

The Renovation Dispute that Backfired: DIFC Court Shuts Down Contractor's Appeal Over Flawed Fit-Out

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While large infrastructure disputes and multi-million-dirham commercial developments command the majority of attention, a recent DIFC Courts decision highlights an at times overlooked issue: high-end residential renovations that have gone wrong. In the case of *Phoebe v Peter* [2026] DIFC SCT 039, the DIFC Court of First Instance issued a sharp, pointed reminder to contractors that a first instance decision of the DIFC Small Claims Tribunal cannot easily be appealed. The days of, if they ever prevailed, of using the appellate process as a strategic tool to escape accountability for poor craftsmanship, administrative failures, or severe project delays are gone.

The judgment delivered on 13 July 2026, protects the finality and institutional weight of decisions made by the DIFC Small Claims Tribunal (SCT). By doing so, the court has made it clear that once a tribunal judge weighs the evidence, in this instance (paragraph 24(c), from the replacement contractor, and makes a call regarding alleged construction defects, higher judicial bodies will not step in merely to grant a non-compliant contractor a second bite at the apple.

The dispute arose from what should have been a standard residential upgrade. On 8 September 2025, the property owner, 'Phoebe' entered into a formal renovation contract with a Dubai-registered contractor, 'Peter.' The scope of the agreement tasked the contractor with executing an extensive, high-specification interior fit-out of a luxury apartment situated within the Dubai International Financial Centre (DIFC) free zone.

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What began as a standard residential transformation quickly became problematic.

As the project went past its contractual completion deadline, Phoebe discovered significant defects across the property which when taken with significant unfinished works saw the project sit as having completely deviated from the agreed-upon design specifications. As a consequence of the breaches, Phoebe was forced to use hotel accommodation rather than live in the apartment.

Frustrated by the mounting delays, escalating costs, and the contractor's persistent refusal to rectify the core structural issues, Phoebe took legal action. On 20 January 2026, she officially filed a formal claim with the DIFC Small Claims Tribunal. Her claim sought financial compensation to cover the projected costs of hiring an independent, third-party contractor to entirely tear down and repair Peter's defective work. Furthermore, she sought full reimbursement for her mounting hotel bills. Following a thorough review of the technical construction evidence, SCT Judge Maitha AL Shehhi issued a first-instance judgment on 21 May 2026, finding for Phoebe in relation to most of her claims and ordered the contractor Peter to pay just under 80,000 AED in damages. Recovery concerned sums actually paid for rectification/completion, rather than projected demolition costs. Whilst as stated an award in Peter's favour in the sum of AED 78,570.50 issued; a claim for lost rental income was rejected (paragraph 8).

Peter then filed an application for permission to appeal before the DIFC Court of First Instance. Paragraph 22, of the First Instance decision, records nine grounds of factual challenge to the SCT decision on the basis of completion and quantum

On **13 July 2026**, The Court refused permission to appeal, leaving the SCT judgment undisturbed. The judge used this ruling as an opportunity to set out/ restate the legal basis on which claims arising from residential construction and fit outs would be dealt with.

The court correctly rejected the contractor's arguments regarding physical possession. The learned judge held that an employer does not waive its statutory or contractual rights merely by reoccupying its own property. On the facts, the court properly circumscribed the reoccupation issue to whether it constituted an acceptance of completion. In residential renovations, employers facing protracted delays are frequently under acute financial pressure and have no practical alternative but to occupy the premises while arranging for the rectification or completion of the contracted works.

Furthermore, the contractor's appeal represents a thinly veiled attempt to impermissibly relitigate the trial judge's assessment of the evidence. Under Article 21 of the DIFC Courts Law No. 2 of 2025, mere factual disagreement is legally insufficient to sustain an appeal; a permitted statutory ground must be established. This distinct DIFC statutory restriction departs from the general English appellate test, with the threshold for permission to appeal tightly governed by RDC 53.91. Consequently, the trial judge's findings of fact are final and immune to appellate re-evaluation unless demonstrated to be wholly irrational or perverse.

Finally, the fact-specific award for alternative accommodation (paragraphs 9–16 and 24) satisfies the necessary legal thresholds for damages. Under applicable principles, the recovery of alternative housing costs is not automatic; it remains subject to strict proof of causation, remoteness, and reasonable mitigation. The court correctly concluded that where a contractor's negligence, delay, or structural breaches render a primary residence uninhabitable, the cost of alternative hotel accommodation constitutes a direct, natural, and highly foreseeable consequence of that breach, satisfying the criteria for recovery.

This case serves as a roadmap for interior design, boutique architecture, and residential renovation companies operating in the DIFC. The operational realities are clear. Most notably, the DIFC legal framework heavily protects the finality of Small Claims Tribunal decisions.

For smaller construction or renovation disputes where the claim value does not exceed AED 500,000—or up to AED 1 million where all parties elect the jurisdiction of the Small Claims Tribunal (SCT) in writing, whether within the contract terms or subsequently pursuant to RDC 53.2—the tribunal is designed to provide swift, efficient, and cost-effective resolutions. Contractors can no longer deploy a strategy of launching protracted, expensive appeals to wear down aggrieved employers or delay satisfaction of a judgment. Crucially, pursuant to RDC 53.88, an appeal does not operate as an automatic stay of enforcement; the judgment remains enforceable unless the court explicitly orders otherwise.

Companies must implement rigorous contract administration protocols and ensure that critical project milestones are documented in writing. Management teams should never assume that an employer taking physical possession of a property constitutes a legal sign-off or an implicit waiver of claims. While securing a formal, signed completion certificate from the employer is a prudent administrative practice, its precise legal effect remains contingent upon the specific contractual terms and surrounding circumstances; a certificate does not automatically extinguish latent defect claims. Without comprehensive and airtight documentation, contractors face substantial commercial exposure, leaving themselves vulnerable to claims for defect rectification, delay damages, and the consequential costs of financing an employer's alternative accommodation arrangements.