Supreme Court E-Library

WHEREFORE, the petition is hereby *GRANTED*. The November 26, 2004 decision and March 9, 2006 resolution of the Court of Appeals in CA-G.R. SP No. 74097 are *REVERSED and SET ASIDE*. The March 22, 2002 resolution of the National Labor Relations Commission in NLRC NCR CA No. 029139-01 is *REINSTATED.*

SO ORDERED.

Puno, C.J. (Chairperson), Carpio, and *Leonardo-de Castro, JJ.,* concur.

Azcuna, J., on official leave.

THIRD DIVISION

[G.R. No. 172410. April 14, 2008]

REPUBLIC OF THE PHILIPPINES, REPRESENTED BY THE TOLL REGULATORY BOARD (TRB), *petitioner, vs.* **HOLY TRINITY REALTY DEVELOPMENT CORP.,** *respondent*.

SYLLABUS

1. REMEDIAL LAW; SPECIAL CIVIL ACTIONS; EXPROPRIATION; EXPROPRIATION PROCEDURES UNDER REPUBLIC ACT NO. 8974 AND RULE 67 OF THE RULES OF COURT, DISTINGUISHED.— At the outset, we call attention to a significant oversight in the TRB's line of reasoning. It failed to distinguish between the expropriation procedures under Republic Act No. 8974 and Rule 67 of the Rules of Court. Republic Act No. 8974 and Rule 67 of the Rules of Court speak of different procedures, with the former specifically governing expropriation proceedings for national government infrastructure projects. Thus, in *Republic v. Gingoyon*, we held: There are at least two crucial differences

Supreme Court E-Library

between the respective procedures under Rep. Act No. 8974 and Rule 67. **Under the statute, the Government is required to make immediate payment to the property owner upon the filing of the complaint to be entitled to a writ of possession, whereas in Rule 67, the Government is required only to make an initial deposit with an authorized government depositary.** Moreover, Rule 67 prescribes that the initial deposit be equivalent to the assessed value of the property for purposes of taxation, unlike Rep. Act No. 8974 which provides, as the relevant standard for initial compensation, the market value of the property as stated in the tax declaration or the current relevant zonal valuation of the Bureau of Internal Revenue (BIR), whichever is higher, and the value of the improvements and/or structures using the replacement cost method. x x x x Rule 67 outlines the procedure under which eminent domain may be exercised by the Government. Yet by no means does it serve at present as the solitary guideline through which the State may expropriate private property. For example, Section 19 of the Local Government Code governs as to the exercise by local government units of the power of eminent domain through an enabling ordinance. And then there is Rep. Act No. 8974, which covers expropriation proceedings intended for national government infrastructure projects. Rep. Act No. 8974, which provides for a procedure eminently more favorable to the property owner than Rule 67, inescapably applies in instances when the national government expropriates property "for national government infrastructure projects." Thus, if expropriation is engaged in by the national government for purposes other than national infrastructure projects, the assessed value standard and the deposit mode prescribed in Rule 67 continues to apply. There is no question that the proceedings in this case deal with the expropriation of properties intended for a national government infrastructure project. Therefore, the RTC correctly applied the procedure laid out in Republic Act No. 8974, by requiring the deposit of the amount equivalent to 100% of the zonal value of the properties sought to be expropriated before the issuance of a writ of possession in favor of the Republic.

2. POLITICAL LAW; ADMINISTRATIVE LAW; GOVERNMENT INFRASTRUCTURE PROJECTS; EXPROPRIATION PROCEDURES UNDER REPUBLIC ACT NO. 8974; IMMEDIATE PAYMENT OF 100% OF THE CURRENT ZONAL VALUE OF THE PROPERTY EXPROPRIATED

Supreme Court E-Library

TO THE OWNER THEREOF IS A REQUISITE.— We agree with the Court of Appeals, and find no merit in the instant Petition. The deposit was made in order to comply with Section 4 of Republic Act No. 8974, which requires nothing less than the *immediate payment* of 100% of the value of the property, based on the current zonal valuation of the BIR, to the property owner. Thus, going back to our ruling in *Republic v. Gingoyon*: It is the plain intent of Rep. Act No. 8974 to supersede the system of deposit under Rule 67 with the scheme of "immediate payment" in cases involving national government infrastructure projects. xxx. The critical factor in the different modes of effecting delivery which gives legal effect to the act is the actual intention to deliver on the part of the party making such delivery. The intention of the TRB in depositing such amount through DPWH was clearly to comply with the requirement of immediate payment in Republic Act No. 8974, so that it could already secure a writ of possession over the properties subject of the expropriation and commence implementation of the project. In fact, TRB did not object to HTRDC's Motion to Withdraw Deposit with the RTC, for as long as HTRDC shows (1) that the property is free from any lien or encumbrance and (2) that respondent is the absolute owner thereof.

