

Contracts Act

(228/1929; amendments up to 449/1999 included)

Chapter 1 — Conclusion of contracts

Section 1

- (1) An offer to conclude a contract and the acceptance of such an offer shall bind the offeror and the acceptor as provided for below in this chapter.
- (2) The provisions in this chapter shall not apply to contracts of standard form or to contracts which require performance in order to become effective, nor shall they apply where the contrary is expressly or implicitly stipulated in the offer or the acceptance or follows from trade usage or other practice.

Section 2

- (1) If the offeror has fixed a specified period of time for acceptance, he/she shall be deemed to have stipulated that the acceptance has to reach him/her within the said period of time.
- (2) If a specified period of time for acceptance has been fixed in the letter or telegram in which the offer is made, the period shall run from the date given on the letter, not including that day, or from the time of day when the telegram was handed to the telegraph office at the place of dispatch for transmission to the offeree. If the letter is not dated, it shall be deemed dated on the date stamped on the envelope.

Section 3

- (1) An offer made orally without granting respite for acceptance shall be accepted immediately; unless an immediate acceptance is given, the offer shall be deemed rejected.
- (2) If an offer is made in a letter or telegram or otherwise in a manner that makes an immediate acceptance impossible and no specific period of time has been fixed for acceptance, the acceptance shall reach the offeror within a period of time that could reasonably be contemplated by him/her at the time of making the offer. In determining this period of time, the offeror shall, unless the circumstances indicate otherwise, be entitled to presume that the offer reaches the offeree within due time and that the acceptance is dispatched without delay after the offeree has had a reasonable period of reflection and is not delayed in transmission; if the offer is made in a telegram or other manner indicating the offeror's wish for a prompt reply, the offeror shall likewise be entitled to presume that the acceptance is dispatched in the same manner or otherwise reaches him/her equally quickly.

Section 4

- (1) An acceptance that reaches the offeror too late shall be deemed to constitute a new offer made by the original acceptor.

- (2) However, the provision in paragraph (1) shall not apply if the acceptor has assumed that the acceptance has reached the offeror within due time and the offeror must have understood the same. If the offeror in that case does not wish to accept the acceptance, he/she shall, without undue delay, notify the acceptor thereof; otherwise a contract shall be deemed concluded by way of the acceptance.

Section 5

If an offer is rejected, it shall expire even if its period of validity has not yet lapsed.

Section 6

- (1) A reply that purports to be an acceptance but which, due to an addition, restriction or condition, does not correspond to the offer, shall be deemed a rejection constituting a new offer.
- (2) However, the provision in paragraph (1) shall not apply if the offeree has considered the reply to correspond to the offer and the offeror must have understood the same. If the offeror in that case does not wish to accept the reply, he/she shall, without undue delay, notify the offeree thereof; otherwise a contract shall be deemed concluded on the terms contained in the reply.

Section 7

An offer or an acceptance that is revoked shall not be binding, if the revocation reaches the person to whom it is addressed before, or at the same time as, the offer or acceptance comes to his/her attention.

Section 8

If the offeror has stated that an express acceptance is not required or if the circumstances indicate that he/she does not expect one, the offeree shall, nevertheless, upon request, let the offeror know whether he/she accepts the offer; otherwise the offer shall be deemed to have expired.

Section 9

- (1) A bid made at an auction shall bind the bidder until the bidding has been closed with regard to the item in question or until a higher bid is made, provided that it is not immediately rejected. Unless the seller has reserved himself/herself time to consider the bid, the highest bidder shall be entitled to immediately know whether his/her bid is accepted or not. If it has been announced that the item is in any event to be sold and if the highest bidder is someone other than the seller, the sale shall be concluded with the highest bidder; if two or more persons have made the same highest bid, the seller shall be entitled to choose which of the bids to accept.
- (2) In a reverse auction, the provisions in paragraph (1) on a higher or the highest bid shall apply correspondingly to a lower or the lowest bid.

