by the Development Bank of the Philippines. But the motion to dismiss was denied, upon a showing of a Confirmation of the Deed of Sale executed August 25, 1989 by the DBP in favor of petitioners.

Thereafter, pre-trial conferences were held. On October 31, 1990, Presiding Judge Pacito Yape issued a Pre-Trial Order, and with the concurrence of the parties, the legal issue was limited to the question of the amount of just compensation. Respondents were ordered to file responsive pleadings.[1]

Meanwhile, on June 14, 1990, President Corazon C. Aquino issued E.O. No. 405, which vested on the Land Bank primary responsibility to determine land valuation and the compensation for all private lands suitable for agriculture under either the Voluntary Offer to Sell (VOS) or Compulsory Acquisition (CA) arrangement as governed by Republic Act 6657, known as the "Comprehensive Agrarian Reform Law of 1988."[2]

On December 5, 1990, Land Bank moved to suspend proceedings or dismiss the

Escaños' petition. It reiterated the two aforecited grounds stated in their April 10, 1990 motion to dismiss. Additionally, Land Bank explained that as a land reform matter, the case falls within the primary jurisdiction of the DAR; that valuation by the PARO was not the final determination since it still was subject to the final determination of the Department of Agrarian Reform Adjudication Board (DARAB), which had original and appellate jurisdiction; and that since the matter had not passed through all the required stages, there was no exhaustion of administrative remedies, hence, no cause of action.

On January 16, 1991, the lower court issued another order, denying Land Bank's second motion to suspend proceedings and/or dismiss despite the latter's added ground that it had not been given the opportunity to exercise its legal mandate to determine the land valuation. The lower court found that the Land Bank had been given sufficient opportunity to sit down with petitioners to arrive at a true and proper valuation.[3]

On April 2, 1991, Land Bank filed its petition before the Court of Appeals. It claimed that the lower court issued the orders dated August 17, 1990, January 16 and January 18, 1991 without jurisdiction, or with grave abuse of discretion, amounting to lack or excess of jurisdiction.

In resolving the issue of jurisdiction in the determination of land valuation and compensation, the appellate court granted Land Bank's petition. It disposed as follows:

> "WHEREFORE, the petition is hereby granted and the Orders dated August 17, 1990, January 16, 18 and February 18, 1991 are set aside. Further, the petition before the Special Agrarian Court is hereby ordered dismissed."[4]

The appellate court, accepted the argument that the effectivity of the Revised Rules of Procedure of R.A. 6657 was earlier than the date when the Escaños filed their petition to fix just compensation before the Special Agrarian Court on December 14, 1989. Said Revised Rules took effect on December 26, 1988. According to the Court of Appeals, the lower court could not "feign" jurisdiction because Section 1, Rule XVII of the Transitory Provisions of the Revised Rules states:

> "SECTION 1. Transitory Provisions. All agrarian cases pending before the regular courts of law at the time of the effectivity of these Rules shall remain with such courts until their final termination.
>
> Cases pending in the Office of the Secretary of Agrarian Reform before the effectivity of these Rules may be decided and finally disposed of thereat in accordance with the principle of continuing jurisdiction. The Secretary, however, may, in his discretion sort out said cases and refer the justiceable and adversarial ones to the Adjudication Board for Section 1, Rule 11 hereof."[5]

The appellate court further explained that when an administrative agency promulgates rules and regulations it "makes" a new law with the force and effect of a valid law. It added that the Supreme Court in *Association of Small Landowners vs. Secretary of Agrarian Reform, 175 SCRA 343,* had emphasized the indispensable

role of the Department of Agrarian Reform and the Land Bank in fixing preliminary valuation.

Now before us, petitioners assert that the Court of Appeals erred:

I

> IN HOLDING THE SPECIAL AGRARIAN COURT OF BOHOL WITHOUT JURISDICTION FROM THE BEGINNING TO ENTERTAIN CIVIL CASE NO. 4644 WHICH CIVIL CASE IS FOR "DETERMINATION OF JUST COMPENSATION;

II

> IN HOLDING THAT SECTION 59 OF R.A. 6657 IS NOT A BAR TO THE PETITION FOR CERTIORARI (CA-G.R. S.P. 24585) INSTITUTED BEFORE IT BY PRIVATE RESPONDENT WHILE CIVIL CASE NO. 4644 REMAINS PENDING BEFORE THE SPECIAL AGRARIAN COURT;

III

> IN HOLDING THAT E.O. 405 HAS TO BE COMPLIED WITH BEFORE THE FILING OF CIVIL CASE NO. 4644, NOTWITHSTANDING THE FACT THAT CIVIL CASE NO. 4644 WAS FILED BEFORE THE ISSUANCE OF E.O. 405 AND IN HOLDING FURTHER THAT FAILURE TO SO COMPLY IS A GROUND FOR THE DISMISSAL OF CIVIL CASE NO. 4644;

IV

> IN HOLDING THAT PRIVATE RESPONDENT LBP IS AN INSTRUMENTALITY OF STATE AND AS SUCH IS EXEMPT FROM THE EFFECTS OF ESTOPPEL;

V

> IN PASSING UPON ISSUES NOT RAISED IN THE PETITION THEREBY DENYING PETITIONERS THE OPPORTUNITY TO TRAVERSE AND CONTROVERT THEM.

Of these assigned errors, let us focus on the first three, jointly.

Recall that on May 30, 1994, the Department of Agrarian Reform Adjudication Board (DARAB) adopted its new Rules of Procedure. Rule 13 Sec. 11 clearly states that in the event that a landowner is not satisfied with a decision of an agrarian adjudicator, the landowner could bring the matter directly to the Regional Trial Court sitting as Special Agrarian Court. Thus, DARAB recognized that jurisdiction on just compensation cases for the taking of lands under R.A. No. 6657 is vested in the courts.[6]

In *Republic vs. Court of Appeals,* we held:

> "…Special Agrarian Courts which are Regional Trial Courts, are given original and exclusive jurisdiction over two categories of cases, to wit: