Registered in Germany Europa Revue Journal
ISSN: 1862-6564 Vol. 6 No. 10 (2026) Published October 13, 2026

Improving the procedure for hearing cases on declaring transactions invalid in the economic courts of the Republic of Uzbekistan

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Abstract

This article examines the substantive and procedural aspects of the adjudication of cases concerning the invalidation of transactions by the economic courts of the Republic of Uzbekistan. It analyzes the grounds for invalidity, the distinction between void and voidable transactions, the jurisdiction of economic courts, requirements for statements of claim, evidentiary specifics, the application of statutes of limitations, and the legal consequences of transaction invalidity. Based on an analysis of civil and economic procedural legislation, practical recommendations are formulated to enhance judicial protection for the rights of participants in economic activity.

Keywords

invalidity of a transaction, economic court, economic court proceedings, void transaction, voidable transaction, statement of claim, statute of limitations, burden of proof.

The concept of the invalidity of transactions occupies a significant place in the civil and economic procedural law system of the Republic of Uzbekistan. It serves as a key mechanism for protecting the rights and legitimate interests of participants in civil commerce, ensuring the legality of contractual relations, and eliminating the legal consequences of transactions concluded in violation of statutory requirements[1].

In the context of the development of entrepreneurial activity, the correct application of rules regarding the invalidity of transactions takes on particular importance[2]. Entering into an unlawful transaction may result in financial losses, the violation of counterparties' rights, and the emergence of corporate disputes. Moreover, the

[1] Демидюк В. А. Анализ правовой природы недействительных сделок //Вестник Костромского государственного университета. – 2016. – Т. 22. – №. 1. – С. 203-205.

[2] Казанцева К. Ю. Актуальные проблемы признания сделки недействительной как способа защиты гражданских прав //Вестник Сибирского юридического института МВД России. – 2018. – №. 2 (31). – С. 107-112.

effectiveness of judicial protection depends not only on establishing the substantive legal grounds for invalidity but also on compliance with procedural requirements during the adjudication of the case.

The aim of the article is to examine the procedural aspects of adjudicating cases concerning the invalidation of transactions in the economic courts of the Republic of Uzbekistan and to identify key areas for improving law enforcement practice.

The legal regulation of the invalidity of transactions is governed by the provisions of Chapter 9 of the Civil Code of the Republic of Uzbekistan, including Articles 113–128[3]. The procedural rules for resolving such disputes are governed by the Economic Procedural Code of the Republic of Uzbekistan. Under Article 26 of the Code, economic courts hear, inter alia, disputes concerning the invalidation of transactions.

The Resolution of the Plenum of the Supreme Economic Court of the Republic of Uzbekistan No. 269 dated November 28, 2014, "On Certain Issues Regarding the Application by Economic Courts of Civil Law Provisions Concerning the Invalidity of Transactions" (as amended and supplemented), is of significant importance for the uniform application of legislation[4].

In accordance with Article 113 of the Civil Code of the Republic of Uzbekistan, transactions are classified as either void or voidable.

A void transaction is invalid regardless of whether a court declares it to be so. In particular, Article 116 of the Civil Code of the Republic of Uzbekistan stipulates that a transaction is void if its content fails to comply with legal requirements, or if it is entered into with a purpose knowingly contrary to the foundations of legal order or morality.

A voidable transaction may be declared invalid by a court at the request of a person authorized by law to do so. Grounds for this include, in particular, specific instances where a transaction is entered into under the influence of mistake, fraud, duress, or a threat.

Distinguishing between these types of transactions is of significant procedural importance, as it affects the determination of the appropriate legal remedy, the parties

[3] Civil Code of the Republic of Uzbekistan. https://lex.uz/docs/111181#159242
[4] Resolution of the Plenum of the Supreme Economic Court of the Republic of Uzbekistan No. 269 dated November 28, 2014, "On Certain Issues Regarding the Application by Economic Courts of Civil Law Provisions Concerning the Invalidity of Transactions". https://lex.uz/docs/2535146

entitled to seek judicial relief, and the procedure for applying the consequences of invalidity[5].

It is also necessary to distinguish between an invalid transaction and a contract that has not been concluded. Invalidity presupposes the existence of a transaction that fails to comply with legal requirements, whereas a contract's failure to be concluded implies the absence of the conditions necessary for the formation of a contractual relationship[6]. Therefore, when filing a lawsuit, it is important to correctly identify the nature of the violation and formulate the appropriate claim.