Chapter 2 — **Authorisation**

Section 10

- (1) A person who has authorised another to conclude contracts or to enter into other transactions shall, directly in relation to a third person, acquire rights and become bound by way of the transactions entered into by the agent within the scope of his/her authority and in the name of the principal.
- (2) Where a person, by virtue of employment or otherwise by way of a contract concluded with another, holds a position which, according to law or custom, establishes a certain authority to act on behalf of the other, he/she shall be deemed, within the scope of that authority, empowered to conclude contracts or to enter into other transactions.

Section 11

- (1) Where an agent has entered into a transaction against the instructions of the principal, the transaction shall not bind the principal if the third person knew or should have known that the agent was exceeding the scope of his/her authority.
- (2) Where an authorisation is based solely on a communication by the principal to the agent, transactions by the agent exceeding the scope of his/her authority shall not bind the principal even if the third person was in good faith.

Section 12

An authorisation expressly communicated by the principal to a third person shall be revoked when an express communication by the principal revoking the authorisation reaches the third person.

Section 13

- (1) An authorisation published by the principal in a newspaper shall be revoked by announcement in the same newspaper. An authorisation otherwise publicly announced shall be revoked by a similar announcement of the revocation.
- (2) If an authorisation cannot be revoked in accordance with the provisions in paragraph (1), the revocation shall be communicated in another equally effective manner. In that case the principal shall, upon request, be entitled to receive instructions as to the measures he/she should take from the public authority referred to in section 17.

Section 14

An authorisation referred to in section 10(2) shall be revoked by removing the agent from the employment or other position upon which his/her authority was based.

Section 15

- (1) An authorisation based on a document that is given to the agent in order to be presented to a third person shall be revoked by the principal reclaiming the said document of authorisation or by having it destroyed.
- (2) Upon the principal's request, the agent shall return the said document of authorisation.

Section 16

Where more than one of the provisions in sections 12—15 apply to an authorisation, all such provisions shall be complied with. A third person who has been notified of the revocation of an authorisation in accordance with section 12 shall, however, not be entitled to invoke a failure of the principal to revoke the authorisation in another manner.

Section 17

- (1) If a principal shows probable cause that a document of authorisation has been lost or that other reasons prevent him/her from regaining possession thereof without delay, the document may be declared void.
- (2) The petition to have a document of authorisation declared void shall be filed with the District Court of the residence of the petitioner. If the petitioner is not resident in Finland, the petition may be filed with the District Court in whose jurisdiction the petitioner is staying, or with the District Court of Helsinki. If the petition is admitted, the District Court shall publish an announcement in the *Official Gazette* to the effect that the document shall become void at the expiration of a given period of time. This period shall not be shorter than fourteen days from the publication of the announcement in the *Gazette*. The District Court shall declare the document void immediately at the expiration of the period, unless there is an impediment to the same. Where necessary, the District Court may also publish the announcement in one or more newspapers, at the expense of the petitioner, before it is published in the *Official Gazette*. (810/1996)

Section 18

An authorisation based only on a communication by the principal to the agent shall be revoked when a communication revoking the authorisation reaches the agent.

Section 19

If the principal has a special reason to believe that, regardless of the fact that the authorisation has been revoked or that the document of authorisation has been declared void, the agent will, on the strength of the authorisation, enter into a transaction with a third person who cannot be presumed to be aware of the revocation, the principal shall, if possible, inform the said third person of the revocation of the authorisation. If he/she fails to do so and the person with whom transaction was entered into was in good faith, the principal cannot invoke the revocation of the authorisation against the said person.

Section 20

If the principal, without revoking an authorisation in accordance with the provisions in sections 12—18, has forbidden the agent to exercise the authority or otherwise indicated that the authorisation is no longer valid, a transaction entered into by the agent shall not bind the principal if the third party knew or should have known of the said fact.

