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## Legal Analysis of the Position of Personal Guarantee Owners in the Bank Credit Agreement Structure

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**Abstract:** *Bank loans play a vital role in supporting economic activities in Indonesia. One important instrument in managing credit risk is a personal guarantee, which involves a third party or the debtor himself to guarantee repayment of the loan in the event of default. This study analyzes the legal position of personal guarantees in the structure of bank credit agreements in Indonesia, identifying the effectiveness and risks associated with the use of personal guarantees. The normative juridical research method is used to explore conceptual and statutory approaches, and compare practices in the field. The results show that although personal guarantees provide an additional layer of security for banks, their utilization must be followed by an in-depth assessment of the guarantor's financial condition and the legal agreement made. Strict regulations and the application of prudential principles by banks are important to ensure that personal guarantees are effective in reducing credit risk, while supporting sustainable economic growth.*

**Keyword:** Personal Guarantee, Banking Credit, Credit Risk

### INTRODUCTION

In the current economic and financial context, bank credit plays an important role in supporting economic activities in Indonesia. Bank credit serves as one of the main instruments to facilitate investment, consumption and business operations, all of which are vital to the growth and development of the national economy. Through credit provision, banks not only help individuals to purchase a home or vehicle, but also help small to large companies in financing their expansion, innovation, and operational capital needs. The importance of a solid credit agreement structure cannot be underestimated in this context. Banking regulations in Indonesia, including Law Number 10 of 1998 concerning Amendments to Law Number 7 of 1992 concerning Banking, emphasize the need for the application of the principle of prudence in granting credit. This principle requires banks to conduct a thorough analysis of creditworthiness, the debtor's ability to repay, and ensure adequate collateral. Compliance with these regulations not only reduces the risk of bad debts that could have a negative impact on the financial system, but also ensures broader economic

stability, ensuring that banks can continue to play their role in supporting sustainable economic growth.<sup>1</sup>

In supporting economic stability and growth, banking in Indonesia is regulated to ensure that credit-granting practices are carried out responsibly and prudently. This regulation creates a strong foundation not only for the security of the financial system but also for investor and consumer confidence. According to Bank Indonesia data, credit provided by banks has a significant role in driving various economic sectors, from the manufacturing industry to services and agriculture. The availability of efficient and safe credit encourages domestic innovation and competitiveness, and increases Indonesia's export capabilities.<sup>2</sup>

The importance of a solid credit agreement structure is evident in managing credit risk. This structure includes not only proper assessment of credit applications, but also the preparation of adequate credit documents, including provisions on collateral, terms and conditions of repayment, and default handling mechanisms. This is critical in ensuring that the rights and obligations of both creditors and debtors are explained transparently and protected by law. At the policy level, Bank Indonesia actively monitors and regulates these credit-granting practices to avoid practices that have the potential to cause economic turmoil. This includes setting minimum standards for capital adequacy ratios, monitoring asset quality, and setting maximum limits for granting credit to a single party or related group. Thus, through this policy, the regulator seeks to avoid excessive concentration of risk that could worsen the financial condition of banks and disrupt the financial system as a whole. When banks apply prudent principles and adhere to strict regulations, they not only protect themselves, but also ensure greater economic stability. This in turn supports sustainable economic growth, by ensuring that available funds can be channeled to projects that are most capable of supporting Indonesia's socio-economic growth and development.

Personal guarantees play an important role in the Indonesian banking system as one of the main instruments to reduce credit risk. In the context of banking, a personal guarantee is a commitment given by a third party or by the debtor himself, which guarantees the repayment of a bank loan if the principal debtor fails to fulfill his obligations. According to Law No. 10 of 1998 concerning Amendments to Law No. 7 of 1992 concerning Banking, banks are required to conduct an in-depth analysis of the debtor's ability and reliability before granting credit. In this analysis, a personal guarantee is one of the determining factors because it provides an additional layer of security that can cover potential bank losses in the event of default. In addition to being a protection against credit risk, a personal guarantee also gives the bank more confidence to provide loans in larger amounts or with more favorable terms for both parties. This is because there is a guarantee from a third party that can be trusted to fulfill payment obligations if an undesirable situation occurs. The use of personal guarantees also reflects the prudential principle that has been embedded in Indonesian banking regulations, which not only protects the interests of banks but also ensures the stability of the financial system.<sup>3</sup>

