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# **THE ARBITRATION ACT, 1940**

## **(X of 1940)**

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## TEXT

### THE ARBITRATION ACT, 1940

<sup>1</sup>(X of 1940)

[16<sup>th</sup> March, 1940]

#### An Act

*to consolidate and amend the law relating to Arbitration.*

**WHEREAS** it is expedient to consolidate and amend the law relating to arbitration in <sup>2</sup>[Pakistan];

It is hereby enacted as follows:—

#### CHAPTER I INTRODUCTORY

**1. Short title, extent and commencement.**— (1) This Act may be called the Arbitration Act, 1940.

<sup>3</sup>[(2) It extends to the whole of Pakistan.]

(3) It shall come into force on the 1<sup>st</sup> day of July, 1940.

**2. Definitions.**— In this Act, unless there is any thing repugnant in the subject or context,—

- (a) “arbitration agreement” means a written agreement to submit present or future differences to arbitration, whether an arbitrator is named therein or not;
- (b) “award” means an arbitration award;
- (c) “Court” means a Civil Court having jurisdiction to decide the questions forming the subject-matter of the reference if the same had been the

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<sup>1</sup>For statement of Objects and Reasons, see Gazette of India, 1939, Pt. V, p. 142; for the Report of Select Committee, see *ibid.*, 1940, Pt. V, p. 35.

This Act has been applied to —

Baluchistan, see Notification No. 168- N., dated the 17th October, 1940, Gazette of India, 1940, Pt. I, p. 1478;

Phulera in the Excluded Area of Upper Tanawal to the extent the Act is applicable in the N. W. F. P., subject to certain modifications- see N.W.F.P (Upper Tanawal) (Excluded Area) Laws Regulation, 1950; and also extended to the Excluded Area of Upper Tanawal (N.W.F.P) other than Phulera by the aforesaid Regulation, and declared to be in force in that area with effect from the 1<sup>st</sup> June, 1951, see N.W.F.P. Gazette, Ext., dated the 1st June, 1951.

It has been extended to the Leased Areas of Baluchistan by the Leased Areas (Laws) Order, 1950 (G. G. O. 3 of 1950).

This Act has been published in the Gazette of India, Part IV, dated 16.3.1940, pages 41-52.

<sup>2</sup>Substituted for the words “the Provinces and the Capital of the Federation” by the Central Laws (Statue Reform) Ordinance, 1960 (XXI of 1960); and published in the Gazette of Pakistan (Extraordinary), dated 9.6.1960, pages 725-845, s. 3 and 2nd Schedule (with effect from the 14<sup>th</sup> October, 1955), which had been substituted for the words “British India” by the Adaptation of Central Acts and Ordinances Order, 1949 (G.G.O.4 of 1949); and published in the Gazette of Pakistan (Extraordinary), dated 28.3.1949, pages 223-283, Article 3 & 4.

<sup>3</sup>Substituted by the Central Laws (Statue Reform) Ordinance, 1960 (XXI of 1960); and published in the Gazette of Pakistan (Extraordinary), dated 9.6.1960, pages 725-845, s. 3 and 2nd Schedule (with effect from the 14<sup>th</sup> October, 1955) , for the original sub-section (2) as amended by the Adaptation of Central Acts and Ordinances Order, 1949 (G.G.O.4 of 1949); and published in the Gazette of Pakistan (Extraordinary), dated 28.3.1949, pages 223-283, Article 3 & 4.

subject-matter of a suit, but does not, except for the purpose of arbitration proceedings under section 21, include a Small Cause Court;

- (d) “legal representative” means a person who in law represents the estate of a deceased person, and includes any person who intermeddles with the estate of the deceased, and, where a party acts in representative character, the person on whom the estate devolves on the death of the party so acting;
- (e) “reference” means reference to arbitration.

## **CHAPTER II ARBITRATION WITHOUT INTERVENTION OF A COURT**

**3. Provisions implied in arbitration agreement.**— An arbitration agreement, unless a different intention is expressed therein, shall be deemed to include the provisions set out in the First Schedule in so far as they are applicable to the reference.

**4. Agreement that arbitrators be appointed by third party.**— The parties to an arbitration agreement may agree that any reference thereunder shall be to an arbitrator or arbitrators to be appointed by a person designated in the agreement either by name or as the holder for the time being of any office or appointment.

**5. Authority of appointed arbitrator or umpire irrevocable except by leave of Court.**— The authority of an appointed arbitrator or umpire shall not be revocable except with the leave of the Court, unless a contrary intention is expressed in the arbitration agreement.

