

## **A Review Of Legal Protection Efforts For Consumers Against Defaulting Property Developers**

**Syahro Milenio**<sup>1)\*</sup>, **Yoyo Arifardhani**<sup>2)</sup>, **Jum Anggraini**<sup>3)</sup>  
<sup>1,2,3)</sup> Fakultas Hukum Universitas Pancasila, Jakarta, Indonesia

**\*Corresponding Author**

Email: [mileniosyahro6@gmail.com](mailto:mileniosyahro6@gmail.com)

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### **Abstract**

*This research explores the effectiveness of consumer legal protection mechanisms in Indonesia, emphasizing the interplay between litigation and alternative dispute resolution (ADR). The study focuses on three institutional pathways: the District Court as the formal litigation channel, the Consumer Dispute Settlement Agency (BPSK) as a quasi-judicial body, and the Indonesian National Arbitration Board (BANI) as an ADR institution. By adopting a normative juridical approach complemented by qualitative analysis, this study investigates not only the normative framework of the Consumer Protection Law but also the extent to which consumers can practically access these institutions when seeking justice. Findings indicate that Indonesia has established a relatively comprehensive regulatory foundation for consumer protection. However, significant obstacles persist in practice. These include limited institutional capacity, insufficient socialization of consumer rights, low public trust in non-litigation institutions, and procedural complexities that may discourage consumers from pursuing legal remedies. Moreover, the study finds a gap between the law's normative promises and its actual enforcement, highlighting disparities in institutional readiness across regions. The research further underscores the importance of enhancing synergy between litigation and ADR mechanisms to provide consumers with more efficient, accessible, and equitable dispute resolution options. Strengthening institutional resources, improving public awareness, and harmonizing procedural standards are identified as critical steps toward bridging the gap between normative provisions and practical realities. Ultimately, this study contributes to the broader discourse on consumer legal protection in Indonesia by offering insights into institutional performance, structural challenges, and potential pathways for reform to ensure more effective consumer rights enforcement.*

**Keywords:** *Legal Protection; Developer Default, Sale and Purchase Binding Agreement (PPJB); Consumer Dispute Protection Agency; District Court; Indonesian National Arbitration Board;*

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## **INTRODUCTION**

Housing is a fundamental human need that plays a vital role in ensuring individual survival and community well-being. A house not only functions as a shelter that protects individuals from environmental elements and external disturbances, but it also serves as the center of family life, a space for social interaction, and a symbol of economic stability and personal welfare (Rolfe et al. 2020). In the context of national development, the housing sector holds a strategic role in supporting government programs aimed at enhancing public welfare, reducing poverty levels, and fostering a more structured and equitable social order.

Along with rapid population growth, increasing urbanization, and shifting lifestyle patterns toward urban living, the demand for adequate, affordable, and legally secure housing has become increasingly urgent. The phenomenon of urbanization in major Indonesian cities has significantly boosted the demand for housing. This surge has led to a continuous rise in property prices each year, making it increasingly difficult for low- and middle-income groups to afford decent housing in urban areas. In this context, property developers have emerged as key actors in addressing housing needs through various development and marketing schemes (Vitriana et al. 2025).

To overcome capital limitations in self-funded housing development, developers frequently market their housing units using a mechanism known as the Sale and Purchase Agreement (Perjanjian Pengikatan Jual Beli, or PPJB). The PPJB serves as a common legal instrument employed by developers to sell housing units that are still under construction.

Through this agreement, developers can secure early-stage funding from consumers, thereby accelerating and facilitating the construction process. For consumers, the PPJB offers a form of legal certainty in acquiring their desired housing units while providing a more flexible payment structure, which aids in financial planning (Sopyan 2021).

Although the PPJB offers advantages for both parties, in practice it often gives rise to various issues that ultimately disadvantage consumers. One of the most prevalent problems is the developer's breach of contract (*wanprestasi*), which occurs when the developer fails to fulfill their obligations as stipulated in the PPJB (Putra, Nasser, and Ismed 2024). Such breaches may include delays in construction, deviations from the promised specifications, substandard building quality, or the failure to issue land ownership certificates to consumers (Arisaputra and Gultom 2022). In some cases, developers even go bankrupt before completing the construction, leaving consumers without access to the property they have already paid for.

