SECURITY BANK CORPORATION, PETITIONER, VS. COURT OF APPEALS, SPOUSES AGUSTIN P. UY AND PACITA TANG[] IOC TEN, DOMINGO UY, AND HON. PRUDENCIO A. CASTILLO JR. IN HIS CAPACITY AS P...

G.R. No. 135874. January 25, 2000

Ponente: PANGANIBAN, J.

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PANGANIBAN, J.:

Litigation should not be carried on in the dark. Courts are given great latitude in enabling the parties to inform themselves of all relevant facts, including those known only to their adversaries. For this reason, the rules on discovery are accorded broad and liberal interpretation.

The Case

Before us is a Petition for Review on Certiorari assailing the July 8, 1998 Decision of the Court of Appeals (CA),[1] which affirmed the trial court's grant of the Motions, filed respectively by Domingo Uy and Spouses Agustin Uy and Pacita Tang Sioc Ten, for the production and inspection of several documents.

Also assailed by petitioner is the October 7, 1998 CA Resolution, which denied petitioner's Motion for Reconsideration.[2]

The Facts

The facts are summarized by the Court of Appeals (CA) in this wise:[3]

> "Petitioner Security Bank Corporation (SBC) is a domestic banking corporation duly organized and existing under Philippine laws. It is one of the defendants in Civil Case No. Q-97-30330 entitled [S]pouses Agustin P. Uy and Pacita Tang Sioc Ten versus Security Bank Corporation, Domingo P. Uy and the Ex-Oficio City Sheriff of Quezon City, for injunction and damages with an application for the issuance of a temporary restraining order and preliminary injunction.
>
> "Plaintiffs Spouses Agustin P. Uy and Pacita Tang Sioc Ten sought to enjoin Security Bank Corporation (SBC for brevity) and the Ex-Oficio Sheriff of Quezon City from proceeding with the extra-judicial foreclosure of a mortgage over a piece of property registered under the respondent spouses' names located at Cubao, Quezon City and covered by TCT No. RI-8731 (281736).
>
> "On February 25, 1997, a temporary restraining order was issued by Hon. Pedro M. Areola of the Regional Trial Court of Quezon City (Branch 85) where the case was originally assigned. The temporary restraining order was lifted on April 8, 1997 when Judge Areola resolved to deny the spouses' application for a preliminary injunction. This denial prompted the said plaintiffs to file a motion for the inhibition of Judge Areola from hearing the case, hence, the case was re-raffled to Branch 220 presided over by respondent judge, Hon. Prudencio Altre Castillo, Jr.
>
> "On April 7, 1997, SBC filed its answer with compulsory counterclaim and cross-claim while defendant

Domingo P. Uy filed on April 18, 1997 his answer with compulsory counterclaim and cross-claim. SBC filed its answer to defendant Domingo Uy's cross-claim on April 28, 1997.

"Before filing his answer to defendant SBC's cross-claim, defendant Domingo P. Uy filed an Omnibus Motion (Production of Documents and Suspension and/or Extension of Time to File Answer to Cross-Claim) on the ground that all documents, papers and instruments made and executed by SBC on the evaluation, processing and approval of the loans of Jackivi Trading Center, Inc., the real estate mortgages (REM) and the Special Power of Attorney (SPA) themselves must first be produced before he [could] prepare and file the answer to SBC's cross-claim. SBC filed its opposition to the aforesaid motion of Domingo Uy. In return defendant Domingo Uy filed a motion to admit reply with the reply attached and on June 3, 1997 SBC filed its rejoinder.

"Acting on defendant Uy's Omnibus Motion (Production of Documents and Suspension and/or Extension of Time to File Answer to Cross-Claim) the trial court issued an Order on June 25, 1997 denying the motion.

"On July 16, 1997, Domingo P. Uy moved for the reconsideration of denial by filing an Omnibus Motion (Motion for Reconsideration and/or Extension of Time to File Answer to Cross-Claim).

