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WHEREFORE, in view of the foregoing, the Petition is hereby **GRANTED**, in so far as this case is **REMANDED** to the Court of Appeals for further proceedings, subject to the payment of the corresponding docket fees within fifteen (15) days from notice of this Decision.

Let the records and the CA *rollo* of this case be transmitted accordingly.

SO ORDERED.

Carpio (Chairperson), Brion, Perez, and *Reyes, JJ.,* concur.

SECOND DIVISION

[G.R. No. 169903. February 29, 2012]

LAND BANK OF THE PHILIPPINES, *petitioner, vs.* **HONEYCOMB FARMS CORPORATION,** *respondent.*

SYLLABUS

1. POLITICAL LAW; INHERENT POWERS OF THE STATE ; EMINENT DOMAIN; JUST COMPENSATION; PAYMENT THEREOF, REQUIRED; RATIONALE.— When the State exercises its inherent power of eminent domain, the Constitution imposes the corresponding obligation to compensate the landowner for the expropriated property. This principle is embodied in Section 9, Article III of the Constitution, which provides: "*Private property shall not be taken for public use without just compensation*." When the State exercises the power of eminent domain in the implementation of its agrarian reform program, the constitutional provision which governs is Section 4, Article XIII of the Constitution, x x x Notably, this provision also imposes upon the State the obligation of paying the landowner compensation for the land taken, even if

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it is for the government's agrarian reform purposes. Specifically, the provision makes use of the phrase "just compensation," the same phrase used in Section 9, Article III of the Constitution. That the compensation mentioned here pertains to the fair and full price of the taken property is evident from the following exchange between the members of the Constitutional Commission during the discussion on the government's agrarian reform program.

2. ID.; ID.; ID.; ID.; THE REGIONAL TRIAL COURT (RTC) SITTING AS SPECIAL AGRARIAN COURT (SAC) HAS THE POWER TO DETERMINE JUST COMPENSATION.— That it is the RTC, sitting as a SAC, which has the power to determine just compensation for parcels of land acquired by the State, pursuant to the agrarian reform program, is made clear in Section 57 of RA 6657.

3. ID.; ID.; ID.; ID.; MANDATORY APPLICATION OF THE FORMULA TO DETERMINE JUST COMPENSATION; SUSTAINED.— To guide the RTC in this function, Section 17 of RA 6657 enumerates the factors that have to be taken into consideration to accurately determine just compensation. x x x In *Land Bank of the Philippines v. Sps. Banal,* we recognized that the DAR, as the administrative agency tasked with the implementation of the agrarian reform program, already came up with a formula to determine just compensation which incorporated the factors enumerated in Section 17 of RA 6657. x x x In *Landbank of the Philippines v. Celada*, we emphasized the duty of the RTC to apply the formula provided in the applicable DAR AO to determine just compensation, x x x We reiterated the mandatory application of the formula in the applicable DAR administrative regulations in *Land Bank of the Philippines v. Lim*, *Land Bank of the Philippines v. Heirs of Eleuterio Cruz,* and *Land Bank of the Philippines v. Barrido*. x x x These rulings plainly impose on the RTC the duty to apply the formula laid down in the pertinent DAR administrative regulations to determine just compensation. Clearly, the CA and the RTC acted with grievous error when they disregarded the formula laid down by the DAR, and chose instead to come up with their own basis for the valuation of the subject land.

4. ID.; ID.; ID.; HEARING IS NECESSARY BEFORE THE RTC TAKES JUDICIAL NOTICE OF THE NATURE OF THE LAND;

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EXPLAINED.— While the lower court is not precluded from taking judicial notice of certain facts, it must exercise this right within the clear boundary provided by Section 3, Rule 129 of the Rules of Court, which provides: Section 3. *Judicial notice, when hearing necessary*. – During the trial, the court, on its own initiative, or on request of a party, may announce its intention to take judicial notice of any matter and **allow the parties to be heard** thereon. x x x The classification of the land is obviously essential to the valuation of the subject property, which is the very issue in the present case. The parties should thus have been given the opportunity to present evidence on the nature of the property before the lower court took judicial notice of the commercial nature of a portion of the subject landholdings. x x x In these lights, we find that a remand of this case to the court of origin is necessary for the determination of just compensation, in accordance with the formula stated in DAR AO No. 6, series of 1992, as amended by DAR AO No. 11, series of 1994, which are the applicable issuances on fixing just compensation.

