

Is Arbitration Affordable for SMEs in Saudi Arabia!?

Before coming to the answer of this question we are taking a deep dive into the background of Arbitration there. As far as looking to the nature of Arbitration yet there are a number of Small and medium-sized enterprises (SMEs) in Saudi Arabia often avoid lengthy court litigation because it can be unpredictable, time-consuming and (since 2022) subject to almost equally amount of arbitration filing fees. To address these problems, and encourage more SMEs to Dispute Resolution through alternative ways outside of courts; Saudi Arabia has strengthened and modernized its arbitration framework – notably through the Saudi Centre for Commercial Arbitration (SCCA) – making arbitration a faster, more transparent and increasingly affordable alternative. In recent years the SCCA has cut its fees, introduced flat-rate micro-claim procedures and online dispute resolution for low-value cases, and aligned its rules with international best practices. These changes mean that SMEs can resolve business disputes by arbitration in weeks or months rather than years, at costs that are often lower and more certain than in the courts.

Below we explain how Saudi arbitration has become affordable for SMEs, how it compares with local courts and global arbitral centers, and what else can be done to encourage SMEs to use it.

Cost, Time and efficiency until recently, civil cases in Saudi courts were free to file, which led to heavy case backlogs and delays. In 2021 the government introduced a new Judicial Fees Law to improve efficiency: parties now pay **5% of the claim value as court fees (capped at SAR 1 million) **. Although this discourages frivolous lawsuits, it also means even a modest SAR 100,000 claim now costs SAR 5,000 in court fees. By contrast, arbitration costs can be more predictable. For example, the SCCA has eliminated any separate “filing” fee: instead, a claimant pays a flat registration fee of only SAR 5,000 (approx. USD 1,330) when initiating a case. That SAR 5,000 is then credited toward the arbitration fees and spreads the initial cost more evenly.

Moreover, traditional litigation in Saudi courts is often lengthy and procedurally rigid, with uncertain timelines. Arbitration offers a much speedier alternative. Under recent rules, even micro commercial disputes ($\leq$ SAR 200,000) can be handled entirely online. The SCCA’s Online Dispute Resolution (ODR) rules resolve such small cases in about two months, using a fixed flat rate procedure that is specifically “affordable for small legal budgets”. Likewise, an amended SCCA expedited arbitration track targets faster resolutions (e.g. final award within 6 months) at roughly 20% lower cost than standard arbitration.

Another advantage for businesses is enforceability. Saudi courts now enforce arbitration awards efficiently. In 2021 they enforced 204 arbitral awards worth a total of US\$2.1 billion – with enforcement orders issued on average within two weeks. Saudi Arabia is also party to the 1958 New York Convention, meaning awards (including foreign awards) are treated as judgments. By contrast, court judgments in Saudi may take years (especially with appeals) and can be less predictable. In short, arbitration in Saudi can resolve a dispute far faster and more flexibly than litigation – and often at lower overall cost once court fees and delay are considered.

SCCA Reforms:

Sharply lowering arbitration costs; the SCCA has aggressively reformed its fee structure to make arbitration affordable for SMEs. In September 2021, it cut its initial fees by half and slashed arbitrator fees by up to 30%. The key changes included eliminating the filing fee altogether and introducing a modest flat registration fee of SAR 5,000 (~USD 1,330). By comparison, other international centers often charge much more upfront (see below). After registration, the remaining administrative costs are scaled to the claim size: for example, SCCA administrative fees now start at only US\$540 for an online micro-claim and rise on a sliding scale (capped at US\$80,000 total for any dispute).

To help parties budget, the SCCA also now publishes minimum/maximum/average arbitrator fee ranges and offers an online fee calculator on its website. This transparency lets a business estimate costs in advance. The SCCA also allows alternative fee agreements: parties

may agree beforehand to pay arbitrators by the hour (rather than a percentage-of-claim model). For very large advances, SCCA even permits installment payments or bank guarantees, easing cash-flow burdens for SMEs.

