



Republic of the Philippines
DEPARTMENT of AGRARIAN REFORM

ELLIPTICAL ROAD, DILIMAN, QUEZON CITY • TELS. 928-7031 TO 39

ADMINISTRATIVE ORDER

No. 05
Series of 2016

**SUBJECT : REVISED RULES AND REGULATIONS
GOVERNING LEASE RENTAL PAYMENTS WHICH
THE LANDOWNER-LESSOR REFUSES TO
ACCEPT OR FAILS TO RECEIVE**

PREFATORY STATEMENT

Section 5 of RA No. 3844, as amended, provides that agricultural leasehold relation shall be established by operation of law in accordance with Section 4 of this Code and, in other cases, either orally or in writing, expressly or impliedly. Section 7 of the same Code, likewise provides, that the agricultural leasehold relation once established shall confer upon the agricultural lessee the right to continue working on the landholding until such leasehold relation is extinguished. The agricultural lessee shall be entitled to security of tenure on his landholding and cannot be ejected therefrom unless authorized by the Court for causes herein provided.

Section 12 of Republic Act (RA) No. 6657, as amended, mandates the Department of Agrarian Reform (DAR) to determine and fix immediately the lease rentals within retained areas and areas not yet acquired for agrarian reform in accordance with Section 34 of RA No. 3844.

Administrative Order (AO) No. 02, Series of 2006, provides an effective mechanism to implement leasehold and improve the method of determining and fixing lease rentals, as well as deal with external factors such as the prevailing practice and stance of landowners to deny the existence of tenancy relations whenever possible. Section IV.17 of the same AO provides that "If the landowner refuses to accept the Provisional Lease Rental (PLR), the lessee shall deposit the contested lease rental with the nearest Land Bank of Philippines (LBP) Office x x x ". The same rule shall apply to landholdings covered by leasehold contracts where the landowner refuses to accept or fails to receive the lease rental payments.

Rule I, Section 3 of the 2009 DARAB Rules of Procedures, provides that the Board and its Regional and Provincial Adjudication Offices shall not be bound by technical rules of procedure and evidence as prescribed in the Rules of Court, but shall proceed to hear and decide all agrarian cases, disputes or controversies in a most expeditious manner, employing all reasonable means to ascertain facts of every case in accordance with justice and equity.

However, in the course of leasehold implementation in tenanted agricultural lands, issues/problems were encountered particularly on lease rental payments which the agricultural-lessor refuses to accept or fails to receive.

In view of the foregoing and to provide standard procedures and requirements, this Administrative Order (AO) is hereby prescribed.

SECTION 1. Coverage. This AO shall cover the following:

1.1 Non-litigated landholdings under leasehold operations. These involve situations wherein the agricultural-lessor refuses to accept or fails to receive the lease rental payments of the agricultural-lessees on lands covered by agricultural leasehold contract or Provisional Lease Rental (PLR), and there is no pending case or no case is filed with the Proper Adjudicator/Board.

1.2 Litigated landholdings under leasehold operations. These involve situations wherein the agricultural-lessor refuses to accept or fails to receive the lease rental payments of the agricultural-lessee on lands covered by agricultural leasehold contract or PLR and there is a pending case or resolution of the case before the PARAD/RARAD/DARAB, such as, among others, fixing of lease rental, ejectment of agricultural-lessee, and supervision of harvest.

SECTION 2. Definition of Terms. For purposes of this AO, the following terms are defined as follows:

2.1 Agricultural Leasehold Contract is a tenurial arrangement, whether written or verbal, express or implied, between the agricultural-lessor and agricultural-lessee the former consents to the latter's personal cultivation of piece of agricultural land in consideration of a fixed rental either in money or produce or both.

