Arbitration CAS 2018/A/6023 Cruzeiro E.C. v. Club Tigres, award of 8 April 2019

Panel: Mr Juan Pablo Arriagada (Chile), Sole Arbitrator

Football
Transfer
Interpretation of a contractual provision
Application of the principle “in dubio contra stipulatorem”

1. Pursuant to Art. 18 para. 1 of the Swiss Code of Obligations (“SCO”), it is necessary for the adjudicating body to seek the true and mutually agreed upon intention of the parties, without regard to incorrect statements or manner of expression used by the parties by mistake or in order to conceal the true nature of the contract, or, if this assessment of the parties’ real intention is not possible, to interpret the contract in accordance with the requirement of good faith.

2. The principle in dubio contra stipulatorem establishes that the interpretation of a clause that is unclear or ambiguous shall be to the detriment of the party who drafted the clause at issue.

I. PARTIES

1. Cruzeiro Esporte Clube (hereinafter the “Appellant” or “Cruzeiro”) is a Brazilian professional football club with its registered office in Belo Horizonte, Brazil. It is a member of the Confederação Brasileira de Futebol (hereinafter, the “CBF”), which in turn is a member of the Fédération Internationale de Football Association (hereinafter “FIFA”).

2. Club de Fútbol Tigres de la UANL, (hereinafter the “Respondent” or “Tigres”) is a Mexican professional football club with its seat in San Nicolás de los Garza, Nuevo León, Mexico. It is affiliated to the Federación Mexicana de Fútbol Asociación A.C., which is also a member of FIFA.

II. FACTUAL BACKGROUND

3. This section of the Award sets out a brief summary of the most relevant facts and the background giving rise to the present dispute, as established on the basis of the Parties’ written submissions and the CAS file. Additional facts may be set out, if and where relevant, in connection with the legal discussion that follows.
On 21 June 2016, the Appellant sent a letter to the Respondent by means of which it confirmed to the latter its interest in the permanent transfer of the professional football player R. (hereinafter, the “Player”), offering in this regard a total transfer fee of USD 4,000,000 in the following terms:

“[…]

Re.: Official Offer/R.

In line to Art. 18, par. 3 of the FFA [sic] Regulations on the Status and Transfer of Players (“RSTP”), Cruzeiro E. C. confirms its official interest in the permanent transfer of the professional player R. (“Player”).

For the permanent transfer at stake Cruzeiro E.C. here in offers to Tigres (UANL) a total transfer fee of USD 4,000,000 (four million, dollar), nets, free of taxes, payable in the following manner:

(i) USD 1,000,000 within 24h before the sending of the CTI of the Player.

(ii) USD 1,000,000 due in 01 Noviembre [sic] 2016;

(iii) USD 1,000,000 due in 01 July 2017;

(iv) USD 1,000,000 due in 01 Noviembre [sic] 2017.

In case that Cruzeiro doesn’t pay in the limits established, Cruzeiro will have to pay interest calculated at 4% monthly of the payable amount. […]”.

On 25 June 2016, the Appellant and the Respondent entered into a transfer agreement (hereinafter the “Transfer Agreement”) pursuant to which the Player was transferred from Tigres to Cruzeiro. In its relevant part, the Transfer Agreement reads as follows:

“TRANSFER AGREEMENT

[...]

2. Transfer fee

2.1. CRUZEIRO undertakes to pay to TIGRES the total amount of USD 4,000,0000 [sic] (four million dollars) net, free of taxes, as follows:

(i) USD 1,000,000 nets, free of taxes, within 24h before the sending of the ITC of the PLAYER via TMS;

“CONTRATO DE TRANSFERÊNCIA

[...]

2. Indenização de Transferência

2.1. CRUZEIRO obrigar-se a pagar ao TIGRES o valor total de USD 4,000,000 (quatro milhões de dólares) líquidos da seguinte maneira:

(i) USD 1,000,000 NET em 24h contados do recebimento do ITC do ATLETA via TMS;
(ii) USD 1,000,000 nets, free of taxes, due on 1 November 2016;

(iii) USD 1,000,000 nets, free of taxes due on 1 July 2017; and

(iv) USD 1,000,000 nets, free of taxes due on 1 November 2017.

[...]

