



REPUBLIC OF KENYA
IN THE EMPLOYMENT AND LABOUR RELATIONS COURT
AT NAIROBI

(Before Hon. Lady Justice Maureen Onyango)

CAUSE NO. E439 OF 2020

AGNES WARUGURU GAITA.....CLAIMANT

VERSUS

RSM EASTERN AFRICA LLP.....RESPONDENT

CONSOLIDATED WITH CAUSE NO. E428 OF 2020

JANE NYANDIA WAMBUGU.....CLAIMANT

VERSUS

RSM EASTERN AFRICA LLP.....1ST RESPONDENT

ELVIS OGETO.....2ND RESPONDENT

RULING

There are two identical applications before for determination, one in Cause No. E439 of 2020 and the other in Cause No. E428 of 2020. In the two applications, the Respondent prays for orders that the two suits be stayed and the disputes be referred to arbitration in accordance with the contract of parties as set out in the employment contracts of the Claimants both dated 15th March 2018.

Further, the 2nd Respondent in Cause E428 of 2020 filed a preliminary objection contesting the jurisdiction of this court on grounds that the Claimant's contract dated 15th March 2018 prescribes Arbitration as the mode of settlement of disputes arising therefrom.

Besides the applications referred to above, there is an issue of costs in respect of the applications by the Claimants which were withdrawn after the Respondent filed response thereto.

Preliminary Objection

I will start with the preliminary objection, which is couched as follows: -

“... The 2nd Respondent shall raise preliminary objection on a point of law on the ground that:

1. This Court does not have jurisdiction to hear and determine the claim herein since the Claimant’s contract of employment dated 15th March 2018 prescribes arbitration as the mode of settlement of disputes arising therefrom.”

Section 6 of the Arbitration Act provides as follows: -

6. Stay of legal proceedings

1. A court before which proceedings are brought in a matter which is the subject of an arbitration agreement shall, if a party so applies not later than the time when that party enters appearance or otherwise acknowledges the claim against which the stay of proceedings is sought, stay the proceedings and refer the parties to arbitration unless it finds—

a. that the arbitration agreement is null and void, inoperative or incapable of being performed; or

b. that there is not in fact any dispute between the parties with regard to the matters agreed to be referred to arbitration.

2. Proceedings before the court shall not be continued after an application under subsection (1) has been made and the matter remains undetermined.

3. If the court declines to stay legal proceedings, any provision of the arbitration agreement to the effect 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.

That Section does not state that an arbitration clause ousts the jurisdiction of the court. It states that the court will stay the proceedings only where a party applies to have the proceedings stayed in order to refer the matter to arbitration. It does not state the court does not have jurisdiction in such a matter. It gives the Defendant the freedom to choose to either have the dispute resolved by the court in which the suit has been instituted or to stay (not dismiss or strike out) the suit and refer the matter to arbitration.

Section 7 of the Arbitration Act further gives the court express jurisdiction to hear interim applications and grant interim measures of protection. Section 7 provides that: -

7. Interim measures by court

1. It is not incompatible with an arbitration agreement for a party to request from the High Court, before or during arbitral proceedings, an interim measure of protection and for the High Court to grant that measure.

2. Where a party applies to the High Court for an injunction or other interim order and the arbitral tribunal has already ruled on any matter relevant to the application, the High Court shall treat the ruling or any finding of fact made in the course of the ruling as conclusive for the purposes of the application.

This means that the court has jurisdiction to hear an application for stay of the suit and decline the request thus retain the right to hear the suit. Further, the fact that the court stays the proceedings means that the court has jurisdiction but only defers to the agreements of the parties to refer it to arbitration. This is the basis of Section 5 of the Act, which provides for waiver of the right in which event the court would hear the case. This means that the parties can elect to have the matter referred to arbitration or heard by the court. The jurisdiction of the court is thus outed not ousted but conjunctive with arbitration.

For these reasons, I find that the jurisdiction of the court is not ousted by an arbitration clause. That an arbitration is available to the parties in matters over which the courts have jurisdiction only where the defendant or Respondent raises an objection. Without objection, the court’s jurisdiction will be *in situ*.

