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Contractual Equity as a Remedial Instrument in Dispute Resolution: A Comparative Approach between Iran and England

1. Zahra. Kamali Dehghan ¹: Ph.D. student, Department of Private Law, Kharazmi University, Tehran, Iran
2. Hossein. Shafiei Fini ²: Assistant Professor, Department of Law and Political Science, Kharazmi University, Tehran, Iran
3. Alireza. Salehifar ³: Assistant Professor, Department of Private Law, Kharazmi University, Tehran, Iran

*corresponding author's email: h.shafieifini@khu.ac.ir

ABSTRACT

Contractual equity is one of the most significant remedial instruments for addressing deficiencies arising from the rigid application of legal rules and for establishing a genuine balance between the parties to a contract. In English law, the doctrine of Equity, with its independent historical development alongside Common Law, provides courts with a range of effective remedies, including specific performance, injunctive relief, equitable rescission or rectification of contracts, and compensation for non-pecuniary damages. In contrast, the Iranian legal system does not recognize an independent institution explicitly termed “equity”; however, principles such as justice, the rule of no harm, good faith, and judicial discretion in contract interpretation and adjustment of obligations perform functions analogous to those of equity in English law. This study adopts a comparative approach, first elucidating the theoretical and philosophical foundations of contractual equity and subsequently examining its functions in the resolution of contractual disputes within the legal systems of Iran and England. The comparative analysis indicates that English law, due to its dual structure of Common Law and Equity, benefits from clearer, more coherent, and more predictable mechanisms for the application of equitable principles, whereas in Iranian law, the application of equity is more heavily dependent on judicial interpretation and general principles of justice, resulting in less institutional coherence. Accordingly, the study emphasizes that strengthening the position of equity in Iranian law—through the development of the doctrine of good faith, the more formal recognition of institutions such as judicial modification, and the expansion of judicial authority to restore contractual balance—can enhance the efficiency of dispute resolution mechanisms and promote substantive justice in contractual relations. Furthermore, an examination of the English experience demonstrates that the clear differentiation and precise definition of equitable remedies provide a valuable model for improving transparency, predictability, and contractual justice within the Iranian legal system.

Keywords: *Equity, Contract, Remedial Instrument, Dispute Resolution, Comparative Approach, Iran, England.*

Introduction

Contractual relations constitute the foundation of a significant part of economic and social interactions in every legal system; therefore, their fair and balanced regulation plays an essential role in realizing justice and ensuring the stability of private relations. Although legal rules seek to establish order, certainty, and predictability in contracts,



in many cases the rigid and general frameworks of legislation cannot fully respond to the complexities of human relations, emergency situations, and economic developments. These limitations have led some legal systems to develop supplementary institutions and principles to compensate for legal gaps and realize substantive justice. One of the most important of these principles is the “rule of equity”; a principle that is applied with different functions in different systems, but whose common ultimate objective is to prevent unjust outcomes arising from the mere application of legal rules and to create a genuine balance in legal relations.

In the English legal system, the rule of equity, or Equity, has a deep-rooted and independent position and developed historically alongside Common Law. In this system, equity does not merely have a compensatory function; over time, it has itself become a source of legal rules, principles, and doctrines that play an important role in the settlement of contractual disputes. Equitable remedies such as Specific Performance, Injunction, Rectification, and Rescission allow judges to prevent unjust outcomes resulting from the rigid application of contractual rules and to make decisions that are proportionate to objective circumstances and oriented toward justice. Thus, the system of Equity has created a form of structured flexibility alongside Common Law and has increased proportionality, precision, and justice in the process of adjudicating contractual disputes.

By contrast, the Iranian legal system does not have an independent and organized institution comparable to English Equity; nevertheless, several principles and rules in Iranian law perform a similar role in adjusting contractual relations and preventing unjust outcomes. Concepts such as the principle of justice, the “no-harm” rule, the rule of benevolence, the obligation of “pacta sunt servanda” together with good-faith-based interpretation, and rules relating to contractual adjustment or interpretation all perform functions close to the concept of equity. In addition, the role of Islamic jurisprudence in Iranian law has made it possible for judges in many cases to rely on general jurisprudential principles in order to issue decisions closer to substantive justice. However, the absence of a coherent institution and codified rules comparable to Equity has made the application of equity in Iran excessively dependent on judicial interpretation; a situation that sometimes leads to inconsistency in judicial practice and a decline in legal predictability.