2.3. In the event the CRUZEIRO fails to provide the payment of the fee amount agreed above within the agreed a default interests will accrue on the full amount outstanding at the rate of 4% per month rate from the due date until the date of payment.

[...]

7. **Applicable Legislation**

7.1. This Agreement shall be governed by and construed in accordance with the various regulations of FIFA, in particular, to the Regulations on the Status and Transfer of Players (“RSTP”).

8. **Resolution of Disputes**

8.1. Any eventual disputes or controversies arising out of or in connection with this Agreement shall be settled by the FIFA Players’ Status Committee. Any appeal to a ruling of the FIFA Players’ Status Committee shall be heard by the Court of Arbitration for Sports (“CAS”) based in Lausanne, Switzerland. The language to be used in any arbitral proceedings shall be English.

[...]

11. **Language**

11.1. This Agreement is executed in English and Portuguese. However, the English language version shall be the only valid and binding document.
reflecting the Agreement between the parties and shall govern any dispute over the terms and obligations arising under this Agreement.

[...]”.

III. PROCEEDINGS BEFORE THE SINGLE JUDGE OF THE PLAYERS’ STATUS COMMITTEE

6. On 16 February 2018, the Respondent filed a claim before the FIFA Players’ Status Committee (hereinafter “FIFA PSC”) against the Appellant, claiming the payment of USD 1,000,000 corresponding to the fourth installment of the Transfer Agreement, plus default interest at a rate of 5% per month as of 2 November 2017 in accordance with clause 2.3 of the aforesaid Transfer Agreement.

7. On 5 June 2018, the Single Judge of the FIFA PSC rendered the following Decision:

1. “The claim of the Claimant, Tigres, is partially accepted.

2. The Respondent, Cruzeiro Esporte Clube, has to pay to the Claimant, Tigres, within 30 days as from the date of notification of the present decision, the amount of USD 1,000,000 plus 5% interest p.a. on said amount as from 2 November 2017 until the date of effective payment.

3. If the aforementioned sum, plus interest as established above, is not paid within the aforementioned deadline, the present matter shall be submitted, upon request, to FIFA’s Disciplinary Committee for consideration and a formal decision.

4. Any other claims lodged by the Claimant, Tigres, are rejected.

5. The final costs of the proceedings in the amount of CHF 20,000 are to be paid by the Respondent, Cruzeiro Esporte Clube, within 30 days as from the date of notification of the present decision, as follows:

5.1. The amount of CHF 15,000 has to be paid to FIFA to the following bank account […]  

5.2 The amount of CHF 5,000 has to be paid directly to the Claimant, Tigres.

6. The Claimant, Tigres, is directed to inform the Respondent, Cruzeiro Esporte Clube, immediately and directly of the account number to which the remittances under points 2., and 5.2. above are to be made and to notify the Players’ Status Committee of every payment received”.

8. On 2 July 2018, the Appellant requested FIFA to provide the grounds of the Decision rendered by the Single Judge of the FIFA PSC.

IV. PROCEEDINGS BEFORE THE COURT OF ARBITRATION FOR SPORT

10. On 16 November 2018, the Appellant filed a Statement of Appeal before the Court of Arbitration for Sport (the “CAS”) against the Respondent, challenging the Decision rendered by the Single Judge of the FIFA PSC on 5 June 2018 (hereinafter the “Appealed Decision”), with the following requests for relief:

"On the merits:

FIRST – To dismiss in full the Appealed Decision;

SECOND – To accept the present appeal;

At any rate:

THIRD – To order the Respondent to pay all arbitration costs and be ordered to reimburse the Appellant the minimum CAS court office fee of CHF 1,000 and any other advance of costs paid to the CAS;

FOURTH – To order the Respondent to pay to the Appellant any contribution towards the legal and other costs incurred and regarding the ongoing proceedings in an amount to be duly established at discretion of the Panel”.