**6. Arbitration agreement not to be discharged by death of party thereto.**— (1) An arbitration agreement shall not be discharged by the death of any party thereto, either as respects the deceased or any other party, but shall in such event be enforceable by or against the legal representative of the deceased.

(2) The authority of an arbitrator shall not be revoked by the death of any party by whom he was appointed.

(3) Nothing in this section shall affect the operation of any law by virtue of which any right of action is extinguished by the death of a person.

**7. Provisions in case of insolvency.**— (1) Where it is provided by a term in a contract to which an insolvent is a party that any differences arising thereout or in connection therewith shall be referred to arbitration, the said term shall, if the receiver adopts the contract, be enforceable by or against him so far as it relates to any such differences.

(2) Where a person who has been adjudged an insolvent had, before the commencement of the insolvency proceedings, become a party to an arbitration agreement, and any matter to which the agreement applies is required to be determined in connection with, or for the purposes of, the insolvency proceedings, then, if the case is one to which sub-section (1) does not apply, any other party to the agreement or the receiver may apply to the Court having jurisdiction in the insolvency proceedings for an order directing that the matter in question shall be referred to arbitration in accordance with the agreement, and the Court may, if it is of

opinion that, having regard to all the circumstances of the case, the matter ought to be determined by arbitration, make an order accordingly.

(3) In this section the expression "receiver" includes an Official Assignee.

**8. Power of Court to appoint arbitrator or umpire.**— (1) In any of the following cases:—

- (a) where an arbitration agreement provides that the reference shall be to one or more arbitrators to be appointed by consent of the parties, and all the parties do not, after differences have arisen, concur in the appointment or appointments; or
- (b) if any appointed arbitrator or umpire neglects or refuses to act, or is incapable of acting, or dies, and the arbitration agreement does not show that it was intended that the vacancy should not be supplied, and the parties or the arbitrators, as the case may be, do not supply the vacancy; or
- (c) where the parties or the arbitrators are required to appoint an umpire and do not appoint him;

any party may serve the other parties or the arbitrators, as the case may be, with a written notice to concur in the appointment or appointments or in supplying the vacancy.

(2) If the appointment is not made within fifteen clear days after the service of the said notice, the Court may, on the application of the party who gave notice and after giving the other parties an opportunity of being heard, appoint an arbitrator or arbitrators or umpire, as the case may be, who shall have like power to act in the reference and to make an award as if he or they had been appointed by consent of all parties.

**9. Power to party to appoint new arbitrator or, in certain cases, a sole arbitrator.**— Where an arbitrations agreement provides that a reference shall be to two arbitrators, one to be appointed by each party, then, unless a different intention is expressed in the agreement,—

- (a) if either of the appointed arbitrators, neglects or refuses to act, or is incapable of acting, or dies, the party who appointed him may appoint a new arbitrator in his place;
- (b) if one party fails to appoint an arbitrator, either originally or by way of substitution as aforesaid, for fifteen clear days after the service by the other party of a notice in writing to make the appointment, such other party having appointed his arbitrator before giving the notice, the party who has appointed an arbitrator may appoint that arbitrator to act as sole arbitrator in the reference, and his award shall be binding on both parties as if he had been appointed by consent:

Provided that the Court may set aside any appointment as sole arbitrators made under clause (b) and either, on sufficient cause being shown, allow further time to the defaulting party to appoint an arbitrator or pass such other order as it thinks fit.

**Explanation.**— The fact that an arbitrator or umpire, after request by either party to enter on and proceed with the reference, does not within one month comply with the request may constitute a neglect or refusal to act within the meaning of section 8 and this section.

**10. Provisions as to appointment of three or more arbitrators.**— (1) Where an arbitration agreement provides that a reference shall be to three arbitrators, one to be appointed by each party and the third by the two appointed arbitrators, the agreement shall have effect as if it provided for the appointment of an umpire, and not for the appointment of a third arbitrator, by the two arbitrators appointed by the parties.

(2) Where an arbitration agreement provides that a reference shall be to three arbitrators to be appointed otherwise than as mentioned in sub-section (1), the award of the majority shall, unless the arbitration agreement otherwise provides, prevail.

(3) Where an arbitration agreement provides for the appointment of more arbitrators than three, the award of the majority, or if the arbitrators are equally divided in their opinions, the award of the umpire shall, unless the arbitration agreement otherwise provides, prevail.

**11. Power to Court to remove arbitrators or umpire in certain circumstances.**— (1) The Court may, on the application of any party to reference, remove an arbitrator or umpire who fails to use all reasonable dispatch in entering on and proceeding with the reference and making an award.