However, the provision of personal guarantees must be followed by a careful and objective assessment of the guarantor's financial condition, as well as an in-depth legal analysis of the guarantee agreement made. This is important to ensure that the guarantee provided is truly effective and reliable in situations when the principal debtor is unable to fulfill his obligations. Personal guarantees, when properly managed, not only reduce credit

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<sup>1</sup> B Wahdaniah et al., *Financial Institution Law* (CV. Gita Lentera, 2024).

<sup>2</sup> Davina Chiesa and Christine ST Kansil, "Review of Banking Fund Transfer Transactions in Managing Risk and Maintaining Trust," *Journal of Law, Humanities and Politics* 4, no. 4 (2024): 998–1007.

<sup>3</sup> Maya Sari, Seprida Hanum, and Rahmayati Rahmayati, "Risk management analysis in the implementation of good corporate governance: A study of banking companies in Indonesia," *Owner: Research and Accounting Journal* 6, no. 2 (2022): 1540–54.

risk but also support economic growth by enabling banks to expand access to credit for individuals and businesses that may not have sufficient physical collateral to pledge.

Personal guarantees are an essential component in the structure of bank credit agreements in Indonesia, especially in an effort to reduce credit risk. According to Law Number 10 of 1998 concerning Amendments to Law Number 7 of 1992 concerning Banking and Law Number 4 of 2023 concerning Development and Strengthening of the Financial Sector, personal guarantees provide banks with an additional security mechanism in addition to physical collateral. A personal guarantee binds an individual or entity to fulfill a debtor's payment obligations, if the debtor fails to fulfill his obligations. This significantly reduces the potential financial losses that a bank may incur, as it allows the bank to have more than one source for debt collection.<sup>4</sup>

In practice, personal guarantees act as an additional layer of protection, where if the collateral is insufficient to cover losses due to default, the guarantor (personal guarantor) will be responsible for covering the deficit. The existence of this guarantor is very important in the context of the Indonesian economy, which often faces economic fluctuations and sectoral instability that can affect the debtor's ability to meet their financial obligations. Therefore, banks tend to favor debtors who have personal guarantees because they reduce credit risk and provide greater certainty of the return of funds lent.

The formulation of Law No. 4 of 2023 also emphasizes the importance of adequate regulation in the supervision and evaluation of personal guarantees as part of the credit granting process. This regulation aims to ensure that banks conduct accurate and in-depth assessments of the financial capabilities and credibility of guarantors before approving credit. This is necessary to protect the interests of all parties, including ensuring that the guarantor is financially capable and legally responsible for potential liabilities. Thus, the role of personal guarantees in reducing credit risk not only benefits banks, but also contributes to stability and confidence in the financial sector as a whole.<sup>5</sup>

A personal guarantee is a form of security used in credit agreements, where a third person or entity guarantees to fulfill the debtor's obligations in the event of default. Unlike real guarantees, personal guarantees do not involve the use of physical assets as collateral. Instead, it is based on the creditor's trust in the guarantor who has financial capability or a strong reputation that is considered capable of fulfilling payment obligations. The structure of a credit agreement involving personal guarantees generally includes components such as the identities of the parties involved, the amount of the loan, the terms and conditions of the loan, and the rights and obligations of both parties. The creditor has the right to receive repayment of the funds lent in accordance with the agreed conditions, while the debtor is required to fulfill the payment on time according to the schedule set out in the agreement.<sup>6</sup>

Referring to Law No. 4 of 2023 concerning the Development and Strengthening of the Financial Sector and Law No. 10 of 1998 concerning Amendments to Law No. 7 of 1992 concerning Banking, the main objective of this study is to analyze the effectiveness and sustainability of personal guarantees in the current legal and financial context. This study aims to identify the extent to which personal guarantees can be relied upon as a means of securing credit in Indonesia, considering regulatory changes and the dynamics of the ever-evolving economy. In addition, this study also aims to assess the risks associated with the use of personal guarantees, especially related to the potential for default and its implications for banking financial stability.