3. ID.; ID.; ID.; ID.; ID.; INTEREST EARNED BY THE AMOUNT DEPOSITED IN THE EXPROPRIATION ACCOUNT ACCRUES TO THE OWNER OF THE PRINCIPAL BY VIRTUE OF ACCESSION.— A close scrutiny of TRB's arguments would further reveal that it does not directly challenge the Court of Appeals' determinative pronouncement that the interest earned by the amount deposited in the expropriation account accrues to HTRDC by virtue of accession. TRB only asserts that HTRDC is "entitled only to an amount equivalent to the zonal value of the expropriated property, nothing more and nothing less." We agree in TRB's statement since it is exactly how the amount of the immediate payment shall be determined in accordance with Section 4 of Republic Act No. 8974, *i.e.*, an amount equivalent to 100% of the zonal value of the expropriated properties. However, TRB already complied therewith by depositing the required amount in the expropriation account of DPWH with LBP-South Harbor. By depositing the said amount, TRB is already considered to have paid the same to HTRDC, and HTRDC became the owner thereof.

Supreme Court E-Library

The amount earned interest *after* the deposit; hence, the interest should pertain to the owner of the principal who is already determined as HTRDC. The interest is paid by LBP-South Harbor on the deposit, and the TRB cannot claim that it paid an amount more than what it is required to do so by law. Nonetheless, we find it necessary to emphasize that HTRDC is determined to be the owner of only a part of the amount deposited in the expropriation account, in the sum of **₱22,968,000.00**. Hence, it is entitled by right of accession to the interest that had accrued to the said amount only.

4. ID.; ID.; ID.; ID.; RULING IN THE CASES OF *NATIONAL POWER CORPORATION V. ANGAS* (G.R. NOS. 60225-26 8 MAY 1992) AND *LAND BANK OF THE PHILIPPINES V. WYCOCO* (G.R. NO. 140160 13 JANUARY 2004), INAPPLICABLE TO CASE AT BAR.— We are not persuaded by TRB's citation of *National Power Corporation v. Angas* and *Land Bank of the Philippines v. Wycoco*, in support of its argument that the issue on interest is merely part and parcel of the determination of just compensation which should be determined in the second stage of the proceedings only. We find that neither case is applicable herein. The issue in *Angas* is whether or not, in the computation of the legal rate of interest on just compensation for expropriated lands, the applicable law is Article 2209 of the Civil Code which prescribes a 6% legal interest rate, or Central Bank Circular No. 416 which fixed the legal rate at 12% per annum. We ruled in *Angas* that since the kind of interest involved therein is interest by way of damages for delay in the payment thereof, and not as earnings from loans or forbearances of money, Article 2209 of the Civil Code prescribing the 6% interest shall apply. In *Wycoco*, on the other hand, we clarified that interests in the form of damages cannot be applied where there is prompt and valid payment of just compensation. The case at bar, however, does not involve interest as damages for delay in payment of just compensation. It concerns interest earned by the amount deposited in the expropriation account.

5. ID.; ID.; ID.; ID.; JUST COMPENSATION MUST BE IMMEDIATELY PAID UPON FILING OF THE COMPLAINT .— Under Section 4 of Republic Act No. 8974, the implementing agency of the government pays just compensation twice: (1) immediately upon the filing of the

Supreme Court E-Library

complaint, where the amount to be paid is 100% of the value of the property based on the current relevant zonal valuation of the BIR (*initial payment*); and (2) when the decision of the court in the determination of just compensation becomes final and executory, where the implementing agency shall pay the owner the difference between the amount already paid and the just compensation as determined by the court (*final payment*). HTRDC never alleged that it was seeking interest because of delay in either of the two payments enumerated above. In fact, HTRDC's cause of action is based on the prompt initial payment of just compensation, which effectively transferred the ownership of the amount paid to HTRDC. Being the owner of the amount paid, HTRDC is claiming, by the right of accession, the interest *earned* by the same while on deposit with the bank.