The significance of the present study lies in its comparative examination of the role of the rule of equity in the settlement of contractual disputes in two legal systems that are essentially different. English law, with its dual structure of Common Law and Equity, has coherent and predictable mechanisms for applying equity, whereas Iranian law, through the combination of statutory law and jurisprudential foundations, possesses scattered yet effective mechanisms for realizing contractual justice. This comparison, while revealing the strengths and weaknesses of both approaches, makes it possible to draw on the successful experiences of other systems in order to improve efficiency and justice in Iranian contractual relations.

The main question of this study is what role the rule of equity plays in the settlement of contractual disputes and how this role is manifested differently in the legal systems of Iran and England. To answer this question, the theoretical foundations and historical background of equity are first examined; then, its practical functions in contractual disputes, including the effectiveness of obligations, contractual adjustment, compensation, and judicial remedies, are analyzed. Finally, by explaining the points of convergence and divergence between the two systems, proposals are offered for strengthening the position of equity and enhancing contractual justice in Iranian law.

Contractual relations in legal systems achieve their desired function when, in addition to compliance with formal and substantive rules, there is also the possibility of realizing genuine justice in special and complex cases. Although legal rules provide an orderly and predictable framework for regulating private relations, they cannot always cover

a wide range of human, ethical, and economic situations within rigid legal forms. Consequently, in some cases the mere application of legal rules may lead to unjust outcomes, and this is precisely the point at which “equity” enters the field as a remedial instrument.

In lexical and jurisprudential texts, equity is understood as giving justice, acting justly, truthfulness, and honesty; in its ethical meaning, it refers to the observance of justice and moderation in judgment (1). Religious traditions also emphasize its superiority; for instance, Imam Ali describes equity as the highest of virtues (2). According to some views, equity even goes beyond justice, because in cases where the strict application of just rules leads to an undesirable or inequitable result, this rule provides the basis for correcting and adjusting the ruling. Such an approach can also be observed in Iranian law, and when rigid rules do not satisfy the judge’s moral conscience, reliance on equity can assist the judge in issuing a just judgment.

In English law, the concept of Equity enjoys a more systematic position. Equity is part of natural justice, which, through the legal history of this country, separated from Common Law and was developed by specialized courts such as the Court of Chancery. In this system, equity developed as an independent branch of law with the purpose of remedying the deficiencies of Common Law and preventing inequitable outcomes (3). Equitable remedies such as Specific Performance, Injunction, Rectification, and Rescission also emerged within this framework. These institutions make it possible to provide solutions based on genuine justice in cases where contractual rules do not provide an adequate response. According to some legal scholars, equity is a body of rules that exists alongside the principal rules of law and, by relying on higher moral principles, can particularize or restrict legal rules (4). In English legal dictionaries, equity is also defined as justice administered on the basis of moral conscience and in opposition to the rigid rules of Common Law (5).

By contrast, the Iranian legal system does not contain an independent institution comparable to English Equity, although principles such as justice, no harm, benevolence, and good-faith-based interpretation perform similar roles in adjusting contracts and preventing unjust outcomes. Nevertheless, the absence of a coherent structure for applying equity gives judicial interpretation and assessment a more prominent role, and this may lead to inconsistency in practice and reduced predictability.

Given the fundamental difference between the two systems—one possessing the historical and structured institution of Equity and the other relying on general rules of justice and jurisprudential principles—the central problem of this study is as follows: how does contractual equity operate as a remedial instrument in dispute resolution in Iran and England, and which features distinguish its function in the two systems? This issue requires an analysis of the concept, function, and instruments of equity in both systems and an examination of their capacity to create genuine balance in contractual relations.