Section 21

- (1) If the principal dies, an authorisation shall nonetheless remain valid, unless special circumstances require its revocation. Even under such circumstances, a transaction entered into by the agent shall bind the

decedent's estate if the third person neither knew nor should have known of the principal's death and its relevance to the agent's authority; if the authorisation is of the kind referred to in section 18, the transaction shall be binding only if also the agent, when entering into the transaction, neither knew nor should have known of the death and its relevance.

- (2) If a decedent's estate is surrendered into bankruptcy, a transaction that binds the estate according to paragraph (1) shall, against the creditors of the estate, have the same effect as it would have if it had been entered into by the parties to the estate.

Section 22 (449/1999)

If the competency of the principal is restricted, a transaction entered into by the agent shall have only such legal effects that it would have, had the principal himself/herself entered into it.

Section 23

If the property of the principal is surrendered into bankruptcy, a transaction thereafter entered into by the agent shall not bind the bankruptcy estate.

Section 24 (449/1999)

If the competency of the principal is restricted or if his/her property is surrendered into bankruptcy, the agent shall be entitled, before the guardian or the trustee of the bankruptcy estate can undertake measures, to enter, by virtue of the authorisation, into such transactions that are necessary in order to safeguard the principal or the estate against loss.

Section 25

- (1) A person purporting to be an agent of another, without being able to prove that he/she has acted in accordance with an authorisation or that the alleged principal has ratified the transaction or is otherwise bound thereby, shall compensate a third person for any loss suffered because the transaction does not bind the alleged principal.
- (2) However, the provisions in paragraph (1) shall not apply if the third person knew or should have known that the authorisation did not exist or was exceeded or that the authorisation of the person purporting to be an agent was invalid due to a special reason that was unknown to the agent and that the third person could not reasonably expect the agent to have known of.

Section 26

The provisions in this chapter on authorisation shall apply correspondingly to an authorisation to represent a principal with regard to transactions directed at him/her.

Section 27

- (1) The provisions in section 8 of the Procuracy Act (130/1979) shall apply to the revocation of a procuracy entered in the trade register. If the revocation has been entered in the trade register and announced in due manner, the owner of the trade name need not revoke the procuracy in any other way.
- (2) The provisions in chapter 2, section 3, of the Code of Real Estate (540/1995) shall apply to the form of an authorisation to convey, exchange or mortgage real property. If such an authorisation has been revoked or declared void in

accordance with the provisions in sections 15 and 17, the authorisation shall be without effect.

- (3) The provisions in this chapter according to which a transaction entered into by the agent does not, in given situations, bind the principal shall be without prejudice to the provisions in chapter 18, section 3 of the Code of Commerce on the effect of any benefit received by the principal from such a transaction.¹

Chapter 3 — **Invalidity and adjustment of contracts** (956/1982)

Section 28

- (1) A transaction into which a person has been coerced shall not bind him/her if the coercion consisted of physical violence or a threat involving imminent danger to life or health (*grave duress*).
- (2) However, if the coercion was exercised by a third person and the person to whom the transaction was directed was in good faith, the coerced party shall, if he/she wants to invoke the said coercion in relation to the other party, without undue delay after the coercion has ceased notify that party thereof at the risk of the transaction otherwise becoming binding.

Section 29

A transaction entered into under coercion not constituting grave duress, as referred to in section 28, shall not bind the coerced party if the coercion was exercised by the person to whom the transaction was directed or if this party knew or should have known that the other party was coerced into the transaction.

Section 30

A transaction into which a person has been fraudulently induced shall not bind him/her if the person to whom the transaction was directed was himself/herself guilty of such inducement or if he/she knew or ought to have known that the other party was so induced.

Section 31

- (1) If anyone, taking advantage of another's distress, lack of understanding, imprudence or position of dependence on him/her, has acquired or exacted a benefit which is obviously disproportionate to what he/she has given or promised or for which there is to be no consideration, the transaction thus effected shall not bind the party so abused.
- (2) The same shall apply if a third person was guilty of conduct referred to in paragraph (1) and the person to whom the transaction was directed knew or should have known thereof.
- (3) The provisions in chapter 16 of the Maritime Act (167/1939) shall apply to salvage agreements.