"On the other hand, plaintiffs also filed their Motion (For Production, Inspection and Copying of Documents) praying for the issuance of an order directing SBC to produce and allow them to inspect and copy the original and additional mortgage contracts executed by Jackivi Trading Center, Inc. and/or Jose Tanyao. Defendant SBC opposed the motion on July 25, 1997 by filing its Consolidated Opposition to the spouses' Motion for Production, Inspection and Copying of Documents and Urgent Motion for a temporary restraining order and a writ of preliminary injunction. Respondent spouses filed their reply to the aforementioned consolidated opposition of SBC.

"On August 3, 1997, SBC filed its opposition to respondent Domingo Uy's motion for reconsideration of the Order dated June 25, 1997.

"On October 2, 1997, the trial court issued the first assailed Order, the dispositive portion of which states, thus:

'WHEREFORE, premises considered, defendant Security Bank Corporation is hereby ordered to produce and permit defendant Domingo P. Uy to inspect, copy or photograph the documents, papers and instruments made and executed on the evaluation, processing and approval of the loans of Jackivi Trading Center, Inc., during usual business hours and day after at least three (3) days notice in advance by defendant Domingo P. Uy to defendant Security Bank Corporation. However, the filing of the answer to cross-claim need not await the production of the documents. Defendant Uy is given, for the last time, ten (10) days from receipt within which to file answer to the cross-claim of defendant Security Bank Corporation, stating only the ultimate facts without including evidentiary matters.

'Defendant Security Bank Corporation is hereby ordered to produce and permit plaintiff[s] to inspect, copy or photograph the original and additional mortgage contracts executed by Jackivi Trading Center, Inc. and/or Mr. Jose Tanyao within which (sic) usual business hours and day after at least three (3) days notice in advance by plaintiff to defendant Security Bank Corporation.

The application for issuance of temporary restraining order is hereby DENIED. In the meantime, set the case for hearing on the application for issuance of writ of preliminary injunction on October 31, 1997, at 8:30 o'clock in the morning.

Furnish the parties and counsels with a copy of this Order.

SO ORDERED.'

"SBC filed a motion for partial reconsideration of the Order, claiming that said order [did] not explain the basis for requiring it to produce the requested documents, and that there was no good cause for their production, hence, it cannot be compelled to produce the same.

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> "Acting on the aforesaid motion, respondent judge issued the second assailed Order on November 25, 1997 denying the Motion for Partial Reconsideration."

Ruling of the Court of Appeals

Affirming the trial court, the Court of Appeals held:[4]

> "It will be noted that the only condition imposed by the Rules is that the production of the documents must be for 'good cause.'
>
> "Contrary to the allegation of petitioner that respondent Domingo Uy ha[s] not shown good cause for the production of such documents, said respondent has sufficiently shown the good cause on which his motion is anchored [--] that of being able to intelligently prepare his defenses against the cross-claim of petitioner SBC.
>
> "On the other hand, the motion for production filed by the respondents spouses Uy and Pacita Tang Sioc Ten is likewise for good cause, it being necessary for a full determination of the issues raised in Civil Case No. Q-97-30330.
>
> "'Good cause' does not relate to the substance in the document but to the reason for producing relevant or material matters therein; so that the enforcement of the rule entails exercise of sound discretion. The burden is on the moving party to demonstrate the need for the documents sought beyond the relevancy or materiality of the evidence therein."

Hence, this Petition.[5]

The Issue

In its Memorandum, petitioner submits this lone issue for the consideration of the Court:[6]

> "Whether or not the Honorable Court of Appeals committed grave abuse of discretion[7] when it sustained the Orders of the Respondent Regional Trial Court dated 02 October 1997 and 25 November 1997 which granted the respective Motions [For Production, Inspection and Copying of Documents] of Respondents Spouses Agustin P. Uy and Pacita Tang Sioc Ten and Domingo Uy."

In the main, the Court is being asked to determine whether the appellate court erred in affirming the grant of the two Motions for production and inspection of documents.amy

The Court's Ruling

The Petition is bereft of merit.

