



Republic of the Philippines
Supreme Court
Baguio City

THIRD DIVISION

EAGLERIDGE DEVELOPMENT G.R. No. 204700
CORPORATION, MARCELO N.
NAVAL and CRISPIN I. OBEN,
Petitioners,

Present:

VELASCO, JR., J., *Chairperson*,
PERALTA,
ABAD,
MENDOZA, and
LEONEN, JJ.

-versus-

CAMERON GRANVILLE 3 ASSET Promulgated:
MANAGEMENT, INC.

Respondent.

April 10, 2013

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DECISION

LEONEN, J.:

All documents mentioned in a Deed of Assignment transferring the credit of the plaintiff in a pending litigation should be accessible to the defendant through a Motion for Production or Inspection of Documents under Rule 27 of the Rules of Court. Litigation is not a game of skills and stratagems. It is a social process that should allow both parties to fully and fairly access the truth of the matters in litigation.

Before this Court is a Petition under Rule 45, seeking to review the August 29, 2012¹ and November 27, 2012² Resolutions of the Third

¹ *Rollo*, p. 59.

² Id. at 61-65. Resolution penned by Associate Justice Apolinario D. Bruselas, Jr. with Associate Justices Rebecca De Guia-Salvador and Samuel H. Gaerlan, *concurring*.

Division of the Court of Appeals. The Resolutions dismissed petitioners' Rule 65 Petition and affirmed the Resolutions dated March 28, 2012³ and May 28, 2012⁴ of the Regional Trial Court, Branch 60, Makati City denying petitioners' motion for production/inspection.

The pertinent facts are as follows:⁵

Petitioners Eagleridge Development Corporation (EDC), and sureties Marcelo N. Naval (Naval) and Crispin I. Oben (Oben) are the defendants in a collection suit initiated by Export and Industry Bank (EIB) through a Complaint⁶ dated February 9, 2005, and currently pending proceedings before the Regional Trial Court (RTC), Branch 60, Makati City⁷.

By virtue of a *Deed of Assignment*⁸ dated August 9, 2006, EIB transferred EDC's outstanding loan obligations of P10,232,998.00 to respondent Cameron Granville 3 Asset Management, Inc. (Cameron), a special purpose vehicle, thus:

For value received and pursuant to the (a) Loan Sale and Purchase Agreement dated as of 7 April 2006 (the "LSPA"), made and executed by **Export and Industry Bank**, as Seller ("Seller"), and by **Cameron Granville Asset Management (SPV-AMC), Inc.** (the "Purchaser"), and (b) the Deed of Absolute Sale dated 9 August 2006 (the "Deed") made and executed by and between Seller and Purchaser, Seller hereby absolutely sells, assigns and conveys to Purchaser, on a "without recourse" basis, all of its rights, title and interests in the following Loan:

EAGLERIDGE DEVELOPMENT CORPORATION with an outstanding loan obligation of Php 10,232,998.00 covered by an unregistered Deed of Assignment of Receivables.

XXX

XXX

XXX

*Defined terms used but not otherwise defined herein have the meaning given to them in the LSPA.*⁹

Thereafter, Cameron filed its *Motion to Substitute/Join* EIB dated November 24, 2006, which was granted by the trial court.

On February 22, 2012, petitioners filed a *Motion for Production/Inspection*¹⁰ of the *Loan Sale and Purchase Agreement (LSPA)*

³ Id. at 109-111.

⁴ Id. at 112-122.

⁵ Id. at 3-57. Petition for Review on Certiorari dated December 20, 2012.

⁶ Id. at 227-232.

⁷ Docketed as Civil Case No. 05-213.

⁸ Supra note 1 at 134.

⁹ Id.

¹⁰ Id. at 123-133.

dated April 7, 2006 referred to in the *Deed of Assignment*.

Respondent Cameron filed its *Comment*¹¹ dated March 14, 2012 alleging that petitioners have not shown “good cause” for the production of the *LSPA* and that the same is allegedly irrelevant to the case *a quo*.