6. ID.; ID.; ID.; ID.; THE EFFECTS OF THE CONSTRUCTIVE DELIVERY OF THE PAYMENT OF JUST COMPENSATION TO THE OWNER OF THE EXPROPRIATED PROPERTY, ONCE THE CONDITIONS HAVE BEEN FULFILLED, SHALL RETROACT TO THE ACTUAL DATE OF THE DEPOSIT OF THE SAID AMOUNT IN THE EXPROPRIATION ACCOUNT OF THE GOVERNMENT AGENCY.— As a final note, TRB does not object to HTRDC's withdrawal of the amount of ₱22,968,000.00 from the expropriation account, provided that it is able to show (1) that the property is free from any lien or encumbrance and (2) that it is the absolute owner thereof. The said conditions do not put in abeyance the constructive delivery of the said amount to HTRDC pending the latter's compliance therewith. Article 1187 of the Civil Code provides that the "effects of a conditional obligation to give, once the condition has been fulfilled, shall retroact to the day of the constitution of the obligation." Hence, when HTRDC complied with the given conditions, as determined by the RTC in its Order dated 21 April 2003, the effects of the constructive delivery retroacted to the actual date of the deposit of the amount in the expropriation account of DPWH.

APPEARANCES OF COUNSEL

The Solicitor General for petitioner.

Ramon Duque Pagarigan for respondent.

Supreme Court E-Library

D E C I S I O N

CHICO-NAZARIO, *J.*:

This is a Petition for Review on *Certiorari* under Rule 45 of the Rules of Court, seeking to set aside the Decision[1] dated 21 April 2006 of the Court of Appeals in CA-G.R. SP No. 90981 which, in turn, set aside two Orders[2] dated 7 February 2005[3] and 16 May 2005[4] of the Regional Trial Court (RTC) of Malolos, Bulacan, in Civil Case No. 869-M-2000.

The undisputed factual and procedural antecedents of this case are as follows:

On 29 December 2000, petitioner Republic of the Philippines, represented by the Toll Regulatory Board (TRB), filed with the RTC a Consolidated Complaint for Expropriation against landowners whose properties would be affected by the construction, rehabilitation and expansion of the North Luzon Expressway. The suit was docketed as Civil Case No. 869-M-2000 and raffled to Branch 85, Malolos, Bulacan. Respondent Holy Trinity Realty and Development Corporation (HTRDC) was one of the affected landowners.

On 18 March 2002, TRB filed an Urgent *Ex-Parte* Motion for the issuance of a Writ of Possession, manifesting that it deposited a sufficient amount to cover the payment of 100% of the zonal value of the affected properties, in the total amount of ₱28,406,700.00, with the Land Bank of the Philippines, South Harbor Branch (LBP-South Harbor), an authorized government depository. TRB maintained that since it had already complied with the provisions of Section 4 of Republic Act

---

[1] Penned by Associate Justice Bienvenido L. Reyes with Associate Justices Arturo D. Brion and Arcangelita M. Romilla-Lontok, concurring; *rollo*, pp. 32-39.

[2] Issued by Judge Ma. Belen Ringpis Liban.

[3] *Rollo*, pp. 155-156.

[4] *Id*. at 164.

Supreme Court E-Library

No. 8974[5] in relation to Section 2 of Rule 67 of the Rules of Court, the issuance of the writ of possession becomes ministerial on the part of the RTC.

The RTC issued, on 19 March 2002, an Order for the Issuance of a Writ of Possession, as well as the Writ of Possession itself. HTRDC thereafter moved for the reconsideration of the 19 March 2002 Order of the RTC.

On 7 October 2002, the Sheriff filed with the RTC a Report on Writ of Possession stating, among other things, that since none of the landowners voluntarily vacated the properties subject of the expropriation proceedings, the assistance of the Philippine National Police (PNP) would be necessary in implementing the Writ of Possession. Accordingly, TRB, through the Office of the Solicitor General (OSG), filed with the RTC an Omnibus Motion praying for an Order directing the PNP to assist the Sheriff in the implementation of the Writ of Possession. On 15 November 2002, the RTC issued an Order directing the landowners to file their comment on TRB's Omnibus Motion.