The primary grounds for the invalidity of transactions include failure to comply with statutory form requirements, inconsistency of the transaction's content with the law, defects in the expression of intent, and the sham or fictitious nature of the transaction.

Pursuant to Article 115 of the Civil Code of the Republic of Uzbekistan, failure to observe the form prescribed by law renders a transaction invalid only in cases expressly provided for by legislation. Therefore, when resolving a dispute, the court must determine the nature of the violation and the legal consequences established by the relevant provision.

Article 116 of the Civil Code of the Republic of Uzbekistan provides for the nullity of transactions the content of which does not comply with legal requirements, as well as transactions concluded with a purpose knowingly contrary to the foundations of public order or morality. In doing so, the plaintiff must specify the particular legal provision violated during the conclusion of the transaction and submit evidence of the relevant circumstances.

Articles 122 and 123 of the Civil Code of the Republic of Uzbekistan govern specific grounds for challenging transactions based on mistake, fraud, duress, threat, and other circumstances provided for by law. When hearing such cases, the court must establish the existence of the relevant circumstance and its impact on the expression of the party's will.

5 Карпова А. А. Процессуальные особенности рассмотрения дел о признании сделок недействительными и применении последствий недействительности сделок в цивилистическом процессе //М.: Статут. – 2024.

[6] Ibratova F. Terms in Civil Law and Their Application in Legal Protection of Citizens in the Republic of Uzbekistan //Teise Vilnius University Press Scholarly Journal. – 2009. – Т. 71. – С. 182-194.

Pursuant to Article 124 of the Civil Code of the Republic of Uzbekistan, a fictitious transaction—entered into without the intention of creating corresponding legal consequences—and a sham transaction—entered into for the purpose of concealing another transaction—are void. To establish these circumstances, the actual intentions of the parties, the performance of obligations, the flow of funds, and other evidence are examined.

Thus, declaring a transaction invalid requires establishing a specific ground provided for by law. Non-performance of the contract or its economic disadvantageousness does not, in itself, indicate the invalidity of the transaction[7].

In accordance with Articles 25 and 26 of the Economic Procedural Code of the Republic of Uzbekistan, economic courts hear economic disputes and other cases falling within their jurisdiction under the law, including disputes regarding the invalidation of transactions.

When determining jurisdiction, it is necessary to take into account the nature of the legal relationship, the connection of the dispute to entrepreneurial or other economic activity, and the special rules governing the hearing of specific categories of cases.

Territorial jurisdiction is determined by the provisions of the Economic Procedural Code of the Republic of Uzbekistan. As a general rule, a claim is filed with the court at the place of the defendant's state registration, unless otherwise provided by law. In this regard, the rules governing alternative, exclusive, and contractual jurisdiction must be taken into account.

A statement of claim seeking to have a transaction declared invalid must comply with the requirements of the Economic Procedural Code of the Republic of Uzbekistan regarding its form, content, and supporting documents.

The statement must set forth the circumstances under which the transaction was concluded, specify the specific grounds for its invalidity, cite the relevant provisions of law, and explain how the transaction violates the plaintiff's rights or legitimate interests.

[7] Абдиримов А. Ф., Озманян Ю. З. Совершенствование нормативного регулирования признания сделок недействительными //Юридическая наука. – 2022. – №. 10. – С. 96-100.

If the applicant seeks the application of the consequences of invalidity, the relevant claims must be specified: the property to be returned, the funds to be recovered, and the consequences to ensue for each party must be indicated.[8].

A claim to have a transaction declared invalid and a claim for the application of the consequences of such invalidity should be regarded as distinct claims that may be asserted jointly, provided there are sufficient grounds to do so.

When hearing the case, it is necessary to determine the proper composition of the parties to the proceedings. The court's decision may affect the rights and obligations of both parties to the transaction and, in cases prescribed by law, those of third parties and other interested entities as well[9].

As a general rule, the burden of proving the circumstances upon which the claims are based rests with the plaintiff, unless otherwise provided by law. Contracts and their annexes, payment documents, accounting and corporate records, correspondence between the parties, licenses, and other relevant evidence may be used as proof.

The defendant is entitled to submit objections and evidence refuting the plaintiff's arguments. The court evaluates the submitted materials in their entirety in accordance with the requirements of procedural law.[10].