Main Issue:Grant of Motions for Production andInspection of Documents

Petitioner Security Bank Corporation (SBC) maintains that, in sustaining the grant of the Motions for production, inspection and copying of documents filed by private respondents, the CA grossly misconstrued and misapplied Section 1, Rule 27 of the Rules of Court. Petitioner stresses that the CA erred in focusing only on the requirement of "good cause" and in ignoring the prerequisite of relevancy.

Moreover, petitioner contests the "good cause" invoked by the CA. Specifically, it contends that the "good cause," which Respondent Domingo Uy relied upon to be able to prepare an answer to the cross-claim against him, was negated by the rulings of both the trial court and the CA requiring him to file such answer without awaiting the production of the documents sought.

We disagree with petitioner. Section 1, Rule 27 of the 1997 Rules of Court provides:

> "SECTION 1. Motion for production or inspection; order.— Upon motion of any party showing good cause

> therefor, the court in which an action is pending may (a) order any party to produce and permit the inspection and copying or photographing, by or on behalf of the moving party, of any designated documents, papers, books, accounts, letters, photographs, objects or tangible things not privileged, which constitute or contain evidence material to any matter involved in the action and which are in his possession, custody or control; or (b) order any party to permit entry upon designated land or other property in his possession or control for the purpose of inspecting, measuring, surveying, or photographing the property or any designated relevant object or operation thereon. The order shall specify the time, place and manner of making the inspection and taking copies and photographs, and may prescribe such terms and conditions as are just."

In Republic v. Sandiganbayan,[8] the Court discussed exhaustively the significance of the various modes of discovery, an example of which is the aforecited provision. In sum, the Court held that the said Rule aims to enable the parties to inform themselves, even before the trial, of all the facts relevant to the action, including those known only to the other litigants. Through this procedure, "civil trials should not be carried on in the dark." We quote:

> "x x x Indeed, it is the purpose and policy of the law that the parties--before the trial if not indeed even before the pre-trial--should discover or inform themselves of all the facts relevant to the action, not only those known to them individually, but also those known to their adversaries; in other words, the desideratum is that civil trials should not be carried on in the dark; and the Rules of Court make this ideal possible through the deposition-discovery mechanism set forth in Rules 24 to 29. The experience in other jurisdictions has been that ample discovery before trial, under proper regulation, accomplishes one of the most necessary ends of modern procedure: it not only eliminates unessential issues from trials thereby shortening them considerably, but also requires parties to play the game with the cards on the table so that the possibility of fair settlement before trial is measurably increased. x x.'
>
> "As just intimated, the deposition-discovery procedure was designed to remedy the conceded inadequacy and cumbersomeness of the pre-trial functions of notice-giving, issue-formulation and fact revelation theretofore performed primarily by the pleadings.
>
> "The various modes or instruments of discovery are meant to serve (1) as a device, along with the pre-trial hearing under Rule 20, to narrow and clarify the basic issues between the parties, and (2) as a device for ascertaining the facts relative to those issues. The evident purpose is, to repeat, to enable the parties, consistent with recognized privileges, to obtain the fullest possible knowledge of the issues and facts before civil trials and thus prevent that said trials are carried on in the dark."

It is clear that courts are given wide latitude in granting motions for discovery in order to enable parties to prepare for trial or otherwise to settle the controversy prior thereto. Thus, in the same case, the Court further held:

> "What is chiefly contemplated is the discovery of every bit of information which may be useful in the preparation for trial, such as the identity and location of persons having knowledge of relevant facts; those relevant facts themselves; and the existence, description, nature, custody, condition, and location of any books, documents, or other tangible things. Hence, 'the deposition-discovery rules are to be accorded a broad and liberal treatment. No longer can the time-honored cry of 'fishing expedition' serve to preclude a party from inquiring into the facts underlying his opponent's case. Mutual knowledge of all the relevant facts gathered by both parties is essential to proper litigation. To that end, either party may compel the other to disgorge whatever facts he has in his possession. The deposition-discovery procedure simply advances the stage at which the disclosure can be compelled from the time of trial to the period preceding it, thus reducing the possibility, of surprise. x x.'"[9]

