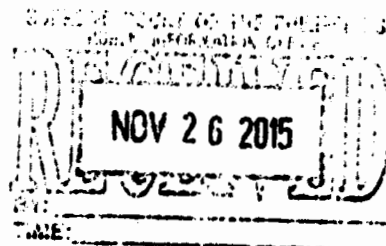




Republic of the Philippines
Supreme Court
Manila

FIRST DIVISION



LAND BANK OF THE PHILIPPINES, G.R. No. 172352
Petitioner,

- versus -

ALFREDO HABABAG, SR.,
substituted by his wife,
CONSOLACION, and children,
namely: MANUEL, SALVADOR,
WILSON, JIMMY, ALFREDO,
JR., and JUDITH, all surnamed
HABABAG,
Respondents.

X-----X

ALFREDO HABABAG, SR.,
substituted by his wife,
CONSOLACION, and children,
namely: MANUEL, SALVADOR,
WILSON, JIMMY, ALFREDO,
JR., and JUDITH, all surnamed
HABABAG,
Petitioners,

G.R. Nos. 172387-88

Present:

SERENO, C.J., Chairperson,
LEONARDO-DE CASTRO,
BERSAMIN,
PEREZ, and
PERLAS-BERNABE, JJ.

- versus -

LAND BANK OF THE PHILIPPINES and the DEPARTMENT OF AGRARIAN REFORM,
Respondents.

Promulgated:

SEP 16 2015

X-----X

D E C I S I O N

PERLAS-BERNABE, J.:

Assailed in these consolidated petitions for review on *certiorari*¹ are the Decision² dated November 15, 2005 and the Resolution³ dated April 19, 2006 of the Court of Appeals (CA) in CA-G.R. SP Nos. 86066 and 86167, which set aside the Amended Decision⁴ dated March 22, 2004 and the Order⁵ dated August 10, 2004 of the Regional Trial Court of Sorsogon City, Branch 52 (RTC) in Civil Case No. 96-6217, fixing the amount of just compensation at ₱2,398,487.24, with interest at 12% per annum (p.a.), in view of the expropriation of certain parcels of land owned by the Heirs of Alfredo Hababag, Sr. (Hababag Heirs).

The Facts

Alfredo Hababag, Sr. (Alfredo) was the owner of several parcels of agricultural land with an aggregate area of 82.4927 hectares (has.) situated in Barangays Carriedo, Manapao, and Casili, in the Municipality of Gubat, Sorsogon, and covered by Transfer Certificate of Title No. T-12107. The aforesaid landholdings were voluntarily offered for sale (VOS) to the government under Republic Act No. (RA) 6657,⁶ otherwise known as the “Comprehensive Agrarian Reform Law of 1988,” but only 69.3857 has. thereof⁷ (subject lands) were acquired in 1990.⁸

¹ *Rollo* (G.R. No. 172352), pp. 30-55; *rollo* (G.R. Nos. 172387-88), pp. 3-27.

² *Rollo* (G.R. No. 172352), pp. 56-70; *rollo* (G.R. Nos. 172387-88), pp. 29-43. Penned by Associate Justice Delilah Vidallon-Magtolis with Associate Justices Elvi John S. Asuncion and Jose C. Reyes, Jr. concurring.

³ *Rollo* (G.R. No. 172352), pp. 73-74; *rollo* (G.R. Nos. 172387-88), pp. 44-45. Penned by Associate Justice Jose C. Reyes, Jr. with Associate Justices Elvi John S. Asuncion and Regalado E. Maambong concurring.

⁴ *Rollo* (G.R. No. 172352), pp. 148-150; *rollo* (G.R. Nos. 172387-88), pp. 126-127-A. Penned by Judge Honesto A. Villamor.

⁵ *Rollo* (G.R. No. 172352), pp. 155-156; *rollo* (G.R. Nos. 172387-88), pp. 135-135-A.

⁶ Entitled “AN ACT INSTITUTING A COMPREHENSIVE AGRARIAN REFORM PROGRAM TO PROMOTE SOCIAL JUSTICE AND INDUSTRIALIZATION, PROVIDING THE MECHANISM FOR ITS IMPLEMENTATION, AND FOR OTHER PURPOSES” (approved on June 10, 1988).

⁷ *Rollo* (G.R. No. 172352), pp. 160-163. See Claims Valuation and Processing Form No. 05-VO-91-310.

