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Legal Protection for the Aggrieved Party in a Financial Lease Agreement Due to Breach of Contract

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Abstract: This paper aims to analyze the legal protection mechanisms available to parties who suffer losses as a result of a breach in financial lease agreements, and to evaluate effective dispute resolution methods, including mediation and arbitration. The research adopts a normative juridical method with a descriptive approach, utilizing data from primary and secondary legal sources. The findings indicate that breaches in financial lease agreements may occur in the form of delayed installment payments and the failure to return leased capital goods, which may result in both material and immaterial losses. A financial lease agreement must be based on a clear mutual understanding of the rights and obligations of the parties involved, so that in the event of a breach, the aggrieved party may claim damages. This principle is reflected in Article 1338 of the Indonesian Civil Code (KUH Perdata), which governs the binding force of contracts and the principle of freedom of contract, and Article 1238, which stipulates the obligation to compensate losses arising from the failure to fulfill agreed obligations. Court decisions reinforce the right of the aggrieved party to claim compensation and to demand the performance of the agreement. This paper emphasizes the importance of a clear understanding of rights and obligations in financial lease agreements in order to uphold justice and ensure the sustainability of business relationships.

Keyword: Breach of Contract, Financial Lease Agreement, Legal Protection, Compensation for Damages, Dispute Resolution.

INTRODUCTION

Breach of contract (*wanprestasi*) is a fundamental concept in contract law, referring to the failure of one party to fulfill the obligations stipulated in a previously agreed contract. The definition of breach of contract is clearly outlined in Article 1238 of the Indonesian Civil Code (KUH Perdata), which states that any person who, through his own fault, fails to perform what has been promised is considered to have committed a breach of contract (Mirwansyah & Kholik, 2023). Although Article 1238 KUH Perdata provides a legal definition of breach of contract as a fault-based contractual violation, its application presents legal ambiguity, as several provisions may give rise to uncertainty in both legal enforcement and dispute resolution

processes involving the parties. More specifically, breach of contract may result in various legal complications when a party violates a contractual promise (Ardiansyah & Winanti, 2023). In this context, breach of contract is not limited to a total failure to perform; it also includes late or improper performance of obligations, or performance that does not conform to the agreed time frame and specifications.

Such breaches can cause not only harm to the injured party but may also severely affect the integrity and trust among business actors. It is therefore crucial for all parties to understand not only the consequences of breach of contract but also the dispute resolution mechanisms available prior to resorting to litigation, such as mediation. Mediation, as a dispute resolution method, is regulated under several legal instruments, including Supreme Court Regulation No. 1 of 2008 concerning Mediation Procedures in Court (Fadillah & Putri, 2021). If mediation fails, the matter may proceed to court, thereby reflecting the seriousness of the implications of breach of contract in both individual and commercial affairs. Unwritten agreements or those lacking a clear formal structure may weaken legal protection for the parties, as the absence of written documentation makes it difficult to prove a breach of contract within a legal framework. Imbalances in business relationships have given rise to fundamental issues that disproportionately affect entities with weaker bargaining positions, such as contracting parties and consumers. This condition is often caused by unequal negotiating power, resulting in disproportionately negative consequences for the less powerful party. Clear and firm legal protection is essential to enable all parties to assert their positions, ensure justice through compensation for the injured party, and reinforce the integrity of business transactions (Maulana & Bahreisy, 2022).

An illustrative case can be seen in District Court Decision No. 50/Pdt.G/2018/PN Plk, in which the defendant, Christian Sancho, committed a breach of contract by failing to pay lease installments for two registered tanker trucks. The plaintiff, Sudirman, filed a lawsuit alleging that the defendant had defaulted on the financial lease agreement by failing to return the leased assets and pay the outstanding installments and late payment penalties. The court issued a *verstek* (default) judgment in favor of the plaintiff, granting part of the claim by declaring that the defendant had committed a breach of contract and ordering the return of the vehicles along with the payment of outstanding installments and penalties. This case demonstrates the significant impact that breach of contract can have on investment and contractual commitments, refuting the defendant's claim of non-liability for the breach.

Based on the foregoing background, several key issues can be formulated regarding breach of contract in financial lease agreements: (1) how disputes involving breaches in financial lease agreements are resolved; (2) what legal remedies are available to the aggrieved party in seeking compensation; and (3) whether effective dispute resolution mechanisms, such as mediation or arbitration, are available and applicable.