11. In its Statement of Appeal, the Appellant requested to submit the present dispute to a Sole Arbitrator.

12. On 3 December 2018 the Appellant filed its Appeal Brief with the following requests for relief:

“FIRST – To set aside the decision of the Single Judge of the FIFA PSC to impose default interest at rate of 5% per annum as from 2 November 2017;

SECOND – To confirm that any default interest eventually apply over the fourth instalment due as transfer fee for the permanent transfer of the Player shall be 4% per annum as from 21 March 2018; and

THIRD – To order the Respondent to pay all arbitration costs and be ordered to reimburse the Appellant the minimum CAS court office fee of CHF 1,000 and any other advance of costs (if applicable) paid to the CAS; and

FOURTH – To order the Respondent to pay to the Appellant any contribution towards the legal and other costs incurred and regarding the ongoing proceedings amounting CHF 5,000”.
Alternatively and only in the event the above is rejected

FIFTH – To confirm that any default interest eventually applied over the fourth instalment due as transfer fee for the permanent transfer of the Player shall be 5% per annum as from 21 March 2018 instead of 2 November 2017 as wrongly decided in the Appealed Decision”.

13. On 7 December 2018, the Respondent sent a letter to the CAS stating that it agreed to submit the present matter to a Sole Arbitrator.

14. On 20 December 2018, FIFA informed the CAS that it renounced its right to intervene in the present arbitration proceeding.

15. On 28 December 2018, the Respondent filed its Answer before the CAS, requesting the following:

“FIRST: Acknowledgement of delivery in the due time and proper from of the answer the Appeal Brief filed by CRUZEIRO.

SECOND: To establish that the English version of clause 2.3 of the Transfer Agreement shall prevail

THIRD: CLUB TIGRES must be absolved of any CAS arbitration costs and/or any legal costs.

FOURTH: To ordered [sic] club CRUZEIRO to pay CLUB TIGRES the total amount of USD 1,000,000 plus 5% interest p.a. on said amount as from November, 02, 2017 until the date of effective payment”.

16. On 10 January 2019, pursuant to Article R54 of the CAS Code and on behalf of the President of the CAS Appeals Arbitration Division, the CAS Court Office notified the parties that Mr. Juan Pablo Arriagada Aljaro, attorney-at-law in Santiago, Chile, had been appointed as the Sole Arbitrator in this case. No objections were raised by the parties as to the appointment of the Sole Arbitrator.

17. On 9 and 11 January 2019, both parties informed the CAS that they preferred the Sole Arbitrator to render an award based solely on the parties’ written submissions.

18. On 21 January 2019, the CAS Court Office informed the parties that, pursuant to Article R57 of the CAS Code, the Sole Arbitrator had decided not to hold a hearing in this case.

19. On 5 February 2019, the CAS Court Office issued the Order of Procedure to the parties, which was duly countersigned by them.

V. SUMMARY OF THE PARTIES’ SUBMISSIONS

20. The following summary of the parties’ positions is merely illustrative and does not necessarily comprise each and every contention put forward by the parties. However, for the purposes of the legal analysis that follows, the Sole Arbitrator has carefully considered all the submissions
made by the parties, even if there is no specific reference to those submissions in the following summary.

V.1. **The Appellant**

21. The Appellant and the Respondent signed a Transfer Agreement on 25 June 2016 in order to establish the terms and conditions regarding the permanent transfer of the Player. The Transfer Agreement was executed in English and Portuguese (i.e. it was drafted in two columns, one in English and the other one in Portuguese).

22. Clause 2.3 of the English version of the Transfer Agreement established that, in case the Appellant failed to pay the transfer fee in the stipulated four equal installments of USD 1,000,000, a default interest rate of 4% per month would accrue over the outstanding amount from the due date until the date of payment. However, the same clause 2.3 in the Portuguese version of the Transfer Agreement stated that the interest rate to be applied to the amount in default if the Appellant failed to pay the transfer fee within the established dates was a rate of 4% per year (and not per month, as established in the English version of the Transfer Agreement).

23. The Single Judge of the FIFA PSC determined that the Appellant had to pay the fourth installment foreseen in the Transfer Agreement (i.e. USD 1,000,000). With regard to the interest rate to be applied to such amount, he concluded that the interest rate agreed by the parties was manifestly disproportionate and exorbitant and thus it cannot be enforced. Instead, the Single Judge of the PSC ordered Cruzeiro to pay a default interest at a rate of 5% per annum on the outstanding amount of USD 1,000,000 as of 2 November 2017.