(2) The Court may remove an arbitrator or umpire who has misconduct himself or the proceedings.

(3) Where an arbitrator or umpire is removed under this section, he shall not be entitled to receive any remuneration in respect of his services.

(4) For the purposes of this section the expression “proceeding with the reference” includes, in a case where reference to the umpire becomes necessary, giving notice of that fact to the parties and to the umpire.

**12. Power of Court where arbitrator is removed or his authority revoked.**— (1) Where the Court removes an umpire who has not entered on the reference or one or more arbitrators (not being all the arbitrators), the Court may, on the application of any party to the arbitration agreement, appoint persons to fill the vacancies.

(2) Where the authority of an arbitrator or arbitrators or an umpire is revoked by leave of the Court, or where the Court removes an umpire who has entered on the reference or a sole arbitrator or all the arbitrators, the Court may, on the application of any party to the arbitration agreement, either—

- (a) appoint a person to act as sole arbitrator in the place of the person or persons displaced, or
- (b) order that the arbitration agreement shall cease to have effect with respect to the difference referred.

(3) A person appointed under this section as an arbitrator or umpire shall have the like power to act in the reference and to make an award as if he had been appointed in accordance with the arbitration agreement.

**13. Powers of arbitrator.**— The arbitrators or umpire shall, unless a different intention is expressed in the agreement, have power to—

- (a) administer oath to the parties and witnesses appearing;
- (b) state a special case for the opinion of the Court on any question of law involved, or state the award, wholly or in part, in the form of a special case of such question for the opinion of the Court;
- (c) make the award conditional or in the alternative;
- (d) correct in an award any clerical mistake or error arising from any accidental slip or omission;
- (e) administer to any party to the arbitration such interrogatories as may, in the opinion of the arbitrators or umpire, be necessary.

**14. Award to be signed and filed.**— (1) When the arbitrators or umpire have made their award, they shall sign it and shall give notice in writing to the parties of the making and signing thereof and of the amount of fees and charges payable in respect of the arbitration and award.

(2) The arbitrators or umpire shall, at the request of any party to the arbitration agreement or any person claiming under such party or if so directed by the Court and upon payment of the fees and charges due in respect of the arbitration and award and of the costs and charges of filing the award, cause the award or signed copy of it, together with any depositions and documents which may have been taken and proved before them, to be filed in Court, and the Court shall thereupon give notice to the parties of the filing of the award.

(3) Where the arbitrators or umpire state a special case under clause (b) of section 13, the Court, after giving notice to the parties and hearing them, shall pronounce its opinion thereon and such opinion shall be added to, and shall form part of, the award.

**15. Power of Court to modify award.**— The Court may by order modify or correct an award—

- (a) where it appears that a part of the award is upon a matter not referred to arbitration and such part can be separated from the other part and does not affect the decision on the matter referred; or
- (b) where the award is imperfect in form, or contains any obvious error which can be amended without effecting such decision; or
- (c) where the award contains clerical mistake or an error arising from an accidental slip or omission.

**16. Power to remit award.**— (1) The Court may from time to time remit the award or any matter referred to arbitration to the arbitrators or umpire for reconsideration upon such terms as it thinks fit—

- (a) where the award has left undetermined any of the matters referred to arbitration, or where it determines any matter not referred to arbitration and such matter cannot be separated without affecting the determination of the matters referred; or



- (b) where the award is so indefinite as to be incapable of execution; or
- (c) where an objection to the legality of the award is apparent upon the face of it.

(2) Where an award is remitted under sub-section (1) the Court shall fix the time within which the arbitrator or umpire shall submit his decision to the Court:

Provided that any time so fixed may be extended by subsequent order of the Court.

(3) An award remitted under sub-section (1) shall become void on the failure of the arbitrator or umpire to reconsider it and submit his decision within the time fixed.

**17. Judgment in terms of award.**— Where the Court sees no cause to remit the award or any of the matters referred to arbitration for reconsideration or to set aside the award, the Court shall, after the time for making an application to set aside the award has expired, or such application having been made, after refusing it, proceed to pronounce judgment according to the award, and upon the judgment so pronounced a decree shall follow, and no appeal shall lie from such decree except on the ground that it is in excess of, or not otherwise in accordance with, the award.

**18. Power of Court to pass interim orders.**— (1) Notwithstanding anything contained in section 17, at anytime after the filing of the award, whether notice of the filing has been served or not, upon being satisfied by affidavit or otherwise that a party has taken or is about to take steps to defeat, delay or obstruct the execution of any decree that may be passed upon the award, or that speedy execution of the award is just and necessary, the Court may pass such interim orders as it deems necessary.