When establishing the nullity of a transaction, it is necessary to take into account the provisions of the Civil Code of the Republic of Uzbekistan regarding the court's authority to apply the consequences of invalidity on its own initiative. At the same time, the relevant conclusions must be substantiated in the judicial act.

The general statute of limitations, pursuant to Article 150 of the Civil Code of the Republic of Uzbekistan, is three years, unless a special time limit is established by law. However, when hearing cases concerning the invalidity of transactions, it is necessary to consider the nature of the claim asserted and the special rules governing the calculation of the statute of limitations.

[8] Ибратова Ф., Миркамилова М., Каршиева Ф. Значение, роль и сущность медиации в экономических спорах //International journal of professional science. – 2022. – №. 4. – С. 11-17.
[9] Васенева М. А. О признание сделки недействительной //Проблемы экономики и юридической практики. – 2009. – №. 5. – С. 176-178.
[10] Ibratova F. B. et al. Legal Issues of Observation–Bankruptcy Procedures Applicable by the Economic Court of Uzbekistan //Journal of Advanced Research in Law and Economics. – 2019. – Т. 10. – №. 1 (39). – С. 187-194.

In accordance with Article 153 of the Civil Code of the Republic of Uzbekistan, the statute of limitations is applied by the court upon the request of a party to the dispute, made prior to the rendering of a decision. Therefore, the court must determine whether such an objection has been raised, which limitation period applies to the specific claim, and from what moment that period begins to run[11].

Correctly determining the statute of limitations is a crucial safeguard for protecting the rights of participants in economic transactions and preventing the granting of unfounded claims.

The primary consequences of the invalidity of transactions are set forth in Article 114 of the Civil Code of the Republic of Uzbekistan. As a general rule, an invalid transaction entails no legal consequences—except those arising from its invalidity—and is deemed invalid from the moment of its execution.

The principal proprietary consequence is mutual restitution: each party is required to return to the other everything received under the transaction. If returning the property in kind is impossible, its monetary value must be reimbursed, unless the law provides for other consequences.

In certain cases, the law establishes specific consequences for the invalidity of a transaction. Therefore, the court must determine not only the grounds for invalidity but also the applicable procedure for restoring violated rights.

When formulating claims, it is important to consider that a judgment declaring a transaction invalid does not always ensure the actual restoration of the parties' property status. If it is necessary to return property or recover funds, the corresponding claims should be formulated with due regard for the circumstances of the case and the provisions of the law[12].

An analysis of the legislation makes it possible to formulate the following recommendations for participants in economic activity and parties bringing court actions[13].

[11] Ибратова Ф. Б., Чориев М., Собиржонов О. ПРАВОВЫЕ ВОПРОСЫ УЧАСТИЯ В ЭКОНОМИЧЕСКОМ ПРОЦЕССЕ ПРОКУРОРА, ГОСУДАРСТВЕННЫХ ОРГАНОВ И ИНЫХ ЛИЦ //International journal of professional science. – 2022. – №. 5. – С. 14-22.
[12] Князева Е. А. Признание сделки недействительной как способ защиты права собственности //Мировая наука. – 2019. – №. 12 (33). – С. 219-226.
[13] Князева Е. А. Признание сделки недействительной как способ защиты права собственности //Мировая наука. – 2019. – №. 12 (33). – С. 219-226.

First, when entering into contracts, it is essential to verify their compliance with the law, the authority of representatives, the existence of necessary permits, and adherence to established requirements regarding the form of the transaction.

Second, when preparing a statement of claim, one must correctly determine the legal nature of the disputed relationship and distinguish between void and voidable transactions, invalid and non-concluded contracts, as well as the invalidity and termination of a contract.

Thirdly, it is necessary to specify the particular grounds for invalidity, submit supporting evidence, and determine the proper composition of the parties to the proceedings.

Fourthly, when asserting a claim for the application of the consequences of invalidity, one must specify the property-related consequences for each party and verify compliance with the statute of limitations.

Thus, declaring a transaction invalid serves as a crucial judicial mechanism for protecting the rights and legitimate interests of participants in economic activity within the Republic of Uzbekistan. The effectiveness of this legal instrument depends on the correct application of the provisions of the Civil Code and the Economic Procedural Code of the Republic of Uzbekistan, the selection of an appropriate remedy, and a comprehensive examination of the case circumstances.

Further refinement of judicial practice should aim to ensure the uniform application of legislation, enhance the predictability of the legal consequences of transactions, and effectively restore the violated rights of participants in economic relations.

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