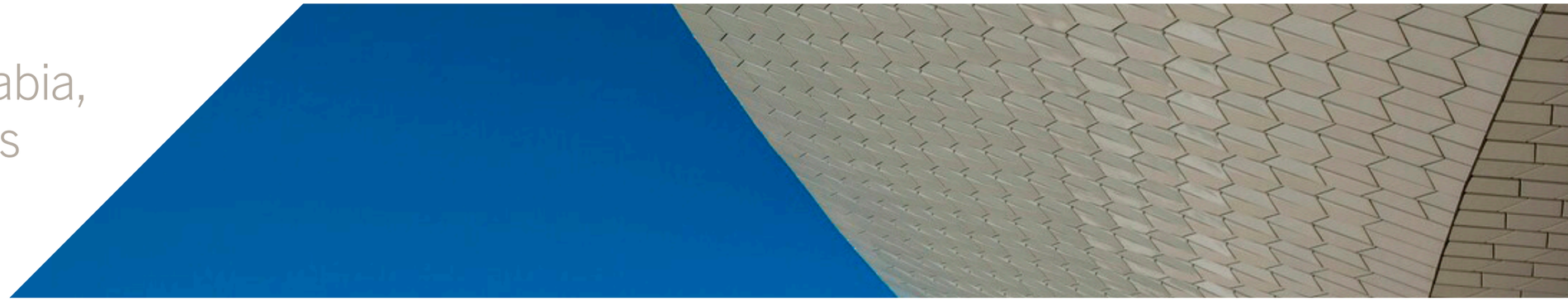
Linklaters

# A comparative review of contract law in Saudi Arabia, the United Arab Emirates and England & Wales: 2026 update



As part of their extensive national legal reform programmes, the United Arab Emirates ("**UAE**") and the Kingdom of Saudi Arabia have recently reformed their core contract law frameworks to meet the complexities of modern international business dealings.

Clear contract law frameworks can provide parties with greater certainty, both in terms of drafting local law governed contracts and understanding how their contracts (whether local or foreign law governed) may be interpreted by courts in the jurisdictions in which they operate, should contractual disputes be heard in the local courts.

In this comparative review, we set out a high-level overview of the latest general contract law rules in Saudi Arabia (in force with effect from December 2023), the UAE (in force from 1 June 2026) (excluding the Dubai International Financial Centre and the Abu Dhabi Global Market free zones) and England and Wales.

## Overview of the regimes

The UAE and Saudi Arabia are civil law systems which have codified contract law frameworks which share many similarities, evidencing their common roots drawing on the French, Roman, Egyptian, Jordanian and Islamic law systems. They combine overarching principles and specific rules applicable to specific categories of contracts, and draw a distinction between civil transactions (contracts between individuals/private entities) and commercial transactions (contracts between businesses).

In a major overhaul of the UAE's codified contract law regime, a new Civil Code (Federal Decree-Law No. 25 of 2025) was issued in late 2025. With effect from 1 June 2026, it repeals and replaces the previous, long-standing Civil Code (Federal Law No.5 of 1985). The Civil Code regulates basic contract law and contractual interpretation across the seven Emirates, plus certain specific types of contracts. Much of the framework and its key provisions remain unchanged under the new Civil Code, including as to contract formation and freedom of contract. The previous Civil Code also regulated specific types of contracts, such as contracts of sale, agency, lease, guarantee, assignment and these provisions remain broadly the same as before. For commercial contractual relationships, this is overlaid by the Commercial Transactions Law (Federal Decree by Law No.50 of 2022). Other laws regulate specific types of contracts.

Saudi Arabia published codified legislation regulating contract law principles for the first time in 2023. The Civil Transactions Law (Saudi Arabia Royal Decree No. M191/1444 H) introduced rules generally applicable to all types of contracts as well as rules for specific types of contracts. Previously, contracts were governed by and interpreted in accordance with Shari'ah principles, with certain categories of contracts regulated by specific published laws. A proposed law applicable to commercial contractual relationships is expected to provide a legislative overlay applicable to categories of contracts identified as commercial in nature. As in the UAE, other laws regulate specific types of contracts.

By contrast, the principles of English contract law have developed over centuries of court decisions and are generally not to be found in Acts of Parliament. Common law contractual principles have evolved over time as commercial practices have changed and the courts have sought to reach a commercially sensible result.

Despite the differing approaches between common law jurisdictions like England and Wales, and civil law jurisdictions like Saudi Arabia and the UAE, we can identify some common threads among their fundamental principles dealing with how contracts can be created and brought to an end, and an underlying respect for freedom of contract.