Consisting of:	
coconut land	66.9961 has.
riceland	1.3869
cogonal	<u>1.0000</u>
<i>Total</i>	<u>69.3857 has.</u>

⁸ *Rollo* (G.R. Nos. 172387-88), p. 46. Notice of Acquisition dated December 28, 1990. See also *rollo* (G.R. No. 172352), p. 57; *rollo* (G.R. Nos. 172387-88), p. 30.

The Land Bank of the Philippines (LBP) initially valued the subject lands at ₱1,237,850.00, but Alfredo rejected the valuation. After summary administrative proceedings for the determination of the amount of just compensation, the Office of the Provincial Agrarian Reform Adjudicator (PARAD) of the Department of Agrarian Reform (DAR) Adjudication Board (DARAB) fixed the value of the subject lands at ₱1,292,553.20.⁹ Dissatisfied, Alfredo filed a Complaint¹⁰ for the determination of the amount of just compensation before the RTC.

As a matter of course, the RTC appointed two commissioners designated by each party to conduct an evaluation and appraisal of the subject lands. Subsequently, the LBP-appointed commissioner, Francisco M. Corcuera (Commissioner Corcuera), submitted his Commissioner's Report,¹¹ fixing the amount of just compensation for the subject lands at ₱2,358,385.48 based on (DAR) Administrative Order (AO) No. 6, series of 1992 (DAR AO 6-92), as amended by DAR AO No. 11, series of 1994 (DAR AO 11-94). On the other hand, the commissioner designated by Alfredo, Margarito Cuba (Commissioner Cuba) of Banco Sorsogon, valued the lands at ₱5,420,600.00.¹²

On December 20, 1999, the RTC rendered a Decision¹³ (December 20, 1999 Decision) fixing the amount of just compensation of the subject lands at ₱5,653,940.00 computed as follows:

Coconut land – 63.61 has @ ₱50,000.00/ha.	₱3,180,500.00	
Rice land – 4.75 has. @ ₱60,000.00/ha.	<u>285,000.00</u>	
<i>Total Land Appraised Value</i>		3,465,500.00
Fruit-bearing coconut trees – 9,723 x ₱200.00	1,944,600.00	
Timber trees 7 x ₱1,500.00	<u>10,500.00</u>	
<i>Total Plants and Trees Appraised Value</i>		1,955,100.00
Reasonable income of the coconut trees for the next 20 years (based on the Income Productivity Approach) ¹⁴		<u>233,340.00</u>
<i>Total</i>		<u>₱5,653,940.00</u> ¹⁵

⁹ *Rollo* (G.R. Nos. 172387-88), pp. 47-50. Decision dated January 29, 1996. Penned by Provincial Adjudicator Manuel M. Capellan. Based on the Complaint and DARAB Decision, the LBP's initial valuation of the subject lands is ₱1,237,853.26 (see *id.* at 53 and 48).

¹⁰ *Id.* at 51-55.

¹¹ *Rollo* (G.R. No. 172352), pp. 157-159. Dated December 17, 1996.

¹² *Rollo* (G.R. Nos. 172387-88), p. 58.

¹³ *Id.* at 57-61.

¹⁴ *Id.* at 60. The computation was based on the following figures:

INCOME PRODUCTIVITY APPROACH:

1. Coconut:

a. Average Production /Tree/Year= 10 nuts/ tree x 8 = 80 nuts / tree / year

b. Total Nuts gathered from 9,723 fruit trees/year – 777,840 nuts

c. 777,840 nuts converted to kilos of copra = 155,560 kilos/year

d. Average Price of Copra = ₱15.00

e. Multiply 155,560 kilos by ₱15.00 = ₱23,334.00

f. Estimated Remaining Productive life = 20 years from date

g. Less 50 percent expenses for labor cost and tenant share out of the gross receipt

h. Total income from the remaining 20 years productive life of the coconut trees = ₱233,340.00 for the owner less 50% expenses for labor cost and tenant share

i. Coconut (fruit bearing) in the land = 9,723

¹⁵ *Id.* at 59-60.