Moreover, the SCCA's special ODR micro-claims track is explicitly aimed at small disputes. It applies when the case value $\leq$ SAR 200,000 (about US\$53,000). The process is streamlined: a single arbitrator is appointed immediately, hearings (if any) are by phone/video, and the award comes within 30 days of arbitrator appointment. Crucially, the fees are a flat affordable rate – SCCA reduced its ODR fees by 40% in 2021 to attract startups and small businesses.

In practice, these steps mean that an SME filing a small claim might pay a few thousand US dollars in total to get a final decision in a matter of weeks. For larger claims, the elimination of the hefty filing fee and the option of expediting or online arbitration still yields meaningful savings. In sum, SCCA arbitration now offers SMEs speed and cost-control that local courts cannot match.

Comparisons to Arbitration Institutions:

How do Saudi arbitration costs compare with those at other regional and international centers? Global institutions typically base fees on the size of the dispute and charge significant registration fees. For example, the International Chamber of Commerce (ICC) requires a US\$5,000 filing fee, on top of which its administrative and arbitrator fees are calculated ad valorem. SIAC (Singapore) charges about

SG\$2,000 (~USD 1,500) as a base filing fee (with further fees scaled to the claim). By contrast, the SCCA's flat SAR 5,000 fee (USD 1,330) is lower than these, and its overall fee caps (e.g., US\$80k max) provide certainty. Likewise, the Dubai International Arbitration Centre (DIAC) sets a registration fee of US\$3,000, plus tribunal fees on a sliding scale. Thus, on the initiation side, SCCA is more cost-competitive for SMEs than many traditional arbitral forums.

Moreover, many major centers now offer expedited or small-claims tracks, but their eligibility thresholds tend to be much higher than SCCA's micro-claims. For instance, DIAC automatically requires expedited proceedings only if the total claim $\leq$ AED 1,000,000 (about USD 270,000). SIAC's new 2025 rules create a "streamlined" procedure for disputes up to SGD 1 million (USD 740,000) with sole arbitrator, written submissions only, and a 3-month target for the final award. HKIAC (Hong Kong) allows expedited rules for cases below HKD 25 million (USD 3.2 M). These innovations show a global trend: faster, cheaper arbitration for lower-value cases. Yet even with such procedures, SIAC and HKIAC would still involve roughly 6-figure budgets for claims near those limits. In contrast, the SCCA's ODR track starts at just a few thousand dollars total for very small cases, making arbitration feasible even for modest SME disputes.

In practice, an SME in Saudi could choose SCCA arbitration in Riyadh/Jeddah, or turn to an international center if the contract specifies it. If cost is a key concern, local arbitration under the SCCA rules often wins out because of its tailored low-fee options.

That said, having multiple options benefits businesses: DIAC, SIAC, ICC and others all

support expedited procedures that can cut time (and thus some costs) on cross-border cases. SMEs should be aware that whatever forum they choose, it is now much easier to secure a single-arbitrator, paper-based proceeding with tight deadlines – which keeps legal fees lower and resolution quicker compared to fully adversarial proceedings.

Beyond cost, arbitration offers several business-friendly advantages for SMEs:

Speed and efficiency:

With the SCCA's reforms, SMEs can often resolve disputes in months instead of years. The ODR procedure yields an award typically almost in two weeks, and even standard SCCA arbitrations are managed actively (e.g., administrative decision committees keep cases on track). In contrast, Saudi court cases traditionally take years through first instance and appeals.

Cost predictability:

SCCA's clear fee schedules (including minimum and maximum arbitrator fees) help parties budget. By contrast, litigation costs can surge with each appeal. Importantly, unlike courts, losing parties in arbitration are usually expected to share most costs, and under Saudi law a successful award-holder obtains a writ of execution for enforcement, so SMEs can recover not only the principal but also have security that the other side will pay up (subject to rare annulment, which happens in only ~6% of challenges).

Expert decision-makers: In arbitration, parties choose arbitrators with expertise in their industry or Sharia/commercial law.

This is a boon for specialized SMEs (e.g., in technology, construction, etc.) who may distrust generalist judges. It also means arbitrators understand business practices and can focus on the substance of the dispute rather than procedural formalities.

Confidentiality and flexibility:

Arbitration proceedings are private, which can be important to SME owners who do not want business conflicts publicized. Arbitration also allows flexibility in scheduling and location (even a fully virtual process), which saves time and travel expense. The new SCCA digital signature and e-award services (launched in 2025) further cut delays and paperwork, benefiting SMEs by reducing administrative burdens.