In response, petitioners filed on March 26, 2012 their *Reply*.¹² Petitioners explained that the production of the *LSPA* was for “good cause”. They pointed out that the claim of Cameron is based on an obligation purchased after litigation had already been instituted in relation to it. They claimed that pursuant to Article 1634 of the New Civil Code¹³ on assignment of credit, the obligation subject of the case *a quo* is a credit in litigation, which may be extinguished by reimbursing the assignee of the price paid therefor, the judicial costs incurred and the interest of the price from the day on which the same was paid. Article 1634 provides:

When a credit or other incorporeal right in litigation is sold, the debtor shall have a right to extinguish it by reimbursing the assignee for the price the latter paid therefor, the judicial costs incurred by him, and the interest on the price from the day on which the same was paid.

As petitioners' alleged loan obligations may be reimbursed up to the extent of the amount paid by Cameron in the acquisition thereof, it becomes necessary to verify the amount of the consideration from the *LSPA*, considering that the *Deed of Assignment* was silent on this matter.

In its Resolution¹⁴ dated March 28, 2012, the trial court denied petitioners' motion for production for being utterly devoid of merit. It ruled that there was failure to show “good cause” for the production of the *LSPA* and failure to show that the *LSPA* is material or contains evidence relevant to an issue involved in the action.

Aggrieved, petitioners filed on April 25, 2012, their *Motion for Reconsideration*.¹⁵ They argued that the application of Article 1634 of the Civil Code is sanctioned by Section 12, Article III of Republic Act No. 9182, otherwise known as the Special Purpose Vehicle Law (SPV Law). Section 12 provides:

SECTION 12. *Notice and Manner of Transfer of Assets.* – (a) No

¹¹ Id. at 136-143.

¹² Id. at 144-165.

¹³ A credit or other incorporeal right shall be considered in litigation from the time the complaint concerning the same is answered. The debtor may exercise his right within thirty days from the date the assignee demands payment from him.

¹⁴ By Acting Presiding Judge J. Cedrick O. Ruiz.

¹⁵ Supra note 1 at 166-18.

transfer of NPLs to an SPV shall take effect unless the FI concerned shall give prior notice, pursuant to the Rules of Court, thereof to the borrowers of the NPLs and all persons holding prior encumbrances upon the assets mortgaged or pledged. Such notice shall be in writing to the borrower by registered mail at their last known address on file with the FI. The borrower and the FI shall be given a period of at most ninety (90) days upon receipt of notice, pursuant to the Rules of Court, to restructure or renegotiate the loan under such terms and conditions as may be agreed upon by the borrower and the FIs concerned.

(b) The transfer of NPAs from an FI to an SPV shall be subject to prior certification of eligibility as NPA by the appropriate regulatory authority having jurisdiction over its operations which shall issue its ruling within forty-five (45) days from the date of application by the FI for eligibility.

(c) After the sale or transfer of the NPLs, the transferring FI shall inform the borrower in writing at the last known address of the fact of the sale or transfer of the NPLs.

They alleged that the production of the *LSPA* – which would inform them of the consideration for the assignment of their loan obligation – is relevant to the disposition of the case.

Respondent Cameron filed its *Comment/Opposition*¹⁶ dated April 30, 2012 reiterating that the production of the *LSPA* was immaterial, to which, petitioners filed, on May 14, 2012, their *Reply*.¹⁷ Petitioners insisted the materiality of inquiring about the contents of the *LSPA*, as the consideration for any transfer of the loan obligation of petitioner EDC should be the basis for the claim against them.

The trial court denied petitioners' motion for reconsideration in its Resolution dated May 28, 2012.

On July 27, 2012, petitioners filed their Petition for *Certiorari* with the Court of Appeals (CA), to nullify and/or set aside the RTC's Resolutions dated March 28, 2012 and May 28, 2012.

In its Resolution dated August 29, 2012, the CA (Third Division) dismissed the petition for lack of petitioner Oben's verification and certification against forum shopping and failure to attach a copy of the complaint.