The impact of such breaches is considerable. Consumers who have made installment payments in accordance with the agreement may suffer substantial financial losses due to delays or failure in delivering the promised housing. Many are forced to seek temporary accommodation at their own expense while continuing to pay installments for a home that remains inaccessible (D. O. Sitompul, Arifin, and Perdana 2021). This situation creates a dual financial burden. Beyond monetary losses, consumers also face psychological harm, including stress, anxiety, disappointment, and uncertainty regarding the future of their housing.

This problem becomes more complex when considering that PPJB contracts are often unilaterally drafted by developers using standard clauses (*klausula baku*) that tend to favor the developer's interests. Consumers, typically in a weaker bargaining position, rarely have the opportunity to negotiate or request changes to unfavorable terms. As a result, they are compelled to accept pre-formulated agreements without any real power to safeguard their rights. This imbalance in bargaining power significantly exacerbates consumer vulnerability in the face of developer default (Syarif 2022).

In addition, the low level of legal literacy among the general public is one of the main factors contributing to the weak consumer protection in the implementation of the PPJB. Many consumers focus solely on the developer's promise to deliver the house on schedule, without carefully reading the contents of the agreement. Their lack of awareness regarding their rights under the PPJB leaves them ill-equipped to take appropriate legal action when a breach occurs. Consequently, when their rights are violated, consumers often do not know what steps to take or where to file complaints (Christiantoro and Saleh 2023).

On the other hand, this issue is further exacerbated by inadequate government oversight of developers in the housing development process. Ineffective supervision allows developers considerable leeway in neglecting their obligations, including the timely completion of construction, adherence to promised building standards, and issuance of land ownership certificates. This weak regulatory enforcement ultimately results in low developer compliance with contractual agreements, leaving consumers as the most disadvantaged party (Syarief, Sudirman, and Pin 2016).

The widespread issue of developer breach of contract in PPJB arrangements has also contributed to a decline in public trust toward developers and the property industry as a whole. Recurring cases of non-performance across various regions have diminished consumer confidence in purchasing homes through developers, particularly under the PPJB scheme (Palar and Putra 2023). This loss of trust negatively affects housing sales, which in turn can have a broader impact on the growth of the national property sector. The property sector itself is a vital pillar of the national economy, contributing significantly to employment, investment, and economic development.

Moreover, the issue of developer default in PPJB agreements also affects the social relationships between consumers, developers, and the government. In many instances,

dissatisfied consumers engage in protests, public demonstrations, or involve the mass media to assert their rights. Such actions can lead to social tensions that potentially disrupt public order and social stability.

At a broader level, developer default in PPJB contracts generates a domino effect that may influence the national economy. Declining public trust in property developers can hinder investment in the real estate sector. Consequently, related industries such as construction, building materials, and labor may also suffer adverse effects. This can lead to a slowdown in economic growth, ultimately affecting overall societal welfare (Fajar et al. 2020).

Given the complexity of developer default issues in PPJB practices, it is evident that the problem extends beyond a mere legal dispute between developers and consumers. It also carries broader social, economic, and psychological implications. Consumers who are entitled to proper housing are often trapped in legal uncertainty and incur irrecoverable losses. In this context, it is essential to thoroughly understand the background of developer default in PPJB arrangements in order to illustrate the actual conditions faced by consumers and provide a comprehensive depiction of the challenges inherent in residential property transactions in Indonesia.

Therefore, the issue of developer default in PPJB agreements represents a pressing matter that warrants further investigation. A thorough understanding of the background of this problem is essential to shed light on the realities faced by consumers in their legal relationships with developers. Through a comprehensive exploration of this issue, it is expected that a clearer mapping of consumer conditions can be achieved, which in turn may serve as the basis for the development of more effective legal protection mechanisms in the future.

In examining developer default in Sale and Purchase Agreement Commitments (PPJB) and the corresponding legal protection for consumers, the theoretical framework plays a crucial role as the foundation for in-depth analysis. Legal theory serves as a tool to understand the relationship between developers and consumers, as well as how the law can provide protection for aggrieved parties.