Section 6 of the Arbitration Act puts this in context. The Section provides for waiver or derogation from an arbitration clause where no objection is raised or through non-compliance with an arbitration clause. This means that an arbitration clause does not oust the jurisdiction of the court, but is available for the parties to opt for or opt out of. The court thus retains jurisdiction until parties or one of the parties opts out of the same.

The issues raised by the 2nd Respondent in support of the preliminary objection are not relevant for purposes of determination of this question. For these reasons, I find the preliminary objection inappropriate and or inapplicable in the instant case. The result is that the same is accordingly dismissed.

The 2nd Respondent submitted that under the definition of employer in Section 2 of the Employment Act he qualifies to be an employer and is therefore bound by the arbitration clause of the contract even though he is only a partner in the firm. Further that it is for the Arbitrator to determine issues of jurisdiction as provided in Section 17(1), (2) and (6) of the Act. I do not agree the context in which the 2nd Respondent has been sued is not in his capacity as an agent of the employer but in his personal capacity. The employer would only be vicariously liable in situations where a fellow employee has authority to do that which is complained of in the suit. In this case, the Claimant's complain about sexual harassment and discrimination. However, I agree with the Respondent that the prayers of the Claimants, which is for damages, are capable of being dealt in arbitration proceedings.

Arbitration Clause of Agreement

Turning to the two applications, the arbitration clause in the contracts of the Claimants provide as follows: -

"Any dispute, controversy or claim arising out of or relating to this Contract or a termination hereof, or the interpretation, breach or validity hereof, shall be resolved by way of consultation held in good faith between the parties. Such consultation shall begin immediately after one party has delivered to the other a written request for such consultation. If within fifteen (15) days following the date on which such notice is given, the dispute cannot be resolved, the dispute, controversy or claim shall be submitted to arbitration upon request of any party by written notice to the other party."

Ms. Babu appearing for the Applicants submitted that Clause 29 of the contracts of the Claimants provides that any dispute be determined by consultation failing which, by arbitration. That the presence of Clause 29 of the contracts remove the disputes from the jurisdiction of this court.

Ms. Babu referred the court to the case of **Carol Adhiambo Olela v Asterisk Limited [2014] eKLR**, where the Court held as follows: -

"... There was a valid arbitration clause which takes the matter out of the jurisdiction of the Court. Contrary to the views held by the Claimant, the Industrial Court does not have jurisdiction in labour and employment matters where Parties have opted for a private dispute resolution mechanism on an arbitrable issue... The Industrial Court can only take cognizance of the dispute, in the manner contemplated by the arbitration agreement, which is not the case here. The Claimant should submit to the arbitration process, and not seem to want to use the Court to stall a dispute settlement mechanism chosen by the Parties on a particular aspect of the employment relationship. The Court in exercising judicial authority, is guided by certain principles under Article 159 of the Constitution, among them the promotion of voluntary dispute settlement mechanisms such as arbitration."

She further relied on the case of **James Heather - Hayes v African Medical and Research Foundation (AMREF) [2014] eKLR**, where the Court held as follows: -

"Arbitration is a choice of the parties insofar as alternative dispute resolution is concerned... It is not the duty of this court to redraw agreements by parties. The court can only come in to facilitate an interpretation and implementation of these contracts and no more."

She also relied on the decision in **Dock Workers Union Limited v Messina Kenya Limited [2019] eKLR**, where the Court of Appeal held as follows:-

“... as rightly held by the learned trial Judge, the parties herein had categorically agreed to refer any ensuing dispute as regards the contract of employment herein to arbitration. Parties have the freedom to choose the regime of the law they want to be governed under and embody it in their contracts. The parties entered into the said agreement freely and opted to oust other means of dispute resolution mechanisms other than arbitration. They cannot turn around and denounce the arbitration agreement. It is also worth of note that the Constitution of Kenya itself has given prominence to arbitration by acknowledging it as one of the alternative modes of dispute *resolution that courts should encourage*”.