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<sup>4</sup> Permadi Gandapraja, *Basis and Principles of Bank Supervision* (Gramedia Pustaka Utama, 2004).

<sup>5</sup> Solikin M Juhro and MAE, *Introduction to central banking: Theory and policy* (PT. RajaGrafindo Persada-Rajawali Pers, 2023).

<sup>6</sup> Abdul R Saliman, *Business Law for Companies, Fifth Edition* (Prenada Media, 2016).

## METHOD

This research uses a normative legal research method which includes a comparative approach, a conceptual approach, and a legislative approach. This research relies on secondary data sources. The data was analyzed descriptively and qualitatively. The research specification uses analytical descriptive, which is describing data that aims to obtain a complete picture of certain legal events that occur in society to then be analyzed using relevant rules.

## RESULTS AND DISCUSSION

### Legal Analysis of the Validity of Online Voluntary Non-Execution Auctions

Voluntary non-execution auctions are a method of selling assets that does not go through a formal legal process or court. This process allows sellers to voluntarily offer their assets in the auction market without any legal coercion. In this auction, assets are sold to the highest bidder through a digital platform, which facilitates access and participation from a wide range of potential buyers. This concept differs from execution auctions which are usually conducted as a result of a court order or other legal decision, such as a debt settlement. In the regulatory context, voluntary non-execution auctions are regulated more loosely than execution auctions, because they are not directly related to the implementation of mandatory laws.<sup>7</sup> Although not explicitly regulated in a special law, general principles regarding transactions and sales of goods can be found in the Civil Code, especially in the articles governing sales and commercial transactions.

Auction is a process regulated by various laws and regulations to ensure transparency and fairness in the sale or transfer of rights to assets. In Indonesia, the auction process is regulated by several laws, including Law Number 42 of 1999 concerning Fiduciary Guarantees, which allows collateralized assets to be auctioned to fulfill debtor obligations in the event of default. In addition, Law Number 2 of 2014, which is an amendment to Law Number 30 of 2004 concerning Government Administration, also regulates the administrative process that must be followed in the auction process carried out by the government. At the international level, the auction process, especially those related to electronic transactions, also often refers to the *UNCITRAL Model Law on Electronic Commerce* which aims to integrate electronic auction practices in various jurisdictions, facilitate cross-border sales and ensure the security of electronic transactions.<sup>8</sup>

The implementation of online auctions, especially voluntary non-execution auctions, has experienced significant growth thanks to advances in information technology. In practice, online auction platforms offer various types of services ranging from auctions of collateral, movable assets to immovable assets with various easy access that can be reached from anywhere. The aspects of security and reliability of technology are the main keys, where the system must be able to protect personal data and financial transactions of users. In the context of law in Indonesia, this implementation is regulated in Law Number 11 of 2008 concerning Information and Electronic Transactions which was later updated by Law Number 19 of 2016 concerning Amendments to Law Number 11 of 2008 which covers aspects of electronic transactions, as well as Regulation of the Minister of Finance Number 27/PMK.06/2016 concerning Procedures for Implementing Electronic Auctions which regulates further procedures regarding the implementation of online auctions. This regulation aims to ensure

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<sup>7</sup> Marsudin Nainggolan, Ismail Rumadan, and others, *Understanding Bankruptcy Law from the Perspective of Other Lawsuits* (Deepublish, 2023).

