Case 4630604644

Court	Circuit type	Case No.	Judgment pronounced	Judgment issued
Jeddah Court of Appeal	General	4630604644	–	January 1, 2025

Facts[1]

Based on the transaction registered with this Court under No. […] dated […] filed by the plaintiffs [the respondents in the arbitration] against the defendant [the claimant in the arbitration], named above, concerning an action for annulment of the arbitral award issued by the arbitral tribunal chaired by the arbitrator […], with the arbitrator […] and the arbitrator […] as members, in the arbitration case filed by the aforementioned claimant, […] , against the aforementioned respondents, relating to a long-term investment contract.[2] The arbitral award dated […] was issued in this case, concluding as follows:

> The arbitral tribunal, by majority vote, orders the respondents to pay the claimant the following amounts, each according to his lawful share:
>
> First: SAR 3,400,000 (three million four hundred thousand Saudi riyals), as compensation for loss of use of the property for the remaining duration of the contract.
>
> Second: Rent for the remainder of the year after the eviction date in the amount of SAR 110,972.21 (one hundred ten thousand nine hundred seventy-two Saudi riyals and twenty-one halalas).
>
> Third: SAR 425,000 (four hundred twenty-five thousand Saudi riyals) in consideration of the grace period stipulated in the contract underlying the claim.
>
> Fourth: SAR 50,000 (fifty thousand Saudi riyals), being half the fees of the presiding arbitrator; SAR 50,000 (fifty thousand Saudi riyals), being the fees of the claimant's arbitrator; and the secretary's expenses in the amount of SAR 11,500 (eleven thousand five hundred Saudi riyals).

1 This is an unofficial English translation of the judgment from Arabic, prepared by the SCCA team.
2 Identifying information in this judgment has been redacted to protect personal and sensitive data. Editorial insertions in square brackets have been made by the SCCA team for clarity or completeness and do not appear in the original Arabic text.

Fifth: The long-term investment contract dated August 2, 2019 (1/12/1440H) made between the claimant and the respondents is deemed rescinded in accordance with Islamic law due to the expropriation of the property.

Sixth: All other requests from both parties are rejected based on the grounds thereof.

The session opened at 9:50 a.m., attended by the attorneys for the aforementioned plaintiffs, […], and the defendant, […]. When asked about his claim, the plaintiffs' attorney submitted a brief that stated:

The facts:

The defendant leased property from my clients under a non-electronic lease agreement dated August 2, 2019 (1/12/1440H). . . . The plaintiffs contacted the defendant to enter into an addendum to the contract through correspondence dated August 1, 2021 (22/12/1442H), accompanied by a contract addendum for signature, but it did not respond (Exhibit No. 1: Copies of Notifications).

The defendant breached its basic contractual obligations of paying the rent on the dates specified in the contract. It was warned several times and contacted to comply with paying the rent on schedule in accordance with the contract, but it did not respond.

This fulfilled the rescission clause stipulated in the contract, as contained in Clause 11 (1), which states:

> In the event of a default by the second party in the payment of the annual rent for a period exceeding one month from the due date thereof—barring circumstances beyond its control as deemed acceptable by the first party—the first party shall be entitled to rescind this contract. The second party shall not be entitled to claim compensation from the first party for any damages arising from such rescission.

The contract expressly specified the dates for payment of the annual rent, which was to be paid in advance in two installments, with the first due on April 2, 2022 (1/9/1443H) and the second due on June 30, 2022 (1/12/1443H). The defendant failed to pay the first installment on its due date (the first day of the ninth month), despite being demanded to comply with the payment date (Exhibit No. 2). It did not comply with that date, and it failed to pay for a period exceeding one month, thereby establishing fulfillment of the rescission clause.

The defendant also breached its contractual obligations and failed to renew the insurance policy on the leased property. The plaintiffs notified the defendant of its breach of the insurance-renewal condition by written notice (Exhibit 1: Copies of Notifications).

The defendant was notified of the appointment of an arbitrator on behalf of the plaintiffs to consider its breach of the contractual provisions (Exhibit No. 3), but it did not respond and did not appoint an arbitrator on its behalf.

