

THIRD DIVISION

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

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 PRESIDING JUDGE OF THE QUEZON CITY RTC (BRANCH 220), RESPONDENTS.

DECISION

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.

"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 and Inspection 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.