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Original Research Article

Fraud in Documentary Credits under Jordanian Law: A Socio-Legal and Comparative Analysis

Abdallah Saleh Barham Alqudah*, Hazlina Shaik Md Noor Alam & Mohd Shahril Nizam Md Radzi

Faculty of Law, Universiti Kebangsaan Malaysia (UKM), 43600 Bangi, Selangor Darul Ehsan, Malaysia

*Corresponding Author: Abdullahbrhm89@gmail.com

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Abstract: Documentary credits represent one of the most significant banking instruments facilitating international trade by ensuring payment security and reducing commercial risks between contracting parties. However, fraud in documentary credit transactions continues to generate complex legal challenges, particularly in light of the legislative shortcomings within the Jordanian legal framework and the absence of explicit statutory provisions regulating the fraud exception and the autonomy principle. This study argues that the current Jordanian legal framework governing documentary credits remains inadequate to address the practical and legal complexities arising from fraud-related disputes in international trade transactions. Accordingly, the study aims to examine the fraud exception in documentary credits under Jordanian law through a socio-legal and comparative analytical approach, with particular focus on judicial interpretation, banking practice, and the extent to which Jordanian law aligns with international banking standards such as the Uniform Customs and Practice for Documentary Credits (UCP 600) and the International Standby Practices (ISP98). The study adopts a qualitative doctrinal and comparative legal methodology based on the analysis of Jordanian legislation, judicial decisions, international banking rules, and comparative legal scholarship. The findings reveal that Jordanian courts rely extensively on judicial interpretation and international banking customs due to the absence of comprehensive legislative regulation governing documentary credit fraud. The study further concludes that legislative reform is necessary to enhance legal certainty, strengthen commercial confidence, and harmonize Jordanian law with contemporary international banking practice.

Keywords. Documentary Credits; Letter of Credit Fraud; Fraud Exception; Autonomy Principle; Jordanian Law; UCP 600

Introduction

Documentary credits play a fundamental role in international trade finance by facilitating cross-border commercial transactions through a secure banking mechanism that guarantees payment obligations between contracting parties. The autonomy principle constitutes the cornerstone of documentary credit operations, as it establishes the independence of the credit from the underlying sales contract, thereby ensuring that disputes arising from the commercial agreement do not affect the bank's obligation to honour complying documents (Pullen, 2019).

A documentary credit, commonly referred to as a letter of credit (LC), represents a banking undertaking issued on behalf of a buyer to guarantee payment to the seller upon the presentation of compliant documents in accordance with the agreed terms (Jack, 2001). In international trade practice, letters of credit significantly reduce transactional risks by introducing a financial institution as an intermediary that assumes payment responsibility and enhances commercial confidence between parties whose reliability may not be readily ascertainable (UN, 2018). The documentary credit mechanism provides reciprocal protection for both importers and exporters. Buyers are assured that payment will only be effected upon proof of contractual performance, while sellers benefit from the bank's independent payment undertaking once conforming documents are presented (Al-Amaren et al., 2020). Nevertheless, this protection is not absolute, particularly in situations involving fraud. Fraudulent conduct within documentary credit transactions constitutes a serious threat to international trade and banking stability, leading legal scholars to describe fraud as a "cancer in international trade" (Dalhuisen, 2004). Consequently, banks may refuse payment where clear evidence demonstrates fraudulent conduct by the beneficiary or falsified documentation (Monteiro, 2007; Meral, 2012).

The legal regulation of documentary credits is primarily governed by the Uniform Customs and Practice for Documentary Credits (UCP 600), issued by the International Chamber of Commerce. Article 2 of the UCP 600 defines documentary credit as an irrevocable undertaking by the issuing bank to honour a complying presentation, while Articles 4 and 5 emphasize the autonomy principle by clarifying that banks deal with documents rather than goods or underlying contractual performance (UCP 600, 2007).

