



Contract With Unlicensed Contractor Is Not Void Ab Initio

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California Business & Professions Code § 7031(a) generally prohibits unlicensed contractors from getting paid on contracts for which a contractor's license is required. If an unlicensed contractor enters into a contract providing for arbitration, does the ban on payment render the entire contract, including the arbitration provision illegal and unenforceable?

In [Templo Calvario Spanish Assembly of God v. Gardner Construction Corp.](#), a congregation entered into a contract with an unlicensed contractor to build a church. When a dispute arose, the parties entered into arbitration pursuant to the contract. The arbitrator, invoking § 7031, required the contractor to disgorge the payments that it had received. When the congregation petitioned the Superior Court to confirm the arbitrator's award, the contractor responded with a petition to vacate. The court ruled:

"[T]he ... contract was illegal and void because Gardner Corporation was an unlicensed contractor.... Since the contract is illegal and void, so is the arbitration provision in the contract. Since the arbitration provision fails, the arbitrator was without authority to render a decision."

(Full capitalization omitted).

The Court of Appeal disagreed, holding that the contract was not illegal and void *at its inception*. Thus, it remanded the case to the trial court to enter an order granting the petition to confirm the arbitration award.

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