

## When the Limits of Freedom of Contract Become Visible

**Decision No. BH2025.211 of the Hungarian Supreme Court (Kúria) serves as an important warning for all companies: even if the parties expressly agree in a contract, it is not always permissible to deviate from the rules of the Civil Code governing obligations.**

### What was the case about, in brief?

An electricity supply agreement contained a clause stating that payment reminders exchanged between the parties would interrupt the limitation period. Relying on this provision, the service provider—and later the assignee who had purchased the claim—relied on this clause in an attempt to ensure that a debt several years old could still be enforced before the courts.

The lower courts accepted the argument that, since the Civil Code is generally dispositive (i.e. allows deviation) in the law of obligations, the parties were free to expand the list of events that interrupt the limitation period.

The Kúria, however, firmly rejected this approach.

### How did the Kúria rule?

The Supreme Court essentially held that:

- The rules on interruption of the limitation period do not regulate the parties' rights and obligations, but rather determine the time frame within which a claim may be enforced before the courts.
- This is no longer a matter of “contractual playground”, but a mandatory (non-derogable) set of rules defining the limits of judicial enforcement.
- The grounds for interrupting the limitation period listed in the Civil Code cannot be expanded by contract. Even if the parties expressly include and accept such a clause, it remains legally ineffective.

The Kúria placed particular emphasis on the fact that the legislator deliberately removed from the previous Civil Code the rule under which a simple payment reminder would interrupt the limitation period. The reason was that such a mechanism encourages the artificial extension of time limits rather than genuine enforcement of claims, which runs counter to the purpose of limitation periods and the principle of legal certainty.

### What does this mean in practice when drafting contracts?

1. *Not every Civil Code rule is freely adjustable* - While freedom of contract is a fundamental principle of the law of obligations, certain areas—such as limitation periods, set-off, and the limits of legal enforcement—are closely linked to judicial proceedings and legal certainty. In these areas, statutory boundaries cannot be redrawn by contract.



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2. *“Sound business logic” is not always legally defensible* - From a commercial perspective, it may seem reasonable for a reminder letter to “reset the clock.” According to the Kúria’s decision, however, this is not legally permissible if the law does not recognise it as a ground for interrupting the limitation period.
3. *Risks hidden in standard contracts and terms & conditions* - Many standard contractual terms contain provisions that “creatively” deviate from the Civil Code. This ruling highlights that it is not enough to consider what the other party has accepted; it must also be assessed whether deviation is permitted at all in the given area.

### **Strategic takeaway**

When drafting contractual terms, it is not sufficient to rely solely on business logic or the parties’ mutual agreement. Especially in more complex or high-value contractual relationships, involving legal expertise already at the planning stage is advisable to ensure that the agreement is valid, enforceable, and legally secure in the long term.