



Republic of the Philippines
Supreme Court
Manila

SECOND DIVISION

LAND BANK OF THE PHILIPPINES,
Petitioner,

G.R. No. 160143

Present:

- versus -

CARPIO, J., *Chairperson*,
BRION,
DEL CASTILLO,
PEREZ, and
PERLAS-BERNABE, JJ.

Promulgated:

BENECIO EUSEBIO, JR.,

Respondent.

JUL 02 2014 *MAKALALAG/Perfecto*

X-----X

DECISION

BRION, J.:

We resolve in this petition for review on *certiorari*¹ the challenge to the August 26, 2002 decision² and the September 24, 2003 resolution³ of the Court of Appeals (CA) in CA-G.R. CV No. 66022.

The challenged decision affirmed *in toto* the June 29, 1999 judgment⁴ of the Regional Trial Court of Masbate, Masbate, Branch 48, sitting as a Special Agrarian Court (RTC-SAC) in Special Civil Case No. 4325 for Determination and Payment of Just Compensation under Republic Act (R.A.) No. 6657 or the Comprehensive Agrarian Reform Law of 1988.

¹ Rollo, pp. 3-35.

² Penned by Associate Justice Cancio C. Garcia, and concurred in by Associate Justices Marina L. Buzon and Eliezer R. de los Santos; id. at 38-48.

³ Id. at 36-37.

⁴ Special Civil Case No. 4325, penned by Judge Jacinta B. Tambago; id. at 49-59. This case was tried jointly with Civil Case No. 4323, entitled "*Honeycomb Farm Corporation v. The Secretary of Agrarian Reform, et al.*" Civil Case No. 4323 eventually reached this Court and was docketed as G.R. No. 169903. In a decision dated February 29, 2012, the Court REMANDED Civil Case No. 4323 to the RTC-SAC of Masbate, Masbate, Branch 48, for determination of just compensation.

PM

The Factual Antecedents

Respondent Benecio Eusebio, Jr. was the owner of a 790.4-hectare parcel of land situated in Corba, Cataingan, Masbate, covered by Transfer Certificate of Title (*TCT*) No. T-4562 registered in the name of Ricardo Tañada. Eusebio purchased this parcel of land from Tañada in 1980.

On February 5, 1988, Eusebio voluntarily offered to sell the entire 790.4-hectare parcel of land to the government, through the Department of Agrarian Reform (*DAR*), pursuant to R.A. No. 6657 for ₱19,500,000.00.⁵

From the entire area of 790.4 hectares, the DAR chose to acquire only 783.37 hectares⁶ and initially offered to purchase it at ₱2,369,559.64. The DAR subsequently increased its offer to ₱3,149,718.20, per the Notice of Land Valuation dated April 14, 1992. Eusebio rejected both offered amounts.

On October 1, 1993, petitioner Land Bank of the Philippines (*LBP*) revalued the acquirable portion at ₱3,927,188.28, pursuant to DAR Administrative Order No. 6, series of 1992 (*DAR AO 6-92*). Eusebio likewise rejected this valuation through a letter dated October 26, 1993.

Meanwhile, the LBP opened a trust account in the amount of ₱3,149,718.20 in favor of Eusebio and Tañada for the covered portion. The DAR then took physical possession of the property, had TCT No. T-4562 cancelled in favor of the Republic of the Philippines, and distributed the property at cost to the recognized farmer-beneficiaries.

The parties subsequently referred the matter to the DAR Adjudication Board (*DARAB*) for summary determination of just compensation. In a decision dated January 8, 1994, the DARAB fixed the value of the property at ₱4,874,659.89.

Eusebio likewise found the DARAB's valuation unacceptable. Hence, on July 18, 1994, Eusebio and Tañada filed before the RTC-SAC an action for determination and payment of just compensation against the DAR and the LBP. In the complaint, Eusebio and Tañada prayed for just compensation in the amount of ₱20,000,000.00, plus damages and attorney's fees equivalent to 20% of the total compensation. They later amended the complaint increasing the prayed just compensation to ₱25,000,000.00.