5. ID.; ID.; ID.; JUST COMPENSATION; PAYMENT THRU TRUST ACCOUNT, VOID; EFFECT OF CONVERTING TRUST ACCOUNT INTO A DEPOSIT ACCOUNT, EXPLAINED; APPLICATION IN CASE AT BAR.— In *Land Bank of the Phil. v. CA*, this Court struck down as void DAR Administrative Circular No. 9, Series of 1990, providing for the opening of trust accounts in lieu of the deposit in cash or in bonds contemplated in Section 16(e) of RA 6657. We said: It is very explicit x x x [from Section 16(e)] that the deposit must be made only in "cash" or in "LBP bonds." Nowhere does it appear nor can it be inferred that the deposit can be made in any other form. If it were the intention to include a "trust account" among the valid modes of deposit, that should have been made express, or at least, qualifying words ought to have appeared from which it can be fairly deduced that a "trust account" is allowed. In sum, there is no ambiguity in Section 16(e) of RA 6657 to warrant an expanded construction of the term "deposit." x x x As a result, the DAR issued AO No. 2, Series of 1996, converting trust accounts into deposit accounts. x x x Recognizing that the belated conversion of the trust account into a deposit account failed to address the injustice caused to the landowner by the delay in its receipt of the just

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compensation due, we held in *Wycoco* that: In light of the foregoing, the trust account opened by LBP in the name of Wycoco as the mode of payment of just compensation should be converted to a deposit account. **Such conversion should be retroactive in application in order to rectify the error committed by the DAR in opening a trust account and to grant the landowners the benefits concomitant to payment in cash or LBP bonds prior to the ruling of the Court in *Land Bank of the Philippines v. Court of Appeals***. Otherwise, petitioner's right to payment of just and valid compensation for the expropriation of his property would be violated. The interest earnings accruing on the deposit account of landowners would suffice to compensate them pending payment of just compensation. x x x In line with this ruling, the LBP is instructed to immediately convert the trust account opened in the name of Honeycomb Farms to a deposit account. Furthermore, the just compensation due Honeycomb Farms, as determined by the RTC, should bear 12% interest per annum from the time LBP opened the trust account in its name until the account is converted into cash and LBP bonds deposit accounts.

APPEARANCES OF COUNSEL

LBP Legal Department for petitioner.
Pejo Aquino and Associates for respondent.

D E C I S I O N

BRION, *J.*:

The petition for review before us assails the decision[1] dated March 31, 2005 of the Court of Appeals (*CA*) in CA-G.R. CV No. 66023, which affirmed with modification the judgment dated July 6, 1999 rendered by the Regional Trial Court (*RTC*) of Masbate, Masbate, Branch 48, acting as a Special Agrarian Court (*SAC*) in Special Civil Case No. 4323 for Determination

[1] Penned by Associate Justice Josefina Guevara-Salonga, and concurred in by Associate Justices Ruben T. Reyes (now a retired member of this Court) and Fernanda Lampas Peralta; *rollo*, pp. 32-41.

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and Payment of Just Compensation. The petition also prays for the reversal of the resolution of the CA,[2] dated October 4, 2005, denying reconsideration.

FACTUAL ANTECEDENTS

Honeycomb Farms Corporation (*Honeycomb Farms*) was the registered owner of two parcels of agricultural land in Cataingan, Masbate. The first parcel of land was covered by Transfer Certificate of Title (*TCT*) No. T-2872 and has an area of 240.8874 hectares. The second parcel of land was covered by TCT No. T-2549 and has an area of 254.25 hectares.[3] On February 5, 1988, Honeycomb Farms voluntarily offered these parcels of land, with a total area of 495.1374 hectares, to the Department of Agrarian Reform (*DAR*) for coverage under Republic Act No. (*RA*) 6657, the Comprehensive Agrarian Reform Law (*CARL*), for ₱10,480,000.00,[4] or ₱21,165.00 per hectare.[5] From the entire area offered, the government chose to acquire only 486.0907 hectares.