METHOD

This study employs a normative juridical research method, which is primarily doctrinal and focuses on analyzing legal norms, principles, statutory provisions, and jurisprudence relevant to the research issue. The normative juridical approach is used to systematically evaluate legal materials governing the protection of aggrieved parties in financial lease agreements, specifically in cases of breach of contract (*wanprestasi*). The research methodology combines both descriptive and analytical approaches. The descriptive approach is utilized to explain the legal framework and the doctrinal theories underlying the concept of breach of contract and legal remedies. On the other hand, the analytical approach allows for a critical examination of statutory regulations, court decisions, and other legal sources to assess the extent of legal protection available to the injured parties and the effectiveness of available dispute resolution mechanisms, such as mediation and arbitration. The research relies on three categories of legal materials: primary legal materials, which include statutory laws such as the

Indonesian Civil Code (Kitab Undang-Undang Hukum Perdata), Law No. 42 of 1999 on Fiduciary Security (if applicable), and relevant court decisions; secondary legal materials, which consist of legal literature such as textbooks, commentaries, scholarly journals (both national and international), and opinions from legal practitioners and academics; and tertiary legal materials, such as legal dictionaries, encyclopedias, and official guidelines or handbooks that support legal interpretation. Data collection is conducted through document studies, or library research, which involves a thorough review of written legal materials. These materials are then analyzed qualitatively by organizing, categorizing, and interpreting the data, with the goal of drawing conclusions that address the research problems.

RESULTS AND DISCUSSION

Leasing

Leasing refers to a financing arrangement where goods or capital assets are provided either under a finance lease (with an option to purchase) or an operating lease (without an option to purchase) for use by the lessee over a specified period, with payments made periodically (Accounting Binus, 2021). Leasing refers to a contractual agreement in which the asset owner allows the lessee to use the asset in exchange for agreed-upon lease payments. The fulfillment of obligations by both parties is crucial to ensuring a balanced and fair collaboration. Any ambiguity in the determination of responsibilities can lead to disputes if one party fails to fulfill its obligations, resulting in material or non-material losses.

The implementation of leasing agreements represents a commercial contract in which the lessee utilizes the lessor's asset for business purposes in exchange for agreed lease payments. The leasing process involves a series of procedures, starting from contract negotiations, determining the lease period, to installment payments. Therefore, the contract implicitly establishes reciprocal obligations that both parties must fulfill, and a breach of one party's obligations can be categorized as a breach of contract (*wanprestasi*) (Habibah & Nurasia Natsir, 2023). Such a situation can lead to material and immaterial losses, causing significant financial harm and disruption to the continuity of business operations. This is where the mechanism of compensation (*ganti rugi*) serves as an effort to balance the interests of both the lessor and the lessee in the leasing agreement.

According to Law No. 42 of 1999 on Leasing, leasing is defined as an agreement between the lessor and the lessee regarding the use of capital goods, whereby the lessor is responsible for purchasing the capital goods and leasing them to the lessee. This agreement can be long-term, depending on the parties involved (Fraistifina et al., 2024). Law No. 42 of 1999 also establishes a legal framework for leasing that covers various important aspects of leasing agreements, such as the duration of the lease, lease payments, maintenance, and sanctions for contract violations. Additionally, the parties involved in leasing agreements must agree upon methods of dispute resolution to address any potential conflicts that may arise during the execution of the agreement (Fransiska, 2022).

Leasing Cooperation Agreement

A leasing cooperation agreement is a form of contract that combines elements of lease and cooperation to regulate the relationship between the asset owner (lessor) and the lessee, as well as incorporating aspects of asset management and utilization to support joint business activities. The fundamental principle underlying this agreement is the mutual agreement and good faith between the parties to fulfill their respective rights and obligations, including aspects such as asset specifications, rental value, lease duration, and breach of contract (*wanprestasi*) provisions.

A leasing agreement is a manifestation of a contract not specifically mentioned or regulated in the Civil Code (KUH Perdata), but it is valid if it meets the four essential requirements stipulated in Article 1320 of the Civil Code, which are the mutual consent of the

parties, the capacity to contract, a specific object, and a lawful cause. In the context of leasing, the interaction between the lessor and the lessee is based on an agreement to grant the right to use an asset in exchange for agreed-upon payments or benefits over a specified period. Through a leasing agreement, a company is enabled to immediately obtain the necessary equipment or capital goods to support its operational activities, thereby addressing issues related to limited capital without the need to allocate a large amount of investment funds upfront, as the financing is done in installments over the lease term.

Forms of Default in a Leasing Agreement

A leasing cooperation agreement is a form of business transaction that provides an alternative financing option through installment payments, serving as a solution for companies facing capital constraints. However, in the implementation of leasing agreements, the parties involved do not always adhere to the agreed-upon provisions, which often results in challenges related to default (*wanprestasi*). The parties involved in the agreement often fail to comply with the terms and conditions established in the contract. When a breach of the agreement occurs, legal consequences may arise, potentially worsening the relationship between the parties and leading to prolonged litigation and significant costs. Thus, default can be understood from the perspective of legal protection for the aggrieved party, who has the right to seek compensation for the losses incurred. Therefore, the enforcement of rights and obligations in leasing agreements is critical to maintaining the sustainability and fairness of business transactions (Ni Made, 2022).