The Role of Contractual Equity in the Settlement of Contractual Disputes with Emphasis on a Comparative Approach to Iranian and English Law

Contractual equity, as one of the important concepts in contract law, has attracted the attention of many legal scholars and legal systems in recent decades. The increasing complexity of economic relations, the expansion of commercial transactions, and the growth of complex contracts have made mere reliance on traditional rules of contract insufficient for dispute resolution. Under such circumstances, contractual equity has emerged as a remedial and supplementary instrument in the interpretation and enforcement of contracts. Contractual equity is, in fact, an effort to create balance between the rights and obligations of the contracting parties in order to prevent injustice in

contractual relations. This concept becomes especially important where the mere rigid enforcement of contractual terms may lead to inequitable or unjust results (6). In many contemporary legal systems, contractual equity plays an important role not only at the stage of contractual interpretation but also in the process of dispute resolution. In fact, when a dispute arises between contracting parties, judicial or arbitral authorities may rely on the principles of equity and contractual justice to provide a balanced interpretation of obligations and thereby prevent unjust outcomes. This approach has found a more visible manifestation in the English legal system, which has a rich background in Equity (7).

In English law, the concept of equity is rooted in the historical system of equity courts, which developed as a supplement to Common Law. Common Law courts, in many cases, were unable to provide just solutions because of their rigidity in applying legal rules; therefore, equity courts intervened with the aim of realizing justice and preventing injustice. These courts played an important role in reforming contractual relations by relying on principles such as good faith, prohibition of abuse of rights, and prevention of inequitable conduct (7). One of the most important manifestations of contractual equity in English law can be observed in doctrines such as undue influence, unconscionability, and promissory estoppel. These concepts allow courts to intervene in contractual terms and prevent their inequitable enforcement where one party has abused a superior position or where the contractual terms are manifestly unjust (6). For example, the doctrine of unconscionability enables courts to declare a contract, or part of it, unenforceable where circumstances such as severe inequality of bargaining power or unfair exploitation of one party's weakness exist. This approach indicates that in the English legal system, contractual justice may take precedence over the mere enforcement of formal contractual rules (7).

By contrast, in Iranian law the concept of equity has not developed as explicitly and systematically as in English law, but its traces can be found in various legal principles and rules. One of the most important sources inspiring the concept of equity in Iranian law is Islamic jurisprudence. In Islamic jurisprudence, principles such as the no-harm rule, the rule of justice, the rule prohibiting uncertainty, and the principle of good faith play an important role in creating balance in contractual relations (8).

The no-harm rule is one of the most important jurisprudential foundations for realizing equity in contractual relations. According to this rule, no one may exercise their right in a manner that causes harm to another. In many cases, this rule can be used as an instrument for reforming contractual relations and preventing inequitable outcomes (9). The principle of justice also has a special place in Islamic jurisprudence, and many jurists have emphasized the necessity of observing justice in transactions and contracts. This principle can serve as a basis for intervention in contracts that, due to special circumstances, lead to injustice between the parties. In this regard, some legal writers believe that jurisprudential principles can perform a role similar to the principles of equity in Common Law (8, 10).

In the Iranian legal system, some statutory provisions also implicitly refer to the concept of equity. For example, Article 220 of the Civil Code provides that contracts bind the contracting parties not only to the express terms of the agreement but also to all consequences that arise from the contract according to custom, usage, or law. This article can provide a basis for the equitable interpretation of contracts (1). Article 221 of the Civil Code also provides that if a person undertakes to perform an act, that person will be liable for compensation in the event of breach, unless it is established that non-performance resulted from an external cause. In practice, this article can also be used through equitable interpretation in order to prevent the imposition of unjust liability on the parties (3). Nevertheless, it should be noted that the role of courts in reforming contractual terms in Iranian law is more limited than in English

law. In many cases, the principle of party autonomy and the binding force of contracts prevents extensive judicial intervention in contractual relations. However, certain legal institutions, such as contractual adjustment, interpretation based on custom, and the use of jurisprudential rules, can to some extent perform a remedial function (1).

In the field of contractual dispute resolution, the role of equity becomes even more significant. When a dispute arises between contracting parties, judicial or arbitral authorities must examine the actual circumstances of the contract, the common intention of the parties, and the effects of performing the obligations, and must make a decision that observes both legal rules and justice and equity. This is especially important in complex commercial contracts that may contain ambiguities or inequitable terms (7).

