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SPECIAL THIRD DIVISION

[G.R. No. 204700, November 24, 2014]

EAGLERIDGE DEVELOPMENT CORPORATION, MARCELO N. NAVAL AND CRISPIN I. OBEN, PETITIONERS, VS. CAMERON GRANVILLE 3 ASSET MANAGEMENT, INC., RESPONDENT.

R E S O L U T I O N

LEONEN, J.:

For resolution is respondent Cameron Granville 3 Asset Management, Inc.'s motion for reconsideration[1] of our April 10, 2013 decision,[2] which reversed and set aside the Court of Appeals' resolutions[3] and ordered respondent to produce the Loan Sale and Purchase Agreement (LSPA) dated April 7, 2006, including its annexes and/or attachments, if any, in order that petitioners may inspect or photocopy the same.

Petitioners Eagleridge Development Corporation, Marcelo N. Naval, and Crispin I. Oben filed on June 7, 2013 their motion to admit attached opposition.[4] Subsequently, respondent filed its reply[5] and petitioners their motion to admit attached rejoinder.[6]

The motion for reconsideration raises the following points:

(1) The motion for production was filed out of time;[7]
(2) The production of the LSPA would violate the parol evidence rule; and[8]
(3) The LSPA is a privileged and confidential document.[9]

Respondent asserts that there was no "insistent refusal" on its part to present the LSPA, but that petitioners filed their motion for production way out of time, even beyond the protracted pre-trial period from September 2005 to 2011.[10] Hence, petitioners had no one to blame but themselves when the trial court denied their motion as it was filed only during the trial proper.[11]

Respondent further submits that "Article 1634 [of the] Civil Code had been inappropriately cited by [p]etitioners"[12] inasmuch as it is Republic Act No. 9182 (Special Purpose Vehicle Act) that is applicable.[13] Nonetheless, even assuming that Article 1634 is applicable, respondent argued that petitioners are: 1) still liable to pay the whole of petitioner Eagleridge Development Corporation's (EDC) loan obligation, i.e., P10,232,998.00 exclusive of interests and/or damages;[14] and 2) seven (7) years late in extinguishing petitioner EDC's loan obligation because pursuant to Article 1634, they should have exercised their right of extinguishment within 30 days from the substitution of Export and Industry Bank or EIB (the original

creditor) by respondent in December 2006.[15] According to respondent, the trial court order "granting the substitution constituted sufficient judicial demand as contemplated under Article 1634."[16]

Also, maintaining that the LSPA is immaterial or irrelevant to the case, respondent contends that the "[o]rder of substitution settled the issue of [respondent's] standing before the [c]ourt and its right to fill in the shoes of [EIB]."[17] It argues that the production of the LSPA will neither prevent respondent from pursuing its claim of P10,232,998.00, exclusive of interests and penalties, from petitioner EDC, nor write off petitioner EDC's liability to respondent.[18] The primordial issue of whether petitioners owe respondent a sum of money via the deed of assignment can allegedly "be readily resolved by application of Civil Code provisions and/or applicable jurisprudence and not by the production/inspection of the LSPA[.]"[19] Respondent also argues that "a consideration is not always a requisite [in assignment of credits, and] an assignee may maintain an action based on his title and it is immaterial whether or not he paid any consideration [therefor][.]"[20]

Respondent also contends that: (1) the production of the LSPA will violate the parol evidence rule[21] under Rule 130, Section 9 of the Rules of Court; (2) the LSPA is a privileged/confidential bank document;[22] and (3) under the Special Purpose Vehicle Act, "the only obligation of both the assignor (bank) and the assignee (the SPV; respondent Cameron) is to give notice to the debtor (Eagleridge, Naval, and Oben) that its account has been assigned/transferred to a special purpose vehicle (Sec. 12, R.A. 9182) [and] [i]t does not require of the special purpose vehicle or the bank to disclose all financial documents included in the assignment/sale/transfer[.]"[23]

Finally, respondent points out that the deed of assignment is a contested document. "Fair play would be violated if the LSPA is produced without [p]etitioners acknowledging that respondent Cameron Granville 3 Asset Management, Inc. is the real party-in-interest because petitioners . . . would [thereafter] use . . . the contents of a document (LSPA) to its benefit while at the same time"[24] refuting the integrity of the deed and the legal personality of respondent to sue petitioners.[25]

For their part, petitioners counter that their motion for production was not filed out of time, and "[t]here is no proscription, under Rule 27 or any provision of the Rules of Court, from filing motions for production, beyond the pre-trial."[26]

Further, assuming that there was a valid transfer of the loan obligation of petitioner EDC, Article 1634 is applicable and, therefore, petitioners must be informed of the actual transfer price, which information may only be supplied by the LSPA.[27] Petitioners argue that the substitution of respondent in the case a quo was "not sufficient 'demand' as contemplated under Article 1634 of the Civil Code inasmuch as respondent Cameron failed . . . to inform petitioner EDC of the price it paid for the [transfer of the] loan obligation,"[28] which made it "impossible for petitioners to reimburse what was paid for the acquisition of the . . . loan obligation [of EDC]."[29] Additionally, petitioners contend that respondent was not a party to the deed of assignment, but *Cameron Granville Asset Management (SPV-AMC), Inc.*, hence, "as [to] the actual parties to the Deed of Assignment are concerned, no such demand

has yet been made."[30]

Petitioners add that the amount of their liability to respondent is one of the factual issues to be resolved as stated in the November 21, 2011 pre-trial order of the Regional Trial Court, which makes the LSPA clearly relevant and material to the disposition of the case.[31]