The problem addressed in this study lies in the legislative shortcomings of the Jordanian legal framework governing documentary credits. Although documentary credits are essential instruments in international trade, Jordanian Commercial Law No. 12 of 1966 does not provide specific rules regulating them and instead refers banking operations to general civil law provisions. This approach overlooks the special nature of documentary credits and the legal risks associated with them, particularly fraud and disputes related to the autonomy principle. Consequently, this legislative gap creates legal uncertainty for banks and commercial parties, highlighting the need to align Jordanian law with international banking standards such as UCP 600 and ISP98.

Within the Jordanian legal framework, documentary credits occupy an increasingly important position in commercial and banking transactions. However, Jordanian legislation does not provide a comprehensive statutory framework specifically regulating documentary credits, despite the growing reliance on such instruments in international trade. As a result, Jordanian courts and banking institutions frequently rely on international banking customs, judicial interpretation, and comparative legal principles when addressing disputes involving documentary credit fraud and the autonomy principle.

This study examines fraud in documentary credits under Jordanian law through a socio-legal and comparative analytical approach. It focuses on three principal issues: the legal framework governing documentary credits in Jordan, the judicial application of the fraud exception to the autonomy principle, and the legislative shortcomings affecting the effectiveness of documentary credit regulation in Jordanian commercial practice. The study further evaluates the extent to which Jordanian legal practice aligns with international banking standards and comparative jurisprudence concerning documentary credit fraud.

Methodology

This study adopts a qualitative socio-legal and comparative legal research design to examine the legal framework governing documentary credits and the fraud exception under Jordanian law. The qualitative approach was selected because the research addresses complex legal and judicial issues that require analytical interpretation of legislative provisions, judicial decisions, banking practices, and international commercial rules rather than quantitative measurement. The socio-legal and comparative dimensions of the study further enable an evaluation of the practical operation of documentary credit transactions within Jordanian commercial practice and the extent to which Jordanian law aligns with international banking standards.

The narrative review approach was selected because the study aims to critically analyze and synthesize legal scholarship, judicial decisions, banking practices, and international legal standards relating to documentary credit fraud and the autonomy principle.The study primarily relies on doctrinal legal research and document analysis as the principal methods of data collection. Relevant legal materials examined include the Jordanian Commercial Law No. 12 of 1966, applicable civil and banking rules, judicial decisions issued by the Jordanian Court of Cassation, and international banking regulations, particularly the Uniform Customs and Practice for Documentary Credits (UCP 600) and the International Standby Practices (ISP98). In addition, the study reviews comparative legal scholarship, academic studies, and international legal literature concerning documentary credit fraud and the autonomy principle.

The study relies primarily on doctrinal legal analysis and document review as the principal methods for data collection. Relevant legal materials and academic studies were identified through searches conducted in Google Scholar, Scopus-indexed journals, legal databases, judicial publications, and international banking materials. The review focused on literature concerning documentary credits, fraud exception, autonomy principle, banking obligations, and international trade finance. The search process included keywords such as "documentary credits," "letter of credit fraud," "fraud exception," "autonomy principle," "UCP 600," "Jordanian law," and "international trade finance." Both English-language legal scholarship and Jordanian legal materials were reviewed to ensure comprehensive legal analysis.

The inclusion criteria focused on peer-reviewed legal studies, judicial decisions, international banking regulations, and academic publications directly related to documentary credits and fraud disputes. Priority was given to recent comparative legal scholarship and studies addressing international banking standards, judicial application of the fraud exception, and documentary credit regulation. Studies unrelated to documentary credit operations or lacking direct relevance to fraud and banking practice were excluded from the review.

Relevant legal materials examined include the Jordanian Commercial Law No. 12 of 1966, applicable civil and banking rules, judicial decisions issued by the Jordanian Court of Cassation, and international banking regulations, particularly the Uniform Customs and Practice for Documentary Credits (UCP 600) and the International Standby Practices (ISP98). In addition, the study reviews comparative legal scholarship, academic studies, and international legal literature concerning documentary credit fraud and the autonomy principle.