Enforcement and finality:

Arbitral awards in Saudi Arabia carry the same weight as court judgments for enforcement purposes. Given Saudi participation in the New York Convention, foreign awards can be enforced here, and Saudi awards can be enforced abroad. This gives SMEs confidence that a favorable decision is not merely a hollow victory.

In sum, arbitration now combines procedural efficiency with cost-control. For an SME, investing a few thousand Riyals in arbitration can often save many times that in legal fees and lost time if the case dragged through court. The recent reforms – eliminating upfront fees and

enabling short-track procedures – mean that arbitration is no longer only for big corporations. Even small companies can realistically use it.

Further steps to encourage SME arbitration; while Saudi arbitration is much more affordable today, there is always room to improve access for smaller businesses. Some steps that would further incentivize SMEs include:

Awareness and training:

Many SMEs still default to court simply out of habit or lack of knowledge. The Saudi government and SCCA are already acting on this: a 2025 Cabinet resolution calls on arbitration institutions to hold public seminars, publish guides (e.g., sample clauses), and train lawyers in ADR. Expanding these outreach efforts – perhaps via chambers of commerce and SME associations – will help business owners understand how affordable arbitration has become and how to invoke it properly in contracts.

Simplified proceedings:

Continue to streamline arbitration for smaller claims. The current ODR rules cover disputes up to SAR 200k; it could be beneficial to create an intermediate SME track for claims somewhat above that level with similarly strict timelines or even fixed legal costs. For example, fixed-schedule “summary” proceedings (with mandatory written submissions, no discovery, and one arbitrator) could be offered for claims up to, say, SAR 1 million. This would give mid-sized SMEs quick, low-cost justice.

Cost subsidies or incentives:

As recommended reforms, the government could subsidize arbitration fees for certain qualifying SME cases, or provide rebates after an award (like a partial refund of fees if the case settles early). Alternatively, public dispute

funds or insurance schemes could help small businesses afford an attorney's share or arbitration deposit. Some countries offer publicly funded dispute resolution for SMEs; Saudi Arabia might explore a similar model as part of its SME development programs.

Mandatory ADR pilot programs:

For minor commercial disputes (e.g., under SAR 50,000), if the law could require mandatory pre-arbitration mediation or conciliation before allowing a court suit. If parties cannot settle, they could proceed to the SCCA ODR track automatically. Such a "screening" step might nudge more SMEs into arbitration or mediation by default.

Continued rule refinement:

The SCCA and judiciary should keep collecting feedback from users. Regular review of the SCCA fee calculator data and case outcomes (e.g., from the annual reports) can show where bottlenecks or cost spikes occur. Adjusting arbitrator caps or time limits based on real-case experience will ensure SMEs aren't surprised by hidden expenses.

These recommendations align with Saudi Arabia's Vision 2030 goals of improving the business environment. Notably, the 2021 Judicial Fees Law itself was intended "to make litigation more expensive and therefore less

attractive" and thus encourage alternative dispute resolution. The cumulative reforms – from introducing court fees to enhancing arbitration – signal a clear policy: disputes should not stall commerce.

Conclusion

Thanks to recent reforms, arbitration in Saudi Arabia has become a pragmatic, cost-conscious choice for SMEs. The SCCA's tailored services (fast online arbitration for small claims, lower fee schedules, transparent costing) have significantly reduced the financial barriers for parties with modest budgets. Combined with continued judicial support (fast enforcement, minimal intervention in valid awards), these changes make arbitration not only affordable but also commercially attractive.

For an SME facing a commercial dispute, the question is no longer whether arbitration is out of reach, but how quickly and cheaply it can bring finality. In many cases today, a small business can avoid the red tape of litigation and get a binding decision in just a few months for a few thousand Riyals – outcomes that were hard to imagine a decade ago. Moving forward, building on this momentum with awareness campaigns, procedural innovations, and maybe some financial support will further invite SMEs to trust arbitration. Ultimately, the business community stands to benefit: less time wasted in court means more resources devoted to growth and innovation.

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