Petitioners next argue that the parol evidence rule is not applicable to them because they were not parties to the deed of assignment, and "they cannot be prevented from seeking evidence to determine the complete terms of the Deed of Assignment."[32] Besides, the deed of assignment made express reference to the LSPA, hence, the latter cannot be considered as extrinsic to it.[33]

As to respondent's invocation that the LSPA is privileged/confidential, petitioners counter that "it has not been shown that the parties fall under . . . or, at the very least . . . analogous to [any of the relationships enumerated in Rule 130, Section 124] that would exempt [respondent] from disclosing information as to their transaction."[34]

In reply, respondent argues that "[petitioners] cannot accept and reject the same instrument at the same time."[35] According to respondent, by allegedly "uphold[ing] the truth of the contents as well as the validity of [the] Deed of Assignment [in] seeking the production of the [LSPA],"[36] petitioners could no longer be allowed to impugn the validity of the same deed.[37]

In their rejoinder, petitioners clarified that their consistent position was always to assail the validity of the deed of assignment; that alternatively, they invoked the application of Article 1634 should the court uphold the validity of the transfer of their alleged loan obligation; and that Rule 8, Section 2 of the Rules of Court "permits parties to set forth alternative causes of action or defenses."[38]

We deny the motion for reconsideration.

Discovery mode of production/inspection of document may be availed of even beyond pre-trial upon a showing of good cause

The availment of a motion for production, as one of the modes of discovery, is not limited to the pre-trial stage. Rule 27 does not provide for any time frame within which the discovery mode of production or inspection of documents can be utilized. The rule only requires leave of court "upon due application and a showing of due cause."[39] Rule 27, Section 1 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[.] (Emphasis supplied)

In *Producers Bank of the Philippines v. Court of Appeals,*[40] this court held that since the rules are silent as to the period within which modes of discovery (in that case, written interrogatories) may still be requested, it is necessary to determine: (1) the purpose of discovery; (2) whether, based on the stage of the proceedings and evidence presented thus far, allowing it is proper and would facilitate the disposition of the case; and (3) whether substantial rights of parties would be unduly prejudiced.[41] This court further held that "[t]he use of discovery is encouraged, for it operates with desirable flexibility under the discretionary control of the trial court."[42]

In *Dasmariñas Garments, Inc. v. Reyes*,[43] this court declared that depositions, as a mode of discovery, "may be taken at any time after the institution of any action [as there is] no prohibition against the taking of depositions after pre-trial."[44] Thus:

> Dasmariñas also contends that the "taking of deposition is a mode of pretrial discovery to be availed of before the action comes to trial." Not so. Depositions may be taken at any time after the institution of any action, whenever necessary or convenient. There is no rule that limits deposition-taking only to the period of pre-trial or before it; no prohibition against the taking of depositions after pre-trial. Indeed, the law authorizes the taking of depositions of witnesses before or after an appeal is taken from the judgment of a Regional Trial Court "to perpetuate their testimony for use in the event of further proceedings in the said court" (Rule 134, Rules of Court), and even during the process of execution of a final and executory judgment (East Asiatic Co. v. C.I.R., 40 SCRA 521, 544).[45]

"The modes of discovery are accorded a broad and liberal treatment."[46] The evident purpose of discovery procedures is "to enable the parties, consistent with recognized privileges, to obtain the fullest possible knowledge of the issues and facts before civil trials"[47] and, thus, facilitating an amicable settlement or expediting the trial of the case.[48]

Technicalities in pleading should be avoided in order to obtain substantial justice. In *Mutuc v. Judge Agloro*,[49] this court directed the bank to give Mutuc a complete statement as to how his debt was computed, and should he be dissatisfied with that statement, pursuant to Rule 27 of the Rules of Court, to allow him to inspect and copy bank records supporting the items in that statement.[50] This was held to be "in consonance with the rules on discovery and the avowed policy of the Rules of Court . . . to require the parties to lay their cards on the table to facilitate a

settlement of the case before the trial."[51]

We have determined that the LSPA is relevant and material to the issue on the validity of the deed of assignment raised by petitioners in the court *a quo*, and allowing its production and inspection by petitioners would be more in keeping with the objectives of the discovery rules. We find no great practical difficulty, and respondent continuously fails to allege any, in presenting the document for inspection and copying of petitioners. On the other hand, to deny petitioners the opportunity to inquire into the LSPA would bar their access to relevant evidence and impair their fundamental right to due process.[52]

Article 1634 of the New Civil Code is applicable

Contrary to respondent's stance, Article 1634 of the Civil Code on assignment of credit in litigation is applicable.

Section 13 of the Special Purpose Vehicle Act clearly provides that in the transfer of the non-performing loans to a special purpose vehicle, "the provisions on subrogation and assignment of credits under the New Civil Code shall apply." Thus:

> Sec. 13. *Nature of Transfer.* – All sales or transfers of NPAs to an SPV shall be in the nature of a true sale after proper notice in accordance with the procedures as provided for in Section 12: Provided, That GFIs and GOCCs shall be subject to existing law on the disposition of assets: Provided, further, That in the transfer of the NPLs, the provisions on subrogation and assignment of credits under the New Civil Code shall apply.

Furthermore, Section 19 of the Special Purpose Vehicle Act expressly states that redemption periods allowed to borrowers under the banking law, the Rules of Court, and/or other laws are applicable. Hence, the right of redemption allowed to a debtor under Article 1634 of the Civil Code is applicable to the case *a quo*.

Accordingly, petitioners may extinguish their debt by paying the assignee-special purpose vehicle the transfer price plus the cost of money up to the time of redemption and the judicial costs.

Petitioners' right to extinguish their debt has not yet lapsed

Petitioners' right to extinguish their debt under Article 1634 on assignment of credits has not yet lapsed. The pertinent provision is reproduced here:

> Art. 1634. 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.