The data collection process involved identifying and analyzing legislative texts, judicial precedents, international banking standards, and contemporary academic studies relevant to documentary credit operations and fraud-related disputes. Particular attention was given to Jordanian judicial decisions addressing the fraud exception and the practical application of the autonomy principle in documentary credit transactions. Comparative legal materials from different jurisdictions were also examined to evaluate international legal trends concerning documentary credit fraud.

The collected materials were analyzed using doctrinal, comparative, and thematic legal analysis. The doctrinal analysis focused on interpreting legislative provisions, judicial reasoning, and banking principles governing documentary credits, while the comparative analysis examined similarities and differences between Jordanian legal practice and international legal approaches. The thematic analysis further enabled the identification of recurring legal issues, including legislative gaps, judicial interpretation of fraud, banking obligations, and the limits of the autonomy principle in documentary credit transactions. To ensure the credibility and reliability of the research findings, the study relies on multiple legal and academic sources, including legislation, judicial decisions, international banking rules, and peer-reviewed legal scholarship. The use of comparative legal materials and judicial analysis also contributes to strengthening the consistency and trustworthiness of the research findings.

Ethical considerations were observed throughout the study by ensuring accurate citation of legal authorities, judicial decisions, academic references, and international legal materials. The research does not involve human participants or confidential personal data and therefore does not require formal ethical approval.

The Findings

Conceptual and Legal Foundations of Documentary Credits in International Trade

Documentary credits constitute one of the most important financial instruments in international trade, particularly in bank-financed commercial transactions. They provide a secure payment mechanism that enhances confidence between importers and exporters by ensuring the fulfilment of contractual obligations through banking institutions (Al-Kilani, 2014). The Uniform Customs and Practice for Documentary Credits (UCP 600), issued by the International Chamber of Commerce (ICC), defines documentary credit as an irrevocable undertaking by the issuing bank to honour a complying presentation (UCP 600, 2007, Article 2).

Documentary credits, commonly referred to as letters of credit, represent a long-established instrument in international commercial practice and are often described as the “life blood of commerce” due to their central role in facilitating global trade transactions (Alavi, 2016). Historically, documentary credit practices can be traced back to ancient commercial systems in civilizations such as Babylon, Egypt, and Greece, where early forms of payment guarantees and banking undertakings were used to reduce commercial risks associated with long-distance trade (Trimble, 1948). During the medieval period, documentary credits evolved into a safer alternative to carrying cash and valuable goods during commercial travel, thereby contributing to the development of modern international banking practices (De Roover, 1942). The concept itself derives from the French term “Accréditif” and the Latin word “Accreditivus,” both of which reflect the principle of trust underlying documentary credit transactions (Garcia, 2009).

Under the UCP 600 framework, documentary credits operate through a structured legal relationship involving several parties, including the issuing bank, advising bank, confirming bank, applicant, and beneficiary. Article 2 of the UCP 600 defines a complying presentation as the submission of documents that conform to the terms and conditions of the credit and applicable international banking practice (UCP 600, 2007, Article 2). Accordingly, the issuing bank undertakes an independent obligation to honour payment once compliant documents are presented by the beneficiary (Lipton, 2000).

The legal nature of documentary credits reflects several distinctive characteristics. They are commercial obligations governed by commercial law principles, unilateral banking undertakings, and time-limited obligations linked to the validity period of the credit (Al-Kilani, 2014). Moreover, documentary credits are governed by the autonomy principle, which establishes that the bank’s obligation remains legally independent from the underlying sales contract or commercial transaction. Consequently, banks deal exclusively with documents rather than the goods or services related to the transaction. This principle is expressly recognized under Articles 4 and 5 of the UCP 600, which clarify that banks are concerned solely with documentary compliance and not with the actual performance of the underlying contract (UCP600, 2007).

