COMMONWEALTH OF THE BAHAMAS IN THE SUPREME COURT COMMON LAW AND EQUITY 2018/CLE/gen/00445

BETWEEN:

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MILE STONE BAHAMAS LIMITED

PLAINTIFF

AND

CAVALIER CONSTRUCTION COMPANY LIMITED RESPONDENT

BEFORE: The Honourable Mr. Justice Keith H. Thompson

Appearances: Mr. Darren O. Bain of Lignum Advisors for the Plaintiff

Mr. Samuel Brown of Graham Thompson for the Defendant

Hearing Dates: 17th December, 2018

26TH February, 2019 22nd May, 2019

DECISION

[1] This matter was begun by way of a Specially Endorsed Writ of Summons filed on April 19th, 2018. The Statement of Claim sets out the following:

STATEMENT OF CLAIM

- The Plaintiff is a Company duly incorporated under the Companies Act. providing the services of a general contractor inclusive of milestone fabrication, installation and maintenance, floor and wall tiling, epoxy flooring, terrazzo and specialty street flooring.
- 2. The Defendant is also a Company duly incorporated under the Companies Act, providing the services of a General Contractor/a general construction company.
- 3. The Defendant was contracted by the Public Hospital Authority to construct the New Entry and Critical Care Block with Mandatory Utility Upgrades at the Princess Margaret Hospital, Nassau Bahamas (the 'Project').
- 4. The Defendant required the services of the Plaintiff at the Project.
- 5. By a written contract dated 13th August 2012 (the 'Contract'), it was agreed between the Plaintiff and the Defendant (the 'Parties'), that the for the fixed price of B\$983,374.00 and work directives for the sum of \$407,981.15 totaling to B\$D1,397,355.15, the Plaintiff would complete the scope of works as defined in Exhibit C of the Contract.
- Inter alia, the Contract provided that the Plaintiff would be entitled to payment as follows:
 - i. By monthly valuations of the Subcontract sum, based on an agreed Schedule of Values and submitted on G702/G703 Forms, for the work executed less retention. Payment Applications should be submitted to the Contractor no later than the 22nd of each month, for work carried out up to and including the last day of the same month. Payment will be due to the subcontractor 35 days after the end of the month that the valuation was submitted in, subject to the Contractor having received corresponding payment from the Owner 28 days after the end of the month that the valuation was submitted in.
 - On Completion of the Contract Works half of the amount retained may be released.
 - On expiry of the Defects Liability Period the remaining balance of the retainage shall be released.
 - iv. Without prejudice the Contractor shall be entitled to set off against any money due under this contract or any other any loss and/or expense suffered or incurred or reasonably expected to be incurred by the Owner by reason of any negligence, omission or default of the Subcontractor or Sub-subcontractors.
- Pursuant to the Contract, the Plaintiff commenced work on/about 15th January 2013 and satisfactorily completed all works on/about August 2014.
- For services rendered and works completed pursuant to the Contract, the Plaintiff only received from the Defendant a total payment of B\$885,036.60.

- The Plaintiff was advised by the Defendant that it was unable to pay the balance of
 monies due under the Contract as they (the Defendant), had not received its pay from the
 Public Hospitals Authority.
- 10. Pursuant to the Contract, at the time of the Defendant's notification to the Plaintiff it owed to the Plaintiff the sum of B\$506,318.55 (herein after referred to as the "Debt").
- 11. The Plaintiff has demanded payment of the Debt.
- 12. Despite the demand of the Plaintiff, the Defendant has failed and/or refused to settle the Debt in full or at all. The Debt remains outstanding.
- 13. The Defendant is now in breach of the Contract.

PARTICULARS OF BREACH

a) The Defendant has failed and/or refused to pay the sum of B\$506,318.55.

PARTICULARS OF LOSS AND DAMAGE

As a result of the Defendant's breach the Plaintiff has suffered loss and damage and has been put to cost and expense.

1. Loss of B\$D506,318.55;

AND the Plaintiff claims:

- 1. The sum of B\$D 506,318.55
- 2. Damages;
- Costs;
- 4. Interests on (1) above pursuant to the Civil Procedure (Award of Interest) Act, 1992;
- 5. Such further and other relief as the Court may deem just.