Petitioners' subsequent motion for reconsideration¹⁸ dated September 20, 2012, was likewise denied in the CA's November 27, 2012 Resolution.

¹⁶ Id. at 182-193.

¹⁷ Id. at 194-204.

¹⁸ Id. at 206-226.

Hence this instant petition.

The resolution of this case revolves around the following issues: (1) whether the CA erred in dismissing the petition on technicality, i.e. on a defective verification and certification against forum shopping and the attachment to the petition of a mere machine copy of the complaint; and (2) whether the RTC gravely abused its discretion in denying the production and/or inspection of the *LSPA*.

We agree with petitioner, that the appellate court erred in ruling that Oben's Verification and Certification was defective for lack of a Board Resolution authorizing Oben to sign on behalf of petitioner EDC. Oben executed and signed the Verification and Certification in his personal capacity as an impleaded party in the case, and not as a representative of EDC. We note that an earlier Verification and Certification signed by Naval, for himself and as a representative of EDC, and a Secretary Certificate containing his authority to sign on behalf of EDC, were already filed with the appellate court together with the petition for certiorari.¹⁹ As such, what was only lacking was Oben's Verification and Certification as pointed out in the August 29, 2012 Resolution of the CA.

On the other hand, contrary to petitioners' assertion, a reading of the CA Resolution dated November 27, 2012 shows that the appellate court merely noted the belated attachment of a machine copy, not a certified true copy, of the complaint to petitioners' motion for reconsideration. Although not expressly stated, the machine copy of the complaint is in fact acceptable, as Rule 65 provides that one may attach to the petition mere machine copies of other relevant documents and pleadings.²⁰ More importantly, the CA's dismissal of the petition for certiorari was anchored on its finding that there was no grave abuse of discretion on the part of the RTC in denying the production of the *LSPA*, that the errors committed by Judge Ruiz were, if at all, mere errors of judgment correctible not by the extraordinary writ of *certiorari* and an ordinary appeal would still be available in the action below for sum of money.²¹

An appeal would not have adequately remedied the situation because,

¹⁹ Id. at 66-108.

²⁰ *Heirs of Sofia Nanaman Lonoy v. Secretary of Agrarian Reform*, G.R. No. 175049, 572 SCRA 185, 203, November 27, 2008. *Garcia, Jr. V. CA*, G.R. No. 171098, 546 SCRA 595, 604, February 26, 2008.; *OSM Shipping Philippines, Inc. V. NLRC*, G.R. No. 138193, 446 Phil. 793, 803, March 5, 2003.

Section 1, Rule 65. *Petition for Certiorari*. – xxx

The petition shall be accompanied by a certified true copy of the judgment, order or resolution subject thereof, **copies of all pleadings and documents relevant and pertinent thereto**, and a sworn certification of non-forum shopping as provided in the third paragraph of section 3, Rule 46 (emphasis supplied).

²¹ Supra note 1 at 61-65.

in that case, the court would have rendered its decision without giving the petitioners the opportunity to make use of the information that the *LSPA* would have supplied as a result of the court allowing the production of the *LSPA*. If, on appeal, public respondent reversed its decision, the reversal would result in the case being retried in the lower court, which would unnecessarily delay the resolution of the case and burden the parties with additional litigation expense.

Having resolved the issue on the supposed technical defects, we go on to discuss the second issue.

Section 1, Rule 27 of the 1997 Rules of Court, states:

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; xxx

The provision on production and inspection of documents is one of the modes of discovery sanctioned by the Rules of Court in order to enable not only the parties, but also the court to discover all the relevant and material facts in connection with the case pending before it.²²

Generally, the scope of discovery is to be liberally construed so as to provide the litigants with information essential to the fair and amicable settlement or expeditious trial of the case.²³ All the parties are required to lay their cards on the table so that justice can be rendered on the merits of the case.²⁴

Although the grant of a motion for production of document is admittedly discretionary on the part of the trial court judge, nevertheless, it cannot be arbitrarily or unreasonably denied because to do so would bar access to relevant evidence that may be used by a party-litigant and hence, impair his fundamental right to due process.²⁵

The test to be applied by the trial judge in determining the relevancy of documents and the sufficiency of their description is one of

²² *Republic v. Sandiganbayan*, G.R. No. 90478, November 21, 1991, 204 SCRA 212.

