

SIXTH DIVISION

[CA-G.R. SP No. 121853, November 13, 2014]

LAND BANK OF THE PHILIPPINES, PETITIONER, VS. EDGARDO L. SANTOS, RESPONDENT.

DECISION

TIJAM, J.:

Before Us is a Petition for Review^[1], seeking the reversal of the Order dated August 31, 2011^[2] issued by the Regional Trial Court of Naga City, Branch 23 (RTC) sitting as a Special Agrarian Court, in Civil Case No. 2001-0315, ordering Petitioner to pay Respondent interest amounting to One Million Four Hundred Thirty Seven Thousand Six Hundred Sixty Nine Pesos and 75/100 (Php 1,437,669.75). Petitioner is likewise seeking the reversal of the Order dated October 10, 2011^[3] awarding twelve percent interest (12%) on the just compensation from January 1, 2010 until the just compensation is fully paid.

The facts are as follows:

Petitioner Land Bank of the Philippines is a body corporate and a government banking and financial institution, organized and existing under and by virtue of Republic Act No. 3844, as amended.^[4]

Respondent is the registered owner of the parcel of corn land located in Minadongjol, Sangay, Camarines Sur covered by TCT No. 5717 with an area of 14.8065 hectares (the Subject Land).^[5]

The Subject Land was covered by Presidential Decree No. 27 when the said law took effect on October 22, 1972. By reason thereof, the Respondent was dispossessed of said landholding when emancipation patents were distributed to tenant-tillers.^[6]

On September 28, 2000, Respondent filed a case for determination of just compensation before the Provincial Agrarian Reform Adjudication Board (PARAD). On March 27, 2001, the PARAD rendered a decision declaring the just value of the Subject Land at Php 1,147,466.73.^[7] In his letter to the PARAD, dated September 5, 2001, Respondent accepted the valuation.

Petitioner, however, rejected the valuation of PARAD and instituted an action for the determination of just compensation before the RTC, Branch 23 of Naga City sitting as a Special Agrarian Court.^[8]

Respondent moved to dismiss the case which was granted by the RTC of Naga City, Branch 23. However, upon appeal to the Court of Appeals, in a case docketed as CA-GR CV No. 75010, the case was remanded to the RTC for further proceedings as

follows:

"xxx As may be gleaned from Section 18 of RA 6657, the compensation that LBP shall pay to the landowner shall be such amount as will be agreed upon by the landowner, DAR and LBP in accordance with the criteria established in the statute.^[9] xxx

xxx

xxx [U]nder DAR Administrative Order No. 13, he is entitled to receive an interest of 6 percent per year compounded annually. The object of AO 13, as explained in *Land Bank of the Philippines vs. Court of Appeals and Pascual*, *supra*, at 646, is to compensate the landowner for unearned interest. Xxx Applying the formula under EO 228, $AGP \times 2.5 \times GSP$, the Court said that the resultant figure could be further multiplied by 1.06 to arrive at the value of the land for purpose of determining the compensation to the landowner. Both the *Pascual* and *Gabatin* cases have sealed their *imprimatur* on this mode of computation signifying compliance with constitutional standards for just compensation.

xxx

As it is, all the elements of the formula have been ascertained. To repeat, the SAC said that the formula applied by the PARAD was also used by LBP except for the figure for the GSP. The AGP figures must, therefore, be those supplied by PARAD. With the determination by us of the GSP, the controversy should now be put to rest.

IN VIEW OF THE FOREGOING, the November 9, 2001 Order appealed from is REVERSED, and the LBP is directed to compute and pay the just compensation to defendant Santos in accordance with our dispositions.

SO ORDERED."^[10]

Accordingly, the case was remanded to the trial court. During the proceedings, Petitioner made payments to Respondent based on the initial valuation it previously made.^[11]

On May 17, 2011, Petitioner valued the Subject Land at One Million One Hundred Fifty Five Thousand Two Hundred Twenty Three Pesos & 41/100 (Php 1,155,223.41)^[12] which was accepted by Respondent.

In a separate judgment dated June 22, 2011^[13], the RTC ordered the release of the agreed amount to Respondent.

"Owing to the acceptance by defendant Santos of the value fixed by the LBP for the 14.8065 hectare property covered by TCT No. 5717, the release of the said amount to the defendant Santos is now in order.

WHEREFORE, in view of the foregoing, judgment is hereby rendered directing the LBP to pay defendant Edgardo L. Santos the sum of P1,155,223.41 as just compensation for the property covered by TCT No. 5717, in accordance with the provisions of Section 18 of Republic Act 6675, upon compliance with the requirements provided for by law. The amount initially paid by the LBP to the said defendant shall be deducted therefrom.

This case, insofar as the just compensation for the property covered by TCT No. 5717 is concerned is now deemed terminated."

Respondent filed a motion for reconsideration alleging that the RTC failed to take into account his entitlement to twelve percent (12%) legal interest computed from the time the subject landholding was taken by the government.^[14]

In the assailed Order dated August 31, 2011^[15], the RTC granted the twelve percent (12%) *per annum* interest in the amount of Php 1,437,669.75 computed from June 26, 2000, the date when the payment of the initial value of the subject property was approved by the Petitioner, to June 22, 2011, the date when the Judgment in the RTC case was rendered.

Petitioner and Respondent both moved for the reconsideration of the August 31, 2011 Order.

Respondent was of the opinion that the twelve percent (12%) interest should be reckoned from the year 1972, the time the subject property was taken by the government, up to the time of actual payment of the just compensation.

Petitioner, *inter alia*, raised that the value of the Subject Land was already made to earn interest at the rate of 6% compounded annually up to the year 2009 and had already been paid to Respondent.