In reaching the above-stated total amount, the RTC applied the Income Productivity Approach. It also considered the Inspection and Appraisal Report submitted by Commissioner Cuba, finding the same to be “the more realistic appraisal[,] considering the economic condition of the country[,] as well as the acquisition of the property and the present assessed value and also the proximity of the property to the commercial center.”¹⁶

Alfredo appealed to the CA, which was docketed as CA-G.R. CV No. 66824, averring that the RTC committed a mathematical error in computing the amount of just compensation for the subject lands, as well as in fixing the remaining productive life of the coconut trees to only 20 years instead of 40 to 45 years.

On January 16, 2004, the CA rendered a Decision¹⁷ (January 16, 2004 CA Decision) in the aforesaid case, indeed finding a mathematical error in the computation of the reasonable income from the coconut trees, which if corrected would have been ₱23,335,200.00.¹⁸ Accordingly, adding to the same the total land appraised value of ₱3,465,500.00,¹⁹ the CA came up with a total of ₱26,800,700.00.²⁰ It, however, rejected Alfredo’s claim for the adjustment of the productive life of the coconut trees to anywhere between 40 to 45 years, as it gave credence to the Inspection and Appraisal Report submitted by Commissioner Cuba which stated that the remaining productive life of the coconut trees would only be 20 years. While expressing misgivings to the resultant amount which far exceeded the computations made by the parties’ commissioners,²¹ it nonetheless remanded the case for the re-computation of the accurate amount of just compensation, applying thereto the Income Productivity Approach. In this light, it ratiocinated that the “court *a quo*, with the aid of its duly-appointed commissioner, x x x is in the best position to appreciate the technical elements involved in the formula used to determine the just compensation for [Alfredo’s] property.”²²

Pursuant to the January 16, 2004 CA Decision, the RTC ordered Commissioner Cuba to re-compute the accurate amount of just compensation applying the Income Productivity Approach. Accordingly, the latter submitted the following re-computation:

¹⁶ Id. at 59.

¹⁷ Id. at 111-121. Penned by Associate Justice Andres B. Reyes, Jr. with Associate Justices Buenaventura J. Guerrero and Regalado E. Maambong concurring.

¹⁸ Id. at 117-118.

¹⁹ Id. at 115.

<u>Classification</u>	<u>Sub-class</u>	<u>Actual Use</u>	<u>Area</u>	<u>Unit Value</u>	<u>Market Value</u>
Agricultural	2 nd	coconut land	63.61 has.	₱50,000.00	₱3,180,500.00
Un-irrigated	2 nd	rice land	<u>4.75 has.</u>	₱60,000.00	<u>285,000.00</u>
Total Land Area			68.16 has.		₱3,465,500.00

²⁰ Id. at 118.

²¹ Id. at 119.

²² Id. at 120-121.

RE-COMPUTATION OF COCONUT PRODUCTION
ALFREDO HABABAG PROPERTY
Situated at Brgy[s]. Carriedo, Manapao,[and] Casili, all at Gubat[,] Sorsogon

Date: February 24, 2004

A. Itemized re: computation of coconut production

1. Total existing coconut fruit bearing trees -----	9,723 x x x
2. Average nuts produce per tree per harvest -----	10 pcs.
3. An average of eight regular harvest of nuts/tree/year ----	80 pcs.
4. Total nuts produce per year from (9,723) fruits bearing trees -----	777,840 pcs.

B. Re: computation of copra production

1. Total nuts produce per year -----	777,840 pcs.
2. Average weight of one nut to copra -----	.30 kls.
3. Total kilos of copra produce per year -----	233,352 kls.
4. Gross income of copra produce per year by average of P15.00/kilo-----	P 3,500,280.00
Less: fifty percent labor cost/transportation expense and tenant share -----	<u>1,750,140.00</u>
Total net income of copra produce per year -----	<u>P 1,750,140.00</u>
5. Estimated income of copra for the remaining (20) years economic life of (9,723) coconut fruit bearing trees is more or less -----	<u>P35,002,800.00²³</u>

Commissioner Cuba, however, retained the total appraised values for the subject lands and the plants/trees at P3,465,500.00 and P1,955,100.00, respectively, as similarly indicated in the December 20, 1999 RTC Decision.