During trial, the RTC-SAC appointed a Board of Commissioners (*Board*) consisting of the Clerk of Court V – Atty. Norberto F. Mesa – as the Chairman, with the following as members: the Branch Clerk of Court, Eusebio and Tañada's nominee – Engr. Hernando **Caluag** – and the DAR and the LBP's nominee – Herbert **Heath**. The Board conducted the ocular

⁵ Id. at 81.

⁶ See Field Investigation Report; id. at 95-99.

inspection on September 10, 1997 and arrived at the following unanimous observation:⁷

Breakdown of developed areas per land use:

Coco productive	26.15 Hectares
Coco Unproductive	3.04 Hectares
Corn (95%)	700.6345 Hectares
Rice (low land)	4.8810 Hectares
Rice (uplan[d])	31.9945 Hectares
Total	766.70 Hectares

Notwithstanding the series of conferences, the Board failed to reach a common and consolidated valuation for the acquired portion.⁸ Hence, the Board submitted the separate valuation report of the parties’ respective nominees:

Valuation of Engr. Caluag:⁹

<u>Land Use</u>	<u>Area</u>	<u>Value/Has.</u>	<u>TLV</u>
Coconut	29.0000	□ 113,000.00	□ 3,277,000.00
Corn	700.0000	□ 113,000.00	□ 79,000,000.00
Rice	<u>38.0000</u>	<u>□ 119,000.00</u>	<u>□ 4,522,000.00</u>
TOTAL	767.0000		□ 86,899,000.00

Valuation of Heath:¹⁰

<u>Land Use</u>	<u>Area</u>	<u>Value/Has.</u>	<u>TLV</u>
Coco Productive	26.1500	□ 22,228.80	□ 581,283.12
Coco Unproductive	3.0400	□ 11,190.49	□ 34,019.09
Corn	75.0000	□ 13,742.65	□ 1,030,698.75
Rice Unirrigated	4.8810	□ 15,715.38	□ 76,706.77
Cogon w/ history of corn production	<u>674.2990</u>	<u>□ 3,498.00</u>	<u>□ 2,358,697.90</u>
TOTAL	783.3700		□ 4,081.405.63

Engr. Caluag affirmed the contents of his report in open court. He revealed that, in determining the property’s fair market value, he used as basis the “records of sale and listings of similar properties offered for sale” and compared the properties using “such factors as location, type of development, crops planted, terrain, size and element.”¹¹ Finally, he factored in the necessary adjustments resulting from the current real estate

⁷ Id. at 43.
⁸ Id. at 113-116.
⁹ Id. at 106-112.
¹⁰ Id. at 117.
¹¹ Id. at 54.

selling trends and the property's location, size and development to arrive at the total land valuation of ₱86,899,000.00.

Heath, on the other hand, testified that, in arriving at the total land valuation of ₱4,081,405.63, he used the guidelines enumerated under R.A. No. 6657 and other applicable agrarian statutes and issuances instead of the current land valuation that Engr. Caluag employed in his valuation. He pointed out that per the records, the recognized farmer-beneficiaries took possession of their respective portions of the property in 1992. Thus, the improvements that the Board found on the property at the time it conducted the ocular inspection in 1997 were clearly introduced by the farmer-beneficiaries.¹²

The RTC-SAC's decision

In its judgment¹³ of June 29, 1999, the RTC-SAC fixed the just compensation at ₱25,000,000.00 for the entire 790.4-hectare parcel of land, and ordered the DAR and the LBP to solidarily pay attorney's fees equivalent to 10% of the total just compensation. The RTC-SAC brushed aside both valuations fixed by the parties' respective nominees, particularly those fixed by the DAR and the LBP which it regarded as unconstitutional and confiscatory. Consequently, the RTC-SAC found as considerable just compensation the sum of ₱25,000,000.00 that Eusebio and Tañada prayed for in their complaint; it, however, found as exorbitant and unreasonable, and thus reduced to 10% from 20%, the claimed attorney's fees.