On May 14, 2022 (13/10/1443H), the property subject of the lease agreement was demolished.

On October 31, 2023 (16/4/1445H), the defendant initiated arbitral proceedings and filed the arbitration case that is the subject of the present action, requesting an award in its favor finding the plaintiffs liable for the claims set forth in the arbitration petition.

On September 2, 2024 (29/2/1446H), the arbitral tribunal issued the award that is the subject of the present annulment action (Exhibit No. 4: Arbitral Award), which found the plaintiffs liable for:

First: SAR 3,400,000 (three million four hundred thousand Saudi riyals), as compensation for loss of use of the property for the remaining duration of the contract.

Second: Rent for the remainder of the year after the eviction date in the amount of SAR 110,972.21 (one hundred ten thousand nine hundred seventy-two Saudi riyals and twenty-one halalas).

Third: SAR 425,000 (four hundred twenty-five thousand Saudi riyals) in consideration of the grace period stipulated in the contract underlying the claim.

Fourth: SAR 50,000 (fifty thousand Saudi riyals), being half the fees of the presiding arbitrator; SAR 50,000 (fifty thousand Saudi riyals), being the fees of the claimant's arbitrator; and the secretary's expenses in the amount of SAR 11,500 (eleven thousand five hundred Saudi riyals).

Fifth: The long-term investment contract dated August 2, 2019 (1/12/1440H) made between the claimant and the respondents is deemed rescinded in accordance with Islamic law due to the expropriation of the property.

Sixth: All other requests from both parties are rejected based on the grounds thereof.

As to form:

Whereas the arbitral award referenced above was issued on […], and the present challenge was filed against it on […] pursuant to an application to register a statement of claim under No. […] dated […], it is therefore admissible in form for having been filed within the statutory period—prior to the lapse of sixty days from the date of issuance of the award (attached are a copy of the submitted application and the receipt issued in that regard).

As to the merits:

The arbitral award referenced above was not accepted by the plaintiffs because it is tainted by violation of the Arbitration Law and satisfies certain circumstances set forth in Article 50 (2) of the Arbitration Law (Royal Decree No. M/34 dated April 16, 2012 (24/5/1433H)), which provides, "The competent court considering the nullification action shall, on its own initiative, nullify the award if it violates the provisions of Sharia and public order in the Kingdom or the agreement of the arbitration parties, or if the subject matter of the dispute cannot be referred to arbitration under this Law."

This prompted the plaintiffs to file an action to annul the arbitral award on the following grounds:

First: Exclusion by the arbitral award of the mandatory statutory rules that the arbitration parties agreed to apply to the subject matter of the dispute, namely circulars and royal orders

It is apparent from the minutes of the procedural session and from the arbitral award that the parties to the arbitration agreed, and the tribunal determined, that the Saudi Arbitration Law, Islamic law, and the laws in force in the Kingdom constitute the law applicable to that dispute. Accordingly, the tribunal was obligated to apply those texts and provisions and was not permitted to exclude them.

The tribunal excluded the application of numerous statutory rules contained in the Arbitration Law and provisions of Islamic law, which were agreed to be applicable. This is demonstrated by the fact that the tribunal disregarded the formal plea of inadmissibility of the rent claim based on Minister of Justice Circular No. 7656/[*taa'*]/13 dated January 10, 2019 (4/5/1440H) and Council of

Ministers Decision No. 292 dated February 13, 2017 (16/5/1438H), which stipulate that a lease agreement that is not registered on the electronic network is not deemed a valid contract producing administrative and judicial effects, relating to lease contracts that have not been registered electronically.

Applying the above-mentioned judicial principle, it is evident and established in this case that the arbitration dispute revolved around a non-electronic lease agreement made after issuance of the above-mentioned circular, making it subject to that circular as the contract governing and regulating the relationship between the plaintiffs and the defendant.

The plaintiffs were aware, as was the defendant, of the requirement to comply with that circular, and so they sought to implement it, but the defendant neglected to do so. The plaintiffs had previously contacted the defendant to enter into a contract addendum, in accordance with statute and the circular, through correspondence dated August 1, 2021 (22/12/1442H), and a contract addendum was sent to it for signature, but it did not respond (Exhibit No. 1: Copies of Notifications).