Despite the importance of the autonomy principle, international banking practice and Jordanian judicial decisions recognize fraud as an exception to documentary credit independence. In situations involving fraudulent documents or bad faith conduct by the beneficiary, banks may refuse payment despite the apparent compliance of the submitted documents. Therefore, the fraud exception constitutes an essential legal safeguard aimed at protecting commercial fairness and preserving confidence in documentary credit transactions (Meral, 2012). Having outlined the conceptual and legal foundations of documentary credits in international trade, the analysis now turns to their regulation and judicial treatment under Jordanian law.

The Jordanian Legal Framework and Judicial Practice in Documentary Credits

The Jordanian Commercial Law No. 12 of 1966 does not provide a comprehensive legislative framework regulating documentary credits, despite their significant role in international trade transactions. Instead, the law addresses only general provisions related to financial credit under Articles 118–121, without specifically defining documentary credits or regulating their legal nature and operation (Jordanian Trade Law No. 12, 1966, Articles 118–121). Article 121 further recognizes the bank’s obligation toward third parties benefiting from the credit, while preserving the bank’s right to recover payments and expenses incurred in implementing the credit operation.

Due to the absence of explicit legislative regulation, Jordanian jurisprudence and judicial practice have relied heavily on international banking customs and comparative legal principles when interpreting documentary credit transactions. Legal scholars have defined documentary credits as irrevocable banking undertakings issued at the request of a customer to guarantee payment to the beneficiary upon the presentation of specified documents representing shipped goods (Al-Baroudi, 1968; Musa, 2011; Awad, 1983; Al-Kilani, 2014). These definitions emphasize the documentary nature of the credit and the independent obligation assumed by the issuing bank.

Jordanian judicial practice has also played a significant role in clarifying the legal status of documentary credits. The Jordanian Court of Cassation defined documentary credit as a banking undertaking issued upon the request of the buyer to guarantee payment to the seller under specified conditions (Jordanian Court of Cassation, 1976). The judiciary has consistently affirmed the autonomy principle by recognizing the independence of the bank’s obligation from the underlying sales contract (Adaleh Centre for Legal Information Publications, 2009). Nevertheless, Jordanian courts also recognize fraud as an exception to this principle, allowing banks to refuse payment where fraudulent documents or bad faith conduct are established.

Al Amaren and Ibrahim Aletein (2022) examined the application of the Uniform Customs and Practice for Documentary Credits (UCP 600) within Jordanian banking practice, focusing on the principles of strict compliance, autonomy, document handling, and documentary examination. Using a qualitative and doctrinal legal approach, the study analyzed the extent to which Jordanian conventional and Islamic banks comply with international documentary credit standards and assessed the judicial approach adopted by Jordanian courts in this regard. The findings revealed that Jordanian banks demonstrate full compliance with the UCP 600 framework and that Jordanian judicial practice recognizes the autonomy principle despite the absence of explicit legislative regulation governing documentary credits under Jordanian commercial law (Al Amaren & Ibrahim Aletein, 2022).

In this context, Awad (1989) argued that the submission of false documents constitutes documentary fraud and justifies refusal of payment under the letter of credit. He further criticized the restrictive English approach adopted in United City Merchants v Royal Bank of Canada (1983), which limits refusal of payment to cases where the beneficiary knowingly participated in the fraud. According to Awad, banks should have the right to reject documents whenever falsity is apparent, regardless of whether the beneficiary directly participated in the fraud.

Alavi (2017) examined fraud in documentary letters of credit through a comparative analysis of different international legal frameworks governing documentary credit transactions. The study highlighted that although documentary credits are intended to reduce commercial risks in international trade, their documentary nature makes them vulnerable to fraud by beneficiaries. The research further emphasized the absence of a unified international legal approach toward documentary credit fraud, noting that many legal systems either remain silent on the issue or adopt inconsistent standards in addressing fraudulent conduct within letter of credit operations (Alavi, 2017).