In a resolution dated October 21, 1999, the RTC-SAC denied the parties' respective motions for reconsideration. The parties separately appealed the RTC-SAC's ruling before the CA.¹⁴

The CA's ruling

In its August 26, 2002 decision,¹⁵ the CA affirmed *in toto* the RTC-SAC's judgment. *Firstly*, brushing aside Eusebio and Tañada's position, the CA pointed out that the just compensation should be fixed as of the time the government took possession of the property and not as of the filing of the complaint. Thus, the CA declared unfair the ₱86,899,000.00 valuation that Eusebio and Tañada's nominee fixed based on the data determined at the time of the filing of the complaint instead of at the time of the taking. The CA, however, took note of the offer Eusebio made in 1988 to sell the entire 790.4 hectares at ₱19,500,000.00 that it pointed out should at least set the ceiling price for the property's compensation.

And *secondly*, likewise dismissing the DAR's and the LBP's contentions, the CA noted that as early as 1992, a considerable portion of the property had already been cultivated and developed. The CA also pointed

¹² Id. at 56.

¹³ *Supra* note 4.

¹⁴ CA *rollo*, pp. 25-53 and 82-117.

¹⁵ *Supra* note 2.

out that the DAR and the LBP's nominee merely confined his determination to the factors enumerated under R.A. No. 6657 and the guidelines enumerated under the pertinent DAR administrative orders, disregarding, in effect, the other factors relevant to the determination of what the CA considered as the full and fair equivalent of Eusebio's property. Thus, the CA considered as too low and unreasonable the ₱4,081,405.63 valuation that the DAR and the LBP fixed as just compensation.

Accordingly, the CA considered as fair and equitable the amount the RTC-SAC fixed as just compensation, given the four-year time lapse between 1988, when Eusebio offered to sell the property for ₱19,500,000.00 and 1992, when the government actually deprived Eusebio of his property.

The LBP filed the present petition after the CA denied its motion for reconsideration¹⁶ in the CA's September 24, 2003 resolution.¹⁷

The Court initially denied the LBP's petition for review on *certiorari* in a Resolution dated November 10, 2003.¹⁸ On the LBP's motion for reconsideration,¹⁹ the Court reinstated the petition in a Resolution dated January 26, 2004.²⁰

The Petition

In this petition,²¹ the LBP concedes that the RTC-SAC has original and exclusive jurisdiction to determine just compensation. Nevertheless, it argues that the RTC-SAC's determination must be guided by the valuation factors enumerated under R.A. No. 6657 and the implementing guidelines that the DAR issued for the purpose. The LBP points out that the DAR, in the exercise of its rule-making power granted under R.A. No. 6657, issued DAR AO 6-92, as amended by DAR AO 11-94 that prescribes the formulae in the computation of just compensation for lands acquired pursuant to R.A. No. 6657. Unless otherwise declared null and void, the LBP stresses that these DAR administrative orders have the force and effect of law and are entitled to great respect, even by this Court. In carrying out its functions under Executive Order No. 405,²² the LBP points out that it, in turn, simply observed and used the DAR prescribed formulae in arriving at the ₱4,081,405.63 valuation, which, it emphasizes, the CA even noted in its decision.

Addressing directly the CA's valuation, the LBP directs the Court's attention to the testimony of Eusebio's witness²³ and points out that when the government took possession of the property in 1990, Eusebio and his family had already discontinued investing and had stopped developing it

¹⁶ *Rollo*, pp. 65-73.

¹⁷ *Supra* note 3.

¹⁸ *Rollo*, p. 121.

¹⁹ *Id.* at 126-138.

²⁰ *Id.* at 140.

²¹ See petition, *supra* note 1. See also the LBP's Memorandum; *rollo*, pp. 172-212.

²² Issued on June 15, 1998.

