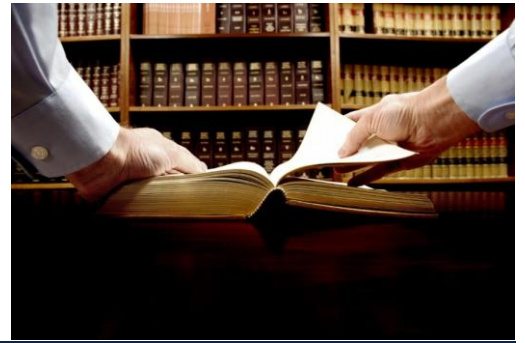


inBrief

**The New UAE Civil Code: Assignment of Rights and Debts**

By Chatura Randeniya, Mevan Bandara, Noran Al Mekhlafi, Tanya Garg and Fatima Fadulalmawla
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Federal Decree-Law 25/2025 Issuing the Civil Transactions Law (the **New Code**) comes into effect on 1 June 2026, replacing Federal Law 5/1985 Concerning the Issuance of the Civil Transactions Law (the **Current Code**); UAE's principal piece of civil legislation.

This article forms part of a series examining the changes introduced by the New Code, and deals with the law on assignments.

An assignment is the transfer by one party (the assignor) of a right, benefit, or interest under a contract or obligation to a third party (the assignee), who consequently steps into the assignor's position.

1. What is the position under the Current Code?

The Current Code provides a statutory framework for the assignment of debt (*hawalat al-dayn*), while the assignment of rights (*hawalat al-haqq*) remains uncodified. The assignment of rights, however, has been recognised and enforced by the UAE courts, who have developed a body of jurisprudence drawing on the statutory provisions applicable to the assignment of debt, together with general principles of contract law and Islamic jurisprudence. In the absence of binding precedent, this body of case precedent provides guidance, but not a binding framework.

The New Code introduces, for the first time, a specific legislative framework governing, among other things, warranties, priority, and notification requirements in the context of assignment of rights. The law on the assignment of debt is not a new introduction but rather a refinement of the existing legislative framework.

2. What has changed?**Assignment of Rights**

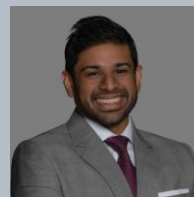
The New Code codifies the assignment of rights, consolidating principles previously developed through case precedent and practice within a single statutory regime. The New Code provides that:

- a right may be assigned by a creditor to a third party without the debtor's consent, unless the assignment is restricted by law, agreement, or the nature of the obligation (Article 405);
- only rights that are legally transferrable may be assigned, together with associated securities, including pledges, guarantees, and any accrued instalments (Articles 406 and 409);
- an assignment is effective against the debtor and third parties upon notification to or acceptance by the debtor. Where the effectiveness

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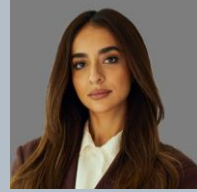
against third parties is founded upon the debtor's acceptance (rather than notification), such acceptance must bear a fixed date (Article 407);

- the assignee may, prior to notification or acceptance, take steps necessary to preserve the assigned right (by seeking attachment orders, for example) (Article 408);
- where the underlying contract is silent, the following default warranties (the **Warranties**) apply (Articles 411-412):
 - the assignor does not warrant the debtor's solvency unless expressly agreed, and where such a warranty is given, it is limited to the debtor's solvency at the time of the assignment;
 - in an assignment for consideration, the assignor warrants the existence of the assigned right at the time of the assignment; and
 - in a gratuitous assignment (*i.e.*, one made without consideration), no warranties are given by the assignor.
- by reference to the Warranties, where the assignor knew, at the time of assignment, the assigned right did not exist, it is liable to compensate a good faith assignee for any resulting loss (Article 413);
- the assignor is liable to compensate the assignee for loss caused by its own acts, and any agreement to exclude or limit this liability is void (Article 414); and
- where competing claims arise in respect of the same assigned right, priority is determined by the date on which the assignment becomes effective against third parties, rather than the date the assignment is concluded (Articles 416-417).

Assignment of Debt

The New Code retains, but refines the existing framework governing assignment of debt. The New Code provides that:

- a debt may be assigned to a new debtor unless restricted by law, agreement, or the nature of the obligation, and the assignment is concluded only with the consent of the incoming debtor and the creditor (Article 418);
- the discharge of the original debtor is contingent on the creditor's acceptance of the assignment. In the absence of such acceptance, including where the creditor expressly or impliedly refuses the assignment, the original debtor remains liable (Article 419(1) and (2));
- where the creditor is notified of the assignment and given a reasonable period to approve, failure to give approval within that period is deemed a refusal (Article 419(3));
- securities attached to the assigned debt, including guarantees and mortgages, continue notwithstanding the assignment. However, providers of personal or real security are not bound by the assignment unless they have expressly consented (Article 421); and
- the sale of mortgaged real property does not, by itself, transfer the secured debt to the purchaser. An express agreement is required, and the mortgagee creditor's consent must be obtained prior to registration of the sale (Article 424).



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3. Why do the updates in the New Code matter?

Commercial and litigation impact

- The codification of the assignment of rights fills a legislative gap, providing a clear statutory framework for an area previously governed by judicial practice and commentary. Parties may now rely on codified rules when structuring transactions, drafting assignment provisions, and advancing or defending claims.
- Further, the rules on priority and competing claims are particularly relevant in insolvency and enforcement proceedings, where the timing of notification may determine the outcome.

Allocation and assumption of risk

- The distinction between assignments for consideration and gratuitous assignments has direct consequences for the allocation of risk between the parties. In an assignment for consideration, the assignor warrants the existence of the right, whereas in a gratuitous transfer no such warranty is given and the assignee assumes the risk that the right may not exist.
- The assignor's liability for its own acts cannot be excluded by agreement, limiting the extent to which risk can be contractually allocated between the parties.

4. Practical Takeaways

Do's

For the assignment of rights:

- notify the debtor promptly following any assignment of rights as priority against third parties and the debtor depends on the timing of notification, not the date the assignment was concluded;
- ensure that notification is given to the debtor in a manner that evidences receipt; and
- in gratuitous assignments, conduct appropriate due diligence on the existence of the right being transferred.

For the assignment of debts:

- obtain the creditor's express consent prior to completing the assignment and, in real estate transactions, prior to registration of the sale; and
- ensure that providers of personal or real security expressly consent to remain bound following an assignment of the underlying debt.

Don'ts

- use boilerplate assignment clauses without reviewing them against the New Code's requirements;
- treat the New Code as a substitute for a properly negotiated assignment agreement tailored to the underlying transaction; and
- assume that an assignment interrupts or resets the statutory limitation period.

For the assignment of rights, don't:

- assume that notification is optional (a common misunderstanding of the fact that debtor consent is not required) - notification is critical to priority and third-party effectiveness; and
- rely on undated debtor acceptances as a substitute for formal notification.

For the assignment of debts, don't:

- proceed to registration of a real estate sale without first obtaining the mortgagee creditor's consent to any intended transfer of the secured debt. ■

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