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THE UAE: NEW CIVIL TRANSACTIONS LAW

18 February 2026

The UAE has adopted Federal Decree-Law No. 25/2025 Introducing the Civil Transactions Law (the “**New Law**”), which repeals the UAE Civil Transactions Law (Federal Law No. 5/1985, the “**Old Law**”) and takes effect on June 1, 2026.

The New Law updates commercial and civil regulations by setting requirements for good faith in pre-contractual negotiations, clarifying the age at which individuals now have full legal capacity, introducing clearer rules on agency in contracts, etc. These changes aim to increase legal certainty, protect the rights of parties, and encourage investment in the UAE.

This material is based on information from public sources and is for reference purposes only. It does not constitute advice or a legal opinion. If you have any questions regarding this alert, please contact us at: info@whitesquarepartners.com.

1. Good faith and Pre-contractual Negotiations

Before

Statutory requirement of acting in good faith used to apply solely to the contract performance.¹

After

Under the New Law parties are required to act in good faith when starting, conducting, and ending contract negotiations. A party that conducts or ends negotiations in bad faith may be required to compensate the other party for actual losses incurred (but not for lost profits or expected benefits, unless otherwise agreed).²

Besides, during negotiations, each party is obliged to disclose material and decisive information that affects the other party's consent. This duty applies where such information is known to the negotiating party, and the other party is presumed to be unaware of it or relies on the counterparty. Such obligation cannot be limited or waived by agreement, and any contrary clause is void.³

Any unauthorized use or disclosure of confidential information obtained during negotiations or in connection with a contract may give rise to liability under the general rules.⁴

2. New Age for Legal Capacity

According to the New Law, individuals are considered fully legally capable at 18 years⁵ instead of 21 lunar years.⁶ This change aligns the UAE legal framework with international practice.

As a result, individuals aged 18 and above now have full legal capacity to exercise their civil rights, including entering into contracts, managing assets, and initiating or defending legal claims. Following the same principle, the law now allows minors aged 15 and above to request judicial permission to handle their own assets,⁷ reducing the previous threshold of 18 years.⁸

3. Structured Rules of Agency in Contracting

The New Law introduces a clearer, transaction-oriented approach to contractual agency and representation. These provisions improve transparency, clarify rights and obligations, and increase legal certainty for principals, agents, and third parties.

Particularly, it specifies that agents must act within the scope of their authority, and that contracts concluded within such authority are binding on the principal.⁹ The New Law also regulates undisclosed agency relationships¹⁰ and restricts agents' self-dealing, except where the principal authorises or approves such self-dealing.¹¹ Besides, contracts made by an agent unaware that the agency ended still bind the principal or their successors.¹²

¹ Article 246 of the Old Law ([reference](#)).

² Article 121 of the New Law ([reference](#)).

³ Article 122 of the New Law.

⁴ Article 123 of the New Law.

⁵ Article 84 of the New Law.

⁶ Article 85 of the Old Law.

⁷ Article 149 of the New Law.

⁸ Article 160 of the Old Law.

⁹ Article 142 of the New Law.

¹⁰ Article 143 of the New Law.

¹¹ Article 145 of the New Law.

¹² Article 144 of the New Law.

4. Conclusion

The New Law therefore increases certainty in civil and commercial transactions, and strengthens protections for individuals and businesses by clarifying key areas of civil transactions law. The most significant developments include:

- 1) introduction of pre-contractual obligations, including duties of disclosure and good faith in negotiations;
- 2) adjustment of the full legal capacity age, aligning it with international standards; and
- 3) provision of a structured framework for agency in contracting.

The White Square team is ready to provide comprehensive legal support across all aspects of the new regulatory regime, including assistance with the review of contractual and pre-contractual arrangements to ensure ongoing compliance.



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