<sup>8</sup> Dwi Nugrohandini and Ety Mulyati, "Legal Consequences of Lawsuits and Resistance to Execution Auctions of Mortgage Rights," *Jurnal Bina Mulia Hukum* 4, no. 1 (2019): 35–52.

that online auctions are carried out fairly, openly, and responsibly, while maximizing the value of the auctioned assets.<sup>9</sup>

Auction officials have an important role in the auction process, both conventionally and online, which serves as a guarantor of transparency and fairness of the auction process. The main responsibility of the auction official is to manage and ensure that the auction runs in accordance with the established rules, including verifying the validity of the auction object and the eligibility of auction participants. In the online context, this responsibility is adapted through the use of digital platforms that allow for broader supervision and higher accessibility. The law governing auction officials and auction procedures in Indonesia is Law Number 42 of 1999 concerning Fiduciary Guarantees, which includes provisions on the execution of collateralized objects through auction officials.<sup>10</sup> Adaptation to an online system requires the integration of adequate information technology to support auction activities, which is further regulated in regulations issued by the relevant agencies.

The auction process in Indonesia is regulated in detail through Law No. 42 of 1999 concerning Fiduciary Guarantees and Government Regulation No. 24 of 1997 concerning Land Registration. The auction begins with registration, where interested parties must register the assets to be auctioned at the auction office. Next, bidding is opened with a public announcement that includes details of the assets, time, and place of the auction. Bidders must register and may need to deposit a deposit to participate in the bidding process. The bidding process is carried out openly, where bidders can increase their bids until they reach the highest price. Finally, the auction is closed with the determination of the winner by the auction official, who is then authorized to issue a winner determination letter. Every step in this process is regulated to ensure transparency and fairness for all parties involved.<sup>11</sup>

In the context of Indonesian law, the validity of an online auction contract is determined by several essential elements that must be met in accordance with the provisions stipulated in the Civil Code (KUH Perdata). These elements include an agreement between the parties (Article 1320 of the Civil Code), the capacity to enter into an agreement (Article 1330 of the Civil Code), the purpose of the agreement is valid and does not conflict with regulations, morality, and public order (Article 1337 of the Civil Code), and a valid form if the law determines it (Article 1320 of the Civil Code). In the context of online auctions, transparency and clarity of information regarding the goods or services being auctioned are important to meet the requirements for a valid agreement. In addition, the use of information technology in online auctions must comply with Law Number 11 of 2008 concerning Information and Electronic Transactions (UU ITE), which regulates electronic transactions and the authenticity of electronic documents as a valid form of agreement.<sup>12</sup>

Protection of third parties in online auctions in Indonesia is regulated in several regulations to guarantee their rights and interests. In accordance with Law Number 11 of 2008 concerning Information and Electronic Transactions (ITE) and its amendments, Law Number 19 of 2016, every electronic transaction, including online auctions, must guarantee security and fairness for all parties involved. This includes third parties who may be affected by the auction results. In addition, Government Regulation Number 82 of 2012 concerning the Implementation of Electronic Systems and Transactions also provides a legal framework on how personal data must be protected during the electronic transaction process. In the

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<sup>9</sup> Yurike Siti Mariyam, *E-Government in Public Services* (CV. Azka Pustaka, 2024).

<sup>10</sup> Andika Persada Putera, *Banking Law: Analysis of Principles, Products, Risks and Risk Management in Banking* (Scopindo Media Pustaka, 2020).

<sup>11</sup> Andi putra Ndruru et al., "The Utilization of Land Certificates as Collateral in Borrowing Money for Business Capital," *RECTUM JOURNAL: Legal Review of Criminal Case Handling* 6, no. 1 (2024): 1–13.