In the assailed Order dated October 10, 2011^[16], the RTC modified its August 31, 2011 Order to read:

"WHEREFORE, in view of the foregoing, the court resolves:

1. To GRANT the motion for reconsideration. Defendant Santos shall be entitled to 12% interest on just compensation due the subject property the same to be computed from January 1, 2010 until the full payment of the just compensation shall have been fully paid."

Thus, this Petition for Review raises the lone issue:

"WHETHER OR NOT THE COURT A QUO CORRECTLY AWARDED TWELVE PERCENT (12%) INTEREST PER ANNUM IN FAVOR OF RESPONDENT EDGARDO L. SANTOS, FROM 01 JANUARY 2010 UNTIL THE JUST COMPENSATION AMOUNTING TO ONE MILLION ONE HUNDRED FIFTY

FIVE THOUSAND TWO HUNDRED TWENTY THREE PESOS & 41/100 (Php 1,155,223.41) IS FULLY PAID."^[17]

Petitioner stresses that there was no basis for the payment of interest because there was no undue delay in the payment of just compensation in this case. Petitioner claims that Respondent was promptly paid for the initial value for the Subject Land in 2000 and there was no disregard of the rights or interests of Respondent. It argues that the pendency of the case before the courts cannot be construed as undue delay. It further states that the framers of the Constitution never intended to include potential income of the acquired property as basis to justify the award of interest.

Respondent reiterates that he was divested of the Subject Land in 1972 and that the RTC had no clear factual and legal basis in not awarding 12% legal interest from the taking of the Subject Land. Respondent insists that the ruling is contrary to the ruling in the case of *Apo Fruits Corp. and Hijo Plantation Inc. vs. Land Bank of the Philippines*^[18].

Respondent further states in his Memorandum^[19] that in view of the denial by the RTC of his motion for reconsideration that prayed for the entitlement to twelve percent (12%) computed from the time of the taking of the property, Respondent elevated the matter to this Court by way of Petition for Review docketed as CA G.R. No. 121813^[20], raising relatively the same issue, to wit:

"THE HONORABLE SPECIAL AGRARIAN COURT GROSSLY AND GRAVELY ERRED IN RULING THAT THE PETITIONER IS ENTITLED TO 12% LEGAL INTEREST ON THE VALUE OF THE SUBJECT LANDHOLDING ONLY FROM 01 JANUARY 2010 AND NOT FROM THE TAKING OF THE PROPERTY IN 1972."^[21]

The said case was consolidated with an earlier Petition for Certiorari and Prohibition docketed as CA G.R. SP. No. 110779^[22] filed by Petitioner, seeking *inter alia*, to bar the RTC from conducting further proceedings to determine just compensation.

We note that the issue raised before Us and the issue raised in CA G.R. No. 121813 essentially deals with the same issue – the propriety of the imposition of the 12% interest on the just value of the Subject Land.

We further note that the issue was decided as follows:

"Since We have already discussed the issues in the petition for certiorari, We will now tackle the issue raised by Santos in his petition for review on the matter of interest computation for the period reckoned from January 1, 2010, rather than from the actual date of taking in 1984.

At the outset, We note that the ruling of the RTC being questioned only applies to the determination of just compensation for land 3. On June 22, 2011, RTC issued a separate judgment with regard to land 3, the offshoot

of which are the Orders dated August 31, 2011 and October 10, 2011, the latest being now the subject of the petition for review by Santos who argues that the RTC erred when it ordered the imposition of 12% interest only from January 1, 2010 until full payment. Santos questions the findings of the RTC that the 6% interest has already been included in the fixed valuation of the LBP until December 31, 2009; thus, the 12% interest which is being imposed on delay in payment should only be counted from January 1, 2010.

We affirm the RTC ruling.

Aside from the case of Apo Fruits Corporation and Hijo Plantation, Inc. vs. Land Bank of the Philippines, which was used by the RTC in its decision, the rule on the 12% interest was also explained in the case of *Land Bank of the Philippines vs. Hernando T. Chico and Lorna Chico, in her capacity as Attorney-In-Fact*, to wit:

In *Land Bank of the Philippines v. Wycoco* (G.R. No. 140160, January 13, 2004), this Court held that the interest of 12% per annum on the just compensation is due the landowner in case of delay in payment, which will, in effect, make the obligation on the part of the government one of forbearance. On the other hand, interest in the form of damages cannot be imposed where there is prompt and valid payment of just compensation. Interest on just compensation is assessed only in case of delay in the payment thereof, a fact which must be adequately proved.

xxx Such considerable length of time is as contemplated in the Apo Fruits Corporation case. **The RTC, however, in its decision with regard to the just compensation for the land 3 considered the revaluation of the property submitted by the Land Bank which took into consideration the factors enumerated in Rule 17 of RA 6657 since the property, although acquired under PD 27, was still unpaid until the enactment of RA 6657. The RTC took into consideration the explanation of Land Bank that the valuation of Santos' property already included the six percent interest when it revalued the property pursuant to the RTC's Order of March 17, 2010.** The same circumstance is in accord with the ruling in the above cited case of *Land Bank vs. Chico*. Therefore, We find that the RTC is correct in holding that the 12% interest should only be from January 1, 2010 until the full payment of the same.

WHEREFORE, based on the foregoing, the petition for certiorari and the petition for review are **DISMISSED**. The Orders dated July 09, 2009 and August 24, 2009 in Civil Cases Nos. 2001-315 and 2001-299 and the Order dated October 10, 2011 in Civil Case No. 2001-315 of the Regional Trial Court of Naga City, Branch 23 (sitting as a Special Agrarian Court) are hereby **AFFIRMED**." (Emphasis Ours)

The Petition for Review has no merit. We affirm the ruling of the RTC.

Indeed, it has been established that, in expropriation cases, interest is due the