On 3 March 2003, HTRDC filed with the RTC a Motion to Withdraw Deposit, praying that the respondent or its duly authorized representative be allowed to withdraw the amount of ₱22,968,000.00, out of TRB's advance deposit of ₱28,406,700.00 with LBP-South Harbor, including the interest which accrued thereon. Acting on said motion, the RTC issued an Order dated 21 April 2003, directing the manager of LBP-South Harbor to release in favor of HTRDC the amount of ₱22,968,000.00 since the latter already proved its absolute ownership over the subject properties and paid the taxes due thereon to the government. According to the RTC, "(t)he issue however on the interest earned by the amount deposited in the bank, if there is any, should still be threshed out."[6]

---

[5] AN ACT TO FACILITATE THE ACQUISITION OF RIGHT-OF-WAY, SITE OR LOCATION FOR NATIONAL GOVERNMENT INFRASTRUCTURE PROJECTS AND FOR OTHER PURPOSES.

[6] CA *rollo*, p. 146.

Supreme Court E-Library

On 7 May 2003, the RTC conducted a hearing on the accrued interest, after which, it directed the issuance of an order of expropriation, and granted TRB a period of 30 days to inquire from LBP-South Harbor "whether the deposit made by DPWH with said bank relative to these expropriation proceedings is earning interest or not."[7]

The RTC issued an Order, on 6 August 2003, directing the appearance of LBP Assistant Vice-President Atty. Rosemarie M. Osoteo and Department Manager Elizabeth Cruz to testify on whether the Department of Public Works and Highways' (DPWH's) expropriation account with the bank was earning interest. On 9 October 2003, TRB instead submitted a Manifestation to which was attached a letter dated 19 August 2003 by Atty. Osoteo stating that the DPWH Expropriation Account was an interest bearing current account.

On 11 March 2004, the RTC issued an Order resolving as follows the issue of ownership of the interest that had accrued on the amount deposited by DPWH in its expropriation current account with LBP-South Harbor:

> WHEREFORE, the interest earnings from the deposit of ₱22,968,000.00 respecting one hundred (100%) percent of the zonal value of the affected properties in this expropriation proceedings under the principle of accession are considered as fruits and should properly pertain to the herein defendant/property owner [HTRDC]. Accordingly, the Land Bank as the depositary bank in this expropriation proceedings is (1) directed to make the necessary computation of the accrued interest of the amount of ₱22,968,000.00 from the time it was deposited up to the time it was released to Holy Trinity Realty and Development Corp. and thereafter (2) to release the same to the defendant Holy Trinity Development Corporation through its authorized representative.[8]

TRB filed a Motion for Reconsideration of the afore-quoted RTC Order, contending that the payment of interest on money deposited and/or consigned for the purpose of securing a writ of possession was sanctioned neither by law nor by jurisprudence.

---

[7] *Id*. at 147.

[8] *Rollo,* p. 143.

Supreme Court E-Library

TRB filed a Motion to Implement Order dated 7 May 2003, which directed the issuance of an order of expropriation. On 5 November 2004, the RTC issued an Order of Expropriation.

On 7 February 2005, the RTC likewise granted TRB's Motion for Reconsideration. The RTC ruled that the issue as to whether or not HTRDC is entitled to payment of interest should be ventilated before the Board of Commissioners which will be created later for the determination of just compensation.

Now it was HTRDC's turn to file a Motion for Reconsideration of the latest Order of the RTC. The RTC, however, denied HTRDC's Motion for Reconsideration in an Order dated 16 May 2005.