24. The Appellant considers that the decision of the Single Judge of the FIFA PSC dismissing the default interest rate of 4% per month is correct. However, the Appellant sustains that there was no reason to impose a default interest of 5% p.a. instead of 4% p.a., as set out in the Portuguese version of the Transfer Agreement, since this version of the agreement reflected the real intention of the parties when they negotiated and signed the Transfer Agreement.

25. Therefore, although clause 11.1 of the Transfer Agreement stipulates that the English version should prevail over the Portuguese one, the Appellant and the Respondent never meant, nor discussed previously, to fix a default interest rate of 4% per month and, therefore, it should be considered that the English version does not reflect the true will of the parties.

1. Furthermore, in accordance with Article 18, para. 1 of the Swiss Code of Obligations, when the interpretation of a contract is in dispute, the judge has to seek the true and common intention of the parties without dwelling on any inexact or incorrect statements that may have been used either in error or by way of disguising the true nature of the agreement and, when the agreed real intention of the parties cannot be established, the contract must be interpreted according to the requirement of good faith.

2. Additionally, the Appellant affirms that the date of imposition of the default interest was wrongly assumed to be 2 November 2017 by the Single Judge of the FIFA PSC. The correct
date should have been the day when the Respondent formally reminded the Appellant of the due amount, *i.e.* on 21 March 2018.

V.2. The Respondent

3. Pursuant to the Transfer Agreement the Appellant had the obligation to pay the Respondent a total transfer fee amounting to USD 4,000,000 in four equal installments (Clause 2 of the Transfer Agreement). In this regard, it is undisputed that the Appellant has acknowledged its failure to pay the fourth of the above-mentioned installments to the Respondent (i.e. USD 1,000,000 that should have been paid on 1 November 2017).

4. In addition, although the Transfer Agreement was executed in English and Portuguese, in accordance with clause 11.1 of the Transfer Agreement, the parties agreed that the only valid and binding version that shall govern any dispute over the terms and obligations arising under the Transfer Agreement should be the English version. Therefore, it is clear that the English version of the Transfer Agreement should prevail in this controversy.

5. In addition, the Respondent rejects the Appellant’s submission according to which the real will of the parties was the one reflected in the Portuguese version of the Transfer Agreement (i.e. to stipulate a default interest rate of 4% per year). In its view, this would be proven by the fact that, on 21 June 2016, the Appellant sent a letter to the Respondent proposing the permanent transfer of the Player for the total transfer fee of USD 4,000,000, payable in four equal instalments with a default interest rate of 4% per month in the event the Appellant failed to pay the installments within the agreed dates. Therefore, the real will of the parties was to fix a default interest rate of 4% per month.

6. Finally, since the Transfer Agreement was drafted by the Appellant (i.e. it is drafted in the Appellant’s letterhead), in accordance with the principle “*in dubio contra stipulatorem*”, the contract must be interpreted against the drafter when the terms of an agreement are ambiguous. As a result, the Appellant’s appeal shall be dismissed.

VI. Jurisdiction

32. Pursuant to Art. R47 of the CAS Code “An appeal against the decision of a federation, association or sports-related body may be filed with CAS if the statutes or regulations of the said body so provide or if the parties have concluded a specific arbitration agreement and if the Appellant has exhausted the legal remedies available to it prior to the appeal, in accordance with the statutes or regulations of that body. [...]”.

33. In the present case, the jurisdiction of the CAS, which is not disputed and has been confirmed by both parties by signing the Order of Procedure, follows from the content of Art. 58 of the FIFA Statutes, pursuant to which “[a]ppeals against final decisions passed by FIFA’s legal bodies and against decisions passed by confederations, member associations or leagues shall be lodged with CAS within 21 days of notification of the decision in question.”
34. In addition, and for the sake of completeness, CAS jurisdiction would be also confirmed by Clause 8.1 of the Transfer Agreement, which provides as follows:

“Any eventual disputes or controversies arising out of or in connection with this Agreement shall be settled by the FIFA Players’ Status Committee. Any appeal to a ruling of the FIFA Players’ Status Committee shall be heard by the Court of Arbitration for Sports [sic] (“CAS”) based in Lausanne, Switzerland. The language to be used in any arbitral proceedings shall be English”.