The judicial rule establishes, "In contracts, effect is given to intention and meaning, not to words and phrases." This means that what matters in contracts is the contracting parties' intent and purpose as shown from the meanings of the words; consideration is for that which is conceived inwardly, not that which is expressed outwardly.

Because the relationship between the parties is a lease relationship, our plea is valid in accordance with statute. The defendant confirmed the validity of our plea through its implicit acknowledgment, as during the arbitration proceedings it submitted a request to document a contractual relationship despite its certain knowledge that the plaintiffs could not agree to such request because the property had been demolished. It is neither rational nor lawful to execute a contract for a property that has been demolished, whose ownership has been expropriated, and which is now under the possession of the state—may God preserve it. This establishes the validity and legality of the formal defense submitted by the plaintiffs.

Furthermore, the arbitral award referenced above was not accepted by the plaintiffs because it is tainted by violation of the Arbitration Law and satisfies certain of the circumstances set forth in Article 50 (1) of that law.

This prompted the plaintiffs to file an action seeking annulment of the arbitral award for the following reasons:

Second: Exclusion by the arbitral award of mandatory statutory rules agreed by the parties to be applied to the subject matter of the dispute

We maintain that the award falls within the ground for annulment contained in the text of Article 50 (1) (d) of the Arbitration Law, which provides as follows regarding the annulment of an arbitral award:

> 1. An action to nullify an arbitration award shall not be admitted except in the following cases:
>
> > d) If the arbitration award excludes the application of any rules which the parties to arbitration agree to apply to the subject matter of the dispute.

The rules in question are represented by Article 107 of the Law of Civil Transactions and Article 36 (c) of the Arbitration Law [correction: *Article 38 (1) (c) of the Arbitration Law*].

It is apparent from the minutes of the procedural session and from the arbitral award that the parties to the arbitration agreed, and the tribunal determined, that the Saudi Arbitration Law, Islamic law, and the laws in force in the Kingdom constitute the law applicable to that dispute. Accordingly, the tribunal was obligated to apply those texts and provisions and was not permitted to exclude them.

The tribunal excluded the application of numerous statutory rules contained in the Arbitration Law and provisions of Islamic law, which were agreed to be applicable. This is demonstrated by the arbitration petition, wherein the defendant claimed to be entitled to SAR 3,400,000 (three million four hundred thousand Saudi riyals) as compensation for loss of use of the property for the remaining duration of the contract.

It has been established that the first installment of the rent was due on April 2, 2022 (1/9/1443H) and that the latest date for payment without triggering rescission was May 2, 2022 (1/10/1443H). As that deadline lapsed without payment, the rescission clause stipulated in Clause 11 (1) was fulfilled. That clause states:

> In the event of a default by the second party in the payment of the annual rent for a period exceeding one month from the due date thereof—barring circumstances beyond its control as deemed acceptable by the first party—the first party shall be entitled to rescind this contract. The second party shall not be entitled to claim compensation from the first party for any damages arising from such rescission.

Moreover, the defendant failed to renew the insurance policy as required by the contract (Exhibit No. 5: Lease Agreement).

The plaintiffs' plea is further supported by the text of Article 107 of the Law of Civil Transactions, which provides:

> If a contracting party in a bilateral contract fails to perform his obligation, the other contracting party may, after notifying the breaching party, demand implementation or termination of the contract, and may claim compensation in either case, if applicable. The court may dismiss the petition for termination if the unperformed part is insignificant compared to the obligation.

In addition, Article 108 of the Law of Civil Transactions provides:

> A creditor may, by agreement, have the right to terminate a contract upon the debtor's breach of his obligations without a judicial ruling. The creditor shall, despite the agreement, notify the debtor of his intention to terminate the contract, unless the contracting parties explicitly agree otherwise.

Moreover, it is dictated by statute that the arbitral tribunal is obligated to apply the contractual provisions pursuant to Article 36 (c) of the Arbitration Law [correction: *Article 38 (1) (c) of the Arbitration Law*], which provides:

> When deciding the dispute, the arbitration tribunal shall take into account the terms of the contract subject of the dispute, and prevailing customs and practices applicable to the transaction as well as previous dealings between the two parties.

