REGULATION OF ADHESION
CONTRACT ACT
REGULATION OF ADHESION CONTRACTS ACT

Enacted by law No. 3922, December 31, 1986
Amended by law No. 4515, December 8, 1992
Amended by law No. 6459, May 20, 2001
Amended by law No. 07108, January 20, 2004
Amended by law No. 07491, March 31, 2005

CHAPTER 1 General Provisions

Article 1 Purpose

The purpose of this Act is to protect consumers and promote the harmonious improvement of people's lives by preventing enterprises from preparing and using adhesion contracts containing unfair terms and conditions through the abuse of their negotiating position and by establishing a sound framework for business transactions through the regulation of adhesion contracts containing unfair terms and conditions.

Article 2 Definitions

For the purpose of this Act, -

(1) the term “adhesion contract” means the general terms and conditions of a contract, regardless of their name, type, or scope, prepared in advance by one party in a certain form for the purpose of entering into a contract with a large number of persons;

(2) the term “Enterprise” means a person who is a party to a contract and offers an adhesion contract to another party as the content of the contract.

(3) the term “Customer” means a person who is a party to a contract and has received from an Enterprise an offer to incorporate an adhesion contract into the contract.
Article 3  Obligation to Specify and Explain Adhesion Contracts

(1) In entering into a contract, an Enterprise shall explain to its Customers the content of an adhesion contract in a way that would generally be expected for the type of contract in question and shall, upon the request of the Customer, deliver a copy of the adhesion contract to the Customer to help the Customer understand the Adhesion Contract; provided, however, that this shall not apply to an Adhesion Contract which is approved by an administrative agency under other laws and which is provided for in the Presidential Decree of this Act because of the need to effect a speedy transaction.

(2) An Enterprise shall explain the important particulars of an Adhesion Contract so that Customers can understand them; provided, however, that this shall not apply where such explanation is extremely difficult due to the nature of the contract.

(3) If an Enterprise enters into a contract in violation of the provisions of Paragraphs (1) and (2) above, it may not claim that the pertinent adhesion contract forms a part of the contract.

Article 4  Precedence of Individual Agreement

If an Enterprise and a Customer agree on a matter that is addressed in an adhesion contract in a manner that is different from the Adhesion Contract, such agreement shall prevail over the adhesion contract.

Article 5  Construction of Adhesion Contracts

(1) An Adhesion contract shall be construed impartially in accordance with the principle of trust and good faith and shall not be construed differently depending on the Customer.

(2) If the meaning of an adhesion contract is not clear, it shall be construed in favor of the Customer.
CHAPTER 2 Unfair Clauses In Adhesion Contracts

Article 6 General Principles

(1) Any clause in an adhesion contract which is not fair or is contrary to the principle of trust and good faith shall be null and void.

(2) Any clause in an adhesion contract shall be presumed to be unfair if -

(a) it is unreasonably unfavorable to Customers;

(b) it is a clause which Customers would have difficulty anticipating in light of various circumstances such as the type of transaction, type of contract, and etc.; or

(c) it is so restrictive of essential rights under a contract that the purpose of the contract may not be achieved.

Article 7 Prohibition of Exemption Clause

Any clause of an adhesion contract concerning the liability of contracting parties shall be null and void if it -

(1) exempts an Enterprise from liability for intentional wrongdoing or gross negligence on the part of the Enterprise, its agents, or employees;

(2) limits, without substantial reason, the extent of damages payable by the Enterprise or which shifts to Customers risk to be borne by the Enterprise; or

(3) without substantial reason, excludes or limits the warranty liability of an Enterprise, tightens requirements that Customers
must meet to exercise their rights under the warranty or, where the Enterprise has provided a sample of the subject matter of the contract or has indicated the quality or performance, and etc. of the subject matter, excludes or limits the warranty for the subject matter.

**Article 8  Predetermination of the Amount of Damages**

Any clause of an adhesion contract which obligates Customers to pay unreasonably heavy damages, including but not limited to, excessive liquidated damages for delay, shall be null and void.

**Article 9  Cancellation or Termination of Contract**

Any clause of an adhesion contract concerning the cancellation or termination of a contract shall be null and void, if it -

(1) excludes or limits the right of Customers to cancel or terminate the contract under the Act;

(2) grants an Enterprise the right to cancel or terminate the contract which is not provided for by the Act or which loosens the requirements enterprises must meet to exercise the right to cancel or terminate the contract as provided for by the Act, therefore putting Customers at an unreasonable disadvantage;

(3) obligates, without substantial reason, Customers to bear excessive duty for restitution if they cancel or terminate a contract or which unreasonably provides for Customers to waive their claim for restitution;

(4) unreasonably reduces the duty for restitution of an Enterprise or its duty to pay damages in the event of cancelling or terminating a contract; or
(5) in a contract providing for a continuous creditor-debtor relationship, might put Customers at an unreasonable disadvantage by providing for a duration that is unreasonably short or long or by allowing implied extensions or renewals of the contract.