¹ According to chapter 18, section 3 of the Code of Commerce the principal shall not be bound by or liable for his/her agent's acts falling outside the scope of the agent's authority unless it is established that those acts were to the principal's benefit.

Section 32

- (1) Where a message containing an expression of a person's will, due to a misprint or other error on his/her part, differs from what he/she intended, the message shall not bind him/her if the recipient knew or should have known of the misprint or error.
- (2) Where a message containing an expression of a person's will is transmitted by telegram or orally through a messenger and it changes due to an error in transmission or a mistake made in its delivery by the messenger, the message shall not bind the sender in the form in which it reached the other party even if the recipient was in good faith. After learning of the change the sender shall, however, inform the recipient without undue delay that he/she does not want to be bound by the changed message; otherwise, and provided that the recipient was in good faith, the message shall be binding in the form it reached the recipient.

Section 33

A transaction that would otherwise be binding shall not be enforceable if it was entered into under circumstances that would make it incompatible with honour and good faith for anyone knowing of those circumstances to invoke the transaction and the person to whom the transaction was directed must be presumed to have known of the circumstances.

Section 34

Where a simulated document has been drawn up and the holder under the document of a claim or other right has assigned the said right, the assignee shall be entitled to enforce the right if he/she acquired it in good faith.

Section 35

- (1) Where a bearer instrument or other negotiable instrument has, through negotiation, been acquired by someone in good faith, the person who has signed the instrument shall be bound by it even if he/she has lost possession thereof against his/her will.
- (2) Even if a creditor has, against his/her will, lost possession of a receipt for money, payment made by the debtor against the receipt and in good faith after the maturity of the debt shall, nonetheless, be valid as against the creditor.

Section 36 (956/1982)

- (1) If a contract term is unfair or its application would lead to an unfair result, the term may be adjusted or set aside. In determining what is unfair, regard shall be had to the entire contents of the contract, the positions of the parties, the circumstances prevailing at and after the conclusion of the contract, and to other factors.
- (2) If a term referred to in paragraph (1) is such that it would be unfair to enforce the rest of the contract after the adjustment of the term, the rest of the contract may also be adjusted or declared terminated.
- (3) A provision relating to the amount of consideration shall also be deemed a contract term.

- (4) The provisions of the Consumer Protection Act (38/1978) apply to the adjustment of consumer contracts. (1260/1994)

Section 37 (956/1982)

A term under which property pledged as security for an obligation is forfeited if the obligation is not discharged shall be void.

Section 38 (956/1982)

A contract under which a person, in order to prevent or restrict competition, has undertaken not to engage in a certain activity or not to conclude an employment contract with another person engaging in such activity shall not bind the party who has made such a promise to the extent that it unreasonably restricts his/her freedom.

Chapter 4 — **Miscellaneous provisions**

Section 39

If, according to this Act, the validity of a contract or other transaction depends on the fact that the person to whom the transaction was directed neither knew nor should have known of a circumstance or that he/she otherwise was in good faith, regard shall be had to what he/she knew or should have known when he/she learned of the transaction. However, if special circumstances call for it, regard may also be had to what the person knew or should have known after the said time but before he/she relied on the contract or transaction.

Section 40

- (1) If a person, according to this Act, shall communicate something to another at the risk that a contract shall otherwise be deemed concluded or an offer accepted or that a transaction entered into by or on behalf of him/her shall bind him/her and if the said communication has been handed in for dispatch by mail or telegraph or dispatched in another appropriate manner, a delay or the non-delivery of the said communication shall not be deemed to constitute a failure by the said person to fulfil his/her duty of communication.
- (2) The provisions in sections 7, 12 and 18 shall apply to the revocation of an offer, reply or authorisation.

Section 41

This Act shall repeal chapter 1, section 1 of the Code of Commerce and amend any previous provisions that are contrary to the provisions in this Act.

Section 42

This Act shall enter into force on 1 July 1929.