Sakamori Construction (Nig) Ltd v. Lagos State Water Corporation (2021)

Case summary prepared by SabiLaw

Court	Supreme Court of Nigeria
Suit No.	SC.465/2011
Judgment	10 December 2021
Panel	Peter-Odili, Kekere-Ekun, Garba, Saulawa and Agim, JJSC
Area	Arbitration: admitted debts and stay of proceedings

Facts

Sakamori Construction contracted with the Lagos State Water Corporation to supply and lay secondary and tertiary water networks between 1994 and 1999. The contract contained an arbitration clause.

Sakamori sued in the High Court of Lagos State for N462,068,741.92 said to be unpaid under the contract, with interest. The Corporation had acknowledged the debt in correspondence but did not pay. The trial court entered judgment for Sakamori.

On appeal, the Court of Appeal held that the trial court lacked jurisdiction because of the arbitration clause, set the judgment aside and referred the parties to arbitration. Sakamori appealed to the Supreme Court.

Issue

Whether an arbitration clause required the claim to go to arbitration where the debtor had admitted the debt and had simply failed to pay.

Held

- The appeal was allowed.
- An arbitration clause applies only to a genuine dispute within its scope. Where a party admits liability and merely fails to pay, there is no dispute to refer to arbitration; the claim for an admitted debt falls outside the clause.
- A stay of proceedings in favour of arbitration is not automatic. The court has a discretion, and the party seeking the stay must comply with the statutory procedure and show sufficient reason for the referral.
- Referring the parties to arbitration was also futile: the cause of action arose before 27 March 2000, so under the six-year period in the Limitation Law of Lagos State any award would have been unenforceable by the time of the referral.

Lesson for drafters

Define "Dispute" carefully in the clause and state what happens to undisputed sums. A party that admits a debt cannot use an arbitration clause to delay payment.

This is a summary prepared by SabiLaw for learning purposes. It is not the judgment of the court and is not legal advice. Refer to the full judgment before relying on it.