### Cross-border contract law considerations

International parties often prefer English law to govern their contractual arrangements, for the certainty, familiarity and depth of judicial precedent it can offer. But, sometimes there are compelling reasons to choose a different governing law for contracts, especially in the Middle East where local law may be required or preferred for some types of transactions or by some types of (mostly government-related) counterparties.

If a dispute arises under an English law governed contract, it could be neatly resolved in the English courts but sometimes a resulting judgment might need to be referred to the local courts in the UAE or Saudi Arabia for enforcement against a counterparty or their assets there. There can be risks inherent in this. Problems may arise if the local courts decide to re-hear the case and apply local law. Here, the nexus with contract law in the local jurisdiction comes sharply into focus. Parties doing business in the Middle East often seek legal advice in this area due to the risks of enforcement of foreign court judgments and awards.

### Five things a contract should cover

A well-drafted contract should clearly and comprehensively set out the commercial agreement of the parties, including:

**01** What each party agrees to do (for example, to sell/purchase goods or services, to lend/borrow money).

**02** When, where and how each party will do the things it has agreed to do.

**03** What will happen if a party does not do what it has agreed to do.

**04** The governing law to regulate their rights and obligations in the contract.

**05** The forum for the resolution of disputes relating to the contract (for example, courts or arbitration, or the optionality for both).

# Key contract law principles

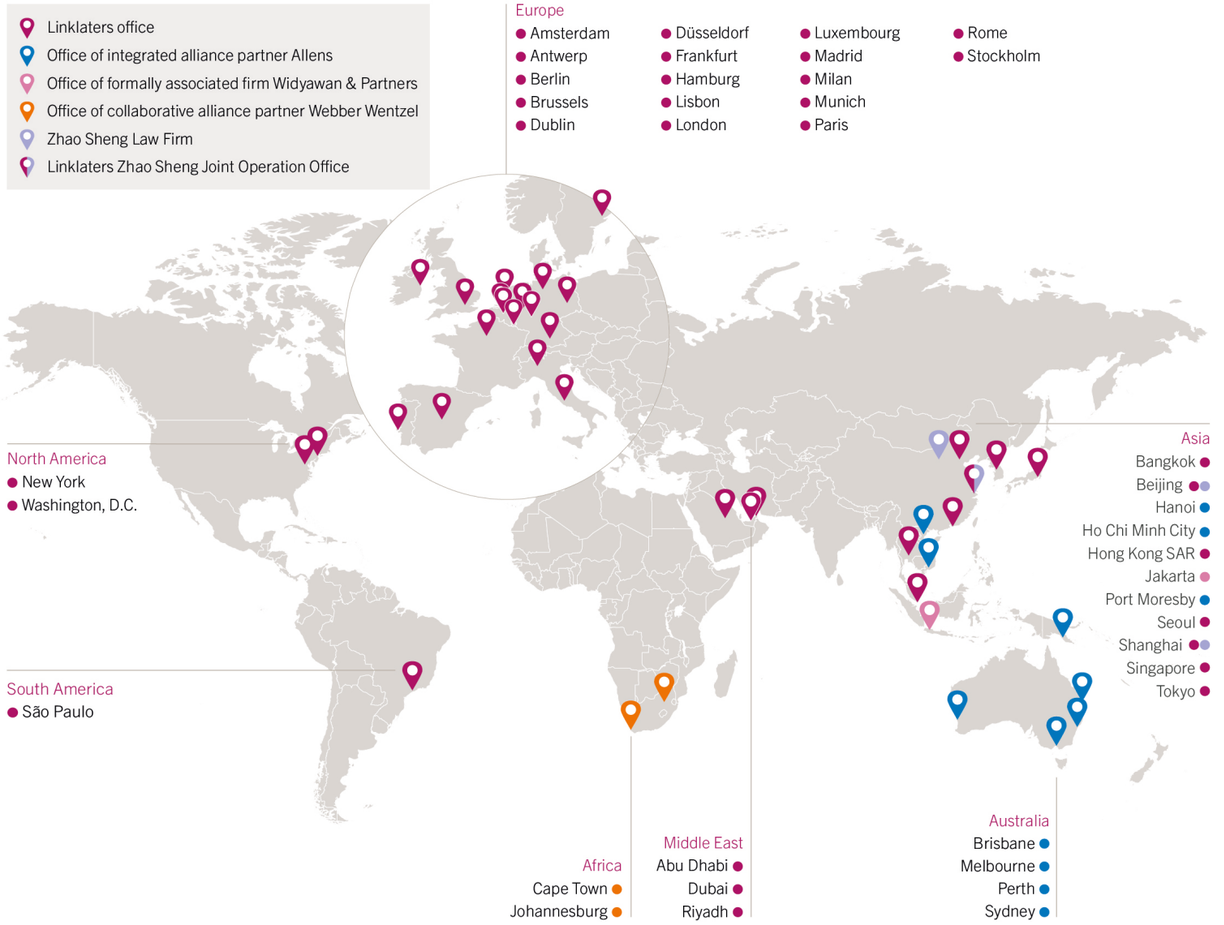
| | | Civil Law | | Common Law |
|---|---|---|---|---|
| | **Issue/Jurisdiction** | **Saudi Arabia** | **UAE** | **England and Wales** |
| **Negotiation** | Is there a risk of creating a contract during negotiations before a contract is signed? | ✓ | ✓ | ✓ |
| | Can a party be liable for breaking off pre-contractual negotiations? | ✓ if without cause or in bad faith | ✓ if without cause or in bad faith<br>Express obligations require parties to negotiate in good faith and to disclose material information, or face liability | X |
| **Formation** | Is there a general principle of freedom of contract? | ✓ | ✓ | ✓ |
| | Are offer, acceptance and an intention to create legal needed for a valid contract? | ✓ | ✓ | ✓ |
| | Is consideration required (in the English law sense of a benefit given by one party to the other in exchange for entering into the contract)? | X<br>✓ there must be a lawful purpose and mutual obligations | X<br>✓ there must be a lawful purpose and mutual obligations | ✓ for simple contracts<br>X for deeds |
| | Are there specific requirements for the terms of a valid contract? | ✓ statutory requirements as to lawful form, substance, purpose and permitted subject matter | ✓ statutory requirements as to lawful form, substance, purpose and permitted subject matter | ✓ the terms of the contract must not be illegal or contrary to public policy |
| | Can parties enter into a contract, even if there are further terms to be agreed later? | ✓ provided essential terms are agreed | ✓ provided essential terms are agreed | ✓ provided the terms are not too uncertain |
| | Do contracts have to be in writing? | X unless required by law for specific types of contracts | X unless required by law for specific types of contracts | X for simple contracts, unless required by law for specific types of contracts<br>✓ for deeds |
| | Is virtual signing or electronic execution effective? | ✓ ? virtual signings and e-signatures are permitted, but market practice for finance transactions is to require "wet ink" original signatures<br>X for contracts requiring notarisation | ✓ but market practice for some transactions is to require "wet ink" original signatures | ✓ |
| **Performance** | Do contracts have to be performed in good faith? | ✓ | ✓ | X |
| | Is a party liable for harmful or abusive performance of a contract? | ✓ | ✓ | X generally no, but the courts may restrict the misuse of contractual powers |
| | If a party is "unjustly enriched" by a contract at the expense of another party, are they liable to compensate the other party? | ✓ | ✓ | ✓ |
| **Interpretation and enforcement** | Will the courts interpret contacts in accordance with public order and morals/public policy? | ✓ | ✓<br>Public order is a non-exhaustive concept and now includes mandatory provisions of law | ✓ |
| | Can the courts sometimes imply terms into a contract? | ✓ customary terms (if the meaning of contractual terms is unclear) and standard terms (for specific types of contracts) | ✓ customary terms (if the meaning of contractual terms is unclear) and standard terms (for specific types of contracts) | ✓ reasonable terms (to reflect the parties' presumed intentions) and standard terms (for specific types of contracts) |