Ms. Babu further relied on the case of **Paul Chemunda Nalyanya v I. Messina Kenya Limited [2015] eKLR**, where the Court held as follows: -

“Clause 17 of the Claimant's letter of appointment must be interpreted in favour of arbitration. The clause covers any dispute arising under the contract, not mutually settled by the Parties. The clause suffers no defects, and is not pathological. It is unambiguous, and does not contain any conflicting dispute resolution provision, leaving no room for doubt on the proper forum for dispute resolution. It is a valid arbitration agreement under Section 4 of the Arbitration Act Number 11 of 2009. The clause divests this Court the jurisdiction to hear and determine the dispute; confers jurisdiction on an Arbitrator to hear and determine the dispute; and by corollary creates a contractual obligation on the Parties to have their disputes submitted to Arbitration. It is a clause that has adequate anchorage in our law. The Claim is therefore improperly before the Court. The Judge of the Employment & Labour Relations Court is a public official, appointed by the sovereign, remunerated from the public till, and discharging a public role. He is not an Arbitrator. The Court can only be asked to intervene by the Parties in aiding the process of arbitration; in enforcement of the arbitral award; or in the rarest of cases, in setting aside such an award. Parties cannot ignore a valid arbitration clause in their contract, and rush to Court seeking adjudication, in a dispute which is clearly subject to arbitration. The Court must uphold the Parties' positive rejection of its jurisdiction.”

For the Claimants it is submitted that the arbitration agreement is not operable due to the presence of a 3rd party, the 2nd Respondent whom the Claimants argue is not a party to the employment contract wherein the arbitration clause is provided for. The Claimants submit that the 2nd Respondent is the centre of the sexual harassment claims. That the 1st Respondent which is a limited partnership is a separate and distinct legal personality. That the 2nd Respondent is not one and the same as the 1st Respondent.

It is further the submission of the Claimants that an arbitration clause is rendered inoperable when violation of constitutional rights are the reason for termination. That in the suits before the court the Claimants allege sexual harassment and discrimination on account of pregnancy.

The Claimants submitted that the Constitution under Article 23(10) and 165(3) grants this Court jurisdiction to determine Constitutional violation issues, this having been encapsulated in various Court decisions.

The Claimant submitted that in the case of **Albert Chaurembo Mumba & 7 others (sued on their own behalf and on behalf of predecessors and or successors in title in their capacities as the Registered Trustees of Kenya Ports Authority Pensions Scheme) v Maurice Munyao & 148 others (suing on their own behalf and on behalf of the Plaintiffs and other Members/Beneficiaries of the Kenya Ports Authority Pensions Scheme) [2019] eKLR** the Supreme Court was faced with the question of whether Administrative Tribunals can entertain constitutional issues. It submitted that an Arbitrator's office is not a creature of statute. It is a product of consensus between parties and has no administrative mandate comparable to that of administrative tribunals. It is the Claimant's submission that the Supreme Court, in finding that Administrative Tribunals can indeed entertain constitutional issues, did not refer to Tribunals such as Arbitration whose legitimacy is only created through consensus and not statute.

Finally, the Claimants submitted that there is no dispute capable of referral to arbitration. The Claimants submitted that an Arbitrator, once appointed, can only determine disputes falling within the scope of reference thereto. Such scope is provided for and can be inferred from the Agreement in which the Arbitration Clause is contained.

The Claimants submitted that the employment contracts, even though there was an arbitration clause, provide that the nature of disputes expected to be referred to Arbitration would be: -

a. Any dispute regarding the performance of the Claimant's obligations as an employee.

b. Any dispute regarding the discharge of obligations by the Respondent as an employer.

The Claimants submitted that in at the Arbitration Clause and the context of the entire employment contract, discrimination on the basis of gender and on account of pregnancy and bullying at work were an extraneous factor which cannot be read into the Agreement so that it can be said to be a dispute within the confines of the Agreement, one capable of referral to Arbitration.

That referral of a matter to Arbitration is not automatic merely because of the existence of an Arbitration clause and the Court has to satisfy itself that there is a dispute capable of being referred to Arbitration before granting stay. That it is well established that a stay of proceedings should be refused if the Court finds that there are no disputed facts, as has been encapsulated in various Court decisions including **Addock Ingrain East Africa Limited v Surgilinks Limited (2010)**, as well as **UAP Provincial Insurance Company Ltd v Michael John Beckett (2013) eKLR**.