In the present case, the CA did not err in affirming the trial court ruling that there was "good cause" for the grant of the Motions for inspection of documents. The latter's holding that the documents were not indispensable to the preparation of the answer of Uy to the cross-claim did not militate against respondents' availment of this

important mode of discovery. As he himself averred in his Motion, the subject documents were "material and important to the issues raised in the case in general, and as between defendant and defendant SBC in particular."[10]

Verily, the CA noted that the documents would enable Respondent Uy to "intelligently prepare his defenses against the cross-claim of petitioner SBC,"[11] and not merely to formulate his answer. Likewise, we agree with the appellate court that the Motion of Spouses Agustin Uy and Pacita Tang Sioc Ten was for a good cause, because the said documents were "necessary for a full determination of the issues raised in Civil Case No. Q-97-30330."[12]

Indeed, litigation is essentially an abiding quest for truth undertaken not by the judge alone, but jointly with the parties. Litigants, therefore, must welcome every opportunity to achieve this goal; they must act in good faith to reveal documents, papers and other pieces of evidence material to the controversy. In Alonzo v. Villamor, [13]the Court ruled:

> "A litigation is not a game of technicalities in which one, more deeply schooled and skilled in the subtle art of movement and position, entraps and destroys the other. It is, rather a contest in which each contending party fully and fairly lays before the court the facts in issue and then, brushing aside as wholly trivial and indecisive all imperfections of form and technicalities of procedure, asks that justice be done on the merits. Lawsuits, unlike duels, are not to be won by a rapier's thrust. Technicality, when it deserts its proper office as an aid to justice and becomes its great hindrance and chief enemy, deserves scant consideration from courts. There should be no vested right in technicalities. x x.'

Materiality of the
Subject Documents

Petitioner points out that a party may be compelled to produce or allow the inspection of documents if six procedural requisites are complied with, viz.:

> "(a) The party must file a motion for the production or inspection of documents or things, showing good cause therefor;
>
> (b) Notice of the motion must be served to all other parties of the case;
>
> (c) The motion must designate the documents, papers, books, accounts, letters, photographs, objects or tangible things which the party wishes to be produced and inspected;
>
> (d) Such documents, etc. are not privileged;
>
> (e) Such documents, etc. constitute or contain evidence material to any matter involved in the action; and
>
> (f) Such documents, etc. are in the possession, custody or control of the other party."[14]

Petitioner contends that Requisite "e" has not been satisfied, arguing that respondents have not shown the relevancy or materiality of the documents subject of the Motions. Specifically, it maintains that the documents sought by Spouses Uy and Tang Sioc Ten – "the original and additional mortgage contracts executed by Jackivi Trading Center, Inc.[15] and / or Mr. Jose Tanyao"[16] -- were not relevant to Civil Case Q-97-30330, which was for the declaration of the nullity of the January 27, 1993 and August 16, 1995 Real Estate Mortgages between Jackivi and petitioner. The existence or the absence of other mortgages executed by Jackivi, petitioner insists, has absolutely no bearing on the said case, because it does not in any way determine the validity or the invalidity of the subject Real Estate Mortgages.

Petitioner also argues that the documents sought by Respondent Domingo Uy -- "all the documents, papers and

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instruments made and executed by [Petitioner] SBC in the evaluation, processing and approval of the loans to Jackivi x x x"[17] – were not relevant, because the trial court itself ruled that he could prepare his answer to the cross-claim without those documents.

These arguments are not persuasive. Section 1 of Rule 27 clearly provides that the documents sought must be "material to any matter involved in the action." Respondents have shown that the subject documents are indeed material to the present action.