The Land Bank of the Philippines (*LBP*), as the agency vested with the responsibility of determining the land valuation and compensation for parcels of land acquired pursuant to the CARL,[6] and using the guidelines set forth in DAR Administrative Order (*AO*) No. 17, series of 1989, as amended by DAR AO No. 3, series of 1991, fixed the value of these parcels of land, as follows:

Acquired property	Area in hectares	Value
TCT No. T-2872	231.8406	₱ 910,262.62[7]
TCT No. T-2549	254.25	₱1,023,520.56[8]

[2] *Id.* at 42-43.

[3] *Id.* at 33.

[4] *Id.* at 159.

[5] *Id.* at 289.

[6] Pursuant to Executive Order No. 405. See also *Republic of the Philippines v. CA*, 331 Phil. 1070 (1996).

[7] Records, p. 8.

[8] *Id.* at 9.

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When Honeycomb Farms rejected this valuation for being too low, the Voluntary Offer to Sell was referred to the DAR Adjudication Board, Region V, Legaspi City, for a summary determination of the market value of the properties.[9] After these administrative proceedings, the Regional Adjudicator fixed the value of the landholdings at ₱5,324,549.00, broken down as follows:

I. TCT No. T-2872

Land use	**Value per hectare**	**Area**	**Total (Pesos)**
Cornland	₱12,000.00	69.158	829,896.00
Upland (cassava)	12,000.00	1.3888	16,665.60
Cocoland	15,000.00	13.65	204,750.00
Grass land	10,000.00	147.6438	1,476,438.00
TOTAL		**231.8408**	**2,527,749.60**

II. TCT No. T-2549

Land use	**Value per hectare**	**Area**	**Total (Pesos)**
Coconut land	₱15,000.00	4.6	69,000.00
Cornland	12,000.00	101	212,000.00
Riceland (upland)	14,000.00	5	70,000.00
Cassava	12,000.00	4.65	55,800.00
Cogon	10,000.00	139	1,390,000.00
TOTAL		**254.25**	**2,796,800.00**[10]

Still, Honeycomb Farms rejected this valuation.

On July 4, 1994, Honeycomb Farms filed a case with the RTC, acting as a SAC, against the DAR Secretary and the LBP, praying that it be compensated for its landholdings in the amount of ₱12,440,000.00, with damages and attorney's fees.

The RTC constituted a Board of Commissioners to aid the court in determining the just compensation for the subject properties. The Board of Commissioners, however, failed to agree on a common valuation for the properties.

Honeycomb Farms, thereafter, filed an amended complaint, where it increased the valuation of the properties to

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[9] *Id.* at 292.

[10] *Id.* at 13.

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₱20,000,000.00.[11] The LBP, on the other hand, filed an amended answer where it admitted the preliminary valuation it made on the properties, but alleged that it had revalued the land registered under TCT No. T-2872 at ₱1,373,244.78, while the land registered under TCT No. T-2549 was revalued at ₱1,513,097.57.[12]

THE RTC DECISION

On July 6, 1999, the RTC issued a judgment whose dispositive portion reads:

> WHEREFORE, judgment is hereby rendered by:
>
> 1.) Fixing the just compensation of the two parcels of land owned by the Honeycomb Farm[s] Corp. under TCT No. T-2872 and TCT No. T-2549 with a total area of 486.0907 hectares which is considered a[s] Carpable in the sum of ₱25,232,000 subject to the lien for the docket fee the amount in excess of ₱20,000,000 as pleaded for in the amended complaint.
>
> 2.) Ordering the defendants to jointly and severally pay Attorney's fee[s] equivalent to 10% of the total just compensation; without pronouncement as to cost.
>
> SO ORDERED.[13]

Since the Board of Commissioners could not reach a common valuation for the properties, the RTC made its own valuation. First, the RTC took judicial notice of the fact that a portion of the land, measuring approximately 10 hectares, is commercial land, since it is located a few kilometers away from Sitio Curvada, Pitago, Cataingan, Masbate, which is a commercial district. The lower court thus priced the 10 hectares at ₱100,000.00 per hectare and the remaining 476 hectares at ₱32,000.00 per hectare.