A comparative study of Iranian and English law shows that although both legal systems pay attention to the concept of equity in some form, the manner of its application and its position differ between the two systems. In English law, equity has developed as an independent part of the legal system and has specific rules and doctrines; whereas in Iranian law, equity is more often expressed through general principles and jurisprudential rules and is less frequently recognized as an independent institution (6).

However, there are also similarities between the two legal systems. For example, both systems allow judicial intervention where the enforcement of contractual terms leads to manifest injustice. In English law, this intervention takes place through equitable principles and specific doctrines, whereas in Iranian law it may occur through jurisprudential rules, general legal principles, or justice-based interpretation (7).

From a practical perspective, the use of contractual equity can play an important role in reducing disputes and increasing trust in contractual relations. When contracting parties are confident that, in the event of a dispute, the dispute resolution authority will examine the matter through an equitable approach, they will have greater motivation to enter into contracts and engage in economic cooperation (7).

In addition, contractual equity can function as an instrument for preventing the abuse of economic power in contracts. In many transactions, one party may possess greater bargaining power and impose terms on the other party that are detrimental to that party. Under such circumstances, equitable principles can play an important role in creating balance between the parties (6). In recent years, with the expansion of international trade and the increase in economic interactions among countries, the importance of comparative approaches in contract law has attracted increasing attention. Examining the experiences of different legal systems can help improve domestic laws and increase the efficiency of the legal system. Within this framework, a comparative study of Iranian and English law in the field of contractual equity can provide a basis for reforming and developing legal rules in Iran (7). Ultimately, contractual equity can be described as a remedial instrument in dispute resolution that plays an important role in realizing justice in contractual relations. Although the Iranian legal system has not yet fully used the capacities of this concept, the jurisprudential foundations and justice-oriented principles existing in Iranian law make it possible to develop and strengthen this approach. Drawing on the experience of advanced legal systems such as England can help enhance the efficiency of the Iranian legal system in the field of contractual dispute resolution and provide a basis for realizing greater justice in economic relations (6, 8).

Modern Functions of Contractual Equity in Legal Systems: The Interaction of Tradition and Innovation in Securing Contractual Justice

Rapid economic developments and the increasing complexity of transactional relations have transformed the concept of “contractual equity” from a purely theoretical idea into a practical instrument for regulating and reforming private relations. In the past, legal systems relied mainly on formal and traditional rules of contract, and the principle of party autonomy and the binding force of contracts were regarded as the main pillars of transactional order. However, practical experience showed that exclusive reliance on the apparent will of the parties and the written terms of the contract does not always lead to the realization of substantive justice and, in some cases, can create grounds for abuse and injustice. In this context, contractual equity, as a modern approach, seeks to establish a dynamic balance between the requirements of transactional stability and justice-oriented necessities.

One of the modern functions of contractual equity is its role in preventing the formation of severely unjust or one-sided contracts. In many contemporary transactions, especially standard-form, consumer, financial, and technology-based contracts, the genuine will of one party is effectively affected by informational, economic, or technical inequality. In this respect, contractual equity seeks to prevent the consolidation of severe inequalities through criteria such as the reasonable balance of obligations, transparency of terms, genuine possibility of negotiation, and prohibition of abuse of economic or technical superiority. This preventive function reveals an innovative aspect of equity, which is no longer activated only after a dispute has arisen and at the stage of compensation, but also operates at the stage of drafting and initial evaluation of the contract.

Another important function of contractual equity is its prominent presence in the dynamic interpretation of contracts in accordance with changing circumstances. In many legal systems, including English law and also within certain theories in Iranian law, a judge or arbitrator may rely on equitable criteria to interpret contractual terms in a manner that preserves the framework of the agreement while preventing clearly oppressive results. In this approach, contractual language is not interpreted in a vacuum or in an abstract manner; rather, its meaning is determined equitably and in a balanced way by considering the economic purpose of the contract, the actual position of the parties, the custom governing commercial relations, and the principle of good faith. This form of equitable interpretation plays a fundamental role in maintaining contractual balance and preventing the collapse of transactional relations, especially during periods of economic crisis, severe market fluctuations, or unforeseeable changes in circumstances.