Gao (2021) examined the evolving nature of the fraud rule in documentary credit law and highlighted the continuing controversy surrounding its application in international trade transactions. The study noted that most legal systems and international banking rules adopt a strict approach toward the fraud exception, particularly in cases involving material fraud. However, the author proposed a bifurcated approach whereby ordinary documentary fraud should be sufficient to trigger the fraud rule, while fraud relating to the underlying transaction should require a higher evidentiary threshold (Gao, 2021).

Wong (2023) examined the conflict of laws approach to fraud in documentary credits and argued that fraud should not be treated merely as part of the letter of credit contract. Instead, the study proposed that fraud should be characterized as an independent tortious issue within private international law. The article further highlighted the legal complexities associated with determining the applicable law in cross-border documentary credit fraud disputes and emphasized the need for a principled legal approach to resolving such conflicts (Wong, 2023).

Khanderia (2024) examined the law applicable to documentary letters of credit in India and highlighted the lack of clear legislative and judicial rules governing cross-border documentary credit disputes. The study demonstrated that Indian courts frequently rely on the lex fori principle when determining the applicable law, which may create legal uncertainty in international commercial transactions. The author further emphasized the need for coherent legal rules to regulate documentary credit disputes and reduce jurisdictional and commercial risks in international trade (Khanderia, 2024).

Empirical studies concerning documentary credit practices in Jordan also reveal practical and operational challenges faced by banks, importers, and exporters. Thaher (1997) identified several banking difficulties, including non-compliant documents, delays, and limited customer awareness of international documentary credit rules. Similarly, Thaher (1999) found that Jordanian importers encounter significant commercial and procedural problems related to documentary credit transactions, while Thaher and Abdul-

Jalil (2006) highlighted operational difficulties affecting Jordanian exporters, including transportation delays and unstable regional conditions. These findings demonstrate the practical implications of documentary credit regulation and the need for a more comprehensive legal framework aligned with international banking standards.

Al Amaren, Ismail, and Nor (2021) examined the fraud rule in documentary credits under the Jordanian legal system and highlighted the absence of comprehensive legislative regulation governing letters of credit in Jordan. The study concluded that Jordanian courts should adopt a broader interpretation of fraud in documentary credit disputes and emphasized the need for specialized legal provisions aligned with international banking standards (Al Amaren, Ismail, & Nor, 2021).

The Jordanian Commercial Law No. 12 of 1966 does not provide a specific legal framework governing documentary credits despite their growing importance in international trade transactions. Instead, the law addresses only general provisions related to financial credit under Articles 118–121, without clearly regulating documentary credits or defining their legal nature. Article 122 further subjects unregulated banking operations to general civil law principles, reflecting the legislator's reliance on ordinary contractual rules rather than specialized international banking standards. This legislative approach overlooks the international and technical nature of documentary credit transactions, particularly issues related to documentary fraud and the autonomy principle. Consequently, Jordanian courts and banking practice have relied extensively on international rules such as the Uniform Customs and Practice for Documentary Credits (UCP 600) and the International Standby Practices (ISP98) to resolve legal disputes arising from documentary credit operations.

Although Article 121 of the Jordanian Commercial Law recognizes certain obligations relating to bank credit and third-party beneficiaries, these provisions primarily concern financial credit rather than documentary credit transactions. As a result, the absence of explicit statutory regulation has created legislative ambiguity regarding the legal treatment of documentary credits under Jordanian law.

Jordanian legal scholarship has therefore attempted to fill this legislative gap by defining documentary credits as irrevocable banking undertakings issued to guarantee payment upon the presentation of specified commercial documents (Al-Baroudi, 1968; Musa, 2011; Awad, 1983; Al-Kilani, 2014). These definitions consistently emphasize the documentary nature of the credit and the independent obligation assumed by the issuing bank. Against this legislative background, the following section examines the judicial application of the fraud exception in Jordanian documentary credit transactions.