HTRDC sought recourse with the Court of Appeals by filing a Petition for *Certiorari*, docketed as CA-G.R. SP No. 90981. In its Decision, promulgated on 21 April 2006, the Court of Appeals vacated the Orders dated 7 February 2005 and 16 May 2005 of the RTC, and reinstated the Order dated 11 March 2004 of the said trial court wherein it ruled that the interest which accrued on the amount deposited in the expropriation account belongs to HTRDC by virtue of accession. The Court of Appeals thus declared:

> WHEREFORE, the foregoing premises considered, the assailed Orders dated 07 February and 16 May 2005 respectively of the Regional Trial Court of Malolos, Bulacan (Branch 85) are hereby VACATED and SET ASIDE. Accordingly, the Order dated 11 March 2004 is hereby reinstated.[9]

From the foregoing, the Republic, represented by the TRB, filed the present Petition for Review on *Certiorari*, steadfast in its stance that HTRDC is "entitled only to an amount equivalent to the zonal value of the expropriated property, nothing more and nothing less."[10] According to the TRB, the owner of the subject properties is entitled to an exact amount as clearly defined in both Section 4 of Republic Act No. 8974, which reads:

---

[9] *Id.* at 38-39.

[10] *Id.* at 314.

Supreme Court E-Library

Section 4. *Guidelines for Expropriation Proceedings*. – Whenever it is necessary to acquire real property for the right-of-way, site or location for any national government infrastructure project through expropriation, the appropriate implementing agency shall initiate the expropriation proceedings before the proper court under the following guidelines:

(a) Upon the filing of the complaint, and after due notice to the defendant, the implementing agency shall immediately pay the owner of the property the **amount equivalent to the sum of (1) one hundred (100%) percent of the value of the property based on the current relevant zonal valuation of the Bureau of Internal Revenue (BIR)**; and (2) the value of the improvements and/or structures as determined under Section 7 hereof.

and Section 2, Rule 67 of the Rules of Court, which provides:

Sec. 2. *Entry of plaintiff upon depositing value with authorized government depositary*. – Upon the filing of the complaint or at anytime thereafter and after due notice to the defendant, the plaintiff shall have the right to take or enter upon the possession of the real property involved if he deposits with the authorized government depositary **an amount equivalent to the assessed value of the property for purposes of taxation** to be held by such bank subject to the orders of the court. Such deposit shall be in money, unless in lieu thereof the court authorizes the deposit of a certificate of deposit of a government bank of the Republic of the Philippines payable on demand to the authorized government depositary.

The TRB reminds us that there are two stages[11] in expropriation proceedings, the determination of the authority to exercise eminent

[11] We held in *Heirs of Alberto Suguitan v. City of Mandaluyong*, 384 Phil. 676, 691 (2000) that:

Rule 67 of the 1997 Revised Rules of Court reveals that expropriation proceedings are comprised of two stages:

(1) the first is concerned with the determination of the authority of the plaintiff to exercise the power of eminent domain and the propriety of its exercise in the context of the facts involved in the suit; it ends with an order if not in a dismissal of the action, of condemnation declaring that the plaintiff has a lawful right to take the property sought to be condemned, for the public use or purpose described in the complaint, upon the payment of just compensation to be determined as of the date of the filing of the complaint;

Supreme Court E-Library

domain and the determination of just compensation. The TRB argues that it is only during the second stage when the court will appoint commissioners and determine claims for entitlement to interest, citing *Land Bank of the Philippines v. Wycoco*[12] and *National Power Corporation v. Angas*.[13]

The TRB further points out that the expropriation account with LBP-South Harbor is not in the name of HTRDC, but of DPWH. Thus, the said expropriation account includes the compensation for the other landowners named defendants in Civil Case No. 869-M-2000, and does not exclusively belong to respondent.

At the outset, we call attention to a significant oversight in the TRB's line of reasoning. It failed to distinguish between the expropriation procedures under Republic Act No. 8974 and Rule 67 of the Rules of Court. Republic Act No. 8974 and Rule 67 of the Rules of Court speak of different procedures, with the former specifically governing expropriation proceedings for national government infrastructure projects. Thus, in *Republic v. Gingoyon*,[14] we held:

> There are at least two crucial differences between the respective procedures under Rep. Act No. 8974 and Rule 67. **Under the statute, the Government is required to make immediate payment to the property owner upon the filing of the complaint to be entitled to a writ of possession, whereas in Rule 67, the Government is required only to make an initial deposit with an authorized government depositary.** Moreover, Rule 67 prescribes that the initial deposit be equivalent to the assessed value of the property for purposes of taxation, unlike Rep. Act No. 8974 which provides, as the relevant standard for initial compensation, the market value of the property as stated in the tax declaration or the current relevant zonal valuation of the Bureau of Internal Revenue (BIR), whichever

(2) the second phase is concerned with the determination by the court of the just compensation for the property sought to be taken; this is done by the court with the assistance of not more than three (3) commissioners.