²³ *Fortune Corporation vs. Court of Appeals*, G.R. No. 108119, January 19, 1994, 229 SCRA 355, 373. *Republic v. Sandiganbayan*, G.R. No. 90478, November 21, 1991, 204 SCRA 212.

²⁴ *Koh v. IAC*, 228 Phil. 258, 263 (1986).

²⁵ *Alberto v. COMELEC*, 370 Phil. 230, 237-238 (1999).

reasonableness and practicability.²⁶

According to the trial court, there is no need for the production of the *LSPA* in order to apprise the petitioners of the amount of consideration paid by respondent in favor of EIB and that it is enough that the *Deed of Assignment* has been produced by Cameron showing that it has acquired the account of the petitioners pursuant to the SPV Law.²⁷

We find the Petition impressed with merit.

The question was whether respondent had acquired a valid title to the credit, i.e., EDC's outstanding loan obligation, and whether it had a right to claim from petitioners. In fact, petitioners had maintained in their motions before the trial court the nullity or non-existence of the assignment of credit purportedly made between respondent and EIB (the original creditor).

As respondent Cameron's claim against the petitioners relies entirely on the validity of the *Deed of Assignment*, it is incumbent upon respondent Cameron to allow petitioners to inspect all documents relevant to the *Deed*, especially those documents which, by express terms, were referred to and identified in the *Deed* itself. The *LSPA*, which pertains to the same subject matter – the transfer of the credit to respondent is manifestly useful to petitioners' defense.

Furthermore, under Section 17, Rule 132 of the 1997 Rules of Court, when part of a writing or record is given in evidence by one party, the whole of the same subject may be inquired into by the other, and when a detached writing or record is given in evidence, any other writing or record necessary to its understanding may also be given in evidence. Since the *Deed of Assignment* was produced in court by respondent and marked as one of its documentary exhibits, the *LSPA* which was made a part thereof by explicit reference and which is necessary for its understanding may also be inevitably inquired into by petitioners.

In this light, the relevance of the *LSPA* sought by petitioners is readily apparent. Fair play demands that petitioners must be given the chance to examine the *LSPA*. Besides, we find no great practical difficulty, and respondent did not allege any, in presenting the document for inspection and copying of the petitioners.

Incidentally, the legal incidents of the case *a quo* necessitates the production of said *LSPA*.

²⁶ *Lime Corporation of the Philippines v. Moran*, 59 Phil. 175, 180 (1933).

²⁷ *Supra* note 1 at 109-111.

Section 13 of the SPV Law clearly provides that “in the transfer of the Non-Performing Loans (NPLs), the provisions on subrogation and assignment of credits under the New Civil Code shall apply.” The law does not exclude the application of Article 1634 of the New Civil Code to transfers of NPLs by a financial institution to a special purpose vehicle. Settled is the rule in statutory construction that “when the law is clear, the function of the courts is simple application.” Besides, it is within the power of an SPV to restructure, condone, and enter into other forms of debt settlement involving NPLs.

Also, Section 19 of the SPV Law expressly states that redemption periods allowed to borrowers under the banking law, the rules of court and/or other laws are applicable. Hence, the equitable right of redemption allowed to a debtor under Article 1634 of the Civil Code is applicable.

Therefore, as petitioners correctly pointed out, they have the right of legal redemption by paying Cameron the transfer price plus the cost of money up to the time of redemption and the judicial costs.