Contractual equity also has a remedial and adjustive function at the stage of contract performance. In some cases, rigid and literal performance of obligations can produce results that, although formally consistent with the contract, appear substantively very unjust. In such cases, equitable instruments may be applied through institutions such as adjustment of obligations, suspension of the performance of part of the contract, or limitation of the scope of certain clauses, particularly exemption clauses or excessive penalty clauses. In this way, the legal system seeks to prevent extreme outcomes contrary to legal conscience without completely violating the principle of the binding force of contracts and to establish a form of restorative justice in contractual relations.

From the perspective of the interaction between tradition and innovation, contractual equity occupies an intermediate position between traditional rules and new needs. In Roman-Germanic and Common Law systems, equity was initially regarded as an exception to the rule and as an extraordinary instrument, but gradually, with the expansion of its scope of application and theoretical acceptance, it became part of the internal logic of the legal system. In Iranian law as well, although the term “equity” has not been presented in statutory texts as a coherent

and independent institution, many jurisprudential foundations and general principles have the capacity, through innovative interpretation, to perform the same functions as equity. Rules such as no harm, prohibition of uncertainty, preference for justice over hardship and distress, and attention to equitable custom in contract interpretation are examples of this connection between tradition and innovation, and they can provide a foundation for developing a theory of contractual equity within the framework of Iranian law.

At the level of judicial and arbitral practice, the modern functions of contractual equity have also received greater attention than before. In disputes arising from complex banking, insurance, investment, and technology contracts, dispute resolution authorities cannot respond to the justice-oriented expectations of the parties and economic necessities merely by relying on rigid formal rules. In such cases, reliance on the principles of equity, good faith, prohibition of abuse of rights, and balance of interests enables the judge or arbitrator to make a decision that is legally defensible and also acceptable from economic and ethical perspectives. In this way, contractual equity becomes an instrument for legitimizing judicial and arbitral decisions and strengthens the parties' trust in the dispute resolution system.

In the field of international contract law, contractual equity has also acquired a prominent role. International instruments and model rules, such as principles of international commercial contracts, indirectly emphasize the role of equity through concepts such as good faith, fair dealing, and balance of interests. This trend has led even legal systems that previously adopted a stricter approach toward intervention in contracts to move gradually toward the acceptance of equitable standards. In such an environment, Iranian law, in order to align itself with international standards and facilitate investment and cross-border trade, inevitably needs to strengthen the instruments of contractual equity and clarify its position in litigation and arbitration.

Ultimately, the modern functions of contractual equity can be summarized in three main axes: first, preventing the formation of manifestly unjust contracts through supervision over the process of will formation and the content of terms; second, dynamically interpreting contractual terms in light of actual circumstances and the economic purposes of the contract; and third, correcting and adjusting the performance of obligations in cases where the results of apparently correct performance are clearly incompatible with justice and legal conscience. These three axes show that contractual equity is no longer merely a theoretical issue on the margins of contract law, but rather a practical mechanism for establishing balance between legal certainty and substantive justice in contractual relations. A measured combination of traditional legal foundations with modern economic and social needs can provide the basis for the further institutionalization of this concept in various legal systems, including Iranian law, and can constitute an effective step toward securing contractual justice and increasing the efficiency of the legal system.

Equity as a Supplementary Rule and a Factor in Issuing a Universal Judgment

In some oil-producing countries, the only existing legal system is the Islamic legal system. Western companies believe that this legal system was established for a particular region, limited to the Muslim world, and for the resolution of disputes among Muslims. In most oil contracts between oil-producing countries and foreign companies, in addition to the designation of the "law of the producing state" as the law governing the contract, reference is also made to the need to apply "general principles of law" as supplementary rules, so that the oil-producing country is satisfied and the foreign company is reassured that, if a problem arises in its relations with the other party, legal principles recognized in most legal systems of the world will guarantee its rights (11, 12).