²³ Referring to Benecio Eusebio, Sr., father of Eusebio; *rollo*, p. 22.

from thereon; in addition, over 674 hectares of the acquired property's area was then cogonal. Thus, the marked difference in the property's condition from the time the government acquired it in 1990 up to the time the Board conducted its ocular inspection in 1997 should and must be properly accounted for as developments introduced by the farmer-beneficiaries. Accordingly, the LBP argues, the valuation that the RTC-SAC and the CA made clearly contravened the Court's mandate that just compensation should be determined as of the property's time of taking, which in this case was, at the most, in 1992 when TCT No. T-4562 was cancelled and Certificates of Land Transfer were issued to the recognized farmer-beneficiaries.

Additionally, the LBP argues that R.A. No. 6657 directs the determination of just compensation based on the covered property's "actual use and income" and not on its "potential or future use" as applied by the RTC-SAC when it relied on the market value approach. The LBP also points out that the RTC-SAC did not offer any formula in arriving at the ₱25,000,000.00 valuation.

Finally, the LBP contends that the award of attorney's fees was erroneous for clear lack of basis and bad faith on its part.

In its reply,²⁴ the LBP additionally emphasizes that the just compensation for property taken, pursuant to the government's agrarian reform program, should not and cannot be based on the property's market value, more so on the amount by which Eusebio offered it for sale. The LBP points out that the "just compensation" in the realm of agrarian reform is vastly different from "just compensation" in an ordinary eminent domain proceeding. The taking of private property for purposes of agrarian reform is revolutionary, involving as it does both the exercise of the power of eminent domain and police power. As such, the just compensation for property taken, pursuant to the government's agrarian reform program, cannot exceed its market value.

The Case for the Respondent

Equally conceding to the RTC-SAC's original and exclusive jurisdiction to determine just compensation, Eusebio contends in his comment²⁵ that the CA correctly affirmed the RTC-SAC's valuation for lack of reversible error. Eusebio stresses that while the DAR, indeed, has the power to prescribe the formula and determine just compensation, the RTC-SAC is, nevertheless, not bound by such determination as valuation of property in eminent domain cases is essentially a judicial function. In this case, neither the DAR's valuation nor the Board's report could have bound the RTC-SAC in the exercise of this function; more so for, in this case, the Board failed to reach a common valuation. Finally, Eusebio argues that the award of attorney's fees is lawful as he was compelled to litigate or incur expenses to protect his interest by reason of the LBP's unjustified act.

²⁴ Id. at 158-163.

²⁵ Id. at 141-156.

In his memorandum,²⁶ Eusebio adds that the various testimonial and documentary pieces of evidence presented before the RTC-SAC, and which it fully considered, support the ₱25,000,000.00 valuation for the property. Moreover, the factual findings of the RTC-SAC that the CA affirmed deserve great weight and finality.

The Issue

The core issue for the Court's resolution is whether the RTC-SAC's determination of just compensation for the property at ₱25,000,000.00, with 10% attorney's fees, is proper.

The Court's Ruling

We find the LBP's petition MERITORIOUS.

The State's agrarian reform program and the constitutional guarantee of just compensation

As one of its arguments, the LBP theorizes that the government's taking of private property in pursuit of its agrarian reform program is not a "traditional" exercise of the eminent domain power but one that equally involves the exercise of the State's police power. As such, the LBP insists, the just compensation for the property cannot exceed its market value as the loss resulting from the State's exercise of police power is not compensable.

We disagree with the LBP on this point.

We debunked this very same argument in *Land Bank of the Philippines v. Honeycomb Farms Corporation*,²⁷ whose factual circumstances closely mirror and are, in fact, related to those of the present case. In *Honeycomb*, we essentially pointed out that the "just compensation" guaranteed to a landowner under, Section 4, Article XIII of the Constitution is precisely the same as the "just compensation" embodied in Section 9, Article III of the Constitution. That is, whether for land taken pursuant to the State's agrarian reform program or for property taken for purposes other than agrarian reform, the just compensation due to an owner should be the "*fair and full price of the taken property*."²⁸

Citing the Court's ruling in *Ass'n of Small Landowners in the Phils., Inc. v. Hon. Secretary of Agrarian Reform*,²⁹ we further stressed in *Honeycomb* that just compensation paid for lands taken pursuant to the State's agrarian reform program refers to the "*full and fair equivalent of the property taken from its owner by the expropriator x x x [the measure of*

²⁶ Id. at 218-228.