- 2.2 **Agricultural Year** – refers to the period of time required for raising a particular agricultural product, including the preparation of the land, sowing, planting and harvesting of crops and, whenever applicable, threshing of said crops: *Provided, however,* That in case of crops yielding more than one harvest from planting, “agricultural year” shall be the period from the preparation of the land to the first harvest and thereafter, from harvest to harvest. In both cases, the period may be shorter or longer than the calendar year (RA No. 3844, Section 166(4)).
- 2.3 **Principal Crop** – refers to any product raised from dominant cultivation or use of the land and harvested on a regular basis.
- 2.4 **Auxillary Crop** – refers to any product raised other than the crop to which the cultivation of the land is principally devoted in each agricultural year, and excluding the produce of the homelot (RA No. 2263, Section 2 (5) (r)).
- 2.5 **Agricultural-Lessor** - refers to a person, natural or juridical, who, either as owner, civil law lessee, usufructuary, or legal possessor, lets or grants to another the cultivation and the use of his land for a price certain. (RA No. 3844, Section 166 (3)).
- 2.6 **Lease Rental** - refers to the value of rent to be paid by the agricultural-lessee to the agricultural-lessor which shall not be more than the equivalent of twenty-five percent (25%) of the average normal harvest during the three (3) agricultural years immediately preceding the date the leasehold was established after deducting the amount used for seeds and the cost of harvesting, threshing, loading, hauling and processing, whichever are applicable, pursuant to RA No. 3844.
- 2.7 **Provisional Lease Rental (PLR)** – refers to a document reflecting the lease rental payment which is prepared and issued by the Municipal Agrarian Reform Program Officer (MARPO) and subject to the affirmation of the Provincial Agrarian Reform Program Officer (PARPO). This document is prepared in case of disagreement between the agricultural-lessor and agricultural-lessee on the administrative findings on the existence of tenancy and fixing of lease rental payment based on records filed at DAR.
- 2.8 **Agricultural-Lessee** - refers to a person who, by himself and with the aid available from within his immediate farm household, cultivates the land, belonging to or possessed by another, with the latter's consent

for purposes of production, for a price certain in money or in produce or both. It is distinguished from civil lessee as understood in the Civil Code of the Philippines. (RA No. 3844, Section 166 (2)).

- 2.9 **Account Name** – refers to the name (owner) of the deposit account opened at Land Bank Branch/extension Office.
- 2.10 **Interest-Bearing Current Account (IBCA)** – also known as “Checking or Demand Deposit” account, wherein deposits are made over-the-counter and withdrawals are made through issuance of a check.
- 2.11 **Checkless IBCA** – IBCA opened without issuance of a checkbook to the account holder. Withdrawals are made over-the-counter.
- 2.12 **Litigated Case** – refers to one where the subject landholding has a pending case filed by either the agricultural lessee or the agricultural-lessor or due to the pendency of a case filed before the Adjudicator/Board or regular court.
- 2.13 **Non-litigated Case** – refers to one where the subject landholding has no pending case filed or referred to the Adjudicator/Board.

SECTION 3. Policy Statements.

- 3.1 Under agricultural leasehold operations, it is the obligation of the agricultural-lessee to pay the lease rental to the agricultural-lessor when it falls due as embodied in the agricultural leasehold contract/PLR pursuant to RA No. 3844 and DAR existing guidelines.
- 3.2 However, if the agricultural-lessor refuses to accept or fails to receive the lease rental payments from the tenant-lessee, the DAR, through its effort, shall provide an effective mechanism to facilitate the collection and deposit of lease rental payments, and withdrawals therefrom in a Checkless IBCA in the name of the agricultural-lessor by: (Name of agricultural-lessee) as specified in the Order to open the account issued by the PARPO in cases of non-litigated landholdings. For litigated landholdings, the account shall be opened under the name of the litigant of the case or case number as contained in the order of the proper Adjudicator/Board or regular court.

3.3 Exclusively for DAR Lease Rental, as approved by the LBP, the features of the IBCA are:

- no required initial deposit and maintaining balance;
- to earn interest of 0.25% per annum (subject to 20% withholding tax) if the average daily balance of the account is PhP20,000.00 and above;
- not subject to inter-branch charges;
- **NON-DRAWING** account. Withdrawal shall be subject to presentation of Order from DAR-PARPO/Adjudicator/Board or regular court, whichever is applicable; and
- Not subject to dormancy fee or automatic closure.

These features may change subject to LBP guidelines.