(2) Any person against whom such interim orders have been passed may show cause against such orders, and the Court, after hearing the parties, may pass such further orders as it deems necessary and just.

**19. Power to supersede arbitration when award becomes void or is set aside.**— Where an award has become void under sub-section (3) of section 16 or has been set aside, the Court may by order supersede the reference and shall thereupon order that the arbitration agreement shall cease to have effect with respect to the difference referred.

### **CHAPTER III ARBITRATION WITH INTERVENTION OF A COURT WHERE THERE IS NO SUIT PENDING.**

**20. Application to file in Court arbitration agreement.**— (1) Where any persons have entered into an arbitration agreement before the institution of any suit with respect to the subject-matter of the agreement or any part of it, and where a difference has arisen to which the agreement applies, they or any of them, instead of proceeding under Chapter II, may apply to a Court having jurisdiction in the matter to which the agreement relates, that the agreement be filed in the Court.

(2) The application shall be in writing and shall be numbered and registered as a suit between one or more of the parties interested or claiming to be

interested as plaintiff or plaintiffs and the remainder as defendant or defendants, if the application has been presented by all the parties, or, if otherwise, between the applicant as plaintiff and the other parties as defendants.

(3) On such application being made, the Court shall direct notice thereof to be given to all parties to the agreement other than the applicants, requiring them to show cause within the time specified in the notice why the agreement should not be filed.

(4) Where no sufficient cause is shown, the Court shall order the agreement to be filed, and shall make an order of reference to the arbitrator appointed by the parties, whether in the agreement or otherwise, or, where the parties cannot agree upon an arbitrator, to an arbitrator appointed by the Court.

(5) Thereafter the arbitration shall proceed in accordance with, and shall be governed by, the other provisions of this Act so far as they can be made applicable.

#### **CHAPTER IV ARBITRATION IN SUITS**

**21. Parties to suit may apply for order of reference.**— Where in any suit all the parties interested agree that any matter in difference between them in the suit shall be referred to arbitration, they may at any time before judgment is pronounced apply in writing to the Court for an order of reference.

**22. Appointment of arbitrator.**— The arbitrator shall be appointed in such manner as may be agreed upon between the parties.

**23. Order of reference.**— (1) The Court shall, by order, refer to the arbitrator the matter in difference which he is required to determine, and shall in the order specify such time as it thinks reasonable for the making of the award.

(2) Where a matter is referred to arbitration, the Court shall not, save in the manner and to the extent provided in this Act, deal with such matter in the suit.

**24. Reference to arbitration by some of the parties.**— Where some only of the parties to a suit apply to have the matters in difference between them referred to arbitration in accordance with, and in the manner provided by section 21, the Court may, if it thinks fit, so refer such matters to arbitration (provided that the same can be separated from the rest of the subject-matter of the suit) in the manner provided in that section, but the suits shall continue so far as it relates to the parties who have not joined in the said application and to matters not contained in the said reference as if no such application had been made, and an award made in pursuance of such a reference shall be binding only on the parties who have joined in the application.

**25. Provisions applicable to arbitrations under this Chapter.**— The provisions of the other Chapters shall, so far as they can be made applicable, apply to arbitrations under this Chapter:

Provided that the Court may, in any of the circumstances mentioned in sections 8, 10, 11 and 12, instead of filing up the vacancies or making the appointments, make an order superseding the arbitration and proceed with the suit,

and where the Court makes an order superseding the arbitration under section 19, it shall proceed with the suit.

## **CHAPTER V GENERAL**

**26. Application of Chapter.**— Save as otherwise provided in this Act, the provisions of this Chapter shall apply to all arbitrations.

<sup>4</sup>**[26-A. Award to set out reasons.**— (1) The arbitrators or umpire shall state in the award the reasons for the award in sufficient detail to enable the Court to consider any question of law arising out of the award.

(2) Where the award does not state the reasons in sufficient detail, the Court shall remit the award to the arbitrators or umpire and fix the time within which the arbitrator or umpire shall submit the award together with the reasons in sufficient detail:

Provided that any time so fixed may be extended by subsequent order of the Court.

(3) An award remitted under sub-section (2) shall become void on the failure of the arbitrators or umpire to submit it in accordance with the direction of the Court.]

**27. Power of arbitrators to make an interim award.**— (1) Unless a different intention appears in the arbitration agreement, the arbitrators or umpire may, if they think fit, make an interim award.

(2) All references in this Act to an award shall include references to an interim award made under sub-section (1).