The RTC Ruling

On March 22, 2004, the RTC rendered an Amended Decision,²⁴ fixing the amount of the just compensation for the subject lands at P40,423,400.00 computed as follows:

Coconut land – 63.61 has. @ P50,000.00/ha.	P3,180,500.00
Rice Land – 4.75 has. @ P60,000.00/ha.	<u>285,000.00</u>
<i>Total Land Appraised Value</i>	3,465,500.00
Fruit-bearing coconut trees – 9,723 x P200.00	1,944,600.00
Timber trees 7 x P1,500.00	<u>10,500.00</u>
<i>Total Plants and Trees Appraised Value</i>	1,955,100.00
Recomputed Estimated Income of the Copra for the remaining twenty (20) years economic life of the 9,723 coconut fruit bearing trees	<u>35,002,800.00</u>
<i>Total</i>	<u><u>P 40,423,400.00²⁵</u></u>

²³ Id. at 123-A.

²⁴ *Rollo* (G.R. No. 172352), pp. 148-150; *rollo* (G.R. Nos. 172387-88) pp. 126-127-A.

²⁵ Id.

With their motions for reconsideration having been denied in an Order²⁶ dated August 10, 2004, the LBP and the DAR filed separate petitions²⁷ for review with the CA, docketed as CA-G.R. SP Nos. 86066 and 86167, respectively. For its part, the LBP averred²⁸ that the RTC gravely erred in disregarding the factors under Section 17 of RA 6657 and DAR AO 6-92, as amended by DAR AO 11-94, as ordained by the Court in the case of *LBP v. Banal*.²⁹ On the other hand, the DAR contended that the RTC erred³⁰ in including in its computation the estimated income of the coconut trees for their remaining economic life (computed at 20 years) and in adjudging a just compensation award which is higher than the offered valuation of the landowner. Pending appeal, Alfredo passed away and was substituted by his heirs, *i.e.*, the Hababag Heirs.

The CA Ruling

In the assailed Decision³¹ dated November 15, 2005, the CA set aside the RTC's valuation for failure to give due consideration to the factors enumerated in Section 17 of RA 6657 and the formula under DAR AO 6-92, as amended by DAR AO 11-94. Moreover, contrary to the limitation imposed by DAR AO 6-92 – *i.e.*, that the computed value using the applicable formula shall not exceed the landowner's offer to sell – the CA found that the amount as recomputed by the RTC was way beyond the landowner's offer of ₱1,750,000.00 as stated in the Claims Valuation and Processing Form.³² Consequently, it gave more credence to the report submitted by Commissioner Corcuera which made use of the DAR formula derived from the factors enumerated under Section 17 of RA 6657. The just compensation for the subject lands was thus computed³³ as follows:

<u>Land Use</u>	<u>Area (ha.)</u>	<u>Land Value/ha.</u>	<u>Total</u>
Coconut	66.9961	₱35,586.24	₱2,384,139.20 ³⁴

²⁶ *Rollo* (G.R. No. 172352), pp. 155-156; *rollo* (G.R. Nos. 172387-88), pp. 135-135-A.

²⁷ *Rollo* (G.R. Nos. 172387-88), pp. 146-168 for the LBP and pp. 136-145 for the DAR.

²⁸ *Id.* at 160-162.

²⁹ 478 Phil. 701 (2004).

³⁰ *Rollo* (G.R. No. 172387-88), pp. 142-143.

³¹ *Rollo* (G.R. No. 172352), pp. 56-70; *rollo* (G.R. Nos. 172387-88), pp. 29-43.

³² *Rollo* (G.R. No. 172352), p. 160. See also CA Decision, *rollo* (G.R. No. 172352), p. 65; and *rollo* (G.R. Nos. 172387-88), p. 38.

³³ While the figures for just compensation in Commissioner Corcuera's Inspection and Appraisal Report and the Claims Valuation and Processing Form No. 05-VO-91-310 are basically identical, Commissioner Corcuera committed a mathematical error in the computation of the land value for the 66.9961-hectare coconut land, hence, the CA adopted the values in the said Claims Valuation and Processing Form.

³⁴ Computed using the formula:

$$LV = \text{Capitalized net income (CNI)} \times (0.9) + \text{Market Value} \times (0.1)$$

Where: LV = Land Value

CNI = Capitalized Net Income

MV = Market Value per Tax Declaration

$$\text{CNI} = \frac{(\text{AGP} \times \text{SP}) - \text{CO}}{\text{.12}} + \text{cumulative cost for NFBT}$$

Unirrigated Riceland	1.3896	8,243.71	11,455.46 ³⁵
Cogonal	<u>1.0000</u>	2,892.58	<u>2,892.58³⁶</u>
	69.3857 has.		<u>₱2,398,487.24³⁷</u>

Based on the foregoing, the average value per hectare of the 69.3857 hectare lands would therefore be ₱34,567.4576.