One relevant theoretical perspective in this research is the theory of legal protection. This theory emphasizes the necessity of legal mechanisms that safeguard the weaker party in a legal relationship, in this context the consumer. Legal protection is vital to prevent consumers from falling victim to exploitative practices resulting from an imbalance of bargaining power between developers and buyers. Such protection can take the form of preventive legal safeguards, which include clear and firm legal regulations aimed at minimizing consumer harm (R. O. B. Sitompul and Kerti 2025). In addition, it can also take the form of repressive protection, which refers to the dispute resolution mechanisms available to consumers whose rights have been violated. Accordingly, the legal protection theory provides the conceptual framework for this research to analyze the accessibility and effectiveness of existing regulations and dispute resolution mechanisms in upholding consumer rights.

In addition to the theory of legal protection, this study also employs the theory of legal certainty as part of its analytical framework. The theory of legal certainty plays a crucial role in the legal relationship between developers and consumers. Consumers who purchase housing through a PPJB scheme require assurance that the developer will fulfill their contractual obligations. Legal certainty in this context entails clarity regarding the rights and obligations of both parties, procedural transparency, and the availability of legal mechanisms to ensure that consumers can enforce their rights in the event of a breach. In the PPJB context, legal certainty becomes essential, as many consumers suffer losses due to breaches by developers ranging from construction delays and failure to deliver housing as specified, to the non-issuance of land title certificates. Using the theory of legal certainty, this research aims to examine the extent to which existing regulations provide adequate guarantees for the protection of consumer rights.

Furthermore, contract theory also serves as a key framework in this study. The legal relationship between the developer and the consumer in a PPJB arises from a mutual agreement

that is legally binding. Contract theory emphasizes that agreements must be executed in good faith and in accordance with the terms agreed upon. If one party fails to fulfill its obligations, the other party has the right to demand specific performance or compensation for damages (Siswanta 2023). In the context of PPJB, the developer is obligated to construct and deliver the property in accordance with agreed specifications and to transfer the legal title of the land to the consumer. If the developer defaults, the consumer has the right to seek compensation or performance based on the applicable legal provisions. Contract theory is instrumental in understanding the legal position of consumers, the basis of their legal claims, and the respective rights and obligations of both parties in a contractual relationship.

By applying the theory of legal protection, the theory of legal certainty, and contract theory in an integrative manner, this research aims to provide a comprehensive analysis of how legal protection for consumers can be effectively implemented in cases of developer default in PPJB agreements. These three theoretical perspectives serve as critical analytical tools for examining the realities on the ground and assessing the extent to which existing regulations and mechanisms ensure legal certainty and fairness for consumers. Accordingly, this theoretical framework forms the foundation for critically analyzing the legal relationship between developers and consumers, and how consumers can obtain adequate legal protection in residential property transactions under the PPJB scheme.

This study offers a significant contribution to legal scholarship, particularly in the area of consumer protection against developer default in Sale and Purchase Agreement Commitments (PPJB). While a number of previous studies have examined PPJB-related issues, most have focused narrowly on normative analyses concerning the legal validity of PPJBs and their position within civil law. Moreover, prior research has typically addressed only one form of dispute resolution mechanism, without exploring how consumers can practically access legal protection through the various available legal remedies.

In contrast, this study takes a comprehensive approach to investigating the forms of breach of contract committed by developers under PPJB schemes and their impacts on consumers. It extends beyond normative discussions by incorporating empirical insights into the actual experiences of consumers dealing with developer non-performance. As such, this research provides a grounded and realistic portrayal of the vulnerabilities consumers face within the legal relationship when developers fail to meet their contractual obligations.

The novelty of this study also lies in its integrative analytical approach. It combines the theory of legal protection, the theory of legal certainty, and contract theory to examine the legal dynamics between developers and consumers under PPJB arrangements. By employing this multidimensional framework, the study offers a more holistic perspective on the legal relationship governed by PPJB and how consumers can assert their rights when facing breaches by developers. This integrative approach enables a more nuanced understanding of the legal remedies available and the extent to which current regulations support equitable outcomes for consumers.

Furthermore, this study emphasizes the actual conditions on the ground, highlighting the ongoing challenges in implementing effective legal protection for consumers facing developer default. It critically illustrates how limited consumer understanding of the PPJB terms, weak government oversight of developers, and the imbalance of bargaining power between developers and consumers collectively contribute to the inadequate protection of consumer rights. By doing so, the research presents a more realistic depiction of the consumer's position in residential property transactions carried out through PPJB agreements.

