

**[ REPUBLIC ACT NO. 876, June 19, 1953 ]**

**AN ACT TO AUTHORIZE THE MAKING OF ARBITRATION AND  
SUBMISSION AGREEMENTS, TO PROVIDE FOR THE  
APPOINTMENT OF ARBITRATORS AND THE PROCEDURE FOR  
ARBITRATION IN CIVIL CONTROVERSIES, AND FOR OTHER  
PURPOSES.**

*Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:*

SECTION 1. *Short Title.*—This Act shall be known as "The Arbitration Law."

SEC. 2. *Persons and matters subject to arbitration.*— Two or more persons or parties may submit to the arbitration of one or more arbitrators any controversy, existing between them at the time of the submission and which may be the subject of an action, or the parties to any contract may in such contract agree to settle by arbitration a controversy thereafter arising between them. Such submission or contract shall be valid, enforceable and irrevocable, save upon such grounds as exist at law for the revocation of any contract.

Such submission or contract may include question arising out of valuations, appraisals or other controversies which may be collateral, incidental, precedent or subsequent to any issue between the parties.

A controversy cannot be arbitrated where one of the parties to the controversy is an infant, or a person judicially declared to be incompetent, unless the appropriate court having jurisdiction approve a petition for permission to submit such controversy to arbitration made by the general guardian or guardian ad litem of the infant or of the incompetent.

But where a person capable of entering into a submission or contract has knowingly entered into the same with a Person incapable of so doing, the objection on the ground of incapacity can be taken only in behalf of the person so incapacitated.

SEC. 3. *Controversies or cases not subject to the provisions of this Act.*—This Act shall not apply to controversies and to cases which are subject to the jurisdiction the Court of Industrial Relations or which have been submitted to it as provided by Commonwealth Act Numbered One hundred and three, as amended.

SEC. 4. *Form of arbitration agreement.*—A contract to arbitrate a controversy thereafter arising between the parties, as well as a submission to arbitrate an existing controversy shall be in writing and subscribed by the party sought to be charged, or by his lawful agent.

The making of a contract or submission for arbitration described in section two hereof, providing for arbitration of any controversy, shall be deemed a consent of

the parties to the jurisdiction of the Court of First Instance of the province or city where any of the parties resides, to enforce such contract or submission.

SEC. 5. *Preliminary procedure.*—An arbitration shall be instituted by:

- a. In the case of a contract to arbitrate future controversies by the service by either party upon the other of a demand for arbitration in accordance with the contract. Such demand shall set forth the nature of the controversy, the amount involved, if any, and the relief sought, together with a true copy of the contract providing for arbitration. The demand shall be served upon any party either in person or by registered mail. In the event that the contract between the parties provides for the appointment of a single arbitrator, the demand shall set forth a specific time within which the parties shall agree upon such arbitrator. If the contract between the parties provides for the appointment of three arbitrators, one to be selected by each party, the demand shall name the arbitrator appointed by the party making the demand; and shall require that the party upon whom the demand is made shall within fifteen days after receipt thereof advise in writing the party making such demand of the name of the person appointed by the second party; such notice shall require that the two arbitrators so appointed must agree upon the third arbitrator within ten days from the date of such notice.
- b. In the event that one party defaults in answering the demand, the aggrieved party may file with the Clerk of the Court of First Instance having jurisdiction over the parties, a copy of the demand for arbitration under the contract to arbitrate, with a notice that the original demand was sent by registered mail or delivered in person to the party against whom the claim is asserted. Such demand shall set forth the nature of the controversy, the amount involved, if any, and the relief sought, and shall be accompanied by a true copy of the contract providing for arbitration.
- c. In the case of the submission of an existing controversy by the filing with the Clerk of the Court of First Instance having jurisdiction, of the submission agreement, setting forth the nature of the controversy, and the amount involved, if any. Such submission may be filed by any party and shall be duly executed by both parties.
- d. In the event that one party neglects, fails or refuses to arbitrate under a submission agreement, the aggrieved party shall follow the procedure prescribed in subparagraphs (a) and (b) of this section.

SEC. 6. *Hearing by court.*—A party aggrieved by the failure, neglect or refusal of another to perform under an agreement in writing providing for arbitration may petition the court for an order directing that such arbitration proceed in the manner provided for in such agreement. Five days notice in writing of the hearing of such application shall be served either personally or by registered mail upon the party in default. The court shall hear the parties, and upon being satisfied that the making of the agreement or such failure to comply therewith is not in issue, shall make an order directing the parties to proceed to arbitration in accordance with the terms of the agreement. If the making of the agreement or default be in issue the court shall proceed to summarily hear such issue. If the finding be that no agreement in writing providing for arbitration was made, or that there is no default in the proceeding thereunder, the proceeding shall be dismissed. If the finding be that a written provision for arbitration was made and there is a default in proceeding thereunder, an order shall be made summarily directing the parties to proceed with the

arbitration in accordance with the terms thereof.