<sup>12</sup> Asep N Mulayana, *Deferred Prosecution Agreement in Business Crime* (Gramedia Widiasarana Indonesia, 2019).

context of online auctions, it is important to ensure that all product information is accurately communicated to bidders, and that dispute resolution mechanisms are available to handle complaints or claims from third parties who feel aggrieved.<sup>13</sup>

Dispute resolution in the context of online voluntary non-execution auctions in Indonesia is regulated through several mechanisms, both through litigation and non-litigation. First, litigation involving the district court in accordance with applicable laws and regulations, especially the Civil Procedure Code (KUHAPerdata). Second, non-litigation mechanisms such as mediation and arbitration are regulated in Law No. 30 of 1999 concerning Arbitration and Alternative Dispute Resolution. Mediation can be carried out before entering the court process, as an effort to resolve disputes more efficiently and save time. Arbitration becomes an option when the parties have agreed to an arbitration clause in the agreement they signed, providing a final and binding dispute resolution solution. Third, in the context of e-commerce and digital transactions, Law No. 11 of 2008 concerning Electronic Information and Transactions (UU ITE) also provides a legal framework for resolving disputes arising from electronic transactions.<sup>14</sup>

Cases and legal precedents relating to online auctions in Indonesia provide insight into how the regulations are applied in practice. For example, online auction cases often involve aspects of the Electronic Information and Transactions Law (UU ITE) No. 11 of 2008 as amended by Law No. 19 of 2016, which regulates electronic transactions and their implications for the validity of electronic documents. In addition, Law No. 42 of 1999 on Fiduciary Guarantees, which regulates the use of fiduciary rights in financial transactions, is also relevant in cases where the auctioned assets are pledged. Through the analysis of selected cases, it will be seen how the courts interpret and apply these norms in the context of online auctions, and how this affects the parties involved. The analysis also reveals the dynamics between applicable law and practice on the ground, as well as the challenges that arise in their implementation.<sup>15</sup>

In the context of Indonesian law, voluntary non-execution auctions conducted online are a non-coercive asset sale mechanism conducted through a digital platform. This discussion will identify and describe the application of relevant laws and regulations, including Law No. 42 of 1999 concerning Fiduciary Guarantees and Law No. 11 of 2008 which has been amended to Law No. 19 of 2016 concerning Information and Electronic Transactions (ITE). The ITE Law specifically provides a legal framework for all transactions conducted through an electronic system, which includes online auction activities. The legality and validity of an online voluntary non-execution auction are determined by compliance with these provisions, including verification of the identity of the seller and buyer, clarity of the legal status of the auctioned assets, and transparency and accountability in the auction process. This<sup>16</sup> evaluation also includes observations of practices that may potentially violate legal provisions, such as price manipulation and fraudulent actions.

### **Legal Implications and Rights Protection for Participants in Online Voluntary Non-Execution Auctions**

The implementation of voluntary non-execution auctions online without auction officials is an auction process carried out through a digital platform, where there is no official

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<sup>13</sup> Erna Priiasari, "Protection of Consumer Personal Data in E-Commerce Transactions," *Rechts Vinding Journal: National Legal Development Media* 12, no. 2 (2023).

<sup>14</sup> Intan Nur Rahmawati, MH SH, and SH Rukiyah Lubis, *Win-Win Solution for Consumer Disputes* (MediaPressindo, 2018).

<sup>15</sup> Seng Hansen, *Construction Contract Management (New Edition)* (Gramedia Pustaka Utama, 2017).

<sup>16</sup> Elvira Fitriyani Pakpahan et al., "Corporate Legal Book," *PUBLISH BOOK UNPRI PRESS ISBN* 1, no. 1 (2024).

auction official to supervise or validate the transaction. This mechanism has several legal impacts on sellers, buyers, and the auction process itself. For sellers, Article 1133 of the Civil Code provides the right to legal certainty in the auction process. In the context of online auctions without auction officials, sellers must ensure that the payment and delivery mechanisms are regulated clearly and definitely.<sup>17</sup> The seller also has the right to receive correct and clear information regarding the goods being auctioned, in accordance with Article 21 paragraph (1) of the Consumer Protection Law. Complete and transparent information regarding the condition, specifications and value of the goods is very important to avoid potential claims or disputes from buyers.