- 3.4 Upon order of the PARPO or proper Adjudicator/Board or regular court, the LBP, as the financial intermediary for the Comprehensive Agrarian Reform Program (CARP), shall be authorized to accept/receive lease rental payments made by the agricultural-lessee for deposit to the checkless IBCA, maintain the account in favor of the agricultural-lessor, and to facilitate/allow withdrawals therefrom.
- 3.5 In general, all lease rental payments made by the agricultural-lessee, whether covered by agricultural leasehold contract or PLR, shall be deposited with the nearest LBP branch in the locality or LBP branch convenient to the agricultural-lessee as designated in 3.2 hereof.
- 3.6 Lease rental payments in kind may be deposited with a bonded warehouse to avoid spoilage or may be sold and converted to cash by the agricultural-lessee in order to facilitate the deposit of the lease rental payments with the nearest LBP branch in the locality or LBP branch convenient to the agricultural-lessee. In case the lessee pays the fees and charges of the warehouse, or in case the said fees and charges are deducted from the deposited produce, then these shall form part of the rental payment by the lessee. The agricultural-lessee shall notify the DAR Municipal Office (DARMO) or DAR Provincial Office (DARPO) concerned, agricultural-lessor, and the Barangay Agrarian Reform Committee (BARC)/Barangay Council, as may be applicable.

SECTION 4. DUTIES AND RESPONSIBILITIES

4.1 Responsibilities of DARPO/DARMO

- 4.1.1 Validate the information that the agricultural-lessor refused to accept or failed to receive the lease rental payments from the agricultural-lessee/s and, if warranted, prepare and send notice to the agricultural-lessor on the payment of lease rental.
- 4.1.2 Issue an Order (LTI-Lease Rent Form No.4) duly signed by the PARPO for the opening of a checkless interest bearing current account (IBCA) for lease rental payment with the nearest LBP branch in the locality or LBP branch convenient to the agricultural-lessee in the name of the agricultural-lessor for non-litigated landholdings as specified in the said order, indicating the authorized signatories to the account and their limits of authority, if any.
- 4.1.3 Provide the LBP branch in the locality or LBP branch convenient to the agricultural-lessee with the pertinent identification requirements and specimen signatures of the PARPO for the transaction of lease rental payments in accordance with Section 3.2 hereof.
- 4.1.4 Issue an Order duly signed by the PARPO to allow withdrawal of lease rental payments or close the checkless IBCA with the LBP branch in favor of the agricultural-lessor or return the said amount to the agricultural-lessee as the circumstances so provide.
- 4.1.5 Request the LBP branch to provide a copy of quarterly balance run-up of all active lease rental payment account (for both litigated and non-litigated landholdings) for monitoring and reference.

4.2 Responsibilities of DARAB/RARAD/PARAD

- 4.2.1 Issue an Order (LTI-Lease Rent Form No.4) duly signed by the proper Adjudicator/Board through the DARAB Executive Director for the opening of a checkless Interest Bearing Current Account (IBCA) for lease rental payment with the nearest LBP branch in the locality or LBP branch convenient to the agricultural-lessee in the name of the litigant of the case/case number for litigated landholdings.

4.2.2 Issue an order duly signed by the proper Adjudicator/Board through the DARAB Executive Director to allow withdrawal of lease rental payments or close the IBCA with the LBP branch in favor of the litigant of the case/case number or return the said amount to the agricultural-lessee upon resolution of the same, as the case may be.

4.2.3 Provide the LBP branch in the locality or LBP branch convenient to the agricultural-lessee with the pertinent identification requirements and specimen signatures of the proper Adjudicator/Board for the transaction of lease rental payments in accordance with Section 3.2 hereof.

4.3 Responsibilities of LBP Branch

4.3.1 Upon receipt of the Order duly signed by the PARPO/proper Adjudicator/Board, the LBP, as the financial intermediary for the CARP, shall be authorized to accept/receive lease rental payment made by the tenant-lessee for deposit to the checkless IBCA and maintain the account in favour of the landowner-lessor as well as facilitate/allow withdrawals therefrom.

4.3.2 Verify the signature of the PARPO based on the specimen signature card/s submitted by the DARPO pursuant to Sec. 4.1.3 hereof and the signature of the proper Adjudicator/Board through the DARAB Executive Director based on the specimen signature card/s submitted by the Board/Regional or Provincial Adjudicator Office under 4.2.3 hereof.

4.3.3 Open a checkless IBCA as provided for under 3.2 hereof.

4.3.4 Accept/Receive the lease rental payments and provide a duplicate copy of the deposit slip to the depositor/agricultural-lessee.