Both parties appealed to the CA.

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[11] *Id.* at 294.

[12] *Id.* at 299.

[13] *Id.* at 541.

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Honeycomb Farms alleged that the government failed to pay just compensation for its land when the LBP opened a trust account in its behalf, in violation of the Court's ruling in *Landbank of the Phils. v. CA*.[14] Since it was never paid just compensation, the taking of its land is illegal. Consequently, the just compensation should thus be determined based on factors existing at the time of the fixing of just compensation, and not at the time the properties were actually taken.

The LBP, on the other hand, argued that the RTC committed a serious error when it disregarded the formula for fixing just compensation embodied in DAR AO No. 6, series of 1992, as amended by DAR AO No. 11, series of 1994. The LBP also argued that the RTC erred in taking judicial notice that 10 hectares of the land in question is commercial land. Lastly, the LBP assailed the award of attorney's fees for having no legal or factual basis.[15]

THE CA DECISION

The CA, in its March 31, 2005 decision, affirmed with modification the assailed RTC judgment. The dispositive portion of the decision reads:

> WHEREFORE, the foregoing considered, the assailed decision is MODIFIED only with respect to the computation of the amount fixed by the trial court which is hereby corrected and fixed in the total amount of ₱16,232,000.00, and the award of attorney's fees is deleted. The rest of the decision is AFFIRMED.[16]

The CA held that the lower courts are not bound by the factors enumerated in Section 17 of RA 6657 which are mere statutory guideposts in determining just compensation. Moreover, while the LBP valued the land based on the formula provided for in DAR AO No. 11, series of 1994, this valuation was too low and, therefore, confiscatory.

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[14] 327 Phil. 1047 (1996).

[15] *Rollo*, pp. 66-84.

[16] *Id.* at 41.

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The CA thus affirmed the RTC's valuation of the 10 hectares of commercial land at ₱100,000.00 per hectare, and the remaining 476 hectares at ₱32,000.00 per hectare.

THE PETITION

The LBP argues that the CA committed a serious error of law when it failed to apply the mandatory formula for determining just compensation fixed in DAR AO No. 11, series of 1994. In fixing the just compensation for the subject landholdings at ₱16,232,000.00, the CA adopted the values fixed by the SAC, despite the fact that the valuation was not based on law. According to the LBP, land taken pursuant to the State's agrarian reform program involves both the exercise of the State's power of eminent domain and the police power of the State. Consequently, the just compensation for land taken for agrarian reform should be less than the just compensation given in the ordinary exercise of eminent domain.

In contrast, Honeycomb Farms maintains that the DAR AOs were issued merely to serve as guidelines for the DAR and the LBP in administratively fixing the valuation to be offered by the DAR to the landowner for acceptance or rejection. However, it is not mandatory for courts to use the DAR AOs to fix just compensation as this would amount to an administrative imposition on an otherwise purely judicial function and prerogative of determination of just compensation for expropriated lands specifically reserved by the Constitution to the courts.

THE COURT'S RULING

We GRANT the LBP's petition.

Agrarian reform and the guarantee of just compensation

We begin by debunking the premise on which the LBP's main argument rests – since the taking done by the government for purposes of agrarian reform is not a traditional exercise of the power of eminent domain but one which is done in pursuance of social justice and which involves the State's police power,

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the just compensation to be paid to the landowners for these parcels of agricultural land should be less than the market value of the property.

When the State exercises its inherent power of eminent domain, the Constitution imposes the corresponding obligation to compensate the landowner for the expropriated property. This principle is embodied in Section 9, Article III of the Constitution, which provides: "*Private property shall not be taken for public use without just compensation*."