[12] G.R. No. 140160, 13 January 2004, 419 SCRA 67, 80.

[13] G.R. Nos. 60225-26, 8 May 1992, 208 SCRA 542.

[14] G.R. No. 166429, 19 December 2005, 478 SCRA 474, 509-515.

Supreme Court E-Library

is higher, and the value of the improvements and/or structures using the replacement cost method.

xxx xxx xxx

Rule 67 outlines the procedure under which eminent domain may be exercised by the Government. Yet by no means does it serve at present as the solitary guideline through which the State may expropriate private property. For example, Section 19 of the Local Government Code governs as to the exercise by local government units of the power of eminent domain through an enabling ordinance. And then there is Rep. Act No. 8974, which covers expropriation proceedings intended for national government infrastructure projects.

Rep. Act No. 8974, which provides for a procedure eminently more favorable to the property owner than Rule 67, inescapably applies in instances when the national government expropriates property "for national government infrastructure projects." Thus, if expropriation is engaged in by the national government for purposes other than national infrastructure projects, the assessed value standard and the deposit mode prescribed in Rule 67 continues to apply.

There is no question that the proceedings in this case deal with the expropriation of properties intended for a national government infrastructure project. Therefore, the RTC correctly applied the procedure laid out in Republic Act No. 8974, by requiring the deposit of the amount equivalent to 100% of the zonal value of the properties sought to be expropriated before the issuance of a writ of possession in favor of the Republic.

The controversy, though, arises not from the amount of the deposit, but as to the ownership of the interest that had since accrued on the deposited amount.

Whether the Court of Appeals was correct in holding that the interest earned by the deposited amount in the expropriation account would accrue to HRTDC by virtue of accession, hinges on the determination of who actually owns the deposited amount, since, under Article 440 of the Civil Code, the right of accession is conferred by ownership of the principal property:

Art. 440. The ownership of property gives the right by accession to everything which is produced thereby, or which is incorporated or attached thereto, either naturally or artificially.

Supreme Court E-Library

The principal property in the case at bar is part of the deposited amount in the expropriation account of DPWH which pertains particularly to HTRDC. Such amount, determined to be ₱22,968,000.00 of the ₱28,406,700.00 total deposit, was already ordered by the RTC to be released to HTRDC or its authorized representative. The Court of Appeals further recognized that the deposit of the amount was already deemed a constructive delivery thereof to HTRDC:

> When the [herein petitioner] TRB deposited the money as advance payment for the expropriated property with an authorized government depositary bank for purposes of obtaining a writ of possession, it is deemed to be a "constructive delivery" of the amount corresponding to the 100% zonal valuation of the expropriated property. Since [HTRDC] is entitled thereto and undisputably the owner of the principal amount deposited by [herein petitioner] TRB, conversely, the interest yield, as accession, in a bank deposit should likewise pertain to the owner of the money deposited.[15]

Since the Court of Appeals found that the HTRDC is the owner of the deposited amount, then the latter should also be entitled to the interest which accrued thereon.

We agree with the Court of Appeals, and find no merit in the instant Petition.

The deposit was made in order to comply with Section 4 of Republic Act No. 8974, which requires nothing less than the *immediate payment* of 100% of the value of the property, based on the current zonal valuation of the BIR, to the property owner. Thus, going back to our ruling in *Republic v. Gingoyon*:[16]

> It is the plain intent of Rep. Act No. 8974 to supersede the system of deposit under Rule 67 with the scheme of "immediate payment" in cases involving national government infrastructure projects. The following portion of the Senate deliberations, cited by PIATCO in its Memorandum, is worth quoting to cogitate on the purpose behind the plain meaning of the law:

---

[15] *Rollo*, p. 37.

[16] *Supra* note 14 at 519-520.

Supreme Court E-Library

THE CHAIRMAN (SEN. CAYETANO). "x x x Because the Senate believes that, you know, we have to pay the landowners immediately not by treasury bills but by cash.