This research introduces a novel dimension in the field of consumer legal protection by examining the broader roles and effectiveness of dispute resolution institutions available to consumers. It explores not only the litigation process through the District Court but also alternative dispute resolution mechanisms, including the Consumer Dispute Settlement Agency

(BPSK) and the Indonesian National Arbitration Board (BANI). Therefore, this study does not merely address the normative aspects of the Consumer Protection Law, but also evaluates how these institutions can be practically accessed by consumers seeking to assert their rights when facing cases of developer default (Handriani, 2020).

Overall, the novelty of this research lies in its holistic and realistic approach, combining normative legal analysis with empirical observations, integrating multiple legal theories, and offering a detailed examination of dispute resolution institutions—an area often overlooked in prior studies. With this contribution, the study seeks to enrich legal scholarship, particularly in advancing the discourse on consumer protection within the housing sector.

The core issue addressed in this study stems from the factual reality that breaches of contract (*wanprestasi*) by developers frequently occur in the implementation of Sale and Purchase Agreement Commitments (PPJB). Such breaches not only result in material losses for consumers but also cause significant psychological distress and contribute to broader instability in the property sector. The complexity of the problem is further exacerbated by an imbalance in bargaining power between developers and consumers, limited consumer understanding of their contractual rights under the PPJB, and the government's weak oversight of developer practices (Zulham, 2017).

In this context, the study examines in depth the various forms of breach of contract committed by developers within PPJB arrangements, as well as the legal protections that should be afforded to consumers in response. In addition, the research seeks to explore the extent to which existing dispute resolution mechanisms—both litigation through the District Court and non-litigation avenues via the Consumer Dispute Settlement Agency (BPSK) and the Indonesian National Arbitration Board (BANI)—can provide effective legal remedies for consumers. Accordingly, the research addresses the following key questions: What are the forms of default committed by developers in PPJB contracts? How can legal protection for consumers be effectively implemented in response to these breaches? And to what extent can the available dispute resolution institutions be utilized optimally by consumers to obtain justice and legal certainty in cases of developer default under PPJB agreements?

## RESEARCH METHODS

This study employs a normative juridical approach, which focuses on the examination of legal materials as the primary sources for addressing the legal issues under investigation. Normative juridical research is a method of legal inquiry that involves the analysis of legal documents—such as statutory regulations, court decisions, and legal doctrines in order to identify applicable legal principles, norms, and doctrines, and to assess how these are implemented in practice (Efendi and Rijadi 2022). This approach is particularly appropriate given that the research addresses the application of laws concerning developer default in housing transactions and the legal protection available to affected consumers.

Within this framework, the research adopts two specific approaches: the statute approach and the conceptual approach (Farhana 2022). The statute approach aims to examine the provisions of positive law governing the relationship between developers and consumers in property transactions, including the Indonesian Civil Code (*Kitab Undang-Undang Hukum Perdata*), Law No. 8 of 1999 on Consumer Protection, Law No. 1 of 2011 on Housing and Settlement Areas, and Law No. 30 of 1999 on Arbitration and Alternative Dispute Resolution. The conceptual approach is used to explore and analyze legal concepts such as breach of contract (*wanprestasi*), consumer legal protection, and foundational principles of contract law, such as the principle of good faith and the principle of legal certainty.

The legal materials for this research were collected through a literature review and consist of primary, secondary, and tertiary legal sources (Antriyandarti et al. 2024). Primary legal materials include relevant legislation, such as the Indonesian Civil Code, Law No. 8 of 1999, Law No. 1 of 2011, Law No. 30 of 1999, and Ministerial Decree No. 09/KPTS/M/1995 issued by the Ministry of Public Housing. Secondary materials encompass legal doctrines from scholars, academic journals, legal textbooks, and articles that support the analysis of the primary materials. Tertiary materials, such as legal dictionaries and legal encyclopedias, are used to reinforce and complement the data.

The data is presented using a descriptive-qualitative method. The collected legal data is elaborated narratively to explain the content and meaning of legal norms, and to demonstrate their relevance to the issue of developer default and consumer protection. The presentation of data follows the structure of legal reasoning and academically accountable logic and argumentation (Firmanto et al. 2024).

