

A comparative review of contract law in Saudi Arabia, the United Arab Emirates and England and Wales

If you’re wondering how Saudi Arabia’s recent contract law compares with contract law in the United Arab Emirates (UAE) and England and Wales, then explore this alert which explains core principles of contract law in these jurisdictions.

Well drafted contracts are one of the fundamental building blocks for international businesses to thrive and manage risk. Underlying any well drafted contract should be a robust understanding of applicable contract law and how the contract might be interpreted by relevant courts.

The cross-border nature of many commercial transactions today means that businesses need to understand contract law across different jurisdictions. English law is a popular choice to govern parties’ contractual arrangements, for the certainty and depth of judicial precedent it can offer. But, sometimes local law may be required or preferred for some types of transactions or counterparties in the Middle East.

If a dispute arises, businesses also need to consider how their contracts may be interpreted by the courts. Contracts also might be interpreted differently by courts in other jurisdictions; this could lead to difficulties if a judgment is referred to another court for enforcement against a counterparty or their assets and that court decides to re-hear the case and apply local law.



What is the basis of contract law in KSA, UAE and England and Wales?

Saudi Arabia and the UAE are civil law systems which have codified frameworks, combining overarching principles and specific rules for different categories of contracts. Their laws have common roots, drawing on the French, Roman, Egyptian, Jordanian and Islamic legal systems. By contrast, the principles of English contract law are primarily common law based rather than statutory. Despite these differing approaches, we can identify some common threads among their fundamental contract law principles.

Saudi Arabia

- > Basic contract law principles are set out in the Civil Transactions Law (Saudi Arabia Royal Decree No. M191/1444 H), issued on 18 June 2023 (corresponding to 29 Dhu Al-Qa’dah 1444 H).
- > Other laws regulate specific types of contracts.

UAE

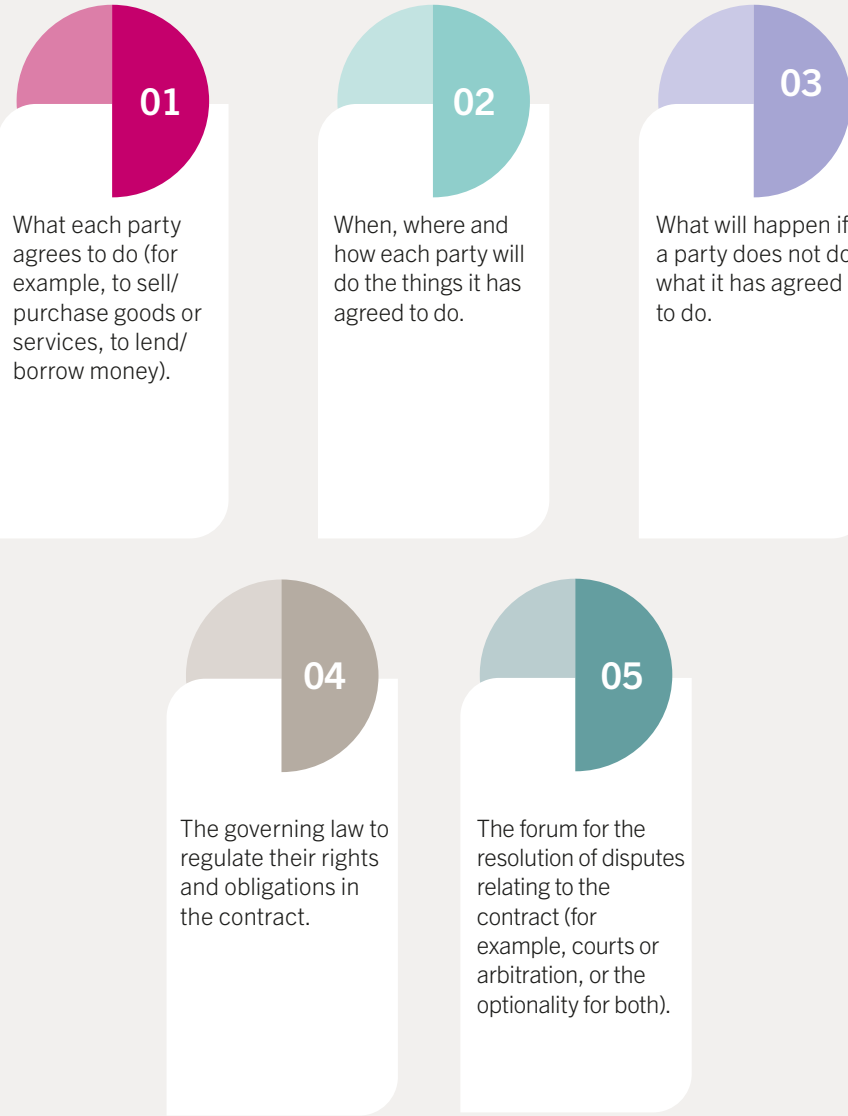
- > Basic contract law principles are set out in the Civil Code (Federal Law No.5 of 1985).
- > Commercial contractual relationships are regulated by the Commercial Transactions Law (Federal Decree by Law No.50 of 2022).
- > Other laws regulate specific types of contracts.

England and Wales

- > Contract law principles have developed over centuries of court decisions and are generally not 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.

Five things a contract should cover

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



“ Saudi Arabia’s new published legal framework for contracts is a pivotal development in the Vision 2030 economic reform programme. Across sectors and industries, it offers companies and investors in the Kingdom greater legal clarity. **Waleed Rasromani**, National Managing Partner, Saudi Arabia

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	✗
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)?	✗ ✓ there must be a lawful purpose and mutual obligations	✗ ✓ there must be a lawful purpose and mutual obligations	✓ for simple contracts ✗ 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?	✗ unless required by law for specific types of contracts	✗ unless required by law for specific types of contracts	✗ for simple contracts, unless required by law for specific types of contracts ✓ 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 ✗ for contracts requiring notarisation	✓ but market practice for some transactions is to require “wet ink” original signatures	✓
	Do contracts have to be performed in good faith?	✓	✓	✗
	Is a party liable for harmful or abusive performance of a contract?	✓	✓	✗ generally no, but the courts may restrict the misuse of contractual powers
Performance	If a party is “unjustly enriched” by a contract at the expense of another party, are they liable to compensate the other party?	✓	✓	✓
	Will the courts interpret contacts in accordance with public order and morals/ public policy?	✓	✓	✓
Interpretation and enforcement	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)	✗ no, but a court may look to Shariah principles to interpret a contract if it is not clear	✗
	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 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 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)?	✓	✓	✓
	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 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

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.



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The above table outlines high-level issues relating to contracts in the relevant jurisdictions as at March 2025. This content is intended merely to highlight issues and not to be comprehensive, nor to provide legal advice. 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 reported here, please get in touch. © 2025 Linklaters.

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