Saudi arbitration jurisprudence has settled that failure by the arbitral tribunal to apply the provisions of the contract in dispute renders its award defective due to exclusion of the rules agreed upon by the parties, in accordance with settled Saudi arbitration jurisprudence in which an arbitral award was annulled due to its violation of the provisions the contract. The judgment in that case (Judicial Rulings Compendium for 1436H: Judgment issued by the

Court of Appeal in Case No. […] of 1435H, session of April 7, 2015 (18/6/1436H)) ruled as follows:

> It is established from the arbitral tribunal's award and the papers that the parties did not disagree about the time exceeding the execution period during which the plaintiff factory operated; rather, their disagreement concerned the causes of that excess time and the fact that the above-mentioned contract addressed that matter.
>
> Therefore, when considering the dispute, the arbitral tribunal was required to refer to the contract provisions and apply them to the facts of the dispute before it. Daily reports were prepared concerning the excess time claimed by the plaintiff, […] Factory, and were approved by both parties. The arbitral tribunal did not take that agreement into account, and the consequence is the annulment of its award with respect to […] Factory's claim in connection with the works it executed.
>
> Therefore, the provisions of the contract are controlling when there is a disagreement between the contracting parties and there is no scope for independent judicial reasoning to the contrary.
>
> As the contract stipulated how the works executed were to be addressed, and reports were approved by both parties for the days of work exceeding the contract period, the defendant is liable for the plaintiff's payables in accordance with Islamic law unless proven otherwise. The rule of Islamic law in this regard is that the defendant is presumed to be free from liability, and this presumption has been displaced by what the agreed contract has determined.
>
> Consequently, the Appellate Circuit concludes to rule to annul the arbitral award due to its violation of the parties' agreement, its violation in having excluded application of the rules that the parties agreed to apply to the subject matter of the dispute, and due to failure to observe the conditions required for the award in a manner affecting its substance.

Applying the above-mentioned judicial principle, it is evident and established in this claim that it revolves around a lease agreement upon which the defendant relied for its right to compensation. Upon reviewing the contract at issue, we find that the clause addressed the situation in question expressly in Clause 11 (1), clearly and unequivocally, as it states:

> In the event of a default by the second party in the payment of the annual rent for a period exceeding one month from the due date thereof—barring circumstances beyond its control as deemed acceptable by the first party—the first party shall be entitled to rescind this contract. The second party shall not be entitled to claim compensation from the first party for any damages arising from such rescission.

This is compensation and the reason for non-entitlement thereto. Therefore, the plaintiffs are not liable, and accordingly, the contract should have been given effect and its provisions applied, with the defendant bearing those expenses.

A rule of Islamic law dictates that "the contract is the law of the contracting parties." Thus, the provisions of the contract are mandatory and must be enforced without independent judicial reasoning, interpretation, or reliance on personal opinion not contained in the terms of the contract.

Because the contract expressly provides that the rescission clause is fulfilled upon non-payment of rent on the specified date agreed upon and acknowledged—and the defendant was obligated to pay by that date—without going into the continued validity of previously paid rent to a date subsequent to the due date for the following year, the arbitral tribunal was required to adhere to and examine whether the rescission clause was fulfilled, as raised by the plaintiffs, in accordance with General Rule 10 of the Law of Civil Transactions, which states: "Contracts and conditions shall be presumed valid and binding."

This is not negated by the arbitral tribunal's statement that "The plea is not accepted because the rent was paid until June 29, 2022 (30/11/1443H), and the scheduled demolition date was May 14, 2022 (13/10/1443H)."

This reasoning is contrary to the correct understanding of Article 94 (1) of the Law of Civil Transactions—the applicable law—which provides, "A valid contract may not be terminated or amended except by agreement or pursuant to a legal provision." In other words, the defendant was obligated to pay rent on the contractual due date, and failure to pay results in fulfillment of the express rescission clause, and therefore, the defendant is not entitled to any compensation arising therefrom.

The arbitral tribunal excluded and failed to apply the statutory provisions of the applicable law, and it also failed to implement the contractual provisions. As such, the arbitral award should be annulled.