When the State exercises the power of eminent domain in the implementation of its agrarian reform program, the constitutional provision which governs is Section 4, Article XIII of the Constitution, which provides:

> Section 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**. [emphasis ours]

Notably, this provision also imposes upon the State the obligation of paying the landowner compensation for the land taken, even if it is for the government's agrarian reform purposes. Specifically, the provision makes use of the phrase "just compensation," the same phrase used in Section 9, Article III of the Constitution. That the compensation mentioned here pertains to the fair and full price of the taken property is evident from the following exchange between the members of the Constitutional Commission during the discussion on the government's agrarian reform program:

> FR. BERNAS. We discussed earlier the idea of a progressive system of compensation and I must admit, that it was before I discussed it with Commissioner Monsod. I think what is confusing the matter is the fact that when we speak of progressive taxation, the bigger the tax base, the higher the rate of tax. Here, what we are saying is

that the bigger the land is, the lower the value per square meter. So, it is really regressive, not progressive.

MR. MONSOD. Yes, Madam President, it is true. It is progressive with respect to the beneficiary and regressive with respect to the landowner.

FR. BERNAS. **But is it the intention of the Committee that the owner should receive less than the market value?**

MR. MONSOD. **It is not the intention of the Committee that the owner should receive less than the just compensation.**[17] (emphases ours)

Even more to the point is the following statement made by Commissioner Jose F.S. Bengzon Jr., taken from the same discussion quoted above:

MR. BENGZON. Madam President, as we stated earlier, the term "just compensation" is as it is defined by the Supreme Court in so many cases and which we have accepted. So, there is no difference between "just compensation" as stated here in Section 5 and "just compensation" as stated elsewhere. There are no two different interpretations.[18]

Consistent with these discussions, the Court, in the definitive case of *Ass'n of Small Landowners in the Phils., Inc. v. Hon. Secretary of Agrarian Reform*,[19] defined "just compensation" for parcels of land taken pursuant to the agrarian reform program as:

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, ample.

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[17] Record of the Constitutional Commission, Volume III, August 7, 1986, p. 17.

[18] *Id.* at 21.

[19] 256 Phil. 777, 812 (1989).

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It bears repeating that the measures challenged in these petitions contemplate more than a mere regulation of the use of private lands under the police power. We deal here with an actual taking of private agricultural lands that has dispossessed the owners of their property and deprived them of all its beneficial use and enjoyment, to entitle them to the just compensation mandated by the Constitution.

More recently, we brushed aside the LBP's attempt to differentiate just compensation paid in what it terms as "traditional" exercise of eminent domain and eminent domain in the context of agrarian reform in *Apo Fruits Corporation and Hijo Plantation, Inc. v. Land Bank of the Philippines*,[20] thus:

To our mind, 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. That the petitioners are corporations that used to own large tracts of land should not be taken against them. As Mr. Justice Isagani Cruz eloquently put it:

> [S]ocial justice – or any justice for that matter – is for the deserving, whether he be a millionaire in his mansion or a pauper in his hovel. It is true that, in case of reasonable doubt, we are called upon to tilt the balance in favor of the poor, to whom the Constitution fittingly extends its sympathy and compassion. But never is it justified to prefer the poor simply because they are poor, or to reject the rich simply because they are rich, for justice must always be served, for poor and rich alike, according to the mandate of the law.

Mandatory application of the DAR formula

The CA, in affirming the RTC's valuation and disregarding that of the LBP, explained its position, as follows:

A careful perusal of the assailed decision shows that after the trial court dismissed the valuation made by [Honeycomb Farms] as exorbitant and that fixed by [the LBP and the DAR] as confiscatory and therefore unconstitutional, it fixed the value of the properties

[20] G.R. No. 164195, April 5, 2011.