²⁷ G.R. No. 169903, February 29, 2012, 667 SCRA 255, 264-267.

²⁸ Id. at 265; italics ours.

²⁹ 256 Phil. 777, 812 (1989); italics ours.

which] is not the taker's gain but the owner's loss. The word "just" is used to intensify the meaning of the word 'compensation' to convey the idea that the equivalent to be rendered for the property to be taken shall be real, substantial, full and ample."

Similarly in *Apo Fruits Corporation v. Land Bank of the Philippines*,³⁰ we debunked the very same attempt of the LBP to distinguish just compensation paid in what it calls as "traditional" exercise of eminent domain from the just compensation paid in the context of an agrarian reform eminent domain exercise. There, we categorically declared that *"nothing is inherently contradictory in the public purpose of land reform and the right of landowners to receive just compensation for the expropriation by the State of their properties."*

In other words, therefore, the clear intent of the Constitutional guarantee of just compensation, whether understood within the terms of Article III, Section 9 or of Article XIII, Section 4, is to secure to any owner the "full and fair equivalent" of the property taken. Regardless of whether the taking was pursued in the "traditional" exercise of eminent domain or in its "revolutionary" exercise in the context of the State's agrarian reform program, just compensation has but one meaning and the State is obligated to pay the "fair and full price of the property" even if the property is taken for social justice purposes.

The determination of just compensation is essentially a judicial function that the Courts exercise within the parameters of the law; the RTC-SAC's valuation in this case is erroneous for having been rendered outside the contemplation of the law

Jurisprudence settles that the determination of just compensation is fundamentally a function of the courts.³¹ Section 57 of R.A. No. 6657³² explicitly vests in the RTC-SAC the original and exclusive jurisdiction to determine just compensation for lands taken pursuant to the State's agrarian reform program.

To guide the RTC-SAC in the exercise of its function, Section 17 of R.A. No. 6657 enumerates the factors that the RTC-SAC must take into account in its determination, *i.e.*, cost of acquisition of the land, the current value of like properties, its nature, actual use and income, the sworn

³⁰ G.R. No. 164195, April 5, 2011, 647 SCRA 207, 226; italics ours.

³¹ *Landbank of the Philippines v. Celada*, 515 Phil. 467, 477 (2006); *Land Bank of the Philippines v. Escandor*, G.R. No. 171685, October 11, 2010, 632 SCRA 504, 512; and *Land Bank of the Philippines v. Yatco Agricultural Enterprises*, G.R. No. 172551, January 15, 2014. See also *Land Bank of the Philippines v. Honeycomb Farms Corporation*, *supra* note 27, at 268-269.

³² Section 57 of R.A. No. 6657 pertinently provides:

Section 57. *Special Jurisdiction.* — The Special Agrarian Courts shall have **original and exclusive jurisdiction over all petitions for the determination of just compensation** to landowners, and the prosecution of all criminal offenses under this Act. The Rules of Court shall apply to all proceedings before the Special Agrarian Courts, unless modified by this Act. [emphasis ours, italics supplied]

valuation by the owner, the tax declarations and the assessment made by the government assessors, among others.

On the other hand, to ensure the agrarian reform law's proper implementation, Section 49 of R.A. No. 6657³³ empowers the DAR to issue such rules and regulations necessary for the purpose. Thus, corollary to the agrarian reform law's guidelines, the DAR issued DAR AO 6-92, as amended by DAR AO 11-94 and, recently, by DAR AO 5-98, that incorporated, into a basic formula, Section 17's enumerated factors providing the details by which "just compensation" is to be properly approximated.