**28. Power to Court only to enlarge time for making award.**— (1) The Court may, if it thinks fit, whether the time for making the award has expired or not and whether the award has been made or not, enlarge from time to time the time for making the award.

(2) Any provisions in an arbitration agreement whereby the arbitrators or umpire may, except with the consent of all the parties to the agreement, enlarge the time for making the award, shall be void and of no effect.

**29. Interest on awards.**— Where and in so far as an award is for the payment of money the Court may in the decree order interest, from the date of the decree at such rate as the Court deems reasonable, to be paid on the principal sum as adjusted by the award and confirmed by the decree.

**30. Grounds for setting aside award.**— An award shall not be set aside except on one or more of the following grounds, namely:—

- (a) that an arbitrator or umpire has misconducted himself or the proceedings;

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<sup>4</sup>Section 26A inserted by the Arbitration (Amendment) Ordinance, 1981 (XV of 1981); and published in the Gazette of Pakistan (Extraordinary), dated 11.5.1981, pages 87-88, s.2.

- (b) that an award has been made after the issue of an order by the Court superseding the arbitration or after arbitration proceedings have become invalid under section 35;
- (c) that an award has been improperly procured or is otherwise invalid.

**31. Jurisdiction.—** (1) Subject to the provisions of this Act, an award may be filed in any Court having jurisdiction in the matter to which the reference relates.

(2) Notwithstanding anything contained in any other law for the time being in force and save as otherwise provided in his Act, all questions regarding the validity, effect or existence of an award or an arbitration agreement between the parties to the agreement or persons claiming under them shall be decided by the Court in which the award under the agreement has been, or may be, filed, and by no other Court.

(3) All applications regarding the conduct of arbitration proceedings or otherwise arising out of such proceedings shall be made to the Court where the award has been, or may be, filed, and to no other Court.

(4) Notwithstanding anything contained elsewhere in this Act or in any other law for the time being in force, where in any reference any application under this Act has been made in a Court competent to entertain it, that Court alone shall have jurisdiction over the arbitration proceedings and all subsequent applications arising out of that reference and the arbitration proceeding shall be made in that Courts in no other Court.

**32. Bar to suit contesting arbitration agreement or award.—** Notwithstanding any law for the time being in force, no suit shall lie on any ground whatsoever for a decision upon the existence, effect or validity of an arbitration agreement or award, nor shall any arbitration agreement or award be set aside, amended, modified or in any way affected otherwise than as provided in this Act.

**33. Arbitration agreement or award to be contested by application.—** Any party to an arbitration agreement or any person claiming under him desiring to challenge the existence or validity of an arbitration agreement or an award or to have the effect of either determined shall apply to the Court and the Court shall decide the question on affidavits:

Provided that where the Court deems it just and expedient, it may set down the application for hearing on other evidence also, and it may pass such orders for the discovery and particulars as it may do in a suit <sup>5</sup>[.]

<sup>6</sup>[ \* \* \* \* \* ]

**34. Power to stay legal proceedings where there is an arbitration agreement.—** Where any party to an arbitration agreement or any person claiming under him commences any legal proceedings against any other party to the agreement or any person claiming under him in respect of any matter agreed to be

<sup>5</sup>Substituted for colon by the Arbitration (Amendment) Ordinance, 1977 (XXVII of 1977); and published in the Gazette of Pakistan (Extraordinary), Part I, dated 24.7.1977, s. 2.

<sup>6</sup>Omitted by the Arbitration (Amendment) Ordinance, 1977 (XXVII of 1977); and published in the Gazette of Pakistan (Extraordinary), Part I, dated 24.7.1977, s. 2.

referred, any party to such legal proceedings may, at any time before filing a written statement or taking any other steps in the proceedings, apply to the judicial authority before which the proceedings are pending to stay the proceedings; and if satisfied that there is no sufficient reason why the matter should not be referred in accordance with the arbitration agreement and that the applicant was, at the time when the proceedings were commenced, and still remains, ready and willing to do all things necessary to the proper conduct of the arbitration, such authority may make an order staying the proceedings.

**35. Effect of legal proceedings on arbitration.**— (1) No reference nor award shall be rendered invalid by reasons only of the commencement of legal proceedings upon the subject-matter of the reference, but when legal proceedings upon the whole of the subject-matter of the reference have been commenced between all the parties to the reference and a notice thereof has been given to the arbitrators or umpire, all further proceedings in a pending reference shall, unless a stay of proceedings is granted under section 34, be invalid.

(2) In this section the expression “parties to the reference” includes any persons claiming under any of the parties and litigating under the same title.