[2] On May 09th, 2018, the Defendant filed a Summons supported by the Affidavit of MARTIN TODD, filed on September 19th, 2018. This Summons seeks;

"An Order staying the proceedings in this Action on the grounds that;

- (i) by Article 28 of the Sub-contract between the Parties, the Parties agreed that any disputes, controversies or claims arising out of or relating to the Subcontract or the breach, termination or invalidity thereof shall be settled by arbitration in accordance with the laws of The Commonwealth of The Bahamas and;
- (ii) Arbitration proceedings have already commenced and;
- (iii) An Order that the costs of and occasioned by this application be paid by the Plaintiff to the Defendant on an indemnity basis forthwith."

SUMMONS FILED MAY 09th, 2018 ON BEHALF OF THE DEFENDANT

[3] The Summons is pursuant to Section 9 of the Arbitration Act, 2009.

PART III - STAY OF LEGAL PROCEEDINGS:

- 9. "Stay of legal proceedings.
 - (1) A party to an arbitration agreement against whom legal proceedings are brought (whether by way of claim or counterclaim) in respect of a matter which under the agreement is to be referred to arbitration may (upon notice to the other parties to the proceedings) apply to the court in which the proceedings have been brought to stay the proceedings so far as they concern that matter.

- (2) An application may be made notwithstanding that the matter is to be referred to arbitration only after the exhaustion of other dispute resolution proceedings.
- (3) An application may not be made by a person before taking the appropriate procedural step (if any) to acknowledge the legal proceedings to answer the substantive claim.
- (4) On application under this section he court shall grant a stay unless satisfied that the arbitration agreement is null and void, inoperative, or incapable of being performed.
- (5) If the court refuses to stay the legal proceedings, any provision that an award is a condition precedent to the bringing of legal proceedings in respect of any matter is of no effect in relation to those proceedings."
- [4] On September 10th, 2018 the Plaintiff filed a Summons supported by an affidavit of GIULIO ANANIA filed on the same day. This Summons sought;
 - (i) An Order be granted for Summary Judgement as the Defendant has no Defence to the claim of the Plaintiff;
 - (ii) The Defendant be made to pay the Plaintiff's costs.
- [5] It is perhaps logical to deal with the Plaintiff's Summons for;
 - (i) An Order be granted for Summary Judgment as the Defendant has no defence to the claim of the Plaintiff and

(ii) The Defendant be made to pay the Plaintiff's costs.

PLAINTIFF'S LEGAL ARGUMENT:

[6] The Plaintiff's position is that under Order 14 Rule (1) of the Rules of the Supreme Court ("RSC");

"Where in an action to which this rule applies a statement of claim has been served on a defendant and that defendant has entered an appearance in the action, the plaintiff may, on the grounds that the defendant has no defence to a claim included in the writ, or to a particular part of such a claim, or has no defence to such a claim or part except as to the amount of any damages claimed, apply to the Court for judgment against the defendant."

- [7] The Plaintiff alleges that the test is whether there is a triable issue or there is some other reason there ought to be a trial. It is further alleged that the Defendant has not denied that the Princess Margaret Hospital ("P.M.H.") debt is owed.
- [8] In the affidavit of GIULIO ANANIA is exhibited a series of e-mails of ongoing conversations regarding the outstanding amount as set out in the Statement of Claim.
- [9] In reviewing those e-mails, it is very clear that there is no denial that an outstanding amount is owed. In an e-mail dated Monday July 13th, 2015, from Mr. Martin Todd, for example he states;

"Giulio,

Nothing is going to happen until our dispute is resolved with P.M.H. We have filed our claim and awaiting P.M.H. response/counterclaim.

Martin."

However, in another e-mail dated February 24th, 2015 Mr. Todd states: [10]

"Subject: RE: PMH

Giulio.

As I keep saying and you seem to want to keep ignoring, at our last meeting to discuss your Final Account many months ago, you undertook to submit various supporting information and backup,

which to date has not been forthcoming from you.

With regard to retention, I would restate that in accordance with the terms of your subcontract you are due no retention release at this time. This is no fault of ours, but rather the result of ongoing breaches

of contract by the Owner, the PHA.