Judicial Application of the Fraud Exception in Jordanian Documentary Credit Transactions

Jordanian judicial practice recognizes fraud as an important exception to the autonomy principle governing documentary credits. In Resolution No. 1215/2005, the Jordanian Court of Cassation affirmed that although documentary credits are independent from the underlying sales contract, this independence does not apply in cases involving fraud by the beneficiary. The Court emphasized that banks are generally required to examine only the apparent conformity of documents submitted under the credit and are not responsible for inspecting the underlying goods. However, where the submitted documents appear formally compliant but are proven to be fraudulent or inconsistent with reality, the issuing bank is entitled to refuse payment if the fraud was committed with the knowledge or participation of the beneficiary.

The Court further confirmed that documentary credits should operate within the framework of honest commercial transactions and that fraud undermines the legal relationship between the bank and the beneficiary. In the case under consideration, the Court found that the issuing bank had prior knowledge of the fraud concerning the supplied goods and therefore should have suspended payment under the documentary credit. The Court concluded that the bank's failure to prevent payment despite clear evidence of fraud constituted legal fault, particularly after technical reports confirmed the fraudulent nature of the goods supplied. This judgment reflects the Jordanian judiciary's adoption of a balanced approach toward documentary credit independence by preserving the autonomy principle while simultaneously recognizing the necessity of protecting commercial fairness and preventing fraudulent abuse in international trade transactions.

Alqudah, Alam, and Radz (2026) examined the fraud exception in documentary credits under Egyptian and Jordanian law through a comparative legal analysis. The study found that both legal systems recognize fraud as an exception to the autonomy principle despite the absence of explicit statutory regulation governing documentary credit fraud. The research further emphasized that courts in both jurisdictions rely on general legal principles, judicial interpretation, and international banking customs, particularly the UCP 600, to resolve fraud-related disputes. The study recommended the development of clearer legal guidelines to enhance legal certainty and balance commercial stability with fraud prevention (Alqudah et al., 2026).

Discussion

The findings of this study demonstrate that documentary credits occupy a central position in international trade transactions due to their role in reducing commercial risks and ensuring payment security between contracting parties. Nevertheless, the study reveals that the Jordanian legal framework governing documentary credits remains fragmented and incomplete, particularly regarding the regulation of fraud and the application of the autonomy principle. Although documentary credits are widely used in Jordanian banking practice, the Jordanian Commercial Law No. 12 of 1966 does not contain comprehensive provisions specifically regulating documentary credit transactions. Instead, the legislator merely addressed general banking and financial credit provisions under Articles 118–121, while Article 122 subjects unregulated banking operations to general civil law principles. This legislative approach appears insufficient considering the complex international and technical nature of documentary credit operations.

The study further demonstrates that the absence of explicit statutory regulation has compelled Jordanian courts and banking institutions to rely extensively on international banking customs and comparative jurisprudence, particularly the Uniform Customs and Practice for Documentary Credits (UCP 600). Although the UCP 600 provides an internationally recognized framework regulating documentary credit operations, it does not expressly regulate fraud in a detailed manner. Consequently, the fraud exception has largely developed through judicial interpretation and legal doctrine rather than through clear legislative provisions. This situation creates legal uncertainty regarding the scope of fraud, the evidentiary threshold required to establish fraudulent conduct, and the extent of the bank's authority to refuse payment under documentary credits.

The research findings also indicate that the Jordanian judiciary has adopted a relatively balanced position regarding the autonomy principle. Judicial decisions, particularly Resolution No. 1215/2005 issued by the Jordanian Court of Cassation, confirm that documentary credits are legally independent from the underlying sales contract. However, the judiciary simultaneously recognizes fraud as an exception to documentary credit autonomy where fraudulent conduct by the beneficiary is established. This judicial approach reflects an attempt to balance two competing interests: preserving commercial certainty and protecting international trade transactions on one hand, and preventing abuse and fraudulent conduct on the other.