For buyers, consumer protection plays a crucial role, which includes a number of rights that must be guaranteed in every auction transaction. These rights include the right to receive accurate, clear and honest information about the goods to be purchased, as well as the right to obtain goods according to the description given. It is important for buyers to conduct careful *due diligence on the goods they are going to buy*, considering the risks such as fraud or inaccurate information that can affect their purchasing decisions.<sup>18</sup>

In addition, buyers must ensure that the certainty of payment and delivery of goods is guaranteed by the auction platform where they transact.<sup>19</sup> This can be done through an escrow mechanism or other guarantees provided by the platform. This escrow mechanism ensures that the payment made by the buyer is not immediately forwarded to the seller until the goods are received in a condition that matches the description given. This provides additional protection for the buyer from the risk of payment without receiving the expected goods or from fraud that may occur in the auction process.<sup>20</sup> By ensuring adequate consumer protection and secure transaction mechanisms such as escrow, buyers can minimize risks and increase confidence in participating in online or conventional auctions.

Without the involvement of auction officials, online auction platforms must ensure compliance with all applicable regulations related to auctions and electronic commerce, including the protection of personal data and electronic transactions. Transparency and accountability in the auction process must be maintained to provide confidence to users and ensure that all parties involved can see and understand the applicable auction mechanism.<sup>21</sup> Accountability of auction platforms is also important to provide confidence to users, by providing effective and accessible dispute resolution mechanisms for sellers and buyers.<sup>22</sup> Conducting voluntary non-execution auctions online without an auction official has significant legal implications for sellers, buyers and the auction process itself, so all parties

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<sup>17</sup> Vina Putri Salim and Bambang Sugeng Ariadi Subagyono, "The Validity of Voluntary Non-Execution Auctions Online Without Auction Officials," *Notaire* 5, no. 1 (2022).

<sup>18</sup> Firdaus Ridhan Zhafari, "Violation of the Law Against Consumer Rights by Business Actors in the Marketplace by Not Providing Clear Information Regarding Products," *UNES Law Review* 6, no. 3 (2024): 9633–39.

<sup>19</sup> Aulia Nusa Bela, Jelly Leviza, and others, "Legal Protection of Online Auction Winners of Mortgage Rights at KPKNL Medan Based on Auction Minutes Number 132/04/2019," *Al-Hikmah Law Journal: Media for Communication and Information on Law and Society* 3, no. 2 (2022): 326–57.

<sup>20</sup> Indra Gamayanto, "E-commerce-Crm Innovation & Development in Facing Globalization: Case Study-Tokopedia.com," *E-JURNAL JUSITI: Journal of Information Systems and Information Technology* 7, no. 1 (2018): 98–103.

<sup>21</sup> Shinta Raqyh Alian Jaha and Meldona Meldona, "Analysis of Auction Information System Through Portal Website. Auction. Go. Id for Bad Credit Collateral at the State Asset and Auction Service Office of Malang City," *JOURNAL OF ECONOMIC EDUCATION: Scientific Journal of Education, Economics and Social Sciences* 18, no. 1 (2024): 168–82.

<sup>22</sup> Laili Choirunnisa et al., "The Role of Electronic-Based Government Systems (SPBE) in Improving Accessibility of Public Services in Indonesia," *Sosio Yustisia: Journal of Law and Social Change* 3, no. 1 (2023): 71–95.

must ensure that their rights are protected and that they understand the risks involved in this process.