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at ₱100,000.00 per hectare for the portion near the Curvada market and ₱32,000.00 per hectare for the rest, taking judicial notice of the fact that the so-called Sitio Curvada, Pitago, Cataingan, just a few kilometers away from Poblacion, Cataingan, Masbate, is a commercial district. In this respect, while it is true that the trial court should have announced its intention to take judicial notice of the commercial nature of the area near the Curvada Market with an area of ten (10) hectares, under Section 3 of Rule 129 of the Rules of Court, We find, however, that the parties were afforded ample opportunity to present evidence on the nature of the subject property and were actually heard thereon. Thus, We see no error on the part of the trial court in fixing the value of the land near the Curvada Market with an area of 10 hectares at ₱1,000,000.00 after evaluating the evidence adduced by the parties. The board of commissioners constituted by the trial court to aid it in determining the just compensation for the subject properties conducted an ocular inspection of the property and thereafter made its observation that 95% of the property covered by TCT No. T-2549 and 65% of the land covered by TCT No. T-28872 are developed. [Honeycomb Farms'] witness, Engr. Calauag, taking into consideration the location of the subject property, made a comparative valuation of similar properties located in other geographical areas of the country, based on listings obtained from newspapers, advertisements, and real estate brokers. In countering the said valuation, [the LBP] and the DAR merely insisted on their own computation of the value of the lands under the guidelines set by the DAR in its administrative orders, disregarding factors such as the location of the subject property in relation to adjacent properties, as well as its nature and the actual use for which this property is devoted. The determination of just compensation logically should take into consideration as essential factor the nature of the land based on its location.

While we agree with [the LBP and the DAR] that they merely followed the guidelines set forth in the administrative orders issued by the DAR in arriving at the amount of ₱2,890,787.89, as the basis for compensation, the courts of justice are not bound by such valuation as the final determination of just compensation is a function addressed to the latter guided by factors set forth in RA 6657.[21]

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[21] *Rollo*, pp. 36-37.

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The LBP disputes this ruling, maintaining that while the determination of just compensation is a judicial function, courts should take into serious consideration the facts and data gathered by the DAR, through the LBP, as the administrative agency mandated by law to make an initial determination of the valuation of the parcels of agricultural land acquired for land reform.

We agree.

That it is the RTC, sitting as a SAC, which has the power to determine just compensation for parcels of land acquired by the State, pursuant to the agrarian reform program, is made clear in Section 57 of RA 6657, which reads:

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

To guide the RTC in this function, Section 17 of RA 6657 enumerates the factors that have to be taken into consideration to accurately determine just compensation. This provision states:

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

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In *Land Bank of the Philippines v. Sps. Banal*,[22] we recognized that the DAR, as the administrative agency tasked with the implementation of the agrarian reform program, already came up with a formula to determine just compensation which incorporated the factors enumerated in Section 17 of RA 6657. We said:

> **These factors [enumerated in Section 17] have been translated into a basic formula in DAR Administrative Order No. 6, Series of 1992**, as amended by DAR Administrative Order No. 11, Series of 1994, **issued pursuant to the DAR's rule-making power to carry out the object and purposes of R.A. 6657**, as amended. [emphases ours]

In *Landbank of the Philippines v. Celada*,[23] we emphasized the duty of the RTC to apply the formula provided in the applicable DAR AO to determine just compensation, stating that:

> While [the RTC] is required to consider the acquisition cost of the land, the current value of like properties, its nature, actual use and income, the sworn valuation by the owner, the tax declaration and the assessments made by the government assessors to determine just compensation, it is equally true that these factors have been translated into a basic formula by the DAR pursuant to its rule-making power under Section 49 of R.A. No. 6657. As the government agency principally tasked to implement the agrarian reform program, it is the DAR's duty to issue rules and regulations to carry out the object of the law. [The] DAR [Administrative Order] precisely "filled in the details" of Section 17, R.A. No. 6657 by providing a basic formula by which the factors mentioned therein may be taken into account. **The [RTC] was at no liberty to disregard the formula which was devised to implement the said provision**.
>
> It is elementary that rules and regulations issued by administrative bodies to interpret the law which they are entrusted to enforce, have the force of law, and are entitled to great respect. Administrative issuances partake of the nature of a statute and have in their favor a presumption of legality. **As such, courts cannot ignore administrative issuances especially when, as in this case, its**

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[22] 478 Phil. 701, 710 (2004).

[23] 515 Phil. 467, 478-479 (2006).