Data analysis in this research is conducted using a qualitative analytical method. This analysis aims to interpret, understand, and construct legal norms found in statutory provisions, as well as to explain how these norms are applied in practice. In legal research, qualitative analysis goes beyond literal interpretation of legal texts to consider the values and objectives underlying legal provisions, thereby enabling a comprehensive resolution of the legal issues at hand (Prawiyogi et al. 2021). The results of the analysis are then organized logically and systematically to produce conclusions that can serve as the basis for legal recommendations or policy suggestions.

## RESULT AND DISCUSSION

### **Legal Protection Efforts for Consumers Against Defaulting Property Developers**

The development of the property sector in Indonesia has brought about new dynamics in the legal relationship between consumers and business actors, particularly in residential property transactions (Wibowo and Djajaputra 2024). In such transactions, consumers often find themselves in a vulnerable position due to limited access to information, dependence on the developer's performance, and the binding nature of contracts that are typically drafted unilaterally by the business party. This vulnerability is exacerbated when the developer defaults—i.e., fails to fulfill their obligations as legally agreed upon in the contractual engagement. Common forms of default include construction delays, failure to meet building specifications, and the developer's failure to hand over the land title certificate to consumers who have fulfilled all payment obligations.

From a legal perspective, consumers' rights and protections are guaranteed under Law No. 8 of 1999 on Consumer Protection (UUPK) (Arief 2023). Article 1(2) defines a consumer as any person who uses goods and/or services for personal, family, or other non-commercial purposes. In property transactions, consumers do not merely acquire physical goods but also the legal rights to land and buildings promised by developers. In the event of default, consumers are entitled to compensation for losses incurred due to the developer's failure to meet their obligations, whether through administrative processes or civil litigation, as stipulated in Article 19(1) of the UUPK.

The concept of default (*wanprestasi*) is outlined in Article 1238 of the Indonesian Civil Code (KUHPerdata), where a debtor is deemed to be in default if they fail to fulfill their obligations, perform them late, or do so improperly (Sharky and Djajaputra 2024). In practice, developer defaults commonly occur in the context of a Sale and Purchase Agreement Commitment (PPJB), which serves as a preliminary contract prior to the execution of the final sale deed (AJB) before a land deed official (PPAT). The PPJB is often entered into while the

property is still under construction—or yet to be constructed—thus shifting most of the risk onto the consumer.

Legal protection for consumers facing developer default can be pursued through two primary avenues: non-litigation and litigation. Non-litigation efforts typically begin with mediation between the consumer and the developer. If this fails, the case may proceed to the Consumer Dispute Settlement Agency (BPSK). According to Article 1(11) of the UUPK, BPSK is an institution established to resolve consumer-business disputes outside the court system. BPSK is authorized to settle disputes through conciliation, mediation, or arbitration. These procedures are generally simpler and faster than conventional court proceedings and produce final and binding decisions, as provided in Article 55 of the UUPK.

In addition to BPSK, disputes may also be resolved through the Indonesian National Arbitration Board (BANI). Law No. 30 of 1999 on Arbitration and Alternative Dispute Resolution defines arbitration as a method of resolving civil disputes outside of court, based on a written agreement between the parties (Article 1(1)). To pursue arbitration, an arbitration agreement or clause must be present in the initial contract. If such a clause exists, the parties are bound to resolve their dispute through the agreed-upon arbitration institution. As noted by Baharuddin (2024), arbitration offers advantages such as expedited legal certainty, confidentiality, and the finality of decisions, which are not subject to appeal or cassation.

However, in practice, not all consumers are aware of or understand the existence or implications of an arbitration clause, making litigation through the district court a more commonly chosen route. Pursuant to Article 45(1) and (2) of the UUPK, consumers who suffer harm have the right to file claims either through dispute resolution institutions or the courts. Claims may be submitted individually, through class action suits, or by consumer organizations with legal standing under Article 46 of the UUPK. In many instances, claims are filed based on breach of contract under Article 1243 of the Civil Code, or, in some cases, on tort (*onrechtmatige daad*) as outlined in Article 1365 of the Civil Code.

During court proceedings, consumers may seek to enforce their rights over the object promised in the PPJB, claim compensation for material and immaterial losses, or request contract cancellation in cases of severe, irreparable breach. Legal proceedings, however, demand extensive evidence such as written contracts, payment receipts, and expert testimony. While litigation provides formal legal enforcement, it tends to be more time-consuming and costly than non-litigation alternatives.