That in **Diocese of Marsabit Registered Trustees v Technotrade Pavilion Ltd [2014] eKLR**, the High Court found that if a dispute falls outside what could be referred to Arbitration, then the Court rises to the occasion. The Court observed that: -

“... In spite the general arbitration clause, the circumstances of this case are that there is not in fact any dispute between the parties with regard to the matters agreed to be referred to arbitration, and the arbitration agreement may be inoperative.”

The Claimants further submitted that the Constitution under Article 23(10) and 165(3) grants this Court jurisdiction to determine Constitutional violation issues this having been encapsulated in various Court decisions.

That the issues of discrimination on account of pregnancy and violation of the Constitutionally guaranteed right to dignity are so intertwined to the unfair termination that they cannot be separated so that only the latter is heard by an Arbitrator while the former issues remain in Court.

The Claimants relied on **Miriam Nzilani Mweu v Kiptinness & Odhiambo Associates [2019] eKLR** where Radido J. stated thus:

“It is legally doubtful if an Arbitrator would have Jurisdiction over such allegations (including sexual harassment and discrimination), even if the same arose within a contractual relationship, the Courts find that the Contractual breaches alleged by the applicant and the purported violation of the Bill of Rights are so intertwined that it would save Judicial time if the claim were determined once and for all.”

The Claimants submit that the Respondents Chamber Summons to refer the matter to Arbitration was incompetent and an abuse of the Court process. That under Articles 23(1) and 115(3), the High Court and by construction this Court has jurisdiction to determine whether a right or fundamental freedom in the Bill of Rights has been denied, violated, infringed or threatened. To buttress this position, the Claimants relied on the case of **Benson L Vioya v George Wasonga & 3 Others (2012) eKLR** where it was held:

“The High Court has jurisdiction to determine any matters concerning the threat, infringement, breach or violation of fundamental rights and freedoms protected by the Bill of rights and that Jurisdiction cannot be taken away by an arbitration clause.”

For the 2nd Respondent it is submitted that the claim is premature for two reasons: first, the Claimants have not complied with the strict requirements of Clause 29 of the Employment Contract on pursuing consultation, in good faith or at all. Secondly, the Claimants have not referred or allowed the dispute to be referred to arbitration pursuant to the same Clause 29.

That Section 17 of the Arbitration Act provides that an arbitrator has jurisdiction and powers to determine questions touching on his/her jurisdiction. Therefore, the Claimants ought to have, prior to moving to court, agreed to or initiated the referral of the dispute to arbitration where the Claimants would then challenge the jurisdiction of the arbitral tribunal if she so wished.

The 2nd Respondent submitted that it is only after the arbitral tribunal rules against the Claimants' challenge to its jurisdiction that the Claimants would be allowed to appeal to the Court. That this power of an arbitral tribunal to rule on its jurisdiction is universally recognized and is what has come to be known as the doctrine of “*competence of competence*” in England.

The 2nd Respondent submitted that questions concerning challenge to an arbitral tribunal's jurisdiction can only be properly before this Court in its appellate and not original jurisdiction.

Mr. Wambola for the 2nd Respondent submitted that it is a wrong position of law for the Claimant to try and divide tribunals into two sets, those that can hear and determine constitutional issues and those that cannot. He submitted that Article 159 lists guiding principles to guide tribunals when exercising judicial authority. That the Arbitration Act is an Act of Parliament.

It was further the submission of Counsel that all prayers sought in the claim are capable of being granted by an arbitrator. Further, that the Claimants cannot be hard to say there is no employment relationship between the Claimants and the 2nd Respondent and then proceed to seek relief against the 2nd Respondent in the employment court.

I have considered the rival arguments by the parties. It is not in dispute that the employment contracts between the Claimants and the Respondents provide for arbitration at Clause 29. The terms of the arbitration clause are clear, that any dispute, controversy or claim arising out of or relating to the contracts or termination, interpretation, breach or validity thereof were to be resolved by consultation failing which the parties would refer the dispute to arbitration.

The disputes as filed in court relate to termination of employment, irrespective of the reasons assigned to the same by the Claimants. The issues in dispute are therefore in my considered view within the circumstances contemplated in the arbitration clause. The Claimants' argument that there is no dispute against the parties to be referred to arbitration has no basis as there is a dispute filed in court relating to termination of their employment, which is part of the disputes anticipated in the arbitration clause.