An oil contract between the Libyan state and a foreign company provided that the contract and its interpretation would be governed by those legal principles of Libya that were consistent with the principles of international law, and that the contract would be implemented and interpreted in accordance with general principles of law, particularly those principles applied by international courts. Many international arbitral awards have been issued on the basis of clauses of this kind. In such awards, arbitrators mostly seek to resolve the dispute by referring to principles shared between Islam and the world outside it, thereby giving the issued award a fully universal character (11, 12).

The Role of Equity in Good Offices Concerning Commercial Disputes

According to one method of peaceful settlement of international disputes, including international commercial disputes, a third party, with the consent of the states involved in the dispute, acts as an intermediary in a friendly manner and seeks to bring them to negotiation, without necessarily presenting substantive proposals to those states for settlement. In this method, good offices constitute the most modest form of participation by a third state in dispute settlement. The person offering good offices may be the representative of a third state, an organ of an international organization, a non-governmental international organization, or even an individual (12, 13).

The Obligation of Arbitrators to Issue an Award on the Basis of Equity

The view of one group of legal scholars is that the parties' agreement and consent to arbitration by way of amicable composition not only grants arbitrators the authority to disregard positive legal rules, but also obliges them to provide a solution to the dispute solely on the basis of equity, rather than on the basis of law (14).

In support of this view, they argue that if the parties to a dispute have asked the arbitrators to adjudicate according to equity, but the arbitrators, contrary to the parties' request, decide according to legal rules and without any reference to equity and equitable considerations, such conduct is inconsistent with the philosophy of amicable composition. More specifically, if no departure from positive legal rules occurs, there will be no difference between amicable composition and the application of legal rules, even if the latter leads to equitable results. The basis and nature of arbitration will be amicable composition only when it is conducted on the basis of equity and in contrast to positive legal rules (15, 16).

On the other hand, the absence of an obligation on amiable compositeur arbitrators to decide on the basis of equity makes it possible for them to refrain from applying equity under the pretext that the results of applying legal rules are equitable and in order to avoid the accusation that they acted on the basis of their personal and subjective understanding of equity. This would undermine the very nature and philosophy of arbitration based on equity. French judicial practice follows this view. According to the dominant view in French judicial practice, an arbitrator authorized to apply equity is not only required to settle the dispute on the basis of equity and amicable composition, but must also expressly and clearly state, in the reasoning part of the award, the reasons and arguments showing the connection between the adopted solution and equity, so that the judge can determine whether the arbitrator considered equity when examining the subject matter of the dispute and issuing the award (17).

In fact, most scholars in France regard an explicit reference to equity in the arbitral award as the only objective criterion by which court judges can verify that amiable compositeur arbitrators have performed their duty to apply equity. This view has led courts to annul many arbitral awards because of the absence of an express and formal statement of equitable foundations in the reasoning part of the award. For example, in Award No. 192 dated 15 February 2001, the French Court of Cassation, upon the claimant's request, annulled the award issued by the

arbitrators and stated that, despite the conferral of amicable composition authority on the arbitrators under the arbitration agreement, the arbitrators' award was based solely on legal rules, without explaining or specifying whether the relied-upon reasoning and arguments were consistent with equity and equitable considerations (17).

Contrary to the arbitration agreement requiring the application of equity to the merits of the dispute, the issued award was based only on legal rules and had no connection with equity or equitable foundations. Similarly, in Case No. 7913 in 1996 before the ICC Court of Arbitration, it was stated that when arbitrators face a situation in which the parties have not chosen the applicable law, and despite the conferral of amicable composition authority on the arbitrators, there is no need to determine the substantive law applicable to the dispute. Likewise, in Case No. 10049 dated June 2003, the same authority, in response to the issue of determining the substantive law applicable to the merits of the dispute, stated that identifying the substantive law applicable to the merits was not of great importance because the arbitration clause had granted the arbitrators the authority to act as amiable compositeurs (14, 17).

Therefore, the tribunal is not obliged to proceed according to legal rules. This clause is completely valid. Arbitrators are obliged, in the disputed case, to decide according to principles of equity instead of resorting to state laws. A similar approach has also been adopted in cases before the FIBA Arbitral Tribunal. For example, in Case No. 10/0117 in 2010, it was stated that it is generally accepted that an arbitrator authorized to apply equity is obliged to issue a decision and award based exclusively on equity, without regard to legal consequences. In fact, the arbitrator must focus on the circumstances of the particular case rather than applying general and abstract rules. According to this view, an arbitrator acting as an amiable compositeur has only one choice, namely to make a decision by following principles of equity, provided that these equitable considerations are not contrary to public policy. French courts have repeatedly followed this view (17).