| | | Civil Law | | Common Law |
|---|---|---|---|---|
| | **Issue/Jurisdiction** | **Saudi Arabia** | **UAE** | **England and Wales** |
| **Interpretation and enforcement** | Will the courts interpret conventional contracts in accordance with Shariah principles? | ? ✓ the courts will interpret published laws applicable to a contract in accordance with Shariah principles (but general principles have been codified in the Civil Transactions Law) | X no, but a court may look to Shariah principles to interpret a contract if it is not clear<br>The courts have discretion to choose the most appropriate solution in the public interest | X |
| | Can third parties have the benefit of rights under a contract (if conferred by a party)? | ✓ | ✓ | ✓ |
| | Are indemnities effective? | ✓ ? the concept of indemnity is likely to be captured as part of the general rules on compensation for harm and and losses may need to be proved | ✓ ? the concept of indemnity is likely to be captured as part of the general rules on compensation for harm and and losses may need to be proved | ✓ losses can be recovered on a "pound for pound" basis |
| | Are liquidated damages clause effective? | ✓ but a court may reduce the amount to equal losses suffered | ✓ but a court may reduce the amount to equal losses suffered | ✓ provided not disproportionate to losses suffered (a penalty) |
| | Will the courts award damages for losses (including loss of profits) resulting from breach of a contract? | ✓ direct and foreseeable losses | ✓ direct and foreseeable losses | ✓ direct and reasonably foreseeable losses |
| | Can parties exclude or limit their contractual liability (other than for fraud or negligence)? | ✓ | ✓ | ✓ |
| **Termination** | Can a party have unilateral termination rights, if contractually agreed? | ✓ | ✓ | ✓ |
| | Can a contract be voidable? | ✓ in cases of mistake, deceit, duress/coercion, undue influence or exploitation | ✓ in cases of mistake, deceit, duress or undue influence | ✓ in cases of mistake, misrepresentation, fraud, duress or undue influence |
| | Can parties renegotiate or avoid performance of a contract which has become onerous? | ✓ a court may reduce contractual obligations to a reasonable level where performance has become oppressive as a result of unforeseen exceptional circumstances of a public nature | ✓ a court may reduce contractual obligations to a reasonable level or rescind the contract where performance has become oppressive as a result of unforeseen exceptional circumstances of a public nature | ✓ parties may cease to be bound by a contract where unexpected events make performance difficult |
| | Is there a concept of force majeure? | ✓ contractual obligations may be terminated or suspended in whole or in part where an event of force majeure makes performance of the contract impossible<br>Parties can contractually agree "force majeure" provisions, which should reference specific events (there is no statutory definition of a force majeure event) | ✓ contractual obligations may be terminated or suspended in whole or in part where an event of force majeure makes performance of the contract impossible<br>Parties can contractually agree "force majeure" provisions, which should reference specific events (there is no statutory definition of a force majeure event) | ✓ parties may terminate a contract in whole or in part under the common law concept of force majeure in accordance with contractually agreed provisions (including where an event of force majeure makes performance of the contract impossible) |