4.3.5 Provide copies of a quarterly balance run-up of Checkless IBCA lease rental payment accounts opened under the jurisdiction of the requesting PARPO or proper Adjudicator/Board. Two (2) copies shall be provided to DARAB Secretariat and BLTI, for distribution to concerned regional offices.

The quarterly report shall be submitted to the PARPO or proper Adjudicator/Board every 10th of the month preceding the quarter. The format shall be as follows:

Servicing Branch	Account No.	Account Name	Date Opened	Date of Last Deposit	Outstanding Balance

SECTION 5. OPERATING PROCEDURES

5.1 For Non-Litigated Landholdings under Leasehold Operations

5.1.1 DARMO

- Upon receipt of the information that the agricultural-lessor refused to accept or failed to receive the lease rental payments from the agricultural-lessee/s, validate the said information and, if warranted, prepare the Notice to the agricultural-Lessor on the Payment of Lease Rental (LTI-Lease Rent Form No. 1) within seven (7) days upon validation of the information.
- Coordinate with the agricultural-lessee concerned to assist the DARMO/Designated Personnel in sending the Notice to the Agricultural-Lessor on the Payment of Lease Rental (LTI-Lease Rent Form No. 1) through the following modes:
 - a. Personal Service. Under this mode of service, the Notice shall be positively acknowledged or received by the agricultural-lessor concerned or his/her representative (LTI-Lease Rent Form No. 2).

However, in case the agricultural lessor receives the Notice but refuses to sign, fill-out/accomplish LTI-Lease Rent Form No. 2.A.

In case the agricultural-lessor refuses to receive/accept the notice, fill- out/accomplish LTI-Lease Rent Form No. 2.B.

- b. Registered mail with return card with markings, "deliver to addressee only".
- If no reply/action is taken by the agricultural-lessor within fifteen (15) days upon receipt of the Notice on the payment of lease rental (LTI-Lease Rent Form No. 3), prepare and forward a request with concomitant recommendation to the DAR Provincial Office (DARPO), duly signed by the MARPO/Designated Personnel, on the opening of a checkless Interest Bearing Current Account (IBCA) with the nearest LBP branch or LBP branch convenient to the agricultural-lessee for lease rental payment (LTI-Lease Rent Form No. 4).

5.1.2 DARPO

- Receive, record and evaluate the duly signed request and recommendation submitted by the DARMO on the opening of a checkless IBCA for lease rental payment with the nearest LBP branch or LBP branch convenient to the agricultural-lessee (LTI-Lease Rent Form No. 4).
- Approve the above-cited request and issue an Order duly signed by the PARPO to open a checkless IBCA for lease rental payment with the nearest LBP branch or LBP branch convenient to the agricultural-lessee (copy furnished the agricultural- lessor) (LTI-Lease Rent Form No. 5). Otherwise, inform the DARMO on the lacking data/information for appropriate action.
- Issue Order to the LBP for the withdrawal/release of the fund deposited in the account name of agricultural-lessor and/or the closing of the said account (copy furnished the agricultural- lessor).

5.1.3 Agricultural-Lessee

- Upon receipt of the duly signed Order of the PARPO to open a checkless IBCA for lease rental payment, open a checkless account in the name of the agricultural-lessor with

the nearest LBP branch in the locality or LBP branch convenient to him/her and submit the said Order together with a government issued identification (ID), with the assistance of the MARPO, if necessary.

- Subsequent to the opening a checkless IBCA for lease rental with the nearest LBP branch in the locality or LBP branch convenient to him/her pursuant to Section 5.1.4 of this AO, inform the concerned agricultural-lessor and the DARMO and/or DARPO regarding the said account and provide a photocopy of the Deposit Slip . The subsequent lease rentals shall likewise be deposited in the created account.

5.1.4 LBP Branch

- Based on the Order of the PARPO or proper Adjudicator, open a checkless IBCA in the name of the concerned agricultural-lessor/litigant of the case or case number. Perform the responsibilities enumerated under sub-sections of Section 4.3 of this AO.