Since we are depriving them, you know, upon payment, 'no, of possession, we might as well pay them as much, 'no, hindi lang 50 percent.

xxx xxx xxx

THE CHAIRMAN (REP. VERGARA). Accepted.

xxx xxx xxx

THE CHAIRMAN (SEN. CAYETANO). *Oo. Because this is really in favor of the landowners, e.*

THE CHAIRMAN (REP. VERGARA). That's why we need to really secure the availability of funds.

xxx xxx xxx

THE CHAIRMAN (SEN. CAYETANO). *No, no. It's the same. It says here*: *iyong first paragraph, diba*? *Iyong zonal – talagang magbabayad muna. In other words, you know, there must be a payment kaagad.* (TSN, Bicameral Conference on the Disagreeing Provisions of House Bill 1422 and Senate Bill 2117, August 29, 2000, pp. 14-20)

xxx xxx xxx

THE CHAIRMAN (SEN. CAYETANO). *Okay, okay, 'no.* ***Unang-una*, it is not deposit, 'no. It's payment."**

REP. BATERINA. *It's payment, ho, payment."*

The critical factor in the different modes of effecting delivery which gives legal effect to the act is the actual intention to deliver on the part of the party making such delivery.[17] The intention of the TRB in depositing such amount through DPWH was clearly to comply with the requirement of immediate payment in Republic Act No. 8974, so that it could already secure a writ of possession over the properties subject of the expropriation and commence implementation of the project. In fact, TRB did not object to HTRDC's Motion to Withdraw Deposit with the

[17] *Union Motor Corporation v. Court of Appeals*, 414 Phil. 33, 43 (2001).

Supreme Court E-Library

RTC, for as long as HTRDC shows (1) that the property is free from any lien or encumbrance and (2) that respondent is the absolute owner thereof.[18]

A close scrutiny of TRB's arguments would further reveal that it does not directly challenge the Court of Appeals' determinative pronouncement that the interest earned by the amount deposited in the expropriation account accrues to HTRDC by virtue of accession. TRB only asserts that HTRDC is "entitled only to an amount equivalent to the zonal value of the expropriated property, nothing more and nothing less."

We agree in TRB's statement since it is exactly how the amount of the immediate payment shall be determined in accordance with Section 4 of Republic Act No. 8974, *i.e.*, an amount equivalent to 100% of the zonal value of the expropriated properties. However, TRB already complied therewith by depositing the required amount in the expropriation account of DPWH with LBP-South Harbor. By depositing the said amount, TRB is already considered to have paid the same to HTRDC, and HTRDC became the owner thereof. The amount earned interest *after* the deposit; hence, the interest should pertain to the owner of the principal who is already determined as HTRDC. The interest is paid by LBP-South Harbor on the deposit, and the TRB cannot claim that it paid an amount more than what it is required to do so by law.

Nonetheless, we find it necessary to emphasize that HTRDC is determined to be the owner of only a part of the amount deposited in the expropriation account, in the sum of **₱22,968,000.00.** Hence, it is entitled by right of accession to the interest that had accrued to the said amount only.

We are not persuaded by TRB's citation of *National Power Corporation v. Angas* and *Land Bank of the Philippines v. Wycoco*, in support of its argument that the issue on interest is merely part and parcel of the determination of just compensation which should be determined in the second stage of the proceedings only. We find that neither case is applicable herein.

[18] CA *rollo*, pp. 141-143.

Supreme Court E-Library

The issue in *Angas* is whether or not, in the computation of the legal rate of interest on just compensation for expropriated lands, the applicable law is Article 2209 of the Civil Code which prescribes a 6% legal interest rate, or Central Bank Circular No. 416 which fixed the legal rate at 12% per annum. We ruled in *Angas* that since the kind of interest involved therein is interest by way of damages for delay in the payment thereof, and not as earnings from loans or forbearances of money, Article 2209 of the Civil Code prescribing the 6% interest shall apply. In *Wycoco*, on the other hand, we clarified that interests in the form of damages cannot be applied where there is prompt and valid payment of just compensation.

The case at bar, however, does not involve interest as damages for delay in payment of just compensation. It concerns interest earned by the amount deposited in the expropriation account.