Third: Exclusion by the arbitral award of the statutory rules that the arbitration parties agreed to apply to the subject matter of the dispute through failure to give effect to the contractual provisions and conditions

It is established in the case that the defendant requested that the plaintiffs be ordered to pay SAR 425,000 (four hundred twenty-five thousand Saudi riyals) for the six-month grace period granted by the second party to the first party, alleging that amount to be due and deferred from the beginning of the contract.

It is dictated by statute that the arbitral tribunal is obligated to apply the contract provisions, as resolution of the dispute is by reference to the contract. Upon careful examination of the provision relating to this claim, Clause 3 (3) (2), we find that it states:

> The third party shall be granted a grace period of six months after the expiration of the contract term on April 14, 2029 (30/11/1450H), during which the second party shall not pay any rent to the first party against use of the invested property. Regardless of the grace period, it is known and clear to both parties that all provisions of this contract shall remain in force and binding upon both parties from the date of signing until the end of the contract.

The import of this provision is that it includes an agreement to a grace period for the defendant for use of the leased property. Thus, the agreement concerns a time period only, and it by no means includes any monetary amount for that period.

Furthermore, this provision relates to the period after expiration of the contract on April 14, 2029 (30/11/1450H) and continued use thereafter—a situation that is inapplicable because the property was demolished by the state. How, then, can a grace period be granted for a period that never transpired, and under a condition that was never fulfilled, namely, expiration of the contract term and continued use?!

The tribunal's failure to apply the contract provisions is further established and confirmed by its statement in the award that: "The claimant paid the said amount in advance at the respondents' request due to their need for liquidity." This is incorrect, as there is no tangible, physical evidence proving that the defendant paid this amount in advance.

That being so, when the arbitral tribunal ruled that the defendant is entitled to SAR 425,000 (four hundred twenty-five thousand Saudi riyals) for the grace period, it ruled in violation of the contract provisions and excluded application of the statutory rules that the parties to the arbitration agreed to apply to the subject matter of the dispute, as the contract contains no reference to entitlement to the aforementioned monetary amount.

The tribunal also violated Islamic law with a decision in violation of the correct understanding of the contract, which would result in the squandering of the plaintiffs' funds, when our sublime Sharia came to protect wealth from destruction, preserve it from loss, and prohibit the wrongful appropriation of people's property. As such, the award should be annulled.

Fourth: Exclusion by the arbitral award of application of the statutory rules that the parties to the arbitration agreed to apply to the subject matter of the dispute in connection with public policy, due to ignoring the lack of neutrality and independence of the arbitrator appointed by the defendant

We maintain that the award falls within the ground for annulment contained in the text of Article 50 (1) (d) of the Arbitration Law, as it is evident from the minutes of the procedural session and the arbitral award that the tribunal determined [that] . . . the Saudi Arbitration Law and . . . the provisions of Islamic law constitute the law applicable to this dispute. Accordingly, the tribunal was obligated to apply those texts and provisions and was not permitted to exclude them.

The tribunal excluded the application of numerous statutory rules contained in the Arbitration Law and provisions of Islamic law, which were agreed to be applicable. This is demonstrated by the following:

(1) The tribunal violated Article 16 (1) of the Arbitration Law, which requires that the arbitrator be neutral and independent and disclose any relationship with any of the parties, as it states: "An arbitrator shall have no interest in the dispute.He shall also disclose to the arbitration parties in writing, from the [3] time of his appointment and throughout the arbitration proceedings, any circumstances likely to give rise to justifiable doubts as to his impartiality or independence, unless he has already informed them thereof."

The arbitral tribunal violated this provision when circumstances and doubts arose regarding the neutrality and independence of the tribunal, clearly

3 The official English translation of Article 16 (1) of the current law states: "An arbitrator shall have no vested interest in the dispute." However, this is an error, as the equivalent to the word "vested" does not appear in the Arabic versions of either the current law or the Draft Law. It is thus deleted here.

demonstrated by an email sent from the attorney for the defendant, establishing that he had viewed and had knowledge of the content of the award before it was issued by the tribunal (Exhibit No. 6: Copy of Email) on [redacted date].