**36. Power of Court where arbitration agreement is ordered not to apply to a particular difference, to order that a provision making an award a condition precedent to an action shall not apply to such difference.**— Where it is provided (whether in the arbitration agreement or otherwise) that an award under an arbitration agreement shall be a condition precedent to the bringing of an action with respect to any matter to which the agreement applies, the Court, if it orders (whether under this Act or any other law) that the agreement shall cease to have effect as regards any particular difference, may further order that the said provision shall also cease to have effect as regards that difference.

**37. Limitations.**— (1) All the provisions of the <sup>7</sup>[\*\*\*\* ] Limitation Act, 1908<sup>8</sup>, shall apply to arbitrations as they apply to proceedings in Court.

(2) Notwithstanding any term in an arbitration agreement to the effect that no cause of action shall accrue in respect of any matter required by the agreement to be referred until an award is made under the agreement, a cause of action shall, for the purpose of limitation, be deemed to have accrued in respect of any such matter at the time when it would have accrued but for that term in the agreement.

(3) For the purposes of this section and of the <sup>9</sup>[\*\*\*\* ] Limitation Act, 1908<sup>10</sup>, an arbitration shall be deemed to be commenced when one party to the arbitration agreement serves on the other parties thereto a notice requiring the appointment of an arbitrator, or where the arbitration agreement provides that the reference shall be to a person named or designated in the agreement, requiring that the difference be submitted to the person so named or designated.

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<sup>7</sup>The word “Indian” omitted by the Adaptation of Central Acts and Ordinances Order, 1949 (G.G.O.4 of 1949); and published in the Gazette of Pakistan (Extraordinary), dated 25.3.1949, pages 223-283, Article 2 and Schedule.

<sup>8</sup>IX of 1908

<sup>9</sup>The word “Indian” omitted by the Adaptation of Central Acts and Ordinances Order, 1949 (G.G.O.4 of 1949); and published in the Gazette of Pakistan (Extraordinary), dated 25.3.1949, pages 223-283, Article 2 and Schedule.

<sup>10</sup>IX of 1908

(4) Where the terms of an agreement to refer future differences to arbitration provide that any claims to which the agreement applies shall be barred unless notice to appoint an arbitrator is given or an arbitrator is appointed or some other step to commence arbitration proceedings is taken within a time fixed by the agreement, and a difference arises to which the agreement applies, the Court, if it is of opinion that in the circumstances of the case undue hardship would otherwise be caused, and notwithstanding that the time so fixed has expired, may on such terms, if any, as the justice of the case may require, extend the time for such period as it thinks proper.

(5) Where the Court orders that an award be set aside or orders, after the commencement of an arbitration that the arbitration agreement shall cease to have effect with respect to the difference referred, the period between the commencement of the arbitration and the date of the order of the Court shall be excluded in computing the time prescribed by the <sup>11</sup>[\*\*\*\*] Limitation Act, 1908<sup>12</sup>, for the commencement of the proceedings (including arbitration) with respect to the difference referred.

**38. Disputes as to arbitrator's remuneration or costs.**— (1) If in any case an arbitrator or umpire refuses to deliver his award except on payment of the fees demanded by him, the Court may, on an application in this behalf, order that the arbitrator or umpire shall deliver the award to the applicant on payment into Court by the applicant of the fees demanded, and shall, after such inquiry, if any, as it thinks fit, further order that out of the money so paid into Court there shall be paid to the arbitrator or umpire by way of fees such sum as the Court may consider reasonable and that the balance of the money, if any, shall be refunded to the applicant.

(2) An application under sub-section (1) may be made by any party to the reference unless the fees demanded have been fixed by written agreement between him and the arbitrator or umpire, and the arbitrator or umpire shall be entitled to appear and be heard on any such application.

(3) The Court may make such orders as it thinks fit respecting the costs of an arbitration where any question arises respecting such costs and the award contains no sufficient provision concerning them.

## **CHAPTER VI APPEALS**

**39. Appealable orders.**— (1) An appeal shall lie from the following orders passed under this Act (and from no others) to the Court authorized by law to hear appeals from original decrees of the Court passing the order:—

An order—

- (i) superseding an arbitration;
- (ii) on an award stated in the form of a special case;
- (iii) modifying or correcting an award;

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<sup>11</sup>The word "Indian" omitted by the Adaptation of Central Acts and Ordinances Order, 1949 (G.G.O.4 of 1949); and published in the Gazette of Pakistan (Extraordinary), dated 25.3.1949, pages 223-283, Article 2 and Schedule.