Indeed, the factual backdrop of the case strengthens respondent's cause. The civil action instituted by the Spouses Uy sought the annulment of two deeds of Real Estate Mortgage between Jackivi and petitioner. They allegedly issued a Special Power of Attorney to Respondent Uy to mortgage their property only for their benefit, not for that of Jackivi. Because he mortgaged the property as security for Jackivi's loan, they contend that he exceeded his authority and that the contracts of real estate mortgage were consequently invalid. Petitioner, on the other hand, filed a cross-claim against him, because it "relied on the representations and documents submitted by [the latter] that he was duly authorized to mortgage the subject property."[18]

In this light, the relevance of the documents sought by Respondent Domingo Uy is readily apparent. The papers executed by the petitioner bank in evaluating and processing the real estate mortgage are manifestly useful in his defense against its cross-claim. The trial court's ruling that he could file his answer without examining those documents does not prove that they are immaterial to the present action. The CA has held that those documents would enable him to "intelligently prepare his defenses against the cross-claim of Petitioner SBC."

So also, the additional mortgage contracts executed by Jackivi are material to the present action. Because a witness of petitioner admitted in court that there was a third mortgage contract between Jackivi and the bank, fair play demands that herein respondents must be given the chance to examine such additional mortgage contracts. In so doing, they can determine why petitioner was going after their property which was invalidly mortgaged by Respondent Uy, while the properties of the actual borrower, Jackivi, have not been touched or foreclosed by the bank.

Indeed, the rule is that courts, in passing upon a motion for discovery, should be liberal in determining whether the documents in question are relevant to the subject matter of the action.[19] To repeat, the rule on discovery "requires the parties to play the game with cards on the table so that the possibility of fair settlement before trial is measurably increased."[20]

All in all, petitioner failed to show any reversible error on the part of the Court of Appeals. The Motions of respondents were for a good cause, and the documents sought were material to the action pending before the trial court.

WHEREFORE, the Petition is DENIED and the assailed Decision is AFFIRMED. Costs against petitioner.

SO ORDERED.

Melo, (Chairman), Vitug, Purisima, and Gonzaga-Reyes, JJ., concur.

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[*] Sometimes spelled "Teng" or "Tong" in the records.

[1] Penned by J. Salome A. Montoya, division chairman; with the concurrence of JJ Conchita Carpio Morales and Bernardo P. Abesamis, members.

[2] Rollo, p. 41.

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[3] CA Decision, pp. 1-4; rollo, pp. 32- 35.

[4] CA Decision, pp. 6-7; rollo, pp. 37-38.

[5] The case was deemed submitted for resolution on September 10, 1999, upon this Court's receipt of Domingo Uy's Memorandum, which was signed by Atty. Amorsolo Camara. Filed earlier were the Memoranda of the petitioner and the other respondents, prepared respectively by Atty. Niel Anthony Veloso and by Attys. Marius Corpus and Ephraim Cortez.

[6] Petitioner's Memorandum, p. 5; rollo, p. 347.

[7] Although petitioner imputes "grave abuse of discretion" on the part of the Court of Appeals, it must be noted that the present Petition was filed under Rule 45, not Rule 65.

[8] 204 SCRA 213, 222-223, November 21, 1991, per Narvasa, CJ.

[9] Ibid., p. 224. Emphasis added.

[10] Rollo, p. 93.

[11] CA Decision, p. 7; rollo, p. 38.

[12] Ibid.

[13] 16 Phil. 315, July 26, 1910, per Moreland, J. See also Lim Tong Lim v. Philippine Fishing Gear Industries, GR No. 136448, November 3, 1999.

[14] Francisco, The Revised Rules of Court in the Philippines, Vol. II, 1966 ed., p. 225.

[15] Hereafter referred to as "Jackivi."

[16] Rollo, p. 125.

[17] Rollo, p. 94.

[18] Petitioner's Answer, p. 5; rollo, p. 75.

[19] See Moran, Comments on the Rules of Court, Vol. II, 1996 ed., p. 115.

[20] Republic v. Sandiganbayan, supra.

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