This represents a clear violation of the statute and of the above provision, especially as this provision relates to public policy and may not be derogated from by agreement. The annulment court, (your esteemed court) has the authority to verify whether this has occurred. Violation of this mandatory provision establishes the plaintiffs' right to seek annulment of the arbitral award.

It should be noted that the email was sent just days prior to the pronouncement of the award, which prevented an application to dismiss, as it was only twelve days prior to pronouncement.

(2) Lack of statutory basis for ordering the plaintiffs to pay SAR 50,000 (fifty thousand Saudi riyals), being half the fees of the presiding arbitrator; SAR 50,000 (fifty thousand Saudi riyals), being the fees of the defendant's arbitrator; and the secretary's expenses in the amount of SAR 11,500 (eleven thousand five hundred Saudi riyals) because the award contains express nullity and violation of statute and the rules of Islamic law, which constitute the law applicable to this dispute. Accordingly, the tribunal was obligated to apply those texts and provisions and was not permitted to exclude them.

The amounts awarded were based on regarding the plaintiffs has having lost the arbitration case, contrary to the facts previously set out, which establish the nullity of the aforementioned award in all sections thereof except for the award's determination regarding rent for the remainder of the year after the eviction date in the amount of SAR 110,972.21 (one hundred ten thousand nine hundred seventy-two Saudi riyals and twenty-one halalas). The plaintiffs acknowledge that the defendant is entitled to that amount because the demolition occurred prior to the expiration of the period for which rent had been paid. This demonstrates the plaintiffs' good faith and confirms that they do not deny amounts they owe.

(3) Statutory invalidity of deeming the long-term investment contract dated August 2, 2019 (1/12/1440H) made between the defendant and the plaintiffs terminated in accordance with Islamic law due to expropriation of the property. This violates General Rule 10 of the Law of Civil Transactions, which states: "Contracts and conditions shall be presumed valid and binding."

This is because it has been established that the contract that was the subject of the arbitration had already been terminated pursuant to Clause 11 (1) on May 2, 2022 (1/10/1443H), and it is impermissible to rely on destruction of the property pursuant to Article 421 of the Law of Civil Transactions because the rescission clause was fulfilled before the date of demolition. Thus, reliance on destruction of the property is incorrect and unlawful, as it occurred subsequent to the rescission. This demonstrates the unlawfulness of the award challenged in this action.

Accordingly, the challenged award is incorrect and must be reversed and set aside because the arbitral tribunal violated the tenets of Islamic law, the Arbitration Law, and the rules contained in the Law of Evidence and the Law of Civil Transactions, and it issued an award tainted by nullity.

Requests: Based on all the foregoing, we respectfully ask Your Honors to rule as follows:

First: Accept this appeal in form for having been filed within the statutory time limit, pursuant to the filing of the action on […] under application No. […].

Second: On the merits, rule to annul the arbitral award due to its violation of the Arbitration Law and the rules of Islamic law.

Upon presentation of the above to the defendant's attorney, he submitted a brief stating the following:

We clarify to Your Honors that the entirety of the plaintiffs' submission constitutes a substantive objection intended to relitigate the dispute before the Court of Appeal, contrary to Article 49 of the Arbitration Law. Annulment applications are constrained as specified in Article 50 of the Arbitration Law, and they [the plaintiffs] have not presented anything falling within the scope of that article. Nevertheless, in clarification, we respond as follows:

First:

In response to [section "First" on the merits] in the plaintiffs' petition concerning the formal plea of inadmissibility of the claim before the arbitral tribunal based on Minister of Justice Circular No. 7656/[*taa'*]/13 dated January 10, 2019 (4/5/1440H) and Council of Ministers Decision No. 292 dated February 13, 2017 (16/5/1438H), this issue has already been addressed before the arbitral tribunal.

We clarify that the contract is a long-term investment contract, meaning it is a commercial contract and not a residential lease, and the above circular relates to residential lease agreements. Electronic documentation of commercial lease agreements became mandatory as of February 23, 2020 (29/6/1441H), while the contract at issue was concluded between the parties on August 2, 2019 (1/12/1440H), that is, prior to the date of the mandate.