The Absence of an Obligation on Arbitrators to Issue an Award on the Basis of Equity

Against the view mentioned in the previous section, most writers believe that decision-making by way of amicable composition, even where the parties have expressly agreed to it, does not oblige the adjudicating authority to depart from the applicable law (15, 18).

This group of legal scholars believes that although the distinctive sign of the authority to decide according to equity is departure from legal principles, such authority never prevents the application of national laws and does not oblige arbitrators to deviate from legal rules. In other words, although in arbitration based on equity all circumstances, customs, and practices governing the relations of the parties to the dispute are considered in order to reach an equitable decision, if, in the arbitrators' view, there is no difference between legal rules and regulations and the requirements of equity, or if the solution resulting from the law is more equitable, they must base their award on legal standards (14, 16).

According to them, in order to decide according to equity, in addition to the express permission and consent of the parties, the arbitrators must also consider such action necessary. That is, if, in the arbitrators' view, the application of legal rules leads to unjust, inequitable, disproportionate, and unenforceable results, the arbitrators may, with the consent of the parties to the dispute, disregard legal rules and decide solely on the basis of equity. Otherwise, the arbitrators may refrain from amicable composition and issue an award on the basis of positive legal rules (15, 16).

In support of accepting the requirement of necessity alongside the parties' agreement, it has been written that amicable composition is a method for reaching an equitable solution through the disregard of legal rules, but only

to the extent that such disregard is considered necessary. Therefore, the parties' consent is only a necessary condition, not a sufficient one, for the application of equity. For this reason, the members of the French working group at the International Chamber of Commerce stated in their report on amicable composition that the amiable compositeur arbitrator must first assess each party's claims according to the rules and standards of the applicable substantive law. If the solution provided by law appears unjust and inequitable, the arbitrator is permitted to adapt the solution to equitable principles or to decide independently on the basis of equitable considerations. Consequently, according to this group of writers, arbitrators acting as amiable compositeurs may align their equitable opinions and decisions with national laws. Nevertheless, there is no consensus among this group of legal scholars as to whether arbitrators are required in such cases to declare the absence of any difference between equity and legal rules (17).

Some believe that the arbitrator is not required to make an express declaration on this matter, whereas other writers who follow this approach argue that the arbitrator must clearly explain in the issued award why departure from legal standards in the disputed matter was deemed unnecessary. In fact, the arbitrator must state sufficient reasons in the reasoning part of the award showing that the result of applying equity and the result of applying legal rules are the same. Therefore, if the arbitrator cannot prove such conformity, the award will be exposed to annulment on the ground of excess of authority (14, 17).

Conclusion

The rule of contractual equity, as one of the fundamental justice-oriented concepts, plays a central role in reforming and adjusting contractual relations and resolving disputes arising from contracts in different legal systems. In many cases, the mere rigid application of legal rules can lead to results that are incompatible with genuine justice and practical balance between the contracting parties. Under such circumstances, contractual equity intervenes as a remedial and supplementary instrument in order to provide the basis for realizing substantive justice in contractual relations through equitable interpretation of obligations, adjustment of the effects of the contract in light of circumstances, and prevention of abuse of contractual rights. A comparative examination of this concept in the legal systems of Iran and England shows that although both systems seek to realize contractual justice, their institutional position, theoretical foundations, and methods of applying equity are different.

In the Iranian legal system, contractual equity has deep roots in the foundations of Islamic jurisprudence and rational principles. The acceptance of rational good and evil, the rule of correlation between reason and religious law, and the emphasis of religious teachings on justice, equity, and prohibition of oppression have caused the concept of equity to have a prominent implicit presence in the interpretation and enforcement of contracts. Although Iranian statutory law does not provide for an independent and explicit institution under the title of "contractual equity," principles such as justice, prohibition of abuse of rights, the binding force of promises, good faith in performance, observance of reasonable balance in obligations, and the no-harm rule constitute practical manifestations of equity in contractual relations. In practice, courts also rely on general principles of law, equitable custom, and jurisprudential rules in cases of ambiguity, silence, or apparent conflict of rules, and use equity as an instrument for interpreting contracts, adjusting their effects, and resolving contractual disputes. Therefore, contractual equity in Iranian law is more implicit, inferential, and intertwined with general principles of contract and jurisprudential foundations than it is an expressly recognized institution, and it is extracted and applied from within these sources.