Under Section 4 of Republic Act No. 8974, the implementing agency of the government pays just compensation twice: (1) immediately upon the filing of the complaint, where the amount to be paid is 100% of the value of the property based on the current relevant zonal valuation of the BIR (*initial payment*); and (2) when the decision of the court in the determination of just compensation becomes final and executory, where the implementing agency shall pay the owner the difference between the amount already paid and the just compensation as determined by the court (*final payment*).[19]

HTRDC never alleged that it was seeking interest because of delay in either of the two payments enumerated above. In fact, HTRDC's cause of action is based on the prompt initial payment of just compensation, which effectively transferred the ownership of the amount paid to HTRDC. Being the owner

[19] The fourth paragraph of Section 4 of Rep. Act No. 8974 states: "In the event that the owner of the property contests the implementing agency's proffered value, the court shall determine the just compensation to be paid the owner within sixty (60) days from the date of filing of the expropriation case. When the decision of the court becomes final and executory, the implementing agency shall pay the owner the difference between the amount already paid and the just compensation as determined by the court."

Supreme Court E-Library

of the amount paid, HTRDC is claiming, by the right of accession, the interest *earned* by the same while on deposit with the bank.

That the expropriation account was in the name of DPWH, and not of HTRDC, is of no moment. We quote with approval the following reasoning of the Court of Appeals:

> Notwithstanding that the amount was deposited under the DPWH account, ownership over the deposit transferred by operation of law to the [HTRDC] and whatever interest, considered as civil fruits, accruing to the amount of Php22,968,000.00 should properly pertain to [HTRDC] as the lawful owner of the principal amount deposited following the principle of accession. Bank interest partake the nature of civil fruits under Art. 442 of the New Civil Code. And since these are considered fruits, ownership thereof should be due to the owner of the principal. Undoubtedly, being an attribute of ownership, the [HTRDC's] right over the fruits (*jus fruendi*), that is the bank interests, must be respected.[20]

Considering that the expropriation account is in the name of DPWH, then, DPWH should at most be deemed as the trustee of the amounts deposited in the said accounts irrefragably intended as initial payment for the landowners of the properties subject of the expropriation, until said landowners are allowed by the RTC to withdraw the same.

As a final note, TRB does not object to HTRDC's withdrawal of the amount of ₱22,968,000.00 from the expropriation account, provided that it is able to show (1) that the property is free from any lien or encumbrance and (2) that it is the absolute owner thereof.[21] The said conditions do not put in abeyance the constructive delivery of the said amount to HTRDC pending the latter's compliance therewith. Article 1187[22] of the Civil

---

[20] *Rollo*, p. 37.

[21] CA *rollo*, pp. 141-143.

[22] Art. 1187. The effects of a conditional obligation to give, once the condition has been fulfilled, shall retroact to the day of the constitution of the obligation. Nevertheless, when the obligation imposes reciprocal prestations upon the parties, the fruits and interests during the pendency of the condition shall be deemed to have been mutually compensated. If the obligation is unilateral, the debtor shall appropriate the fruits and interests received, unless

Supreme Court E-Library

Code provides that the "effects of a conditional obligation to give, once the condition has been fulfilled, shall retroact to the day of the constitution of the obligation." Hence, when HTRDC complied with the given conditions, as determined by the RTC in its Order[23] dated 21 April 2003, the effects of the constructive delivery retroacted to the actual date of the deposit of the amount in the expropriation account of DPWH.

WHEREFORE, the Petition is *DENIED*. The Court of Appeals Decision dated 21 April 2006 in CA-G.R. SP No. 90981, which set aside the 7 February 2005 and 16 May 2005 Orders of the Regional Trial Court of Malolos, Bulacan, is *AFFIRMED*. No costs.

SO ORDERED.

Ynares-Santiago (Chairperson), Austria-Martinez, Reyes, and *Leonardo-de Castro,*[*] *JJ.,* concur.

---

from the nature and circumstances of the obligation it should be inferred that the intention of the person constituting the same was different.

In obligations to do and not to do, the courts shall determine, in each case, the retroactive effect of the condition that has been complied with.

[23] CA *rollo,* pp. 144-146.

[*] Justice Teresita J. Leonardo-De Castro was designated to sit as additional member replacing Justice Antonio Eduardo B. Nachura per Raffle dated 26 March 2008.