The CA likewise considered the government's obligation to pay just compensation to be in the nature of a forbearance of money and, as such, additionally imposed interests on the just compensation award at 12% p.a., to be reckoned from the time of the taking or the filing of the complaint, whichever is earlier.³⁸

The LBP and the Hababag Heirs filed their respective motions for partial reconsideration which were both denied in a Resolution³⁹ dated April 19, 2006; hence, the instant petitions for review on *certiorari*.

The Issues Before the Court

The present controversy revolves around the CA's award of just compensation, including interests at the rate of 12% p.a.

Where: CNI = Capitalized Net Income
 AGP = Latest available 12-month's gross production immediately preceding the date of offer in case of VOS or date of notice of coverage in case of CA
 SP = The average of the latest available 12-month's selling prices prior to the date of Notice of coverage in case of CA
 CO = Cost of operations
 Landholdings planted to coconut which are productive at the time of offer shall continue to use the **70% NIR** (net income rate).
 .12 = Capitalization Rate
 NFBT = non-fruit-bearing tree

³⁵ Computed using the formula:

$$LV = (CNI \times 0.9) + (MV \times 0.1)$$

$$CNI = \frac{(AGP \times SP) - CO}{.12}$$

Where: CNI = Capitalized Net Income

MV = Market Value

AGP = Latest available 12-month's gross production immediately preceding the date of offer in case of VOS or date of notice of coverage in case of CA

SP = The average of the latest available 12-month's selling prices prior to the date of notice of coverage in case of CA

CO = Cost of operations

Whenever the cost of operations could not be obtained or verified, an **assumed NIR of 20%** shall be used.

.12 = Capitalization Rate

³⁶ Computed using the formula:

$$LV = MV \times 2$$

Where: LV = Land Value

MV = Market Value per Tax Declaration

³⁷ *Rollo* (G.R. No. 172352), p. 68; *rollo* (G.R. Nos. 172387-88), p. 41.

³⁸ *Rollo* (G.R. No. 172352), pp. 69-70; *rollo* (G.R. Nos. 172387-88), pp. 42-43.

³⁹ *Rollo* (G.R. No. 172352), pp. 73-74; *rollo* (G.R. Nos. 172387-88), pp. 44-45.

In **G.R. No. 172352**, the LBP assails the award of interests by the CA, contending that since the Hababag Heirs were already paid the provisional compensation, no interest can legally accrue to them. Further, it argues that unless there is a final and executory decision, it is under no obligation to pay interests since there could be no delay as of yet in the payment of just compensation. Besides, it maintains that RA 6657 did not provide for the payment of such interests.

In **G.R. Nos. 172387-88**, the Hababag Heirs contend that the CA erred in setting aside the just compensation fixed by the RTC which was in accordance with the provisions of Section 17 of RA 6657 and the final decision of the CA in CA-G.R. CV No. 66824 directing its re-computation.

The Court's Ruling

The petitions lack merit.

In the landmark case of *Association of Small Landowners in the Philippines, Inc. v. Hon. Secretary of Agrarian Reform*,⁴⁰ the Court defined the term “just compensation” as follows:

Just compensation is defined as the full and fair equivalent of the property taken from its owner by the expropriator. It has been repeatedly stressed by this Court that the measure 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.⁴¹

In this relation, the RTC, sitting as a Special Agrarian Court, has been conferred with the original and exclusive power to determine just compensation for parcels of land acquired by the State pursuant to the agrarian reform program.⁴² To guide the RTC in this function, Section 17⁴³

⁴⁰ 256 Phil. 777 (1989).

⁴¹ Id. at 812.

⁴² Section 57 of RA 6657 reads as follows:

SEC. 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.

The Special Agrarian Courts shall decide all appropriate cases under their special jurisdiction within thirty (30) days from submission of the case for decision.