Buyers in the auction process have strong rights guaranteed by law, in accordance with the provisions governing legal certainty and consumer protection. Article 1330 of the Civil Code (KUHPer) provides buyers with the right to obtain legal certainty in auction transactions. This includes the right to clearly know the mechanism for receiving purchased goods, as well as a guarantee of the condition of the goods in accordance with the description provided.<sup>23</sup> In addition, based on Article 8 of the Consumer Protection Law, buyers have the right to receive correct and clear information about the goods being auctioned, including the condition of the goods, specifications, and other important aspects relevant to the purchase decision. This protection emphasizes the importance of transparency and accuracy of information in the auction process, to ensure that buyers can make informed and legally correct decisions, and are protected from dishonest or misleading business practices.<sup>24</sup>

Potential disputes related to the validity of the auction may arise due to the requirements stipulated in Article 21 of PMK 213/2020 which stipulates that the auction must be conducted by or in the presence of an Auction Officer. The presence of an Auction Officer is very important because they are responsible for ensuring that the entire auction process takes place in accordance with applicable legal provisions and is transparent. Without the presence of an Auction Officer, the validity of the auction can be questioned and considered invalid, thus increasing the legal risk related to the validity of the transactions carried out.<sup>25</sup>

The presence of the Auction Officer is not only a guarantee that the auction procedure is running properly, but also ensures that the rights of all parties are protected and that the auction results are legally reliable. This reduces the possibility of future disputes or disputes related to the process or results of the auction being conducted.<sup>26</sup> Therefore, compliance with the Auction Officer's attendance requirements is crucial to maintaining integrity and trust in every auction transaction conducted either conventionally or through an online platform.

In addition to the risks related to the validity of the auction due to the absence of an Auction Officer, disputes in the context of the auction can also arise due to default. Default occurs when one party in an auction transaction does not fulfill its obligations as agreed. For example, a breach of contract can occur if the seller does not deliver the goods according to the description promised to the buyer. For example, the goods delivered do not match the conditions or specifications announced in the auction process, which can cause dissatisfaction or loss to the buyer.<sup>27</sup> On the other hand, a breach of contract can also occur if the buyer does not make payment according to the agreed terms. This can mean late payment or even no payment at all, which is a violation of the buyer's obligations in the auction transaction.

Such defaults can trigger various legal disputes, such as demands for compensation or even cancellation of transactions that have been made.<sup>28</sup> In this situation, the party who feels aggrieved can file a legal claim to obtain compensation for losses suffered due to the violation of obligations committed by the other party in the auction process. The importance

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<sup>23</sup> I Putu Merta Suadi, Ni Putu Rai Yuliantini, and Si Ngurah Ardhya, "Legal review of legal subjects in online/e-commerce sales transactions reviewed from the civil code," *Jurnal Komunitas Yustisia* 4, no. 2 (2021): 668–81.

<sup>24</sup> Erna Priliasari, "Protection of Consumer Personal Data in E-Commerce Transactions," *Rechts Vinding Journal: National Legal Development Media* 12, no. 2 (2023).

<sup>25</sup> PNH Simanjuntak and M Kn SH, *Auction Law in Indonesia* (Jakarta: Prenada Media, 2023).

<sup>26</sup> Adwin Tista, "The Development of the Auction System in Indonesia," *Al-Adl: Jurnal Hukum* 5, no. 10 (2013).

<sup>27</sup> Sandrarina Hertanto and Gunawan Djajaputra, "Legal Review of Settlement of Default in Sale and Purchase Agreements," *UNES Law Review* 6, no. 4 (2024): 10368–80.

<sup>28</sup> Aan Handriani, "Consumer Protection in Online Purchase and Sale Transaction Agreements," *Pamulang Law Review* 3, no. 2 (2020): 127–38.



of maintaining integrity and compliance in every stage of the auction does not only include the presence of the Auction Officer, but also involves the implementation of clear provisions regarding the obligations and rights of both parties. This aims to minimize the risk of disputes and ensure that all auction transactions can run fairly and in accordance with applicable laws.

Another issue that can cause disputes in the context of auctions is fraud. Fraud can occur when an unauthorized party poses as a seller or buyer in order to gain personal gain unlawfully. In an auction, this can mean providing false information about an item being auctioned, offering an item that is not owned, or using a false identity to deceive others.<sup>29</sup> This kind of fraud can be very detrimental to both parties. For sellers, they could lose their goods without getting the payment they deserve. For buyers, they can experience financial losses because they pay for goods that do not actually exist or do not match the description given.