I however agree with the Claimants that arbitration is not automatic. The clause provides that disputes shall be resolved first by consultation upon request by one party in writing. None of the parties has requested for the consultation.

The 1st Respondent received the demand letters on 3rd August 2020 and responded to the same on 13th August 2020 through its advocates seeking time to respond substantively at a later date.

The substantive response is dated 25th August 2020. The suit herein was filed on 26th August 2020.

The application herein was filed on 15th September 2020. By then the Applicant had been aware of the intention of the Claimants to file suit from the date it received the demand letters. In the reply to the demand letters, the 1st Respondent refers to the arbitration clause in the contracts of service but does not take any steps to put the clause in motion. Up to date, the 1st Respondent has not made any move to invoke the process of arbitration in the manner provided in the arbitration clause. In the response to the demand letter, the 1st Respondent makes reference to the arbitration clause in the following terms: -

“According to Clause 29 of the contract of employment, any dispute relating to the contract or a termination therefore is subject to mandatory, final and binding arbitration. Our client will raise an objection to the court's jurisdiction should court proceedings be filed contrary to this express contractual provision.

If your client would like to save her reputation and chances and securing alternative employment through a mutual separation, our client would be willing to consider allowing her to resign and withdrawing the termination letter. Please note that this is completely without prejudice and should not be construed as an admission of wrongdoing on our client's part.

Any ill-advised proceedings will be suitably and vehemently defended at your client's own risks as to costs and other attendant risks of litigation.”

If it was its desire to have this matter referred to arbitration, the Respondent ought to have initiated the process then, having become aware of the Claimant's intention to move to court contrary to the provision of the arbitration clause.

In the case of **Nanchang Foreign Engineering Company (K) Limited v Easy Properties Kenya Limited (2014) eKLR**, the Court observed –

“It is very clear parties from the aforesaid clause cannot proceed for determination in an arbitral proceeding before an amicable settlement had been attempted. Attempt of an amicable settlement was a condition precedent before the dispute was referred to arbitration. Neither the plaintiff nor the Defendant provided the court with any evidence to show that they had indeed attempted such amicable settlement. On this ground alone, Defendant’s application would automatically fail as referral to arbitration would be premature.”

[Emphasis added]

Again in **County Government of Kirinyaga v African Banking Corporation Ltd (2020) eKLR**, the court observed as follows: -

28. Though the applicant has earnestly urged this court to find that clause 26 is the way to go, it is true to say that it failed to abide by the clause itself. Clause 26 states mandatorily that -----

“(a dispute) shall be (A) initially settled within 10 days by mutual discussions, negotiations and agreement between a negotiation team comprising of persons nominated by either party in the event that such discussions do not resolve the dispute within the said terms period the dispute shall (B) finally settled by the most current rules of Arbitration -----.”

29. The applicant has not tendered evidence to prove that the parties attempted to settle the dispute if any through negotiations and that the negotiations failed. It goes back to what I have already pointed out that the applicant has not proved that there is a dispute or the nature of the dispute. Clause 26(A) is a condition precedent and where it has not been complied with clause 26(B) has not come into force nor has it fallen due. It would therefore be premature to refer the matter to arbitration even if the court were to find that clause 26 applies. I refer to **Nanchaing Foreign Engineering Company (K) Limited v Easy Properties Kenya Ltd 2014 eKLR**.

30. The parties had agreed that the first step was to attempt negotiations in an attempt to reach an amicable resolution of the dispute if any. Strict enforcement of clause 26 would require that negotiations be done and before that is done the matter is not ripe for referral to arbitration. The prayer to refer the matter to arbitration must fail.

[Emphasis added]

In the instant application, the Respondent prays that the suit herein be stayed and the dispute be referred to arbitration in accordance with the contract of the parties as set out in the employment contract dated 15th March 2018. As I have already observed, the contract requires that the disagreement “... shall be resolved by way of consultation held in good faith between the parties. Such consultation shall be immediately after one party has delivered to the other a written request for such consultation. If within fifteen (15) days following the date on which such notice is given, the dispute cannot be resolved, the dispute, controversy or claim shall be submitted to arbitration upon request of any party by written notice to the other party.”