⁴³ The instant petitions for review on *certiorari* were filed in May 2006 (G.R. Nos. 172387-88) and June 2006 (G.R. No. 172352), long before the passage of R.A. 9700, which amended Section 17 of RA 6657. Accordingly, it is Section 17 of RA 6657 which should control the challenged valuation. The said provision reads:

SEC. 17. *Determination of Just Compensation.* — In determining just compensation, the cost of acquisition of the land, the current value of like properties, its

of RA 6657 enumerates the factors which must be taken into consideration to accurately determine the amount of just compensation to be awarded in a particular case. They are: (a) the acquisition cost of the land; (b) the current value of like properties; (c) the nature and actual use of the property, and the income therefrom; (d) the owner's sworn valuation; (e) the tax declarations; (f) the assessment made by government assessors; (g) the social and economic benefits contributed by the farmers and the farmworkers, and by the government to the property; and (h) the nonpayment of taxes or loans secured from any government financing institution on the said land, if any.⁴⁴ Corollarily, pursuant to its rule-making power under Section 49⁴⁵ of the same law, the DAR translated these factors into a basic formula,⁴⁶ which courts have often referred to and applied, as the CA did in this case. It, however, bears stressing that courts are not constrained to adopt the said formula in every case since the determination of the amount of just compensation essentially partakes the nature of a judicial function. In this accord, courts may either adopt the DAR formula or proceed with its own application for as long as the factors listed in Section 17 of RA 6657 have been duly considered.⁴⁷

In keeping with these considerations, the Court finds the CA's valuation – which made use of the DAR formula – as reflective of the factors set forth in Section 17 of RA 6657. Records disclose that the CA's computation, as adopted from the LBP's own computation, is based on: (a) actual production data; (b) the appropriate industry selling prices of the products from the Philippine Coconut Authority and the Bureau of Agricultural Statistics of Sorsogon; and (c) the actual uses of the property. Likewise, the (a) income from the coconut fruit-bearing trees, as well as the unirrigated riceland, (b) cumulative cost of the non-fruit-bearing trees; and (c) market value of the cogonal land have been duly considered. The Court observes that the holistic data gathered therefrom adequately consider the factors set forth in Section 17 of RA 6657, as well as the DAR formula. As such, the CA's computation, which was derived from the same, must be sustained. Lest it be misunderstood, the ascertainment of just compensation on the basis of the landholdings' nature, location, and market value, as well as the volume and value of the produce is valid and accords with Section 17 of RA 6657⁴⁸ and the DAR formula, as in this case.

nature, actual use and income, the sworn valuation by the owner, the tax declarations, and the assessment made by government assessors, shall be considered. The social and economic benefits contributed by the farmers and the farmworkers and by the Government to the property, as well as the non-payment of taxes or loans secured from any government financing institution on the said land, shall be considered as additional factors to determine its valuation.

⁴⁴ *LBP v. Palmares*, G.R. No. 192890, June 17, 2013, 698 SCRA 655, 662-663.

⁴⁵ SEC. 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. x x x.

⁴⁶ *LBP v. Palmares*, supra note 44, at 663.

⁴⁷ See *Apo Fruits Corporation v. CA*, 565 Phil 418, 434 (2007).

⁴⁸ *LBP v. Costo*, G.R. No. 174647, December 5, 2012, 687 SCRA 122, 132-133.

On the contrary, the Court finds the RTC's valuation to be improper, as it contradicts the definition of "market value" as crafted by established jurisprudence on expropriation.

To elucidate, in determining the amount of just compensation for the subject lands, the RTC applied the Income Productivity Approach which approximated the income for the remaining productive life of the crops therein, without considering the fortuitous events and plant diseases, and with the expectation that they would be compensated by developments which could be made by the property owner.⁴⁹ The Court has repeatedly ruled that the constitutional limitation of just compensation is considered to be the sum equivalent of the market value of the property, which is, in turn, defined as the price fixed by the seller in open market in the usual and ordinary course of legal action and competition, or the fair value of the property as between one who receives and one who desires to sell it, *fixed at the time of the actual taking by the government*.⁵⁰ In this accord, therefore, the Court cannot sustain the formula used by the RTC which was "based on the principle of **anticipation** which implies that the value of a property is dependent on the potential net benefit that may be derived from its ownership."⁵¹ Clearly, this approach, which is largely characterized by the element of futurity, is inconsistent with the idea of valuing the expropriated property at the time of the taking.

