

New Code, New Rules

What Federal Decree-Law No. 25 of 2025 means for businesses and individuals in the UAE

In force from 1 June 2026 | United Arab Emirates

The UAE has issued Federal Decree-Law No. 25 of 2025 on Civil Transactions, which came into effect on 1 June 2026, replacing the long-standing Federal Law No. 5 of 1985 that had served as the backbone of civil transactions for over four decades.

This major legislative restructuring re-codifies the fundamental rules governing contracts, property, personal capacity, and civil liability across the UAE. It reflects a significant shift from a system heavily reliant on judicial interpretation to a codified and transparent one: many principles previously shaped through the courts are now expressly written into law, reducing uncertainty in disputes.

For residents, investors, and enterprises operating in the UAE, understanding these changes is essential.

A shift from judicial interpretation to codified clarity.

From 21 to 18: A New Age of Majority

One of the most socially relevant changes is the lowering of the legal age of majority from 21 Lunar years to 18 Gregorian years.

Previously, individuals were treated as adults under certain UAE laws (such as employment and criminal law) yet remained civil minors when it came to contracts. The change unifies the legal age for full capacity, ensuring consistency and coherence across different areas of UAE law.

By reaching 18 Gregorian years, individuals now gain full legal autonomy: they can independently exercise their rights, make legal decisions, undertake contractual obligations, and manage businesses, bank accounts, and properties. An 18-year-old no longer needs a guardian or court approval for everyday legal acts. The law also allows a minor to seek judicial authorization to manage their own assets from the age of 15.

However, 18 does not automatically become the minimum age for everything in the UAE. Certain activities may remain subject to their own requirements and restrictions.

Good Faith Now Begins Before the Contract

During the negotiation of a contract, parties are not bound by the envisioned contract and may end negotiations at any time. Even so, they are now expected to act in accordance with the requirements of good faith. If a party enters into negotiations without a genuine intention to contract, or deliberately misleads the other party, legal liability may arise even before the contract is signed.

One of the most notable new rules is pre-contractual liability: a party that negotiates or terminates negotiations in bad faith is liable for the actual damages suffered by the other party, though not for lost profits or anticipated gains. Compensation may arise in cases of bad faith in negotiations, deliberate

withholding of fundamental information, or arbitrary withdrawal from advanced negotiations that caused actual harm.

The Duty of Disclosure: A Legal Must

Disclosing material information during negotiations has become more legally significant and is now expressly codified in UAE law.

Decisive information is that which has a direct and necessary connection to the content of the contract and the characteristics of the parties, and it must be shared. Any clause excluding or limiting this duty of disclosure is void.

The key principle is that a party cannot remain silent and withhold fundamental information where that silence would affect or mislead the other party's consent to conclude the contract. Any information that may substantially affect the performance or existence of the contract should be revealed to the other party.

Recognition of Preliminary and Framework Agreements

One of the most significant changes for the commercial world is the clearer recognition the law gives to agreements that precede the execution of a final contract.

In practice, most disputes arise where parties cannot agree on the status of a preliminary document.

Is it binding, or does it merely reflect the negotiation phase? The new law clarifies the legal consequences of pre-contractual arrangements, which may include:

- Memoranda of Understanding (MOUs);
- Framework Agreements;
- Letters of Intent (LOIs);
- Term Sheets; and
- Preliminary negotiation arrangements.

The enforceability of the obligations in these documents is based on the parties' intention, the language of the document, and the substance of the obligations undertaken, rather than the title of the agreement alone.

Hardship and Force Majeure: Relief When Circumstances Change

One of the most commercially significant developments concerns what happens when unforeseen events disrupt a contract. The new law broadens the relief available where exceptional and unpredictable circumstances make performance excessively onerous for one party.

Previously, a judge could only reduce a burdensome obligation to a reasonable limit. Under the new law, the court has wider discretion: it may reduce the onerous obligation or rescind the contract altogether, balancing the interests of both parties. Any agreement to the contrary is void.

The rules on force majeure remain broadly unchanged: where an event renders performance genuinely impossible, the corresponding obligations lapse and the contract is dissolved automatically. The threshold is high, as performance must be objectively impossible rather than merely more difficult or more expensive.

What About Contracts Signed Before the New Law?

A common and important question is whether the new law affects contracts concluded before 1 June 2026. As a general rule, it does not. The law applies to contracts entered into once it comes into force and does not apply retroactively to existing agreements, which remain governed by the previous law.

A Modern Framework for a Modern Economy

The new UAE Civil Transactions Law can be seen as a transition from a legal model established in the 1980s to a framework more aligned with the knowledge economy and global investment. Its most distinctive feature is not merely the reformulation of existing provisions, but the introduction of modern concepts: good faith before contracting, responsibility during negotiations, mandatory disclosure, and the regulation of preliminary agreements. Taken together, the reforms enhance party autonomy while placing good faith and the duty of disclosure at the centre of the relationship between contracting parties, both before and after a contract is signed.

What It Means for You

Companies, investors, and entrepreneurs operating in the UAE would be well advised to:

- Better document the negotiation process and reinforce legal precision, clearly structuring and expressing what they consider binding and confidential.
 - Maintain records of key discussions, draft agreements, and important correspondence, such as emails, meeting notes, and letters of intent, that may later serve as evidence of the parties' intentions.
 - Avoid misleading promises and the withholding of important statements, and negotiate in good faith, as failure to do so could trigger liability.
 - Proactively review and update existing and standard contract templates to ensure compliance with the new law.
 - Revisit hardship and force majeure clauses, particularly in long-term or cross-border agreements, so that the allocation of risk reflects the wider judicial discretion now available.
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How Eptalex Can Help

Federal Decree-Law No. 25 of 2025 is the most significant reform of UAE civil law in a generation, touching virtually every contract and commercial relationship governed by UAE law. Eptalex advises across corporate, commercial, regulatory, and dispute resolution matters throughout the UAE's mainland and free zone jurisdictions. Whether you need to assess your exposure, refresh your contract templates, or structure a new transaction with confidence, our team is ready to assist.

The rules have changed. Make sure your contracts reflect them.