On a more positive note, a meeting was held last week between representatives of Cavalier and the PHA, and a framework was agreed for a mediation, which, if successful, should result in a swifter resolution of matters in dispute between the parties, compared to Arbitration, which continues to run in parallel, to any mediation

proceedings.

Regards,

Martin"

[11] This particular e-mail signals that Martin Todd has questions about the amount

being claimed.

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- [12] It is the contention of the Plaintiff that it would be an absolute abuse of process to permit this matter to go to trial when the issue of whether the PMH debt is owed is in fact not an issue. The Plaintiff says that there is no dispute that it is owed monies for work done at PMH.
- [13] There are several issues running contemporaneously in this action.
 - A. STAY OF PROCEEDINGS (Pursuant to Section 9 of the Arbitration Act. ("The Act").
 - B. Summary Judgment (Pursuant to Order 14 r 1 (1) of the Rules of the Supreme Court ("RSC").

SUMMONS TO STAY ACTION:

- [14] The Defendant makes this application pursuant to Clause 28 of the Sub-contract dated 3rd September, 2012 made between the parties hereto. The Defendant asserts that the parties agreed that any dispute, shall initially be settled through good faith negotiations, and failing this, any dispute regarding the sub-contract shall/ "at the contractor's sole option," be decided by litigation or arbitration pursuant to the Construction Arbitration Rules of the American Arbitration Association.
- [15] The Defendant asserts that Clause 28 should be given its plain and natural meaning which it interprets as;

"The Defendant and only the Defendant is conferred with the right to elect whether to have the dispute that has crystalized arising from the subcontract decided by way of litigation or arbitration."

[16] Paragraph 28 of the subcontract states;

"In the event of a dispute of claim the parties shall initially endeavor to reach an agreement through good faith negotiations. Failing this, any dispute regarding this contract or the Subcontract works shall, at the Contractor's sole option, be decided by litigation or arbitration pursuant to the Construction Industry Arbitration Rules of the American Arbitration Association."

- [17] Paragraph 28 must necessarily be read in conjunction with Section 9 of the Arbitration Act ("the Act") at paragraph 3 above.
- [18] The Plaintiff relies on the case of ALBON (TRADING AS NA CARRIAGE CO) V NAZA MOTOR TRADING SDN BHD and Another No. 3 [2007] EWHC 665(CH) inter alia, wherein LIGHTMAN J said at page 8 para 14.

"I now turn to the first issue. The first question raised is what (if anything) Naza Motors needs to establish as conditions precedent to involving the jurisdiction conferred by s. 9 (c) to grant a stay of court proceedings. In my judgement, the language of s. 9(1) plainly establishes two threshold requirements. The first is that there has been CONCLUDED AN ARBITRATION AGREEMENT and the second is that the issue in the proceedings is a matter which under the Arbitration Agreement is to be referred to Arbitration."

[19] The Defendant takes the position that Clause 28 is not ambiguous and should be given its plain and natural meaning. The Defendant goes on to state its interpretation of Clause 28, that being;

"The Defendant and only the Defendant, is conferred with the right to elect whether to have the dispute that has crystalized,

arising from the subcontract decided by way of litigation or arbitration."

[20] It would seem to me that the question really is; "whether Clause 28 is an arbitration agreement or not." The word agreement is defined as;

"a negotiated and typically legally binding arrangement between parties as to a course of action."

[21] The term "arbitration agreement" is defined as;

"a written contract in which two or more parties agree to settle a dispute outside of court."

- [22] It goes onto say that the arbitration agreement is ordinarily a clause in a larger contract.
- [23] In Section 2 of the Act, "arbitration agreement" is defined as;

"arbitration agreement" means an agreement by the parties to submit to arbitration all or certain disputes which have arisen or which may arise between them in respect of a defined legal relationship, whether contractual or not; and may be in the form of an arbitration clause in a contract or in the form of a separate agreement."

[24] It is of very special note that RUSSELL ON ARBITRATION, (Twenty-Third Edition) sets out a somewhat similar definition. Russell defines "arbitration agreement" in this way;

"An arbitration agreement is a contractual undertaking by which the parties agree to settle certain disputes by way of arbitration rather than by proceedings in court."