**Article 10  Performance of Obligations**

Any clause of an adhesion contract concerning the performance of obligations shall be null and void, if it -

(1) gives, without substantial reason, an Enterprise the power to unilaterally determine or change the content of performance; or

(2) allows, without substantial reason, an Enterprise to unilaterally suspend performance of its obligations or allows a third party to perform its obligations on its behalf.

**Article 11  Protecting the Interest of Customers**

Any clause of an adhesion contract concerning the interest of Customers shall be null and void if it -

(1) excludes or limits, without substantial reason, a Customer’s rights of defense, offset of damages, etc., which are provided for by the Act;

(2) deprives, without substantial reason, Customers of the right to refuse to perform their obligations until a set date or time;

(3) unreasonably limits a Customer’s right to enter into contracts with a third party; or

(4) allows, without any justifiable reason, an Enterprise to divulge confidential information of Customers it has obtained in the course of doing business with them.
Article 12  Deemed Expression of Intent

Any clause of an adhesion contract concerning an expression of intent shall be null and void if it -

(1) provides that once a certain act or omission has occurred, Customers shall be deemed to have expressed or to not have expressed a certain intent; provided, however, that this shall not apply where Customers are notified that if they fail to express their intent within a given period, which is a considerable length of time, the Customers shall be deemed to have expressed or not have expressed their intent, or where it is impossible to give such notice due to unavoidable circumstances;

(2) imposes unreasonably strict restrictions on the requirements for or the way in which Customers may express their intent;

(3) provides, without substantial reason, that the intent of an Enterprise, which may materially affect the interest of Customers, is deemed to have been communicated to Customers; or

(4) provides for an unreasonably long or indefinite term during which an Enterprise may express its intent which may materially affect the interest of Customers.

Article 13  Additional Obligations of Agents

If a contract is entered into by an agent of the Customer, any clause in an adhesion contract which imposes on the agent an obligation to carry out the Customers' obligations in whole or in part should the Customer fail to perform his/her obligations shall be null and void.
Article 14  Prohibition against Lawsuits, Etc.

Any clause in an adhesion contract which puts Customers at an unreasonable disadvantage by prohibiting Customers from bringing a lawsuit, by requiring Customers to agree to a certain venue by imposing the burden of proof on Customers without any justifiable reason shall be null and void.

Article 15  Limitations on the Application of this Act

With regard to adhesion contracts which are commonly used internationally or to which some other special reason applies, the application of the provisions in Articles 7 to 14 above may be limited according to the clause or type of business, if the Presidential Decree so provides.

Article 16  Special Principle of Partial Nullity

In the event all or part of the clauses in an adhesion contract fails to constitute a contract under Article 3 (3) or are null and void under Articles 6 to 14, the contract shall remain effective with respect to the remaining portion of the adhesion contract; Provided, however, that if it is impossible to realize the objective of the contract or the contract is unreasonably unfavorable to one party, the entire contract shall be null and void.

CHAPTER 3  Regulation Of Adhesion Contracts

Article 17  Prohibition on the Use of Unfair Clauses in Adhesion Contracts

No Enterprise shall include in an adhesion contract any of the unfair clauses referred to in Articles 6 through 14 (hereinafter referred to as “Unfair Clauses”):
Article 17-2 Corrective Measures

(1) If an Enterprise violates regulations under Article 17, the FTC may recommend the concerned Enterprise to take necessary measures for correction, including deleting or revising the pertinent clause in the adhesion contract.

(2) If an Enterprise violating the regulations under Article 17 falls under any of the following subparagraphs, the FTC may order the concerned Enterprise to take necessary measure, such as deleting and revising the pertinent clause in the adhesion contract.

1. An Enterprise considered as a Market-Dominating Enterprise under Article 2(7) of the Monopoly Regulation and Fair Trade Act

2. An Enterprise which enters into contracts by unduly taking advantage of its position

3. Due to the urgency and rapidness in striking a contract, which is for the supply of goods and services to the public, it is difficult for the Customer to change the terms and conditions of the adhesion contract

4. Because of the significantly superior bargaining position of the Enterprise as a contract party, or lack of choice for the Customer to choose enterprises, the Customer is in effect forced to incorporate an Adhesion Contract into a contract.

5. Due to the nature or purpose of a contract, canceling or terminating the contract is impossible or such cancellation or termination causes serious monetary damage to the Customer.

6. Probability of a lot of consumer damage for the Enterprise's not following the recommendation under the provisions of Paragraph 1 without justifiable reasons
(3) In recommending or ordering the necessary measures to correct breaches under the provisions of paragraph (1) and (2), the Fair Trade Commission may, if necessary, also recommend that the Enterprise which engages in the same kind of business as that of the Enterprise concerned not use the same Unfair Clause.