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validity was not put in issue. Unless an administrative order is declared invalid, courts have no option but to apply the same. [emphases ours]

We reiterated the mandatory application of the formula in the applicable DAR administrative regulations in *Land Bank of the Philippines v. Lim*,[24] *Land Bank of the Philippines v. Heirs of Eleuterio Cruz*,[25] and *Land Bank of the Philippines v. Barrido*.[26] In *Barrido*, we were explicit in stating that:

> While the determination of just compensation is essentially a judicial function vested in the RTC acting as a Special Agrarian Court, the judge cannot abuse his discretion by not taking into full consideration the factors specifically identified by law and implementing rules. **Special Agrarian Courts are not at liberty to disregard the formula laid down in DAR A.O. No. 5, series of 1998, because unless an administrative order is declared invalid, courts have no option but to apply it.** The courts cannot ignore, without violating the agrarian law, the formula provided by the DAR for the determination of just compensation.[27] (emphases ours)

These rulings plainly impose on the RTC the duty to apply the formula laid down in the pertinent DAR administrative regulations to determine just compensation. Clearly, the CA and the RTC acted with grievous error when they disregarded the formula laid down by the DAR, and chose instead to come up with their own basis for the valuation of the subject land.

Hearing necessary before RTC takes judicial notice of nature of land

Apart from disregarding the formula found in the applicable DAR AO, the RTC, and, correspondingly, the CA, when it affirmed the trial court, committed further error in concluding

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[24] G.R. No. 171941, August 2, 2007, 529 SCRA 129.

[25] G.R. No. 175175, September 29, 2008, 567 SCRA 31.

[26] G.R. No. 183688, August 18, 2010, 628 SCRA 454.

[27] *Id.* at 459-460.

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that the 10 hectares of the subject property is commercial land after taking judicial notice of the fact that this portion of land is near Sitio Curvada, Pitago, Cataingan, a commercial district.

While the lower court is not precluded from taking judicial notice of certain facts, it must exercise this right within the clear boundary provided by Section 3, Rule 129 of the Rules of Court, which provides:

> Section 3. *Judicial notice, when hearing necessary*. – During the trial, the court, on its own initiative, or on request of a party, may announce its intention to take judicial notice of any matter and **allow the parties to be heard** thereon.
>
> After the trial, and before judgment or on appeal, the proper court, on its own initiative, or on request of a party, may take judicial notice of any matter and allow the parties to be heard thereon if such matter is decisive of a material issue in the case. [emphasis ours]

The classification of the land is obviously essential to the valuation of the subject property, which is the very issue in the present case. The parties should thus have been given the opportunity to present evidence on the nature of the property before the lower court took judicial notice of the commercial nature of a portion of the subject landholdings. As we said in *Land Bank of the Phils. v. Wycoco*:[28]

> The power to take judicial notice is to be exercised by courts with caution especially where the case involves a vast tract of land. Care must be taken that the requisite notoriety exists; and every reasonable doubt on the subject should be promptly resolved in the negative. To say that a court will take judicial notice of a fact is merely another way of saying that the usual form of evidence will be dispensed with if knowledge of the fact can be otherwise acquired. This is because the court assumes that the matter is so notorious that it will not be disputed. But judicial notice is not judicial knowledge. The mere personal knowledge of the judge is not the judicial knowledge of the court, and he is not authorized to make his individual knowledge of a fact, not generally or professionally known, the basis of his action.

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[28] 464 Phil. 83, 97-98 (2004).

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In these lights, we find that a remand of this case to the court of origin is necessary for the determination of just compensation, in accordance with the formula stated in DAR AO No. 6, series of 1992, as amended by DAR AO No. 11, series of 1994, which are the applicable issuances on fixing just compensation.

Payment through trust account

As a final point, we have not failed to notice that the LBP in this case made use of trust accounts to pay Honeycomb Farms. In *Land Bank of the Phil. v. CA*,[29] this Court struck down as void DAR Administrative Circular No. 9, Series of 1990, providing for the opening of trust accounts in lieu of the deposit in cash or in bonds contemplated in Section 16(e) of RA 6657. We said:

> It is very explicit x x x [from Section 16(e)] that the deposit must be made only in "cash" or in "LBP bonds." Nowhere does it appear nor can it be inferred that the deposit can be made in any other form. If it were the intention to include a "trust account" among the valid modes of deposit, that should have been made express, or at least, qualifying words ought to have appeared from which it can be fairly deduced that a "trust account" is allowed. In sum, there is no ambiguity in Section 16(e) of RA 6657 to warrant an expanded construction of the term "deposit."
>
> x x x x x x x x x

In the present suit, the DAR clearly overstepped the limits of its power to enact rules and regulations when it issued Administrative Circular No. 9. There is no basis in allowing the opening of a trust account in behalf of the landowner as compensation for his property because, as heretofore discussed, Section 16(e) of RA 6657 is very specific that the deposit must be made only in "cash" or in "LBP bonds." In the same vein, petitioners cannot invoke LRA Circular Nos. 29, 29-A and 54 because these implementing regulations cannot outweigh the clear provision of the law. Respondent court therefore did not commit any error in striking down Administrative Circular No. 9 for being null and void.[30]

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[29] 319 Phil. 246 (1995).

[30] *Id.* at 257-258.

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As a result, the DAR issued AO No. 2, Series of 1996, converting trust accounts into deposit accounts. The pertinent portion of the AO provides:

VI. TRANSITORY PROVISIONS

x x x x x x x x x

All previously established Trust Deposits which served as the basis for the transfer of the landowner's title to the Republic of the Philippines shall likewise be converted to deposits in cash and in bonds. The Bureau of Land Acquisition and Distribution shall coordinate with the LBP for this purpose.

Recognizing that the belated conversion of the trust account into a deposit account failed to address the injustice caused to the landowner by the delay in its receipt of the just compensation due, we held in *Wycoco* that:

In light of the foregoing, the trust account opened by LBP in the name of Wycoco as the mode of payment of just compensation should be converted to a deposit account. **Such conversion should be retroactive in application in order to rectify the error committed by the DAR in opening a trust account and to grant the landowners the benefits concomitant to payment in cash or LBP bonds prior to the ruling of the Court in *Land Bank of the Philippines v. Court of Appeals***. Otherwise, petitioner's right to payment of just and valid compensation for the expropriation of his property would be violated. The interest earnings accruing on the deposit account of landowners would suffice to compensate them pending payment of just compensation.

In some expropriation cases, the Court imposed an interest of 12% per annum on the just compensation due the landowner. It must be stressed, however, that in these cases, the imposition of interest was in the nature of damages for delay in payment which in effect makes the obligation on the part of the government one of forbearance. It follows that the interest in the form of damages cannot be applied where there was prompt and valid payment of just compensation. Conversely, where there was delay in tendering a valid payment of just compensation, imposition of interest is in order. This is because the replacement of the trust account with cash or

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LBP bonds did not *ipso facto* cure the lack of compensation; for essentially, the determination of this compensation was marred by lack of due process.

Accordingly, **the just compensation due Wycoco should bear 12% interest per annum from the time LBP opened a trust account in his name up to the time said account was actually converted into cash and LBP bonds deposit accounts. The basis of the 12% interest would be the just compensation that would be determined by the Special Agrarian Court upon remand of the instant case.** In the same vein, the amount determined by the Special Agrarian Court would also be the basis of the interest income on the cash and bond deposits due Wycoco from the time of the taking of the property up to the time of actual payment of just compensation.[31] (emphases ours)

In line with this ruling, the LBP is instructed to immediately convert the trust account opened in the name of Honeycomb Farms to a deposit account. Furthermore, the just compensation due Honeycomb Farms, as determined by the RTC, should bear 12% interest per annum from the time LBP opened the trust account in its name until the account is converted into cash and LBP bonds deposit accounts.

WHEREFORE, premises considered, the petition is **GRANTED**. Special Civil Case No. 4323 is **REMANDED** to the Regional Trial Court of Masbate, Masbate, Branch 48, for the determination of just compensation, based on the applicable administrative orders 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 for respondent Honeycomb Farms Corporation up to the time this account is actually converted into cash and LBP bonds deposit accounts.

SO ORDERED.

Carpio (Chairperson), Perez, Sereno, and *Reyes, JJ.,* concur.

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[31] *Supra* note 28, at 99-101.