From a comparative perspective, the study demonstrates that the Jordanian judicial approach partially aligns with international legal trends concerning documentary credit fraud. Comparative studies examined in this research, including those of Alavi (2017), Gao (2021), Wong (2023), and Khanderia (2024), reveal continuing international disagreement regarding the scope of the fraud exception and the legal characterization of fraud in documentary credit disputes. While some legal systems adopt a restrictive approach limiting fraud to material documentary falsification, other approaches permit broader judicial intervention where fraud affects the underlying transaction itself. In this regard, Jordanian judicial practice appears closer to the broader approach, particularly where fraud threatens commercial fairness and where banks possess prior knowledge of fraudulent conduct.

The study additionally highlights the significant practical implications resulting from the legislative gap within Jordanian law. Empirical studies concerning Jordanian banking practice identified operational difficulties affecting banks, importers, and exporters, including documentary inconsistencies, delays in document presentation, lack of customer awareness regarding international banking standards, and procedural complications associated with documentary credit operations. These findings demonstrate that documentary credit disputes are not merely theoretical legal issues but rather practical commercial problems directly affecting banking stability and international trade confidence.

Another important issue identified by the study concerns the legal status of the autonomy principle within Jordanian law. Although Jordanian legislation does not expressly codify the autonomy principle in documentary credits, Jordanian courts and banking institutions effectively apply this principle through reliance on international banking customs and judicial interpretation. This demonstrates the increasing influence of transnational commercial rules, particularly the UCP 600, within domestic legal systems. However, reliance on non-legislative sources alone may weaken legal predictability and create inconsistent judicial outcomes, especially in complex fraud-related disputes.

The study also contributes to the socio-legal understanding of documentary credit fraud by demonstrating that fraud in documentary credits extends beyond purely contractual disputes and directly affects broader economic and commercial interests. Fraudulent documentary credit transactions undermine trust in banking systems, increase transactional risks, and negatively affect commercial certainty within international trade markets. Consequently, regulating documentary credit fraud should not be viewed solely as a private contractual matter but also as an issue connected to economic stability, commercial integrity, and banking governance.

Based on the foregoing analysis, the study argues that the Jordanian legislator should adopt a more comprehensive legislative framework specifically regulating documentary credits and the fraud exception. Such reform should clearly define the scope of fraud, determine the legal consequences of fraudulent conduct, regulate the bank's authority to suspend payment, and harmonize domestic legislation with international banking standards such as the UCP 600 and ISP98. Legislative reform would significantly enhance legal certainty, strengthen commercial confidence, and reduce judicial inconsistency in documentary credit disputes.

Finally, this study contributes to existing scholarship by combining doctrinal legal analysis, comparative legal evaluation, judicial analysis, and socio-legal perspectives concerning documentary credit fraud under Jordanian law. Unlike traditional doctrinal studies limited to the technical aspects of documentary credits, this research demonstrates the broader legal and commercial implications of fraud in documentary credit operations and highlights the urgent need for legislative modernization in light of evolving international banking practice.

Conclusion

Documentary credits remain one of the most effective and widely used banking mechanisms for facilitating international trade transactions due to their ability to provide commercial certainty, reduce transactional risks, and strengthen confidence between importers, exporters, and financial institutions. The autonomy principle constitutes the legal foundation upon which documentary credit operations are established, as it ensures the independence of the bank's obligation from the underlying contractual relationship between commercial parties. Nevertheless, despite the importance of this principle in preserving the efficiency and stability of international trade, the present study demonstrates that its application cannot remain absolute in situations involving fraud, abuse, or bad faith conduct by beneficiaries.

The study revealed that the Jordanian legal framework governing documentary credits suffers from significant legislative shortcomings. Although documentary credits have become indispensable instruments within modern international trade and banking practice, the Jordanian Commercial Law No. 12 of 1966 does not provide explicit and comprehensive provisions regulating documentary credit operations. Instead, the legislator addressed only general banking and financial credit provisions under Articles 118–121 and referred unregulated banking operations to general civil law principles under Article 122. This legislative approach appears inadequate given the international, technical, and specialized nature of documentary credit transactions, particularly in disputes involving fraud and documentary falsification.