**Article 18 Government-Approved Adhesion Contracts, Etc.**

(1) If the Fair Trade Commission deems that an adhesion contract which has been prepared by an administrative agency or approved by an administrative agency under other Acts violates the provisions of Articles 6 through 14, the Fair Trade Commission may inform the administrative agency concerned of the violation and request it to take measures necessary to correct it; and if the Fair Trade Commission deems that the adhesion contract of a financial institution established under the provisions of the Bank Act violates provisions of Articles 6 through 14, the Fair Trade Commission may inform the Bank Supervisory Board, which was established under the Bank of Korea Act, of the violation and recommend that it take measures necessary to correct the violation.

(2) When the Fair Trade Commission asks for corrective measures to an administrative agency under the first part of Paragraph (1), the Fair Trade Commission shall not recommend or order corrective measures under the provisions of Article 17-2(1) and (2).

**Article 19 Petition for Review of Adhesion Contracts, Etc.**

Any person who has a legal interest in a clause in an adhesion contract or any consumer organization registered under the Consumer Protection Act, the Korea Consumer Protection Board, or any trade association may file a petition with the Fair Trade Commission to request that the Fair Trade Commission determine whether or not a given clause is in violation of this Act.
Article 19-2 Standard Adhesion Contracts

(1) In order to establish a sound business transactions and to prevent use of any adhesion contract containing unfair terms and conditions, Enterprises and Trade Associations shall adopt an adhesion contract which shall be used as a standard in a certain field of trade, asking for its review to the KFTC whether the contents of the adhesion contract concerned violate the law or not.

(2) Consumer groups registered pursuant to the provisions of Article 19 of Consumer Protection Act, or the Korea Consumer Protection Board established under the provisions of Article 26 of the same Act (hereinafter “consumer groups and etc.”) shall ask the KFTC to make the adhesion contract, used as a standard in the field, which often sees consumer damages.

(3) When there is any requests from consumer groups and etc. pursuant to the provisions of Paragraph 2, or any damages to many customers in a certain transaction field, the KFTC shall investigate them and suggest Enterprise and Trade Association to make the standard adhesion contracts and ask the KFTC to investigate them, if there is no adhesion contract, or if any, unfair adhesion contract.

(4) If Enterprise and Trade Association do not take any measures within four months since the KFTC made its suggestion under Paragraph 3, the KFTC shall make the standard adhesion contract through consultation with relevant ministries by listening to the opinions from transaction parties and consumer groups from the sector concerned.

(5) The KFTC shall make adhesion contract set or reviewed under the provisions of Paragraph 1, 3 and 4 (hereinafter “standard adhesion contract”) public and encourage its use to Enterprise and Trade Association.
(6) Enterprise and Trade Association, which received any recommendation from the KFTC to use the adhesion contract, shall mark any differences of their own to the standard adhesion contract, if they are using the other adhesion contract.

(7) In order to facilitate the use of standard adhesion contract, the KFTC shall be authorized to set the standard adhesion contract under the certificate mark, which is the KFTC logo. Enterprise and Trade Association shall use the certificate mark of adhesion contract pursuant to the Notification of the KFTC in case of their using the standard adhesion contract.

(8) When Enterprise and Trade Association use the adhesion contract other than the standard adhesion contract, they shall not use the certificate mark.

(9) When Enterprise and Trade Association use the certificate mark of standard adhesion contract violating the provision of Paragraph 8, the contents of adhesion contract which is more disadvantageous to consumers than that in standard adhesion contract, are deemed to be nullified.

Article 20 Investigation

(1) If the Fair Trade Commission deems it necessary for the purpose of rendering an order or a recommendation for correction pursuant to Article 17-2(1) and (2), or if it receives a petition under the provisions of Article 19, the Fair Trade Commission may conduct an investigation in order to determine whether a given adhesion contract violates this Act.

(2) Any public official who conducts an investigation pursuant to Paragraph (1) shall carry a certificate indicating his/her authority to conduct such investigation and show it to the relevant persons.
Article 21   Filing of Petition for Review

Any petition pursuant to Article 19 shall be filed in writing or electronic file to the Fair Trade Commission.

Article 22   Statement of Opinion

(1) Before deliberating on whether the content of an adhesion contract is in violation of this Act, the Fair Trade Commission shall give notice to the pertinent Enterprise or any interested party who has engaged in a transaction under the adhesion contract to the effect that the adhesion contract will be reviewed by the Fair Trade Commission.

(2) The concerned party or interested person who has received notice under Paragraph (1) above may attend hearings of the Fair Trade Commission and state his/her opinion or submit the necessary materials.