Certainly, it is necessary for the petitioners to be informed of the actual consideration paid by the SPV in its acquisition of the loan, because it would be the starting point for them to negotiate for the extinguishment of their obligation. As pointed out by the petitioners, since the *Deed of Assignment* merely states “*For value received*”, the appropriate information may be supplied by the *LSPA*. It is self-evident that in order to be able to intelligently match the price paid by respondent for the acquisition of the loan, petitioner must be provided with the necessary information to enable it to make a reasonably informed proposal. Because of the virtual refusal and denial of the production of the *LSPA*, petitioners were never accorded the chance to reimburse respondent of the consideration the latter has paid.

Consequently, this Court finds and so holds that the denial of the *Motion for Production* despite the existence of “good cause,” relevancy and materiality for the production of the *LSPA* was unreasonable and arbitrary constituting grave abuse of discretion on the part of the trial court. Hence, *certiorari* properly lies as a remedy in the present case.

Discretionary acts will be reviewed where the lower court or tribunal has acted without or in excess of its jurisdiction, where an interlocutory order does not conform to the essential requirements of law and may reasonably cause material injury throughout subsequent proceedings for which the remedy of appeal will be inadequate, or where there is a clear or

serious abuse of discretion.²⁸ The exercise of discretion pertaining to discovery will be set aside where there is abuse, or the trial court's disposition of matters of discovery was improvident and affected adversely the substantial rights of a party.²⁹ After all, the discretion conferred upon trial courts is a sound discretion which should be exercised with due regard to the rights of the parties and the demands of equity and justice.³⁰

Indeed, the insistent refusal of respondent to produce the *LSPA* is perplexing and unacceptable to this Court. Respondent even asserts that if petitioner EDC thinks that the *LSPA* will bolster its defense, then it should secure a copy of the document from the Bangko Sentral ng Pilipinas and not from respondent, because allegedly the document was not marked by respondent as one of its exhibits.³¹

In light of the general philosophy of full discovery of relevant facts, the unreceptive and negative attitude by the respondent is abominable. The rules on discovery are accorded broad and liberal interpretation precisely to enable the parties to obtain the fullest possible knowledge of the issues and facts, including those known only to their adversaries, in order that trials may not be carried on in the dark.³²

Undoubtedly, the trial court had effectively placed petitioners at a great disadvantage inasmuch as respondent effectively suppressed relevant documents related to the transaction involved in the case *a quo*. Furthermore, the remedies of discovery encouraged and provided for under the Rules of Court to be able to compel the production of relevant documents had been put to naught by the arbitrary act of the trial court.

It must be remembered that "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."³³ Courts, as arbiters and guardians of truth and justice, must not countenance any technical ploy to the detriment of an expeditious settlement of the case or to a fair, full and complete determination on its merits.

WHEREFORE, the instant petition is **GRANTED**. The August 29, 2012 and November 27, 2012 resolutions of the Court of Appeals are **REVERSED** and **SET ASIDE**, and respondents are **ORDERED** to produce

²⁸ *Fortune Corporation v. Hon. Court of Appeals*, *supra* at 370.

²⁹ *See Producers Bank of the Philippines v. CA*, 349 Phil. 310 (1998).

³⁰ *Santos v. Phil. National Bank*, 431 Phil. 368 (2002).

³¹ *Supra* note 1 at 136-143.

³² *Security Bank Corporation v. CA*, G.R. No. 135874, January 25, 2000, 323 SCRA 330.

³³ *Id.* at 341.

the Loan Sale and Purchase Agreement dated April 7, 2006, including its annexes and/or attachments, if any, in order that petitioners may inspect and/or photocopy the same.

SO ORDERED.



MARVIC MARIO VICTOR F. LEONEN

Associate Justice

WE CONCUR:



PRESBITERO J. VELASCO, JR.

Associate Justice

Chairperson



DIOSDADO M. PERALTA

Associate Justice



ROBERTO A. ABAD

Associate Justice



JOSE CATRAL MENDOZA

Associate Justice

ATTESTATION

I attest that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.



PRESBITERO J. VELASCO, JR.

Associate Justice

Chairperson, Third Division

CERTIFICATION

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

**MARIA LOURDES P. A. SERENO**

Chief Justice