Legal action is needed to address the consequences of fraudulent actions in auctions. This may include legal proceedings to restore rights and losses to parties affected by fraud, as well as to punish the perpetrators of fraud in accordance with applicable laws.<sup>30</sup> Therefore, it is important for all parties involved in the auction to exercise caution and carefully verify the identity and validity of the information provided by the counterparty. Transparency and compliance with procedures established in the auction are also key to reducing the risk of fraud and ensuring that each transaction is conducted fairly and in accordance with applicable legal provisions.

Dispute resolution mechanisms can be carried out through several available means. First, disputes can be resolved through deliberation to reach a consensus amicably, which can include mediation or negotiation between the disputing parties.<sup>31</sup> Mediation involves a neutral third party to help reach an agreement acceptable to both parties.<sup>32</sup> Meanwhile, negotiation is a direct effort between the disputing parties to reach an agreement without the intervention of a third party. If the deliberation efforts do not produce results, the disputing parties can file a civil lawsuit in court. The court will resolve the dispute based on the evidence and arguments presented by each party, and decide on a binding legal decision.<sup>33</sup>

In addition, if the dispute that occurs is related to a violation of consumer rights, the injured party can submit a complaint to the National Consumer Protection Agency (BPKN) for further handling. BPKN has a role to protect consumer rights and can mediate, provide advice, or facilitate the resolution of disputes between consumers and providers of goods or services.<sup>34</sup> Thus, the availability of various dispute resolution mechanisms allows parties involved in a dispute, whether consumers or businesses, to choose a path that suits the characteristics and needs of the dispute they are facing.

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<sup>29</sup> Budi Hariyanto, "Avoiding Conflicts Between Traders in Traditional Markets by Applying the Principle of Good Faith at the Fish Auction Place of Mayangan Port, Probolinggo City," *IUS: Scientific Journal of the Faculty of Law* 9, no. 01 (2021): 104–11.

<sup>30</sup> Alfalachu Indiantoro et al., "Legal Review of Fraud Crimes in Electronic Transactions," *Legal Standing: Journal of Legal Studies* 8, no. 1 (2024): 202–14.

<sup>31</sup> Arfian Setiantoro et al., "The Urgency of Consumer Legal Protection and E-Commerce Dispute Resolution in the Era of the ASEAN Economic Community," *Jurnal Rechts Vinding: Media for National Legal Development* 7, no. 1 (2018): 1–17.

<sup>32</sup> Mila Nila Kusuma Dewi, "Dispute Resolution in Online Sales and Purchase Agreements," *Journal of Light of Justice* 5, no. 2 (2017): 72–90.

<sup>33</sup> Jimmy Joses Sembiring and M Sh, *How to resolve disputes outside the court* (South Jakarta: Visimedia, 2011).

<sup>34</sup> Eka Nadia Septiani Ady et al., "The Urgency of the Commercial Code in Handling Cybercrime Risks in E-Commerce Transactions: The Importance of Codifying General Provisions of Commercial Law as a Government Response to Consumer Protection in E-Commerce Transactions," *Journal of Law, Administration, and Social Science* 2, no. 1 (2022): 45–55.

## CONCLUSION

In terms of the validity of voluntary non-execution auctions based on online that are conducted without the involvement of auction officials, it is revealed that although this practice has not been explicitly regulated in specific legislation, such activities must comply with the general principles outlined in the Civil Code and the Law on Information and Electronic Transactions (UU ITE). Auction platforms must offer transparency and ease of access but require strict regulations to ensure the security and fairness of transactions. The main challenge lies in the absence of auction officials who usually guarantee the integrity of this process, so platform managers need to implement alternative mechanisms such as escrow accounts to ensure safe transactions. In addition, the auction process must be carried out in accordance with applicable regulations that protect consumers and third parties, and provide an efficient dispute resolution mechanism to prevent and resolve conflicts that may arise, combining market needs with fair protection for all parties involved.

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