(3) If an adhesion contract to be reviewed by the Fair Trade Commission has been approved or is to be approved by an administrative agency under other acts, the Fair Trade Commission may request that the pertinent administrative agency state its opinion before the Fair Trade Commission commences its review.

Article 23   Disclosure of Unfair Clauses in Adhesion Contracts

The Fair Trade Commission shall prepare and keep a list of the Adhesion Contracts which the Commission, upon its review, has found to be in violation of this Act and shall disclose the list to the public when necessary.

CHAPTER 4   Adhesion Contract Review Committee

Articles 24 to 29

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CHAPTER 5 Supplementary Provisions

Article 30 Scope of Application

(1) This Act shall not apply to adhesion contracts relating to Chapter 3 of the Commercial Code, the Labor Standards Act, or contracts involving non-profit businesses as provided for in the Presidential Decree.

(2) <Deleted>

(3) If there are any special provisions under other Acts with respect to adhesion contracts that are used in a specific business sector, those special provisions shall take precedence over the provisions of this Act.

Article 30-2 Application of the Monopoly Regulation and Fair Trade Act

The provisions of Articles 42 to 45 of the Monopoly Regulation and Fair Trade Act shall apply mutatis-mutandis to the deliberations and decisions of the Fair Trade Commission under this Act, and the provisions of Articles 53 to 55 of the same Act shall apply mutatis-mutandis to appeal procedures, the institution of lawsuits and exclusive jurisdiction of lawsuits.

Article 31 Criteria for Approval

In the event an administrative agency approves an adhesion contract under other acts or an adhesion contract is reviewed by a review organization established under other Acts with respect to a particular business sector, the provisions of Articles 6 to 14 shall provide the criteria for such approval and review.

Article 31-2 Consultant

(1) The Fair Trade Commission may appoint a consultant if it is necessary for the purpose of reviewing an adhesion contract under this Act.
(2) The appointment of a consultant under Paragraph (1) and other matters necessary therefor shall be governed by the Presidential Decree.

CHAPTER 6   Penalty Provisions

Article 32   Penalty Provision

Any person who violates any order issued under the provisions of Article 17-2(2) shall be subject to imprisonment up to two (2) years or a fine up to one hundred million (100,000,000) Won.

Article 33   Concurrent Punishment

If any representative of a corporation or any agent or employee of a corporation or individual has committed a violation as set forth in Article 32 relating to the business of the said corporation or individual, the fines provided for in the same article shall be imposed on the corporation or the individual as well as on the perpetrator.

Article 34   Fine for Negligence

(1) Any person who falls under one of the following subparagraphs shall be subject to a fine for negligence of up to fifty million Won.

1. The one who violates the provisions of Paragraph 8 Article 19-2

2. The one who refuses, obstructs or avoids the investigation under the provisions of Article 20

(2) Any person who falls under one of the following subparagraphs shall be subject to a fine for negligence of up to five million Won.

1. The one who violates the provisions of Paragraph 1 or 2 of Article 3
2. The one who violates the provisions of Paragraph 6 Article 19-2

(3) The fine for negligence provided for in Paragraphs (1) and (2) above shall be imposed and collected by the Fair Trade Commission as provided for in the Presidential Decree.

(4) Any person who is dissatisfied with the imposition of a fine for negligence under Paragraph (3) above may appeal to the Fair Trade Commission within thirty (30) days after being notified that such fine has been imposed.

(5) When a person subject to a fine for negligence imposed under Paragraph (3) above has appealed in accordance with Paragraph (4) above, the Fair Trade Commission shall, without delay, give notice to the competent court which shall, upon receiving the notice, decide the case pursuant to the Non-Contentious Case Procedure Act.

(6) If neither the appeal is filed nor the fine for negligence paid within the period as specified in Paragraph (4) above, the administrative fine shall be collected in the same way that national tax in arrears is collected.

ADDENDUM (Dec. 8, 1992)

1. Effective Date

This Act shall take effect on March 1, 1993.

2. Interim Measure

A recommendation for correction issued by the Minister of the Economic Planning Board or a request for review filed with the said Minister in accordance with the preceding provisions as of the Effective
Date of this Act shall be deemed a recommendation for correction issued by the Fair Trade Commission or a request for review filed with the said Commission under this Act.

**ADDENDUM (Mar. 20, 2001)**

1. Effective Date

This Act shall take effect on the day of promulgation.

2. Application Case

The revised provisions of Subparagraph 6 Paragraph 2 Article 17-2 shall be applied to the first contract since the enactment of this law.

**ADDENDUM (January 20th 2004)**

1. Effective Date

This Act shall take effect on the day of promulgation

2. Interim Measures on Standard Adhesion Contract

Even after the enforcement of the amended Act, the standard contract reviewed by the KFTC pursuant to the previous provisions shall be deemed as standard adhesion contract under this Act.