Equally settled, however, in jurisprudence is the RTC-SAC's duty to consider the factors enumerated under Section 17 of R.A. No. 6657 and the DAR formula that embodies these factors in determining just compensation. Our rulings in *Land Bank of the Philippines v. Sps. Banal*,³⁴ *Landbank of the Philippines v. Celada*,³⁵ *Land Bank of the Philippines v. Colarina*,³⁶ and *Land Bank of the Philippines v. Lim*,³⁷ to name a few, were clear that the RTC-SAC must consider the factors mentioned by Section 17, including the formula prescribed by the DAR's administrative orders in determining just compensation.

Recently, the Court, in *Land Bank of the Philippines v. Yatco Agricultural Enterprises*,³⁸ had the occasion to reiterate and stress the need to apply and consider the factors and formula prescribed under Section 17 of R.A. No. 6657 and the pertinent DAR issuances. Citing *Land Bank of the Philippines v. Honeycomb Farms Corporation*,³⁹ we pointedly declared as grave error, on the RTC-SAC's part, its complete disregard of the DAR formula. We emphasized that the DAR's issuances partake of the nature of statutes that have in their favor a presumption of legality.⁴⁰ And, unless the administrative orders are declared invalid or the cases before them involve situations these administrative issuances do not cover, the RTC-SAC must apply them with the equal force of the law.

In other words, our ruling in *Yatco* underscored the settled rule that, in the exercise of the essentially judicial function of determining just compensation, the RTC-SAC is not granted unlimited discretion. It must consider and apply the R.A. No. 6657-enumerated factors and the DAR formula (that reflects these factors) as they provide the uniform framework

³³ Section 49 of R.A. No. 6657 reads:
Section 49. *Rules and Regulations*. — The PARC and the DAR shall have the power to issue rules and regulations, whether substantive or procedural, to carry out the objects and purposes of this Act. Said rules shall take effect ten (10) days after publication in two (2) national newspapers of general circulation. [italics supplied]

³⁴ 478 Phil. 701, 709-710 (2004).

³⁵ *Supra* note 31, at 477.

³⁶ G.R. No. 176410, September 1, 2010, 629 SCRA 614, 624-632.

³⁷ 555 Phil. 831, 837-839 (2007).

³⁸ *Supra* note 31.

³⁹ *Supra* note 27.

⁴⁰ *Land Bank of the Philippines v. Yatco Agricultural Enterprises*, *supra* note 31, citing *Landbank of the Philippines v. Celada*, *supra* note 31.

or structure by which just compensation for property subject to agrarian reform should be determined. This uniform system, we pointed out, is important for it will ensure that the RTC-SACs “do not arbitrarily fix an amount that is absurd, baseless and even contradictory to the objectives of our agrarian reform laws as just compensation” in addition to ensuring that “the just compensation fixed represents, at the very least, a close approximation of the full and real value of the property taken that is fair and equitable for both the farmer-beneficiaries and the landowner.”⁴¹ That the “just compensation” fixed should be fair and equitable equally for both the farmer-beneficiaries and the landowner, to our mind, is a consideration that should evenly be factored in the computation for ultimately the farmer-beneficiaries will shoulder the cost of the distributed property.

More importantly, however, we clarified in *Yatco* that, when acting within the parameters set by the law itself – in the proper observance of the R.A. No. 6657 factors and the DAR formula – the RTC-SAC is not strictly bound to conform to and apply them, particularly the DAR formula, to their minute detail as to effectively deprive it of its discretion. “When faced with situations that do not warrant the formula’s strict application, the [RTC-SAC] may, in the exercise of [its] discretion, relax the formula’s application to fit the factual situations before [it].”⁴² It must, however, explain and justify in clear terms the reason for any deviation from the prescribed factors and formula.⁴³

In the present case, we reaffirm and emphasize our ruling in *Yatco* - **the situation where a deviation is made in the exercise of judicial discretion must at all times be distinguished from the situation where the RTC-SAC (and the CA in cases where it affirms the RTC-SAC’s valuation) utterly and blatantly disregards the factors spelled out by the law and the implementing rules. A deviation made in utter and blatant disregard of the prescribed factors and formula amounts to grave abuse of discretion for having been taken outside the contemplation of the law.**⁴⁴

A determination of just compensation based merely on “conscience” – a consideration entirely outside the contemplation of the law – is the precise situation that we find in this case. We, therefore, set aside, as grave abuse of discretion, the RTC-SAC’s valuation.