<sup>12</sup>IX of 1908

- (iv) filing or refusing to file an arbitration agreement;
- (v) staying or refusing to stay legal proceedings where there is an arbitration agreement;
- (vi) setting aside or refusing to set aside an award:

Provided that the provisions of this section shall not apply to any order passed by a Small Cause Court.

(2) No second appeal shall lie from an order passed in appeal under this section, but nothing in this section shall affect or take away any right to appeal to<sup>13</sup>[the Supreme Court].

## **CHAPTER VII MISCELLANEOUS**

**40. Small Cause Court not to have jurisdiction over arbitration save arbitrations in suits before it.**— A Small Cause Court shall have no jurisdiction over any arbitration proceedings or over any application arising there out save on application made under section 21.

**41. Procedure and powers of Court.**— Subject to the provisions of this Act and of rules made there under—

- (a) the provisions of the Code of Civil Procedure, 1908<sup>14</sup>, shall apply to all proceedings before the Court, and to all appeals, under this Act, and
- (b) the Court shall have, for the purpose of, and in relation to arbitration proceedings, the same power of making orders in respect of any of the matters set out in the Second Schedule as it has for the purpose of, and in relation to, any proceedings before the Court:

Provided that nothing in clause (b) shall be taken to prejudice any power which may be vested in an arbitrator or umpire for making orders with respect to any of such matters.

**42. Service of notice by party or arbitrator.**— Any notice required by this Act to be served otherwise than through the Court by a party to an arbitration agreement or by an arbitrator or umpire shall be served in the manner provided in the arbitration agreement, or if there is no such provision, either—

- (a) by delivering it to the person on whom it is to be served, or
- (b) by sending it by post in a letter addressed to that person at his usual or last known place of abode or business in <sup>15</sup>[Pakistan] and registered under Chapter VI of the <sup>16</sup>[\*\*\*\*] Post Officer Act, 1898<sup>17</sup>.

<sup>13</sup>Substituted for the words "His Majesty in Council" by the Central Laws Adaptation Order, 1961, (1 of 1961); and published in the Gazette of Pakistan (Extraordinary), dated 24.1.1961, pages 102-176, Article 2 and Schedule (with effect from the 23rd March, 1956).

<sup>14</sup>V of 1908

<sup>15</sup>Substituted for the words "the Provinces and the Capital of the Federation" by the Central Laws (Statue Reform) Ordinance, 1960 (XXI of 1960); and published in the Gazette of Pakistan (Extraordinary), dated 9.6.1960, pages 725-845, s. 3 and 2nd Schedule (with effect from the 14<sup>th</sup> October, 1955), which had been substituted for the words "British India" by the Adaptation of Central Acts and Ordinances Order, 1949 (G.G.O.4 of 1949); and published in the Gazette of Pakistan (Extraordinary), dated 28.3.1949, pages 223-283, Article 3 & 4.

**43. Power of Court to issue processes for appearance before arbitrator.**— (1) The Court shall issue the same processes to the parties and witnesses whom the arbitrator or umpire desires to examine as the Court may issue in suits tried before it.

(2) Persons failing to attend in accordance with such process, or making any other default, or refusing to give their evidence, or guilty of any contempt to the arbitrator or umpire during the investigation of the reference, shall be subject to the like disadvantages, penalties and punishments by order of the Court on the representation of the arbitrator or umpire as they would incur for the like offences in suits tried before the Court.

(3) In this section the expression “processes” includes summonses and commissions for the examination of witnesses and summonses to produce documents.

**44. Power of High Court to make rules.**— The High Court may make rules consistent with this Act as to—

- (a) the filing of awards and all proceedings consequent thereon or incidental thereto;
- (b) the filing and hearing of special cases and all proceedings consequent thereon or incidental thereto;
- (c) the staying of any suit or proceeding in contravention of an arbitration agreement;
- (d) the forms to be used for the purposes of this Act;
- (e) generally, all proceedings in Court under this Act.

**45. <sup>18</sup>[Government] to be bound.**— The provisions of this Act shall be binding on the <sup>19</sup>[Government].

**46. Application of Act to statutory arbitrations.**— The provisions of this Act, except sub-section (1) of section 6 and section 7, 12, <sup>20</sup>[,36] and 37, shall apply to every arbitration under any other enactment for the time being in force, as if the arbitration were pursuant to an arbitration agreement and as if that other enactment were an arbitration agreement, except in so far as this Act is inconsistent with that other enactment or with any rules made thereunder.

