



INVALIDITY OF TRANSACTIONS IN CIVIL LAW AND ITS LEGAL CONSEQUENCES

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Introduction.

According to Article 101 of the Civil Code of the Republic of Uzbekistan (CC), the actions of individuals and legal entities aimed at establishing, modifying, or terminating civil rights and obligations are considered transactions. Transactions represent the most common legal facts in civil circulation and serve as the primary means for the emergence, alteration, and termination of property and related non-property personal relations [1]. Civil legislation is based on the principle of freedom of contract, and this freedom is limited precisely by the requirements of the law.

1. Invalid Transactions: Concept and Types

An invalid transaction is one that does not meet the legal requirements of validity—such as subject, subjective element, content, and form—and therefore does not lead to the legal consequences intended by the parties [3]. According to Article 113 of the Civil Code (CC), invalid transactions are classified into two types:

- Void transactions (*ipso jure*): Transactions that are considered invalid from the moment of their conclusion without the need for a specific court decision (e.g., those that violate legal requirements, are concluded by an incapacitated person, or are sham transactions).

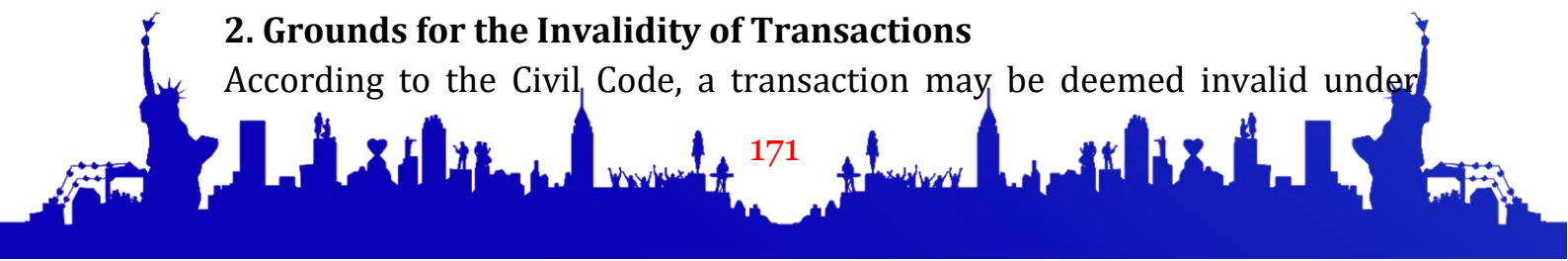
- Voidable transactions: Transactions that may be declared invalid by a court based on the claim of a person defined by law (e.g., transactions made without consent by a person with limited legal capacity, or those concluded under mistake, fraud, or coercion).

Such transactions may have legal force until a court decision enters into legal effect.

From a theoretical perspective, this classification is intended to distinguish the legal consequences of invalid transactions. However, some academic sources argue that the practical significance of this classification is insufficient, as disputes involving void transactions often also require resolution through judicial proceedings. This highlights the need for further clarification of legislative norms or the unification of judicial practice.

2. Grounds for the Invalidity of Transactions

According to the Civil Code, a transaction may be deemed invalid under





various circumstances. These include transactions that violate legal requirements, fail to adhere to the prescribed form, or are concluded for purposes that contradict moral standards and public order. Additionally, sham transactions (made without intent) and simulated transactions (intended to conceal another agreement) are also considered invalid. Transactions concluded by individuals under the age of fourteen or those declared legally incapacitated are likewise invalid. Furthermore, transactions carried out without the consent of parents or guardians by persons who legally require such consent do not have legal force. In cases where a person, due to a mental condition, was unable to understand or control their actions at the time of the transaction, such transactions are considered voidable.

Furthermore, transactions concluded under mistake, fraud, coercion, threats, extreme circumstances, or through bad-faith collusion involving a representative of one of the parties are also considered voidable and may be declared invalid based on the claim of the aggrieved party. Transactions concluded by a legal entity in contradiction to its statutory purposes or within unlicensed areas of activity may likewise be deemed invalid. Due to varying interpretations in judicial practice, there is a recognized need to clarify certain legal criteria in such cases.

3. Legal Consequences of Invalidity

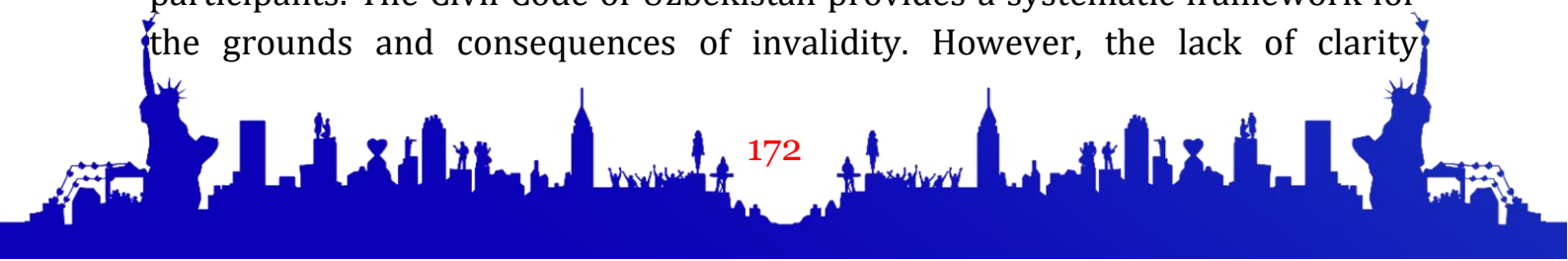
According to Article 114 of the Civil Code, an invalid transaction, as a general rule, does not produce legal consequences from the moment it is concluded. The main legal consequences include the following:

- **Bilateral restitution:** Each party is obligated to return everything received under the transaction to the other party—either in its original form or by paying its equivalent value in money [2]. This is the general rule applied to most grounds for invalidity.

- **Compensation for damages:** In certain cases, beyond the standard consequences of invalidity, the party at fault must compensate the other party for the actual damage caused (e.g., under Articles 117, 119, and 123 of the Civil Code). If the invalidity resulted from the deliberate misconduct of the party, the court may also order the recovery of lost profits (Article 114).

Conclusion

The institution of transaction invalidity serves as an important legal tool for ensuring the stability of civil turnover and protecting the rights of its participants. The Civil Code of Uzbekistan provides a systematic framework for the grounds and consequences of invalidity. However, the lack of clarity





surrounding certain concepts (such as “moral foundations,” “minor household transaction,” and “material mistake”), the insufficient regulation of certain procedural issues (such as the obligation to appoint expert examinations), and the undifferentiated approach to limitation periods pose practical challenges and highlight the need for further legislative improvement [1]. Harmonizing judicial practice through the decisions of the Plenum of the Supreme Court and incorporating the results of academic research into legislation will contribute to the effective functioning of this legal institution.

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