The findings further demonstrate that Jordanian courts have played a central role in compensating for this legislative deficiency through judicial interpretation and reliance on international banking customs, especially the Uniform Customs and Practice for Documentary Credits (UCP 600). Jordanian judicial decisions consistently recognize the autonomy principle as a governing principle of documentary credit transactions while simultaneously acknowledging fraud as an exception capable of limiting the bank's obligation to honour payment. Resolution No. 1215/2005 issued by the Jordanian Court of Cassation reflects a judicial attempt to balance commercial certainty with the necessity of preventing fraudulent abuse within international trade transactions. The Court's approach confirms that the independence of documentary credits cannot be used as a legal shield to protect fraudulent conduct or facilitate commercial deception.

The comparative dimension of this study additionally reveals that the regulation of documentary credit fraud remains one of the most controversial issues within international banking law. Comparative legal approaches differ significantly regarding the scope of fraud, the evidentiary threshold required to establish fraudulent conduct, and the extent of judicial intervention permissible in documentary credit disputes. Some legal systems adopt a restrictive interpretation limiting fraud to cases involving material falsification of documents, whereas broader approaches allow judicial intervention where fraud affects the underlying commercial transaction itself. In this regard, the Jordanian judicial position appears relatively flexible and closer to broader comparative approaches aimed at preserving commercial fairness and protecting legitimate commercial expectations.

The study also highlights that documentary credit fraud extends beyond a purely contractual dispute between private parties and directly affects broader economic and commercial interests. Fraudulent documentary credit operations undermine trust in banking systems, threaten transactional stability, increase financial risks, and negatively affect the efficiency of international trade. Consequently, documentary credit fraud should be approached not merely as a technical banking issue but as a socio-legal and economic problem requiring legislative, judicial, and institutional responses capable of preserving both commercial certainty and market integrity.

Furthermore, the study demonstrates that reliance solely on international banking customs such as the UCP 600 is insufficient to provide complete legal certainty in fraud-related disputes. Although the UCP 600 successfully regulates procedural and documentary aspects of documentary credit operations, it intentionally avoids providing detailed regulation concerning fraud and judicial remedies. This legislative silence has resulted in substantial dependence on judicial discretion and doctrinal interpretation, thereby producing inconsistent legal approaches across different jurisdictions. Accordingly, the absence of explicit legislative regulation within Jordanian law increases uncertainty regarding the scope of fraud, the legal authority of banks to suspend payment, and the remedies available to affected parties.

The empirical and doctrinal studies examined throughout this research further reveal practical challenges affecting documentary credit operations in Jordan, including documentary inconsistencies, procedural delays, lack of commercial awareness regarding international banking standards, and difficulties encountered by banks, importers, and exporters in implementing documentary credit obligations. These practical difficulties reinforce the conclusion that the current Jordanian legal framework does not sufficiently address the realities and complexities of contemporary international trade finance.

Based on the foregoing analysis, the study concludes that legislative reform has become necessary to modernize the Jordanian legal framework governing documentary credits. Such reform should include the enactment of specialized provisions explicitly regulating documentary credits, defining the scope and legal consequences of fraud, clarifying the bank's authority to suspend payment in cases of apparent fraud, and harmonizing domestic legislation with internationally recognized banking standards such as the UCP 600 and ISP98. Legislative reform would significantly enhance legal certainty, strengthen commercial confidence, and reduce inconsistencies in judicial practice.

Finally, this study contributes to contemporary legal scholarship by adopting a socio-legal and comparative analytical approach that combines doctrinal legal analysis, judicial evaluation, international banking practice, and comparative legal perspectives concerning documentary credit fraud under Jordanian law. The research demonstrates that documentary credit fraud cannot be effectively addressed through traditional contractual analysis alone, but rather requires a balanced legal framework capable of reconciling commercial certainty with fraud prevention in an increasingly interconnected global trading system.

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