The court shall decide all motions, petitions or applications filed under the provisions of this Act, within ten days after such motions, petitions, or applications have been heard by it.

SEC. 7. *Stay of civil action.*—If any suit or proceeding be brought upon an issue arising out of an agreement providing for the arbitration thereof, the court in which such suit or proceeding is pending, upon being satisfied that the issue involved in such suit or proceeding is referable to arbitration, shall stay the action or proceeding until an arbitration has been had in accordance with the terms of the agreement: Provided, That the applicant for the stay is not in default in proceeding with such arbitration.

SEC. 8. *Appointment of arbitrators.*—If, in the contract for arbitration or in the submission described in section two, provision is made for a method of naming or appointing an arbitrator or arbitrators, such method shall be followed; but if no method be provided therein the Court of First Instance shall designate an arbitrator or arbitrators.

The Court of First Instance shall appoint an arbitrator or arbitrators, as the case may be, in the following instances:

- a. If the parties to the contract or submission are unable to agree upon a single arbitrator; or
- b. If an arbitrator appointed by the parties is unwilling or unable to serve, and his successor has not been appointed in the manner in which he was appointed; or
- c. If either party to the contract fails or refuses to name his arbitrator within fifteen days after receipt of the demand for arbitration; or
- d. If the arbitrators appointed by each party to the contract, or appointed by one party to the contract and by the proper Court, shall fail to agree upon or to select the third arbitrator.
- e. The court shall, in its discretion appoint one or three arbitrators, according to the importance of the controversy involved in any of the preceding cases in which the agreement is silent as to the number of arbitrators.
- f. Arbitrators appointed under this section shall either accept or decline their appointments within seven days of the receipt of their appointments. In case of declination or the failure of an arbitrator or arbitrators to duly accept their appointments the parties or the court, as the case may be, shall proceed to appoint a substitute or substitutes for the arbitrator or arbitrators who decline or failed to accept his or their appointments.

SEC. 9. *Appointment of additional arbitrators.*—Where a submission or contract provides that two or more arbitrators therein designated or to be thereafter appointed by the parties, may select or appoint a person as an additional arbitrator, the selection or appointment must be in writing. Such additional arbitrator must sit with the original arbitrators upon the hearing.

SEC. 10. *Qualifications of arbitrators.*—Any person appointed to serve as an arbitrator must be of legal age, in full-enjoyment of his civil rights and know how to read and write. No person appointed to serve as an arbitrator shall be related by blood or marriage within the sixth degree to either party to the controversy. No

person shall serve as an arbitrator in any proceeding if he has or has had financial, fiduciary or other interest in the controversy or cause to be decided or in the result of the proceeding, or has any personal bias, which might prejudice the right of any party to a fair and impartial award.

No party shall select as an arbitrator any person to act as his champion or to advocate his cause.

If after appointment but before or during hearing, a person appointed to serve as an arbitrator shall discover any circumstances likely to create a presumption of bias, or which he believes might disqualify him as an impartial arbitrator, the arbitrator shall immediately disclose such information to the parties. Thereafter the parties may agree in writing:

- a. to waive the presumptive disqualifying circumstances; or
- b. to declare the office of such arbitrator vacant. Any such vacancy shall be filled in the same manner as the original appointment was made.

SEC. 11. *Challenge of arbitrators.*—The arbitrators may be challenged only for the reasons mentioned in the preceding section which may have arisen after the arbitration agreement or were unknown at the time of arbitration.

The challenge shall be made before them.

If they do not yield to the challenge, the challenging party may renew the challenge before the Court of First Instance of the province or city in which the challenged arbitrator, or, any of them, if there be more than one, resides. While the challenging incident is discussed before the court, the hearing on arbitration shall be suspended, and it shall be continued immediately after the court has delivered an order on the challenging incident.

SEC. 12. *Procedure by arbitrators.*—Subject to the terms of the submission or contract, if any are specified therein, the arbitrators selected as prescribed herein must, within five days after appointment if the parties to the controversy reside within the same city or province, or within fifteen days after appointment if the parties reside in different provinces, set a time and place for the hearing of the matters submitted to them, and must cause notice thereof to be given to each of the parties. The hearing can be postponed or adjourned by the arbitrators only by agreement of the parties; otherwise, adjournment may be ordered by the arbitrators upon their own motion only at the hearing and for good and sufficient cause. No adjournment shall extend the hearing beyond the day fixed in the submission or contract for rendering the award, unless the time so fixed is extended by the written agreement of the parties to the submission or contract or their attorneys, or unless the parties have continued with the arbitration without objection to such adjournment.

The hearing may proceed in the absence of any party who, after due notice, fails to be present at such hearing or fails to obtain an adjournment thereof. An award shall not be made solely on the default of a party. The arbitrators shall require the other party to submit such evidence as they may require for making an award.

No one other than a party to said arbitration, or a person in the regular employ of