[Emphasis added]

As in the above cases where the courts declined the applications to refer the disputes to arbitration, in the instant suit the arbitration clause is very explicit that the process shall be commenced by consultation in good faith at the request of one of the parties. No such request for consultation has been made by either party.

The arbitration clause emphasises that such consultations be in good faith. The literal meaning of good faith is honesty and sincerity of intention. **Black’s Law Dictionary, 10th Edition** defines good faith as –

“A state of mind consisting in (1) honesty in belief or purpose, (2) faithfulness to one’s duty or obligation, (3) observance of reasonable commercial standards of fair dealing in a given trade or business, or (4) absence of intent to defraud or to seek unconscionable advantage.”

Having already brought the matter to court and considering the nature of the accusations made by the Claimants against the Respondents being sexual harassment and discrimination on grounds of pregnancy, as well as the exchanges in the affidavits and in court, it is doubtful that the parties would be in a position to consult in good faith.

As I have already observed, the process of arbitration commences with a request for consultation in writing which none of the parties has put in motion. Further, none of the parties has made a request for referral to arbitration as contemplated in the arbitral clause.

It is for these reasons that I find that the application herein is premature. I also find that the conditions precedent to the arbitration being consultation in good faith, is incapable of being met by the parties at this stage of the proceedings.

Finally, the applicant took issue with the jurat in the replying affidavit.

It is the applicant's position, that the replying affidavits were not signed by the Claimants and therefore the application is undefended.

I would agree with the Claimants that this having been a scanned copy, more evidence would be required to determine whether or not the Claimants appeared before a Commissioner of Oaths as required by the Oaths and Statutory Declarations Act.

The foregoing notwithstanding, the Claimants filed grounds of opposition which would suffice in this case as the issues relevant for the determination of this case are already pleaded in both the claim and application for interim orders filed with the claim as well as in the application of the Respondent. Even if the affidavits were struck out, the Claimants would not be affected.

On the question of costs of the Claimants' applications that were withdrawn, it is clear from the record that the reason for withdrawal of the applications was the apparent backdating of the letters of termination which would have resulted in the Claimants being denied the full notice period of 3 months provided in the employment contracts.

When applying for leave to withdraw the applications, Counsel for the Claimants gave reasons thereof being that the applications had been overtaken by events following the termination of the contracts of the Claimants and the payment of the full 3 months' notice. It was thus the 1st Respondent who precipitated the withdrawal of the applications by terminating the employment of the Claimants and correcting the error in the notice by making good the full notice period through payment of the entire notice period of three months. The applications thus became redundant.

As submitted by the Claimants, they were the successful party in spite of the applications having been withdrawn, as the Respondent met their demands in the application.

I will thus determine that the application be withdrawn with no orders for costs.

Conclusion

Having found that the application by the Respondent to refer the claims herein to arbitration are premature, the applications are dismissed. Costs of the applications shall be in the cause.

DATED, SIGNED AND DELIVERED AT NAIROBI ON THIS 16TH DAY OF APRIL 2021

MAUREEN ONYANGO

JUDGE

ORDER

In view of the declaration of measures restricting court operations due to the COVID-19 pandemic and in light of the directions issued by His Lordship, The Chief Justice on 15th March 2020 and subsequent directions of 21st April 2020, that judgments and rulings shall be delivered through video conferencing or via email. They have waived compliance with **Order 21 Rule 1 of the Civil Procedure Rules** which requires that all judgments and rulings be pronounced in open court. In permitting this course, this+

court has been guided by Article 159(2)(d) of the Constitution which requires the court to eschew undue technicalities in delivering justice, the right of access to justice guaranteed to every person under Article 48 of the Constitution and the provisions of **Section 1B** of the **Civil Procedure Act (Chapter 21 of the Laws of Kenya)** which impose on this court the duty of the court, inter alia, to use suitable technology to enhance the overriding objective which is to facilitate just, expeditious, proportionate and affordable resolution of civil disputes.

MAUREEN ONYANGO

JUDGE



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