35. Therefore, the Sole Arbitrator has jurisdiction to decide the present dispute.

VII. ADMISSIBILITY

36. Pursuant to Art. 58 para. 1 of the FIFA Statutes, in connection with Art. R49 of the Code, the Appellant had 21 days from the notification of the Appealed Decision to file its Statement of Appeal before the CAS.

37. The grounds of the Appealed Decision were communicated to the Appellant by facsimile on 25 October 2018, and its Statement of Appeal was filed on 16 November 2018, i.e. within the time limit required both by the FIFA Statutes and Art. R49 of the CAS Code.

38. Consequently, the Appeal filed by the Appellant is admissible.

VIII. APPLICABLE LAW

39. Article R58 of the CAS Code reads as follows:

“The Panel shall decide the dispute according to the applicable regulations and, subsidiarily, to the rules of law chosen by the parties or, in the absence of such a choice, according to the law of the country in which the federation, association or sports-related body which has issued the challenged decision is domiciled or according to the rules of law that the Panel deems appropriate. In the latter case, the Panel shall give reasons for its decision”.

40. In addition, Art. 57, para. 2 of the FIFA Statutes establishes the following:

“The provisions of the CAS Code of Sports-related Arbitration shall apply to the proceedings. CAS shall primarily apply the various regulations of FIFA and, additionally, Swiss law”.

41. Moreover, Clause 7.1 of the Transfer Agreement provides as follows:

“This Agreement shall be governed by and construed in accordance with the various regulations of FIFA, in particular, to the Regulations on the Status and Transfer of Players (“RSTP”)”.

42. Therefore, taking into account the abovementioned provisions, the Sole Arbitrator considers that the applicable law for the present dispute shall be the FIFA rules and regulations and, subsidiarily, Swiss Law.
IX. MERITS

43. According to Art. R57 of the Code, the Panel has full power to review the facts and the law of the case. Furthermore, the Panel may issue a new decision replacing the challenged decision or may annul the decision and refer the case back to the previous instance.

44. In the present procedure the Appellant is challenging the default interest imposed by the Appealed Decision, as a result of its non-payment of the fourth instalment agreed on the Transfer Agreement, in the amount of USD 1,000,000. Therefore, taking into account the parties’ submissions and the limited scope of the Appellant’s appeal, the issues that shall be addressed by the Sole Arbitrator to settle the dispute are (i) which interest rate should be applied to this outstanding amount and (ii) from which date the interest rate should be calculated.

45. In this regard, the Sole Arbitrator observes that there is a discrepancy between the English version and the Portuguese version of clause 2.3 of the Transfer Agreement. In particular, the English version of the aforementioned clause states:

“In the event the CRUZEIRO fails to provide the payment of fee amount agreed above within the agreed a default interests will accrue on the full amount outstanding at the rate of 4% per month rate from the due date until the date of payment” (emphasis added).

Whereas the Portuguese version of the same clause states:

“Na hipótese de o CRUZEIRO deixar de pagar o montante indenizatórioestipulado acima, nos prazos determinados, aplicar-se-á juros de mora de 4% ao ano computados sobre o valor total em mora, da data devida até a data do pagamento” (emphasis added).

46. Hence, the English version stipulates a 4% per month interest rate while the Portuguese version stipulates a 4% per year interest rate and there must be a determination as to which version prevails.

47. To this purpose, the Appellant considers that, pursuant to Art. 18 para. 1 of the Swiss Code of Obligations (“SCO”), it is necessary for the Sole Arbitrator to seek the true and mutually agreed upon intention of the parties, without regard to incorrect statements or manner of expression used by the parties by mistake or in order to conceal the true nature of the contract, or, if this assessment of the parties’ real intention is not possible, to interpret the contract in accordance with the requirement of good faith. Thus, in the Appellant’s point of view, the only reasonable interpretation of the circumstances is the application of a default interest rate of 4% per annum. In this respect, the Appellant sustains that the parties never meant for nor did they previously discuss that the default interest rate would be 48% per year (e.g., 4% x 12 months). Therefore, in its opinion, the real intention of the parties was to establish a default interest rate of 4% per year.