- [25] Paragraph 28 of the subcontract agreement vests in the contract or the "sole option" to decide whether differences will be decided by arbitration or litigation.
- [26] It is of special note that Russell further sets out the following;

"If there is not an agreement to arbitrate but an agreement to submit disputes to other forms of alternative dispute resolution (such as litigation) without containing the ultimate requirement to arbitrate, the court will not be bound to grant the mandatory stay contemplated by s. 9 but will instead adopt a discretionary approach equivalent to that which prevailed in respect of arbitration before the enactment of the Arbitration Act 1996."

[27] Paragraph 28 vests the decision in just one of the parties and that decision is that;

[28] The Defendant never, at its sole option triggered arbitration. The Defendant left the Plaintiff in limbo despite the many requests for payment by the Plaintiff.

Instead the Defendant advised the Plaintiff that it has made a claim for the outstanding amounts owed to the Plaintiff from the Public Hospitals Authority ("PHA").

[30] The contract between the Defendant and PHA had absolutely nothing to do with the Plaintiff. The Plaintiff had no relationship with the PHA. There was privity of contract as between the Defendant and the PHA. The subcontract was a separate legal relationship between the Plaintiff and the Defendant.

REPUDIATION OF THE SUBCONTRACT:

- [31] The Defendant by not paying the balance on the subcontract had clearly repudiated the subcontract thereby giving the Plaintiff the right to accept the repudiation and consider the subcontract as at an end.
- [32] There is a "DEFECTS LIABILITY PERIOD". In paragraph 3 of page 1 of the subcontract it states;

"The subcontractor shall perform and maintain the Subcontract Works in good order and condition until completed and handed over to the contractor and make good any defects therein appearing during the Defects Liability period, which unless otherwise stated SHALL BE TWELVE MONTHS (our emphasis) from the date of certification by the Contractor of completion of the contract works."

[33] Therefore, as there is no evidence of any breach of this paragraph by the Plaintiff and no evidence of any breach otherwise, the defect period has passed. The instant action was commenced in 2018.

- [34] The dispute was identified sometime in 2016 and the Defendant who reserved the option of litigation or arbitration did nothing but strung the Plaintiff along. Certainly it is not expected that the Plaintiff should simply wait until! Choice of one of the two options ought to have been taken by the Defendant within a REASONABLE PERIOD OF TIME. Having not done so the Defendant has repudiated the contract. Clause 28 has therefore become INOPERABLE as a result of the repudiation.
- [35] Paragraph 16 of the Subcontract states;

"The Subcontractor SHALL BE (our emphasis) entitled to payment in the following manner.

- (a) By monthly valuations
 - Payment applications should be submitted to the contractor no later than the 22nd of each month for work carried out up to and including the last day of the same month. Payment WILL BE DUE (our emphasis) to the subcontractor 35 days after the end of the month that the valuation was submitted in, subject to the contractor having received corresponding payment from the owner 28 days after the end of the month that the valuation was submitted in.
- (b) On completion of the Contract Works half of the amount retained may be released.
- (c) On the expiry of the Defects Liability Period the remaining balance of the retainer SHALL BE RELEASED. (our emphasis).

- (d) Without prejudice the contractor shall be entitled to set off against any money due under this contract."
- [36] The Defendant has not complied with the relevant terms of the subcontract as to payment.
- [37] Scott L.J. cited with approval Viscount Haldane LC in the case of JUREIDINI V NATIONAL BRITISH & IRISH MILLERS INSURANCE CO. Ltd. [1915] AC 499; Digest 333, 146 where he stated;

"I agree with the whole of what Greene L.J. has said and only desire to add this: that the word "repudiation" is somewhat ambiguous. It may mean: repudiate the original existence of the contract. It may mean disclose an intention to disregard it (to to) and refuse to be bound by its terms altogether. Or it may mean: a mere contention that under the terms of the contract the defendant is completely free from liability by reason of some fact. Where the repudiation is to either No. 1 or No. 2 I think the principles, upon which Jureidinis case was decided entitled the plaintiff to say;

"You cannot impose upon me an arbitration clause as a written submission in a contract which you either say never came into existence or have wholly repudiated." If the defendant relies on any term of the contract to escape liability, whether partial or total, liability, then the arbitration clause applies. I do not think that jureidinis case goes any further than that. The cardinal sentence in that case is in the opinion of Viscount Haldane L.C., where he says, at p. 505;

'Now, my lords, speaking for myself, when there is a repudiation which goes to the substance of the whole contract I do not see how the person setting up that repudiation can be entitled to insist on a subordinate term of the contract still being enforced.'