Furthermore, the Court also observes that the Income Productivity Approach, as applied by the RTC, adopts an investor's point of view which is actually off-tangent with the governmental purpose behind the acquisition of agricultural lands. On this score, case law states that agricultural lands are not acquired for investment purposes but for redistribution to landless farmers in order to lift their economic status⁵² by enabling them to own directly or collectively the lands they till or to receive a just share of the fruits thereof.⁵³ In this regard, farmer-beneficiaries are not given those lands

⁴⁹ *Rollo* (G.R. No. 172352), p. 150; *rollo* (G.R. Nos. 172387-88), p. 127-A.

⁵⁰ *Republic v. Rural Bank of Kabacan, Inc.*, G. R. No. 185124, 680 Phil. 247, 257 (2012).

⁵¹ *Rollo* (G.R. No. 172352), p. 149; *rollo* (G.R. Nos. 172387-88), p. 127.

⁵² Section 3 (a) of RA 6657 defines "agrarian reform" as the "redistribution of lands, regardless of crops or fruits produced, to farmers and regular farm workers who are landless, irrespective of tenurial arrangement, to include the totality of factors and support services designed to lift the economic status of the beneficiaries and all other arrangements alternative to the physical redistribution of lands, such as production or profit-sharing, labor administration, and the distribution of shares of stock, which will allow beneficiaries to receive a just share of the fruits of the lands they work."

⁵³ Section 4, Article XIII (Social Justice and Human Rights) of the 1987 Philippine Constitution on "Agrarian and Natural Resources Reform" provides:

SEC. 4. The State shall, by law, undertake an agrarian reform program founded on the right of farmers and regular farmworkers who are landless, to own directly or collectively the lands they till or, in the case of other farmworkers, to receive a just share of the fruits thereof. To this end, the State shall encourage and undertake the just distribution of all agricultural lands, subject to such priorities and reasonable retention limits as the Congress may prescribe, taking into account ecological, developmental, or equity considerations, and subject to the payment of just compensation. In determining retention limits, the State shall respect the right of small landowners. The State shall further provide incentives for voluntary land-sharing.

so they can live there but so that they can till them. Since they generally live on a hand-to-mouth existence, their source of repaying the just compensation is but derived out of their income from their cultivation of the land. Hence, in order to be just, the compensation for the land must be what the farmer-beneficiaries can reasonably afford to pay based on what the land can produce.⁵⁴ It would therefore be highly inequitable that in the 30-year allowable period⁵⁵ to pay the annual amortizations for the lands, farmer-beneficiaries would be required to pay for the same income they expect to earn therefrom on top of the computed market value of the landholdings. Such could not have been the intent of the State's agrarian reform program. In fine, the Court cannot sustain the RTC's application of the Income Productivity Approach used as one of its bases in arriving at its decreed valuation. Not only is the same aversive to the jurisprudential concept of "market value," but it also deviates from the factors laid down in Section 17 of RA 6657 and thus, remains legally baseless and unfounded.

On the issue of interests, suffice it to state that the just compensation due to the landowners for their expropriated property is treated as an effective forbearance on the part of the State.⁵⁶ The rationale therefor, as enunciated in the case of *Apo Fruits Corporation v. LBP*,⁵⁷ is to compensate the landowners for the income they would have made had they been properly compensated for their properties at the time of the taking. In other words, the award of 12% interests is imposed in the nature of damages for the delay in the payment of the full just compensation award.⁵⁸

In the present case, the LBP had already made the corresponding deposit of their offered valuation in the amount of ₱1,237,850.00 in cash and in bonds prior to the DAR's possession of the property.⁵⁹ This amount is lower than the just compensation awarded and, hence, in view of the above-stated principle, the payment of interests remains in order insofar as the unpaid balance is concerned.

⁵⁴ See *LBP v. Palmares*, supra note 44, at 664.

⁵⁵ Section 26 of RA 6657 provides:

SEC. 26. *Payment by beneficiaries.* - Lands awarded pursuant to this Act shall be paid for by the beneficiaries to the LBP in thirty (30) annual amortizations at six percent (6%) interest per annum. The payments for the first three (3) years after the award may be at reduced amounts as established by the PARC: provided, that the first five (5) annual payments may not be more than five percent (5%) of the value of the annual gross production as established by the DAR. Should the scheduled annual payments after the fifth year exceed ten percent (10%) of the annual gross production and the failure to produce accordingly is not due to the beneficiary's fault, the LBP may reduce the interest rate or reduce the principal obligation to make the payment affordable.