> Businesses need to understand how to negotiate, agree and enforce their contractual arrangements across different jurisdictions. In the Middle East, modernised contract law regimes offer companies and their counterparties greater legal clarity and support risk mitigation and allocation.
>
> **Kieron Zaman,** Managing Partner Middle East

**The UAE Civil Code 2026: areas of continuity and change for commercial transactions?**

- Many of the core contract law provisions remain unchanged, including as to contract formation and freedom of contract.
- Those negotiating contracts need to be aware of more detailed rules regulating pre-contractual negotiations. Parties are required to negotiate in good faith and disclose material information; a person who negotiates in bad faith (for example, who deliberately fails to provide material information) faces potential liability for losses of the other party.
- When a court interprets a contract where legislation is unclear, it may look to Shariah principles. The courts now have discretion to choose the most appropriate solution as required in the public interest, and it is no longer the case that they must apply a specific waterfall of priority of schools of Islamic jurisprudence.
- Provisions regulating specific types of contracts, such as contracts of sale, agency, lease, guarantee and assignments of obligations remain broadly the same as before. New statutory provisions regulate assignments of rights for the first time.




We provide first class legal services which blend deep knowledge of the legal regimes with an understanding of customs and culture in business practices in Saudi Arabia, the United Arab Emirates and England and Wales. Please get in touch with us if you would like to know more.




Kieron Zaman

Partner, Dubai
Tel: +9714369 5814
kieron.zaman@linklaters.com



Reem Alsayegh

Partner, Dubai
Tel: +9714369 5852
reem.alsayegh@linklaters.com



Amro Bakhaidar

Partner, Riyadh
Tel: +966 11 504 9902
amro.bakhaidar@linklaters.com



Caroline Cheney

Managing Associate, London/Dubai
Tel: +44 20 7456 3977
caroline.cheney@linklaters.com


linklaters.com


The above table outlines high-level issues relating to contracts in the relevant jurisdictions as at March 2026. It is a guide and is subject to change. The table is not a substitute for obtaining legal advice prior to entering into any transaction.
The table may not take into account any special rules which may exist in the various jurisdictions in relation to certain categories of contracts or any specific contracting counterparty. Should you have any questions on issues outlined in the table or on other areas of law in the relevant jurisdictions, please contact one of our team or your regular Linklaters contacts.

This content is intended merely to highlight issues and not to be comprehensive, nor to provide legal advice. Should you have any questions on issues reported here, please get in touch. © 2026 Linklaters.

Linklaters LLP is a limited liability partnership registered in England and Wales with registered number OC326345. It is a law firm authorised and regulated by the Solicitors Regulation Authority. The term partner in relation to Linklaters LLP is used to refer to a member of the LLP or an employee or consultant of Linklaters LLP or any of its affiliated firms or entities with equivalent standing and qualifications. A list of the names of the members of Linklaters LLP and of the non-members who are designated as partners and their professional qualifications is open to inspection at its registered office, 20 Ropemaker Street, London, EC2Y 9AR, England or on www.linklaters.com and such persons are either solicitors or registered foreign lawyers. Please refer to www.linklaters.com/regulatory for important information on our regulatory position.


GC35092_F/03.26