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The New UAE Civil Transactions Law: Key Changes to Sale Contracts

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Federal Decree-Law No. 25 of 2025, the UAE's New Civil Code, came into force on 1 June 2026, replacing Federal Decree-Law 5 of 1985 Concerning the Issuance of the Civil Transactions Law (the Old Code).

This article forms part of a series examining the changes introduced by the New Code, and highlights some significant changes affecting sale contracts which seek to provide more commercial flexibility, clarify party obligations, and strengthen protection for purchasers.

What has Changed?

1. Expanded definition of sale

The New Code broadens the concept of a sale and adapts to modern commercial realities by recognizing that the subject matter of a sale may include transferable financial rights and intangible assets and rights, including intellectual property rights.

2. Greater flexibility in pricing mechanisms

One of the more practical changes is the increased flexibility in determining the purchase price. The New Code allows parties to agree on criteria by which the price will be determined at a later stage or to appoint a third party to determine the price. It also provides that a sale may remain valid even where the price is not expressly specified, provided it is clear that the parties intended to adopt the prevailing market price or a price previously applied in their dealings.

This development is particularly relevant for long-term supply arrangements and transactions where pricing depends on future market conditions.

3. Clarification of ownership transfer, delivery and risk

The New Code, for the first time, requires the Seller to take all necessary steps to transfer ownership and not to hinder that transfer.

It also clarifies the rules relating to delivery and risk. Delivery may occur even without actual physical possession where the seller has made the subject matter available to the purchaser and notified the purchaser accordingly.

The New Code also clarifies and consolidates the consequences where the sold property is damaged or destroyed before delivery. Where part of the sold property is damaged before delivery, the purchaser may rescind the

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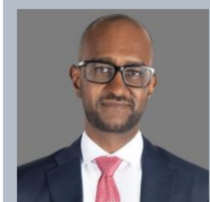

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contract or accept the remaining part for a proportionate reduction in the price. The purchaser may also, where applicable, maintain the contract in respect of the whole property at the agreed price and seek recourse against the person responsible for the damage portion of the property. While these remedies were also available under the Old Code, they were addressed under separate provisions depending on the cause of the loss or damage. The New Code brings them together within a single provision governing the consequences of damage or destruction of the sold property.

4. Enhanced protection in title disputes

The New Code introduces a more structured framework where a third-party claims ownership of, or rights over, the sold property.

A purchaser facing such a claim from a third party must notify the seller promptly. The seller is then required to intervene in the proceedings or assume conduct of the defence. Failure to do so may expose the seller to liability under the statutory warranty regime.

These provisions encourage early involvement by sellers and provide greater protection for purchasers facing third-party claims.

5. Expanded remedies for latent defects

The New Code significantly strengthens the purchaser's remedies in cases involving latent defects.

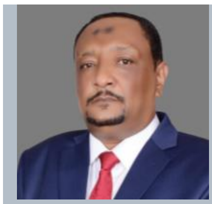
Under the Old Code, where a latent defect existed in the sold property, the purchaser generally had to choose between returning the property or retaining it at the agreed price, and was expressly prevented from retaining the property while claiming a reduction in price. The New Code changes this position by allowing the purchaser to retain the property and assert a claim for a reduction in the price from the seller. The New Code also provides that a seller may avoid liability by providing a replacement.

The New Code also sets out more detailed standards governing the seller's warranties. The seller is liable where, at the time of delivery, the sold property does not possess qualities which the seller guaranteed, or where the property has a defect diminishes its value or utility. The value or utility of the property is assessed by reference to the purpose stated in the contract, the nature of the property or the purpose for which it was prepared. The seller may be liable in these circumstances even if unaware of the defect.

In addition, the period for bringing a latent defect warranty claim has been extended from six months to one year from the day following delivery, unless the seller has undertaken a longer warranty period. These changes increase the importance of carefully drafted warranty, inspection, acceptance and remedy provisions in sale contracts.

6. New framework for the sale of disputed rights

For the first time, the New Code introduces a specific framework governing the sale of disputed rights. A right is considered disputed where proceedings have been commenced in respect of it or 'a serious dispute' (which is not defined in the New Code) has arisen concerning the right.



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The New Code does not prohibit the sale of a right merely because it is disputed. However, where a disputed right is sold, the person disputing the right with the seller may extinguish the dispute by reimbursing the price paid by the purchaser and the expenses incurred. This right of recovery must be exercised within 60 days from the date on which that person becomes aware of the sale.

In practice, this mechanism may have significant consequences. For example, if a disputed claim with a nominal value of AED 10 million is sold for AED 3 million, the person disputing that claim may extinguish the claim by paying the purchaser of the disputed right a sum of AED 3 million purchase price together with the relevant expenses. The practical effect may therefore be to extinguish the underlying claim for an amount substantially below its nominal value.

This right of recovery does not apply in certain circumstances, including where the disputed right forms part of a group of properties sold for a single price, where a co-owner or heir sells their share in a jointly held right, where the right is transferred to a creditor in settlement of a debt, or where a right encumbering immovable property is sold to the possessor of that property.

The New Code also imposes conflict-related restrictions on the acquisition of disputed rights. In particular, judges, members of the Public Prosecution, experts and certain court officials may not acquire disputed rights falling within the jurisdiction of the court in which they perform their duties. Similar restrictions apply to arbitrators, conciliators and mediators in relation to matters assigned to them, while lawyers are prohibited from dealing with their clients in respect of disputed rights which they are engaged to defend. Transactions entered into in breach of these restrictions are void.

Why does this matter?

The New Code modernizes several aspects of UAE sale law and addresses areas that previously lacked sufficient legislative guidance. The changes provide greater contractual flexibility, clarify the allocation of obligations and risks between contracting parties, and strengthen purchaser protections in relation to title disputes and defective goods.

Businesses should not assume that existing sale contract templates adequately reflect the new legal framework.

Practical Takeaways

Parties entering into sale contracts should consider:

- clearly defining the subject matter of the sale, particularly where financial or intangible rights are involved;
- adopting a clear pricing mechanism, especially where the price will be determined in the future;
- specifying the procedures for delivery and transfer of ownership;
- establishing contractual procedures for dealing with third-party title claims; and
- reviewing warranty, inspection and defect provisions to ensure they align with the expanded remedies available under the New Code.

As businesses continue to update their contractual documentation following the introduction of the New Code, sale agreements should be reviewed carefully to ensure they are compliant with these important developments. ■

Afridi & Angell

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