In the event of default, the aggrieved party has the right to file a lawsuit in court to seek compensation and/or enforcement of the agreement, highlighting the importance of fulfilling contractual obligations as previously agreed. This statement emphasizes that each party has a responsibility to comply with the contract, and if one party fails to meet its obligations, the aggrieved party may pursue their legal rights through the judicial process (Agustini et al., 2024). Referring to the decision of the Palangka Raya District Court No. 50/Pdt.G/2018/PN Plk, the defendant was found to have violated the provisions of the leasing agreement. The violation consisted of late payments for installments, in accordance with the agreement outlined in the financing contract signed on September 12, 2013. Regarding this ruling, the failure to pay installments of Rp. 7,970,000 each month from March 2015 to September 2017, for the vehicles with License Plates KH 8512 AM and KH 8514 AM, constituted a breach. Late fulfillment of obligations as regulated under Article 1238 of the Civil Code is not only a legal violation but also has a direct impact on the plaintiff as the provider of the funds. The plaintiff's losses reflect the consequences of the failure of the other party to fulfill the agreed-upon commitments.

In addition to the default in installment payments, the defendant also violated the obligation to return capital goods, specifically two Mitsubishi FE 74 HD tanker trucks that were the subject of the leasing agreement. The failure to return these assets represents an additional form of default that is non-financial in nature but has significant legal consequences. The ruling shows the application of the principle of justice in resolving default cases, where the defendant's absence in the trial led to a default judgment (*verstek*). *Verstek* occurs when one party fails to appear in court, and the court renders a judgment in favor of the plaintiff. This situation indicates that, besides material default, there is also an indication of procedural default, namely the failure to appear in court to defend oneself or demonstrate good faith.

Legal Basis of Leasing Agreements

The legal basis of leasing agreements in the context of legal protection for parties suffering losses due to default in leasing cooperation agreements can bind the parties based on the principle of freedom of contract and the principle of good faith, as outlined in Article 1338 of the Civil Code, which states that "All agreements made lawfully shall apply as law for those who make them." This article emphasizes that any agreement that has been lawfully made and

meets the prescribed conditions has the same legal force as a statute, thereby obligating the parties to fulfill their respective obligations in good faith (Fibriani, 2020). This provision forms the core basis for legal protection in leasing agreements, particularly when default occurs, causing one of the parties to suffer losses.

The obligations of the parties agreed upon in the leasing contract are based on principles rooted in Article 1338 of the Civil Code, so that in the event of default, the aggrieved party may demand the fulfillment of obligations or seek compensation in accordance with the agreement. The primary fundamental legal foundation that governs that all agreements must be executed in good faith and adhered to by both parties ensures legal certainty in every economic activity, including leasing agreements. This article expresses that agreements have binding and compulsory legal force, providing legal certainty for the parties involved, thus obligating them to fulfill the terms and promises agreed upon. Any breach of the agreement may result in legal consequences, both civilly and through dispute resolution mechanisms. The legal basis for leasing agreements can also be found in the Minister of Finance Decree No. 1169/KMK.01/1991 regarding Leasing Activities, which covers the operational limits, procedures for implementation, and the rights and obligations of the parties. This decree provides legal certainty and protection for the implementation of leasing activities and states that leasing is a form of financing that provides the lessee with the option to use capital goods with periodic payments over a specified period.

The Dispute Resolution Process for Default in Leasing Cooperation Agreements and Legal Steps to Claim Compensation

The dispute resolution process for default refers to a dual mechanism, which involves both litigation channels, such as the court, and non-litigation alternative dispute resolution methods, such as arbitration and mediation. Initially, the parties are typically encouraged to resolve the dispute amicably through negotiation, which prioritizes discussions to reach an agreement without incurring excessive time and costs. If the negotiation fails, mediation may be employed as an alternative to help achieve a fair and mutually agreed-upon resolution, considering that mediation offers flexibility and maintains long-term business relationships. If both of these methods fail to provide a resolution, the parties may opt for arbitration as an alternative forum, often chosen in leasing cooperation agreements due to its faster and final nature, where the decisions rendered carry legal force as an alternative dispute resolution outside the court.

The legal steps to claim compensation begin with establishing the facts of default while considering the provisions in the Civil Code, such as the rules on default under Article 1238 of the Civil Code, which states that the party failing to fulfill its obligations must compensate for the damages arising from the default. This legal process involves sending a formal notice or reminder (*somasi*) to the party accused of default as a final attempt to request voluntary performance before proceeding to litigation (Effendy & Anggawira, 2025). The initial step generally taken is verifying the occurrence of the default; the aggrieved party should collect evidence and send a formal notice as an official notification of the non-compliance.