**47. Act to apply to all arbitrations.**— Subject to the provisions of section 46, and save in so far as is otherwise provided by any law for the time being in force, the provisions of this Act shall apply to all arbitrations and to all proceedings thereunder:

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<sup>16</sup>The word “Indian” omitted by the Adaptation of Central Acts and Ordinances Order, 1949 (G.G.O.4 of 1949); and published in the Gazette of Pakistan (Extraordinary), dated 25.3.1949, pages 223-283, Article 2 and Schedule.

<sup>17</sup>VI of 1898

<sup>18</sup>Substituted for the word “Crown” by the Central Laws Adaptation Order, 1961, (1 of 1961); and published in the Gazette of Pakistan (Extraordinary), dated 24.1.1961, pages 102-176, Article 2 and Schedule (with effect from the 23rd March, 1956).

<sup>19</sup>Substituted for the word “Crown” by the Central Laws Adaptation Order, 1961, (1 of 1961); and published in the Gazette of Pakistan (Extraordinary), dated 24.1.1961, pages 102-176, Article 2 and Schedule (with effect from the 23rd March, 1956).

<sup>20</sup>Inserted by the Repealing and Amending Act, 1942 (XXV of 1942), received the assent of Governor General on 1.10.1942, s. 3 and the Second Schedule.



Provided that an arbitration award otherwise obtained may with the consent of all the parties interested be taken into consideration as a compromise or adjustment of a suit by any Court before which the suit is pending.

**48. Saving for pending references.**— The provisions of this Act shall not apply to any reference pending at the commencement of this Act, to which the law in force immediately before the commencement of this Act shall, notwithstanding any repeal effected by this Act, continue to apply.

49. <sup>21</sup>*[Repeals and amendments.— \* \* \* \* \* ]*

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<sup>21</sup>Repealed by the Repealing and Amending Act, 1945 (VI of 1945); and published in the Gazette of India, Part IV, dated 21.4.1945, pages 8-17, s. 2 and First Schedule

## **THE FIRST SCHEDULE**

*(See section 3)*

### **IMPLIED CONDITIONS OF ARBITRATION AGREEMENTS**

- 1.** Unless otherwise expressly provided, the reference shall be to a sole arbitrator.
- 2.** If the reference is to an even number of arbitrators, the arbitrators shall appoint an umpire not later than one month from the latest date of their respective appointments.
- 3.** The arbitrators shall make their award within four months after entering on the reference or after having been called upon to act by notice in writing from any party to the arbitration agreement or within such extended time as the Court may allow.
- 4.** If the arbitrators have allowed their time to expire without making an award or have delivered to any party to the arbitration agreement or to the umpire a notice in writing stating that they cannot agree, the umpire shall forthwith enter on the reference in lieu of the arbitrators.
- 5.** The umpire shall make his award within two months of entering on the reference or within such extended time as the Court may allow.
- 6.** The parties to the reference and all persons claiming under them shall, subject to the provisions of any law for the time being in force, submit to be examined by the arbitrators or umpire on oath or affirmation in relation to the matters in difference and shall, subject as aforesaid, produce before the arbitrators or umpire all books, deeds, papers, accounts, writings and documents within their possession or power respectively, which may be required or called for, and do all other things which, during the proceedings on the reference, the arbitrators, or umpire may require.
- 7.** The award shall be final and binding on the parties and persons claiming under them respectively.
- 8.** The cost of the reference and award shall be in the discretion of the arbitrators or umpire who may direct to, and by whom, and in what manner, such costs or any part thereof shall be paid, and may tax or settle the amount of costs to be so paid or any part thereof and may award costs to be paid as between legal practitioner and client.

## **THE SECOND SCHEDULE**

(See section 41)

### **POWERS OF COURT**

1. The preservation, interim custody or sale of any goods which are the subject-matter of the reference.
2. Securing the amount in difference in the reference.
3. The detention, preservation or inspection of any property or thing which is the subject of the reference or as to which any question may arise therein and authorizing for any of the aforesaid purposes any person to enter upon or into any land or building in the possession of any party to the reference, or authorizing any samples to be taken or any observation to be made, or experiment to be tried, which may be necessary or expedient for the purpose of obtaining full information or evidence.
4. Interim injunctions or the appointment of a receiver.
5. The appointment of a guardian for a minor or person of unsound mind for the purposes of arbitration proceedings.

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<sup>22</sup>*THE THIRD AND FOURTH SCHEDULES.*

*[ENACTMENTS REPEALED. ENACTMENTS AMENDED.]*

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<sup>22</sup>Repealed by the Repealing and Amending Act, 1945 (VI of 1945) ; and published in the Gazette of India, Part IV, dated 21.4.1945, pages 8-17, s. 2 and First Schedule.