5.2 For Litigated Landholdings under Leasehold Operations

5.2.1 In cases where the agricultural-lessor refuses to accept the lease rental payments from the agricultural-lessee due to the pendency or non-finality of the case pertaining to leasehold operations filed before the Adjudicator, the proper Adjudicator/ Board, shall, pursuant to pertinent provisions of the DARAB rules:

- Issue to the agricultural-lessee/s an Order to open a checkless interest bearing current account (IBCA) for lease rental payment with the nearest LBP branch in the locality or LBP branch convenient to the agricultural-lessee (copy furnished the agricultural- lessor).
- Should the case be finally resolved or by Order of the proper Adjudicator, issue Order to the LBP for the release of funds deposited in the account name of the agricultural-lessor (copy furnished the agricultural lessor).

5.2.2 The agricultural-lessee shall:

- Open a checkless IBCA in the name of agricultural-lessor/litigant of the case or case number with the nearest LBP branch in the locality or LBP branch convenient to him/her and submit the Order of the Adjudicator together with a government issued identification (ID).
- Subsequent to the opening of a checkless IBCA in the name of agricultural-lessor/litigant of the case or case number for lease rental with the nearest LBP branch in the locality or LBP branch convenient to him/her pursuant to Section 5.1.4 of this AO, inform the agricultural-lessor and provide copy of the Deposit Slip and/or proper Adjudicator regarding the said account. The subsequent lease rentals shall likewise be deposited in the created account.

In cases where during processing of a non-litigated case, the LO files a formal case with the Adjudicator/Board, the provisions of 5.2 above shall apply.

SECTION 6. Transitory Provision – Board Members, Regional Agrarian Reform Adjudicators (RARADs) and Provincial Agrarian Reform Adjudicators (PARADs) shall conduct an inventory of all pending cases before their respective office with issued interlocutory order requiring deposit in *custodia legis* of agricultural lease rentals, and other money deposits, within a period of sixty (60) days from the effectivity of this Administrative Order.

The inventory of pending cases shall specifically indicate the amount deposited and corresponding interest or charges, if any, and the person or office where the amount is deposited.

To standardize and instill accountability, all existing interlocutory orders issued on pending cases requiring deposit in *custodia legis* of agricultural lease rentals and other money deposit, shall be recalled, and a subsequent Order shall be respectively issued directing for the deposit in *custodia legis* in accordance with the provisions under Section 5 (Operating Procedures), paragraph 5.2 (for litigated landholdings under leasehold operations) of herein A.O.

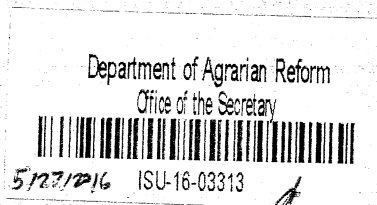


SECTION 7. Repealing Clause. All orders, circulars, rules and regulations inconsistent herewith are hereby revoked, amended, or modified accordingly.

SECTION 8. Effectivity. This Administrative Order shall take effect ten (10) days after its publication in two (2) newspapers of general circulation pursuant to Section 49 of RA No. 6657, as amended.

Diliman, Quezon City, 27 May 2016.


VIRGILIO R. DE LOS REYES
Secretary



Published in two (2) National Newspaper
Of General Circulation:

1. Business World
2. The Manila Times

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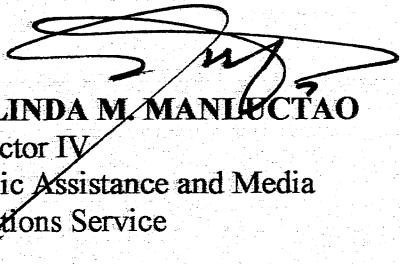
Republic of the Philippines

DEPARTMENT of AGRARIAN REFORM

CERTIFICATION

This is to certify that Administrative Order No. 5, Series of 2016 entitled **“REVISED RULES AND REGULATIONS GOVERNING LEASE RENTAL PAYMENTS WHICH THE LANDOWNER-LESSOR REFUSES TO ACCEPT OR FAILS TO RECEIVE”** was published today, 07 June 2016 in the Business World and The Manila Times newspapers.

Issued this 7th day of June 2016 for whatever purpose it may serve.



ERLINDA M. MANLUCTAO
Director IV
Public Assistance and Media
Relations Service