Dispute resolution for default through the district court can be carried out in the form of a simple lawsuit if the dispute value is not too large, in accordance with the provisions outlined in the Supreme Court Regulation (Perma). A simple lawsuit provides procedural ease, with the hearing being conducted by a single judge. The judgment for compensation must still adhere to normative principles that require strong proof of actual damages (*damnum emergens*) and lost profits (*lucrum cessans*). These two elements are essential for the plaintiff to present concrete and verified evidence.

In summary, the legal steps to claim compensation in the context of a default dispute in a leasing cooperation agreement involve: (a) identification of default and the sending of a formal notice; (b) efforts to resolve the dispute through negotiation, mediation, and arbitration; (c)

filing a lawsuit if non-litigation efforts fail; (d) claiming compensation based on the calculation of material and immaterial losses incurred.

Legal Protection and the Effectiveness of Dispute Resolution Mechanisms for the Parties

Legal protection for creditors or lessors is manifested through provisions that explicitly regulate the right to claim damages resulting from default by the debtor. Articles governing the conditions of default provide sanctions that enable the lessor to submit a claim for damages and, in cases of material breaches, to terminate the contract unilaterally in order to protect their investment (Syaiful Khoiri, 2024). This protection not only emphasizes the lessor's ability to address the risk of debtor non-compliance but also ensures a clear enforcement mechanism if the debtor fails to fulfill their obligations. In the case of a material breach, the agreement may grant the lessor the right to unilaterally terminate the contract and claim damages incurred.

Legal protection for the debtor or lessee is closely related to the principles of fairness and the protection of procedural rights. The debtor may access a fair dispute resolution process to ensure that the resolution is not unilateral or arbitrary. The implementation of alternative mechanisms such as mediation and arbitration is intended to provide the debtor with an opportunity to present a comprehensive defense, processed within a framework of transparent procedural fairness (Hutahaean et al., 2024). Any decision or termination of the contract based on default must be supported by valid evidence and thorough proof, ensuring that the debtor's right to legal protection is not diminished, even if there is a deviation from the obligations in a legally binding agreement.

Various dispute resolution mechanisms can be used to address default in leasing agreements, including mediation, arbitration, and other non-litigation legal procedures. Dispute resolution through mediation and arbitration is known as Alternative Dispute Resolution (ADR), which offers advantages in terms of time and cost. The ADR process can be faster and more flexible compared to litigation in court, allowing the parties to reach a satisfactory agreement efficiently. An alternative dispute resolution approach prioritizes mutual needs and cooperative decision-making, differing from the unilateral decisions typically rendered by the court. Overall, both litigation and non-litigation processes have their respective advantages and disadvantages. In addressing default, it is important for the parties involved to consider the option that best suits their conditions, particularly with regard to cost, time, and the expected outcome. This aligns with the principle that dispute resolution should be simple, fast, and effective without undermining fairness

CONCLUSION

The resolution of disputes arising from default in lease and utilization agreements involves two main aspects: (1) the legal process of resolving disputes to claim damages for contractual violations, and (2) the existence of effective alternative dispute resolution mechanisms such as mediation and arbitration. Regarding the legal process of dispute resolution, when default occurs in a lease and utilization agreement, the injured party has the right to claim damages as agreed upon in the contract or based on applicable legal provisions, such as those in the Civil Code (KUH Perdata). Litigation through the courts is one of the avenues available to claim fulfillment of obligations or damages resulting from contractual violations. In order to file a lawsuit, the plaintiff must be able to prove the existence of default.

As an alternative to a large initial capital investment at the early stages of business establishment, companies may opt to utilize leasing or lease agreements to overcome funding barriers that often arise. Through this approach, the procurement of equipment is not done through large upfront financing, but rather can be obtained gradually according to the urgency of operational needs. This approach not only provides flexibility in cash flow management but also reduces the risk of losses from investments that may not yield optimal results in the early stages of the company's operations. The mechanism for resolving disputes resulting from

default in leasing agreements can also be found in the use of non-litigation dispute resolution channels, such as mediation and arbitration, which have proven to be efficient alternatives. These mechanisms not only expedite the resolution process but also reduce the costs typically associated with litigation. In terms of mediation, the parties are given the opportunity to engage in participatory communication, allowing them to reach a mutually beneficial agreement (win-win solution), which ultimately minimizes the potential for further conflicts and preserves the existing legal relationship. Finally, the application of an effective and appropriate dispute resolution mechanism is crucial in maintaining the continuity of the cooperation agreement and minimizing the negative impact of default, while also strengthening dispute resolution practices in lease and utilization agreements in general.

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