The LBP shall have a lien by way of mortgage on the land awarded to beneficiary and this mortgage be foreclosed by the LBP for non-payment of an aggregate of three (3) annual amortizations. The LBP shall advise the DAR of such proceedings and the latter shall subsequently award the forfeited landholdings to other qualified beneficiaries. A beneficiary whose land, as provided herein, has been foreclosed shall thereafter be permanently disqualified from becoming a beneficiary under this Act.

⁵⁶ *LBP v. Santiago, Jr.*, G.R. No. 182209, October 3, 2012, 682 SCRA 264, 283-284.

⁵⁷ See 647 Phil. 251 (2010).

⁵⁸ See *LBP v. Rivera*, G.R. No. 182431, February 27, 2013, 692 SCRA 149, 154-155.


⁵⁹ *Rollo* (G.R. No. 172352), p. 43.

Anent the time of accrual, the interests should be computed from the time of the taking of the subject lands. This is based on the principle that interest “runs as a matter of law and follows from the right of the landowner to be placed in as good position as money can accomplish, as of the date of the taking.”⁶⁰


With respect to the rate of interests, the Court observes that from the time of the taking up until June 30, 2013, the interest must be pegged at the rate of 12% p.a. pursuant to Section 2⁶¹ of Central Bank Circular No. 905, series of 1982, which was the prevailing rule on interest rates during such period. From July 1, 2013 onwards and until full payment, the interest rate should then be pegged at the rate of 6% p.a. pursuant to Bangko Sentral ng Pilipinas Circular No. 799, series of 2013,⁶² which accordingly amended the old 12% p.a. interest rate.

WHEREFORE, the petitions are **DENIED**. Accordingly, the Decision dated November 15, 2005 and the Resolution dated April 19, 2006 of the Court of Appeals in CA-G.R. SP Nos. 86066 and 86167 are hereby **AFFIRMED** with the **MODIFICATION** imposing interests on the unpaid balance of the just compensation due to the Heirs of Alfredo Hababag, Sr. at the rate of 12% p.a., reckoned from the taking of the expropriated property until June 30, 2013, and thereafter, at 6% p.a. until full payment.

SO ORDERED.


ESTELA M. PERLAS-BERNABE
 Associate Justice

WE CONCUR:


MARIA LOURDES P. A. SERENO
 Chief Justice
 Chairperson

⁶⁰ See *Sy v. Local Government of Quezon City*, G.R. No. 202690, June 5, 2013, 697 SCRA 621, 633, citing *Manila International Airport Authority v. Rodriguez*, 518 Phil. 750, 761 (2006). To note, the government did not file an expropriation complaint in the present cases.

⁶¹ Section 2 of Central Bank Circular No. 905, series of 1982, reads:

SEC. 2. The rate of interest for the loan or forbearance of any money, goods or credits and the rate allowed in judgments, in the absence of express contract as to such rate of interest, shall continue to be twelve per cent (12%) per annum.

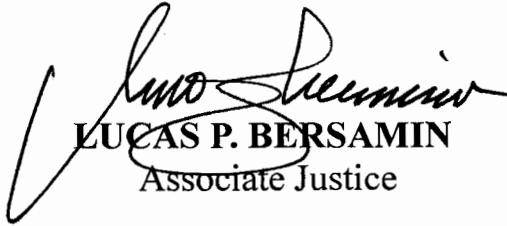
⁶² Section 1 of Bangko Sentral ng Pilipinas Circular No. 799, series of 2013, pertinently reads:

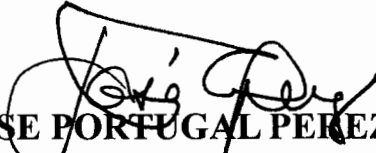
SEC. 1. The rate of interest for the loan or forbearance of any money, goods or credits and the rate allowed in judgments, in the absence of an express contract as to such rate of interest, shall be six percent (6%) per annum.

x x x x

This Circular shall take effect on 1 July 2013.

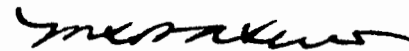

TERESITA J. LEONARDO-DE CASTRO
Associate Justice


LUCAS P. BERSAMIN
Associate Justice


JOSE PORTUGAL PEREZ
Associate Justice

CERTIFICATION

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


MARIA LOURDES P. A. SERENO
Chief Justice