⁴¹ *Land Bank of the Philippines v. Yatco Agricultural Enterprises, supra.*

⁴² *Ibid.* See also *Land Bank of the Philippines v. Bienvenido Castro*, G.R. No. 189125, August 28, 2013, citing *Land Bank of the Philippines v. Chico*, G.R. No. 168453, March 13, 2009, 581 SCRA 226, 243; and *Apo Fruits Corporation v. Court of Appeals*, G.R. No. 164195, December 19, 2007, 541 SCRA 117, 131-132.

⁴³ *Land Bank of the Philippines v. Yatco Agricultural Enterprises, supra* note 31. See also *Land Bank of the Philippines v. Bienvenido Castro, supra.*

⁴⁴ *Land Bank of the Philippines v. Yatco Agricultural Enterprises, supra* note 31, citing *Aldovino, Jr. v. Commission on Elections*, G.R. No. 184836, December 23, 2009, 609 SCRA 234; *Gonzales v. Solid Cement Corporation*, G.R. No. 198423, October 23, 2012, 684 SCRA 344; and *Pecson v. Commission on Elections*, G.R. No. 182865, December 24, 2008, 575 SCRA 634. See also *Land Bank of the Philippines v. Escandor, supra* note 31, at 515, citing *Land Bank of the Philippines v. Barrido*, G.R. No. 183688, August 18, 2010, 628 SCRA 454.

To be clear, other than in “conscience,” the RTC-SAC did not point to any particular consideration that impelled it to set the just compensation at ₱25,000,000.00. It did not refer to any factor or data that it used as basis in arriving at this valuation. Worse, it did not cite any particular formula that it used in its computation. In fact, a reading of the RTC-SAC’s decision reveals a marked absence of any grounds by which it anchored its determination, more so of any explanation why it fixed the amount of ₱25,000,000.00. This marked absence of basis, taken together with these other considerations, convinced us that the RTC-SAC completely, even arbitrarily, relied on the amount that Eusebio and Tañada prayed for in their complaint in fixing the property’s just compensation.

Arguably, the fixing of just compensation that is based on the landowner’s prayer falls within the exercise of the RTC-SAC’s discretion and, therefore, should be upheld as a valid exercise of its jurisdiction. Even within the context of this judicial prerogative principle, however, the RTC-SAC’s reliance, in this case, on Eusebio and Tañada’s prayer was erroneous for, as we pointed out above, the RTC-SAC did not at all consider any factor or use any formula, whether those prescribed by the law and the DAR issuances or otherwise, in arriving at its valuation. This blind reliance on Eusebio and Tañada’s prayer and the utter disregard of the prescribed factors and formula clearly amount to grave abuse of discretion for having been taken outside the contemplation of the law. In acting as it did in this case, the RTC-SAC committed exactly what the law and the regulations aimed at preventing in prescribing the factors and the formula in the determination of just compensation – an arbitrary fixing of an amount that is absurd, baseless and even contradictory to the objectives of our agrarian reform laws as just compensation.

Thus, we set aside, as grave abuse of discretion, the just compensation of ₱25,000,000.00 that the RTC-SAC fixed for Eusebio’s property. We point out, however, that we set aside this valuation not for the reasons urged by the LBP, *i.e.*, the RTC-SAC’s use of the market value approach and the fixing of the just compensation as of the time of the filing of the complaint, but for the valuation’s clear lack of basis and for having been made in utter disregard of the law’s parameters. Accordingly, we likewise set aside, for grave error, the CA’s decision that affirmed *in toto* this RTC-SAC’s valuation.