48. Conversely, the Respondent argues that, in accordance with clause 11.1 of the Transfer Agreement, the English version of said agreement, which establishes a default interest rate of
4% per month, should be the only valid and binding document and should prevail in this controversy. Moreover, with regards to the discrepancy regarding which was the real intention of the parties, the Respondent makes reference to the Official Offer letter sent by the Appellant on 21 June 2016 in which the Appellant stated that “[i]n case that Cruzeiro doesn’t pay in the limits established, Cruzeiro will have to pay interest calculated at 4% monthly of the payable amount”. Thus, for the Respondent the true intention of the parties was for the Appellant to be subject to a 4% per month default interest rate in the event it failed to make timely payments.

49. The Sole Arbitrator considers that, in first place, the Transfer Agreement is quite clear in establishing the English language as the prevailing version of the agreement in the event of any conflict between the parties. In this regard, Clause 11.1 states, in no uncertain terms, that “[…] the English language version shall be the only valid and binding document reflecting the Agreement between the parties and shall govern any dispute over the terms and obligations arising under this Agreement”.

50. Therefore, on the basis of the plain language of the Transfer Agreement, the Sole Arbitrator finds that the English language version of the Transfer Agreement shall prevail and, thus, the applicable default interest rate is, in principle, 4% per month.

51. In addition, though the discrepancy in the English version and the Portuguese version of the Transfer Agreement could potentially raise some doubts about the real intention of the parties, the Sole Arbitrator finds sufficient confirmation of the above conclusion in the Official Offer letter sent by the Appellant on 21 June 2018, which was drafted by the Appellant itself on its letterhead and in which it stated that a default interest rate of 4% per month would apply in the event it failed to pay any of the transfer fee instalments by the stipulated due dates.

52. All the while, the Sole Arbitrator also refers to the principle of in dubio contra stipulatorem raised by the Respondent, which establishes that the interpretation of a clause that is unclear or ambiguous shall be to the detriment of the party who drafted the clause at issue. As such, taking into account that the Transfer Agreement was drafted by the Appellant, the Sole Arbitrator considers that, in any case, the discrepancy between the English and Portuguese versions of the agreement at sake and of the corresponding interest rates shall be interpreted against the Appellant.

53. In light of the above, the Sole Arbitrator finds no objective elements exist in this case that would indicate that the true intention of the parties was to fix a default interest rate of 4% per annum, as the Appellant avers, but rather a rate of 4% per month, such as it was well considered by the Single Judge of the PSC. Therefore, the submissions filed by the Appellant in this regard shall be dismissed.

54. Having established the foregoing, the Sole Arbitrator would ordinarily then determine if the agreed-upon default interest rate of 4% per month is lawful considering the applicable law and jurisprudence as well as industry custom. However, it should be noted that such an assessment is not required in this case because the Appealed Decision already declared that such interest rate is unlawful and because, in turn, the Respondent did not challenge the decision of the Single Judge of the FIFA PSC pursuant to which the agreed interest rate is to be considered as manifestly disproportionate and exorbitant and thus it cannot be enforced.
55. With regard to the date from which the interest rate should be calculated, the Sole Arbitrator agrees with the Appealed Decision. If the fourth instalment should have been paid on 1 November 2017, and the Appellant failed to do it, the Respondent had not the obligation to intimate or remind the outstanding payment for the beginning of the interest calculation.

56. As a result, the Sole Arbitrator confirms the Appealed Decision and thus the Appellant shall pay the amount of USD 1,000,000 plus a default interest rate of 5% per annum calculated as of 2 November 2017 until the date of effective payment.

ON THESE GROUNDS

The Court of Arbitration for Sport rules that:

1. The appeal filed by Cruzeiro E.C. against the Decision issued by the Single Judge of the FIFA Players’ Status Committee on 5 June 2018 is rejected.

2. The Decision issued by the Single Judge of the FIFA Players’ Status Committee on 5 June 2018 is confirmed.

3. The costs of the present arbitration, to be determined and communicated separately to the parties by the CAS Court Office, shall be entirely borne by Cruzeiro E.C.

4. Cruzeiro E.C. is ordered to pay a contribution towards the legal fees and other expenses incurred by Club de Fútbol Tigres de la UANL in connection with these arbitration proceedings, in the amount of CHF 6000.

5. All other motions or prayers for relief are dismissed.