By contrast, in the English legal system, Equity has a historical, structured, and institutionalized position and has developed as an independent body of rules alongside Common Law. Equity in this system emerged in response to the rigidity, formalism, and limitations of monetary compensation in Common Law, and its purpose was to remedy injustices resulting from the rigid application of general rules in contractual relations. Institutions such as Specific Performance, Injunction, Rectification, equitable Rescission, and Trust are among the most important instruments for realizing equity in this system. In addition, doctrines such as unconscionability, undue influence, and promissory estoppel allow courts to intervene in contractual terms and prevent oppressive outcomes where one party has exploited the weakness or inequality of the other party or where manifestly unjust terms have been imposed. Thus, in English law, equity is not merely an ethical or recommendatory principle, but rather an official, case-law-based, and institutionalized source alongside Common Law that plays an important role in reforming, supplementing, and controlling contractual rules.

A comparison of these two legal systems shows that both ultimately pursue a common objective, namely the realization of contractual justice, the control of inequitable outcomes, and the creation of practical balance in contractual relations; however, the path and mechanism for achieving this objective differ. In English law, contractual equity is applied through an independent institution with specific judicial remedies and doctrines, and the judge may expressly rely on the rules of Equity. In Iranian law, by contrast, this concept enters the process of contractual interpretation and dispute resolution more often through jurisprudential principles, general rules of contract, equitable custom, the no-harm rule, prohibition of uncertainty, and concepts such as good faith and prohibition of abuse of rights. This difference largely arises from the different theoretical foundations of the two systems: one is based on the historical development of judicial practice and the traditional duality between Common Law and Equity, while the other is based on the connection between Islamic jurisprudence, statutory legislation, and the role of general legal principles.

The role of contractual equity in dispute resolution becomes especially prominent in the field of commercial contracts and complex economic relations. Contemporary commercial contracts are often accompanied by rapid changes in economic conditions, market fluctuations, unequal bargaining power, and ambiguity in risk allocation, and in such an environment the mere application of legal rules and reliance on the apparent wording of the contract do not always respond to all practical needs and justice-oriented expectations. In this situation, contractual equity, as a remedial instrument, can help establish balance between the parties through equitable and purpose-oriented interpretation of the contract, adjustment of its effects in accordance with circumstances, limitation of the function of excessive clauses, such as unusual penalty clauses or broad exemption clauses, and prevention of abuse of contractual rights. In English law, the principles of Equity and related doctrines play an important role in judicial proceedings and international commercial arbitration in realizing this objective. In Iranian law as well, although the instruments take a different form, judges and arbitrators may rely on general principles of law, justice-oriented jurisprudential rules, specialized custom, and standards of good faith in order to use equity to reach just and balanced solutions.

Ultimately, contractual equity in both Iranian and English legal systems functions as a remedial and supplementary instrument in the settlement of contractual disputes and may be regarded as a bridge between legal rules and ethical, justice-oriented values. Although its mode of emergence, institutional structure, and legal language differ in the two systems, their common objective is to create balance in contractual relations, protect the genuine and equitable will of the parties, and prevent unjust and exploitative outcomes. Therefore, the comparative

study of contractual equity can reveal the latent capacities of both systems and provide a basis for designing more efficient solutions for regulating contracts, preventing disputes, and offering fairer solutions in the process of contractual dispute resolution.

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Authors' Contributions

All authors equally contributed to this study.

Declaration of Interest

The authors of this article declared no conflict of interest.

Ethical Considerations

All ethical principles were adhered in conducting and writing this article.

Transparency of Data

In accordance with the principles of transparency and open research, we declare that all data and materials used in this study are available upon request.

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