Accordingly, the contract is not subject to Circular No. 7656/[*taa'*]/13 dated January 10, 2019 (4/5/1440H), and the award does not contain any violation of statute as alleged by the plaintiffs.

Furthermore, the plaintiffs acknowledged the existence and registration of a contractual status between the parties via the Ejar platform, the official competent authority, which was submitted to the arbitral tribunal during the proceedings.

Second:

As to [section "Second" on the merits] in the plaintiffs' petition, the issue of rescission raised by the plaintiffs was considered by the tribunal. The plaintiffs argued that the contract was rescinded automatically when our client, the defendant, did not pay the rent due on April 2, 2022 (1/9/1443H). This is a misapplication of statute pursuant to Article 107 of the Law of Civil Transactions, which requires that the debtor file a judicial claim and request rescission.

Additionally, the plaintiffs never notified our client, the defendant, of any request for rescission and submitted no evidence of such request. Moreover, the rent had been paid until the end of the period, and the plaintiffs made a judicial admission that our client, the defendant, is entitled to the remaining rent.

Therefore, the allegation that application of the statute was excluded is unfounded here, as the statutory considerations have been satisfied.

We further clarify for Your Honors, as was explained to the arbitral tribunal, that the rent scheduled for payment on April 2, 2022 (1/9/1443H) was not owed to the plaintiffs because the City of Jeddah had notified the entire city as of Jumada Al-Awwal 1443H [early December 2021] regarding the scheduled demolition of informal districts, including the building at issue, meaning that the demolition schedule was announced prior to the rent due date.

Third:

Regarding [section "Third" on the merits], the plaintiffs did not explain the ground for annulment. The subject matter was considered by the tribunal, which ruled in favor of our client, the defendant, because it had paid the grace period amount on the understanding that it would be compensated at the end of the contract. The contract at issue terminated upon the destruction of the property as a result of demolition by the state. Consequently, the plaintiffs are indebted to our client, the defendant, to return what they received.

Fourth:

In response to [section "Fourth" on the merits] of the plaintiffs' petition, the tribunal determined that the contract between the parties terminated and was rescinded due to the demolition, in accordance with Article 421 of the Law of Civil Transactions.

The plaintiffs have presented nothing new regarding the arbitral award. I ask Your Honors to dismiss the plaintiffs' action and release our client, the defendant, from it.

The case being ready for adjudication, it was decided that the pleadings be closed.

Reasoning

Following review, study, and deliberation on the record, and pursuant to Supreme Judicial Council Decision No. 133 dated October 2, 2019 (3/2/1441H), as published in Circular No. 8331 dated December 9, 2019 (12/4/1441H), which, in its eighth paragraph, confirms this Circuit's jurisdiction to hear arbitration-related disputes, and whereas the plaintiffs filed the action within the period prescribed in Article 51 of the Arbitration Law, Royal Decree No. M/34 dated April 16, 2012 (24/5/1433H), it is admissible in form.

As to the merits, following the Circuit's review of the arbitral award referenced above and the plaintiffs' petition setting out the grounds for its requests referenced above, the Circuit finds that the grounds mentioned do not correspond to any of the circumstances permitting annulment as enumerated in Article 50 of the Arbitration Law referenced above.

Moreover, the grounds raised by the plaintiff are, in actuality, merely facts by which the plaintiffs seek to have this Court reexamine the facts and subject matter of the dispute and the evidence and documents upon which the arbitral award was based. This is impermissible pursuant to Article 50 (4) of the Arbitration Law, which stipulates that the competent court shall consider a nullification action only in the cases specified in that article, without examining the facts and subject matter of the dispute.

Therefore, the plaintiffs' request is inconsistent with what is prescribed under statute and Islamic law. Furthermore, the Court finds nothing in the arbitral award that constitutes a violation of the tenets of Islamic law or public policy. Thus, the annulment action must be rejected.

Ruling

For all the foregoing reasons, the Court rules to reject the annulment action.

The notification was made upon the deposit of the judgment instrument with the relevant department on November 28, 2024 (26/5/1446H).

God grants success. May and prayer and peace be upon our Prophet Muhammad and upon his family and companions.