- [38] Whether the Defendant did not include the PHA debt relative to the subcontract is neither here nor there. The Plaintiff is a stranger to the PHA contract and has no locus standi therein. The Plaintiff, upon the request of the Defendant, provided the Defendant with the final account for the work done under the Subcontract. There has been no reasonable response from the Defendant.
- [39] The term or phrase "litigation OR arbitration" when given its plain and unambiguous meaning, gives confirmation to Section 2 (1) of the Act, which states;

"ARBITRATION AGREEMENT" means an agreement by the parties to submit to arbitration all or certain disputes which have arisen or which may arise between them in respect of a defined legal relationship whether contractual or not; and maybe in the form of an arbitration clause in a contract or in the form of a separate agreement."

[40] In CHITTY ON CONTRACTS, Twenty-Eight Edition at pages 16-014 it states;

"There can be a valid arbitration agreement even though the agreement confers on one party alone the right to refer the matter to arbitration, and does not give mutual rights of reference. (See PITTALIS V SHEREFETTIN [1986] Q.B. 868)"

[41] The Defendant, has demonstrated that it had no intention to be bound any further by its contractual obligations under the sub-contract. Despite being the sole party

resolved by ARBITRATION OR LITIGATION, it did nothing for about three years. It was only after litigation commenced by the Plaintiff that the Defendant sought to rely on clause 28.

- [42] The contractor having not activated or exercised its sole right to elect for an unreasonable period of time, the defendant cannot be heard to say now that it elects arbitration for settlement of the dispute. BUT FOR the Plaintiff commencing the instant action, it appears to be highly unlikely that the defendant would have elected the option.
- [43] In the case of DGT STEEL AND CLADDING LIMITED V CUBITT BUILDING AND INTERIORS LIMITED [2007] EWHC 1584 (TCC) His Honour Judge Peter Coulson Q.C. cited Dyson J (as he then was) in the case of HERSCHEL ENGINEERING Ltd v. BREEN PROPERTY LTD. [2000] BLR 272 where Dyson J said at paragraph 19 of his judgement;

"If Parliament had intended that a party should not be able to refer a dispute to adjudication once litigation or arbitration proceedings had been commenced, I would have expected this to be expressly stated. The relationship between adjudication on the one hand and litigation and arbitration on the other, was what informed the content of section 108 (3) of the Act. The aggrieved claimant should not have to wait many months, if not years before his dispute passed through the various loops of a full blown action or arbitration."

[44] While Dyson J. spoke of section 108 (3) of the Act which may or may not be the same or similar to any section of our Arbitration Act, the fact is that in the instant matter as in the DGT STEEL case, the Plaintiff in the instant matter should not have to wait many months or as in this case years before the dispute is resolved.

The Defendant has to date taken no active step (s) to either refer the matter to arbitration or to accept the jurisdiction of the court.

SUMMARY JUDGEMENT:

[45] The Plaintiff's Summons for Summary Judgment is pursuant to Order 14 Rule (1) of the Rules of the Supreme Court ("RSC"), which states;

"Where an action to which this rule applies a statement of claim has been served on a defendant and that defendant has entered an appearance in the action, the plaintiff may, on the ground that the defendant has no defence to a claim included in the writ, or to a particular part of such a claim, or has no defence to such a claim or part except as to the amount of any damages claimed apply to the Court for judgement against the defendant."

- [46] The legal principles relating to summary judgment are to be found in the decision of PPL (NASSAU) Ltd. v BAHAMAR ltd. and another 2013/CLE/gen/01394 wherein Mr. Justice Milton Evans cited the case of T.G. INVESTMENTS LLC V NEW HOPE COMPANY LIMITED et al (2009) 4 BHS No. 10 wherein Estelle Gray-Evans J set out the principles governing the exercise of the summary judgement jurisdiction as follows:-
 - "44. In the Supreme Court of the Bahamas in T.G. Investments LLC v New Hope Holding Company Limited et al (2009) 4 BHS No. 10. Estelle Gray-Evans J set out the principles governing the exercise of the summary judgment jurisdiction as follows:-
 - "51. I am mindful of the principles by which I am to be guided in dealing with summary judgment applications under Order 14, namely that:

- (1) The purpose of Order 14 is to enable a plaintiff whose application is properly constituted to obtain summary judgment without trial, if he can prove his claim clearly, and if the defendant is unable to set up a bona fide defence or raise an issue against the claim which ought to be tried. (Notes 14/3-4/5 1997 White Book Robert v Plant [1895] 1 QB 597 C.A.).
- (2) Leave to defend must be given unless it is clear that there is no real and substantial question to be tried or that there is no dispute as to facts or law which raises a reasonable doubt that the plaintiff is entitled to judgment (Jones v. Stone).
- (3) Order 14 proceedings should not be allowed to become a means for obtaining, in effect, an immediate trial of the action, which will be the case if the court lends itself to determining points of law or construction that may take hours or even days and the citation of many authorities before the court is in a position to arrive at a final decision. Home and Overseas Insurance Co. Ltd. V. Mentor Insurance Co. (UK) Ltd. (in liquidation).
- (4) Order 14 was not intended to shut out a defendant who could show that there was a triable issue applicable to the claim as a whole from laying his defence before the court or to make him liable in such case to be put on terms. Thus in an action on bills of exchange where the defendant set up the

plea that they were given as part of a series of Stock Exchange transactions and asked for an account, it was held to be a clear defence, and entitled the defendant to leave to defend. (Jacobs v Booth's Distillery Co.).

- (5) By Order 14 rule 3, the Court has the option of (i) giving judgment for the plaintiff for part of all of the claim; (ii) dismissing the application; or (iii) giving leave to a defendant to defend if it is satisfied that there is an issue or question in dispute which ought to be tried or that there ought for some other reason to be a trial of that claim or part of a claim.
- (6) That where an issue of law is raised by either party on a summary judgment application, the Court has the following options:

If a plaintiff's case or the defendant's defence is based solely on a point of law and the court can see at once that the point is misconceived, summary judgment may be given;

If at first sight the point appears to be arguable but with relatively short argument can be shown to be plainly unsustainable, summary judgment may be given; or

If the point of law relied upon by either party raises difficult questions of law which call for detailed argument and mature consideration, summary judgment is inappropriate. Home and Overseas Insurance Co. Ltd v. Mentor Insurance Co (UK) Ltd.

(7) Finally, where there is a triable issue, though it may appear that the defence is not likely to succeed, the defendant should not be shut out from laying his defence before the court either by having judgment entered against him or by being put under terms to pay money into court as a condition of obtaining leave to defend. (Jacobs v Booth's Distillery Co.).

These principles make it quite clear that only in clear cases should the defendant be deprived of the opportunity to have his case tried on the merits."

- [47] I repeat for clarity, that even though I have concluded that clause 28 is an arbitration clause, as a result of the Defendant not activating the clause or put another way, electing one of the options available to it, the clause became inoperable or inequitable for the Defendant to be able to take advantage of its own wrong.
- [48] While I am very much alive to the fact that giving summary judgement against a litigant on papers without permitting him to advance his case before the hearing is a serious step which should only be taken in extreme circumstances, I deem this a proper case for giving summary judgement for the following reasons:-
 - (a) The Plaintiff has satisfactorily carried out the works pursuant to the terms of subcontract.
 - (b) There are monies due and owing to the Plaintiff pursuant to the terms of the subcontract.

- (c) The Defendant accepted the amount owed as claimed by the Plaintiff for the works which were satisfactorily carried out and completed.
- (d) The Defendant represented to the Plaintiff that upon settlement of the contract with the PHA/The Bahamas Government the debt owed to the Plaintiff would have been paid.
- (e) The Defendant has settled its dispute with the PHA but has failed to settle its debt under the subcontract as promised.
- [49] As a result, the Defendant is ordered to pay to the Plaintiff:-
 - 1. The sum of B\$D 506,318.55
 - 2. Damages to be assessed
 - 3. Costs to be taxed if not agreed.
 - Interest at the rate of 6% pursuant to the Civil Procedure
 (Award of Interest) Act 1992 from February 24th, 2015 until payment in full.

I so order.

Dated this 14 to day of November A.D., 2019.

Keith H. Thompson

Justice