Payment through trust account

A final point. We did not fail to notice that the LBP, in this case, opened a trust account to provisionally pay Eusebio for the property taken. In *Land Bank of the Philippines v. Honeycomb Farms Corporation*,⁴⁵ we struck down as void the DAR administrative circular⁴⁶ that provided for the opening of the trust accounts in lieu of the deposit in cash or in bonds

⁴⁵ *Supra* note 27, citing *Land Bank of the Philippines v. CA*, 319 Phil. 246, 249 (1995).

⁴⁶ See DAR Administrative Circular No. 9, series of 1990.

contemplated in Section 16(e) of R.A. No. 6657.⁴⁷ We pointedly declared that the explicit words of Section 16(e) did not include “trust accounts,” but only cash or bonds, as valid modes of satisfying the government’s payment of just compensation.

Accordingly, we consider the LBP in delay and impose on it as penalty an interest on the amount deposited in the trust account at the rate of 12% *per annum* from the time the LBP opened the trust account until June 30, 2013 and beginning July 1, 2013, until the account is converted into a cash or bond deposit account, at the rate of 6% *per annum* per Banko Sentral ng Pilipinas Circular No. 799.⁴⁸

Remand of the Case

Considering the manifest lack of sufficient data to guide this Court in the proper determination of just compensation following the guidelines that we have at length discussed above, we deem it premature to determine with finality the matter in controversy. We are not a trier of facts and we cannot receive any new evidence from the parties to aid the prompt resolution of this case. Thus, we are compelled to remand the case to the RTC-SAC for the reception of evidence and the determination of just compensation with the cautionary reminder for the proper observance of the factors enumerated under Section 17 of R.A. No. 6657 and of the formula prescribed under the pertinent DAR administrative orders.

WHEREFORE, in light of these considerations, we hereby **GRANT** the petition. Accordingly, we **REVERSE** and **SET ASIDE** the decision dated August 26, 2002 and the resolution dated September 24, 2003 of the Court of Appeals in CA-G.R. CV No. 66022. We **REMAND** Special Civil Case No. 4325 to the Regional Trial Court of Masbate, Masbate, Branch 48, sitting as a Special Agrarian Court which is directed to determine with dispatch the just compensation due to respondent Benecio Eusebio, Jr. in accordance with Republic Act No. 6657 and the pertinent issuances of the Department of Agrarian Reform, subject to a 12% interest *per annum* from the time the Land Bank of the Philippines opened the trust account in favor of Benecio Eusebio, Jr. and Ricardo Tañada up to June 30, 2013, and to a 6% interest *per annum* beginning July 1, 2013 until the time the account is actually converted into cash and/or Land Bank of the Philippines bond deposit accounts.


⁴⁷ Section 16(e) of R.A. No. 6657 provides:
SECTION 16. Procedure for Acquisition of Private Lands. — For purposes of acquisition of private lands, the following procedures shall be followed:
x x x x
(e) Upon receipt by the landowner of the corresponding payment or, in case of rejection or no response from the landowner, upon the deposit with an accessible bank designated by the DAR of the compensation in cash or in LBP bonds in accordance with this Act, the DAR shall take immediate possession of the land and shall request the proper Register of Deeds to issue a Transfer Certificate of Title (TCT) in the name of the Republic of the Philippines. The DAR shall thereafter proceed with the redistribution of the land to the qualified beneficiaries. [emphasis ours]


⁴⁸ Effective July 1, 2013. It lowered to 6% from 12% the interest rate for loans and other forbearance of money.

SO ORDERED.



ARTURO D. BRION
Associate Justice

WE CONCUR:


ANTONIO T. CARPIO
Associate Justice
Chairperson



MARIANO C. DEL CASTILLO
Associate Justice


JOSE PORTUGAL PEREZ
Associate Justice


ESTELA M. PERLAS-BERNABE
Associate Justice

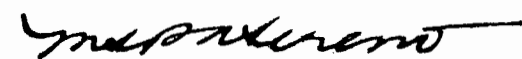
ATTESTATION

I attest that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.


ANTONIO T. CARPIO
Associate Justice
Chairperson, Second Division

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution, and the Division Chairperson's Attestation, I certify that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.


MARIA LOURDES P. A. SERENO
Chief Justice