In cases where the developer has been declared bankrupt, the consumer's position among creditors becomes critical. Consumers who have made payments but have not yet received title or possession of the property may be classified as concurrent creditors. Without secured collateral (e.g., mortgage rights), their legal standing is relatively weak, placing them last in line in the bankruptcy asset distribution process. This highlights the need for stronger regulatory safeguards, such as mandatory collateralization or escrow accounts before developers can collect funds from consumers.

Normatively, Articles 7 and 19 of the UUPK mandate that businesses must act in good faith, provide accurate information, and offer compensation when goods or services fail to meet agreed-upon terms. If developers fail to fulfill these obligations, consumers may demand performance or restitution. Moreover, consumers are entitled to file complaints through dispute resolution forums and to receive transparent updates on contract status and construction progress.

Therefore, protecting consumers in the event of developer default requires not only legal certainty through civil mechanisms and dispute resolution bodies, but also the strengthening of preventive regulations and administrative oversight of property developers. The absence of escrow mechanisms or comprehensive guarantees exposes consumer funds to misuse by irresponsible developers. Government agencies such as the Ministry of Public Works and Housing (PUPR) and the Financial Services Authority (OJK) must develop integrated systems

to ensure that consumer rights are protected from the outset of the transaction process through to final handover.

In conclusion, preventing recurring cases of developer default and mitigating the significant losses incurred by consumers necessitates a comprehensive effort ranging from enforcement of contractual law, effective dispute resolution mechanisms, to regulatory reform in housing finance and supervision. All stakeholders : legislative, executive, judiciary, business actors, and civil society must play an active role in building a fair and sustainable consumer protection framework in Indonesia's property sector.

### **The Role and Authority of Institutions in Resolving Consumer Protection Issues Against Defaulting Developers: A Legal Analysis Based on Existing Practices**

In addressing the phenomenon of breach of contract (*wanprestasi*) by developers in real estate transactions, the role of dispute resolution institutions is central to ensuring legal protection for consumers (Kaban et al. 2025). Consumers, as the disadvantaged party, require access to effective, equitable, and legally certain mechanisms for resolving disputes. Dispute resolution can be pursued through several avenues, including the Consumer Dispute Settlement Agency (BPSK), District Courts, and the Indonesian National Arbitration Board (BANI). Each institution possesses distinct characteristics, strengths, and limitations in handling disputes arising from developers' contractual defaults.

First, the BPSK is designed as a non-litigation body to resolve disputes between consumers and businesses efficiently, affordably, and simply. However, in practice, the effectiveness of BPSK is often questioned, especially in complex breach of contract cases. Several court decisions indicate that BPSK is not deemed competent to resolve contractual disputes. For instance, in Supreme Court Decision No. 578 K/Pdt.Sus-BPSK/2020, the court ruled that BPSK lacks jurisdiction over cases involving breach of contract, which falls under the purview of general civil courts. Similar outcomes were seen in the *New Acacia Garden Lippo Cikarang* case (Decision No. 276/Pdt.Sus.BPSK/2019/PN.Ckr) and the *Medan Resort City* case (Decision No. 49/Pdt.SUS-BPSK/2022/PN.Mdn), where consumer claims were rejected for being outside BPSK's authority.

Normative contradictions within the Consumer Protection Law (CPL) further complicate matters specifically between Article 54(3), which states that BPSK decisions are final and binding, and Article 56(2), which allows business actors to file objections in District Court. This contradiction undermines the principle of *res judicata pro vitate habetur* (a decision with permanent legal force cannot be reviewed), creating legal uncertainty for consumers, whose BPSK decisions may be overturned by the courts even on the same substantive grounds.

Another limitation of BPSK lies in the insufficient legal basis for handling breach of contract cases. The CPL only authorizes BPSK to adjudicate violations of consumer rights or business obligations not contractual defaults governed by the law of obligations. Moreover, BPSK's decisions are not self-executing and must be enforced through district courts, as stipulated in Article 57 CPL. This dependency reduces BPSK's independence and hinders its function as a swift and simplified dispute resolution forum.

Second, District Courts offer a stronger legal framework for resolving disputes involving breach of contract by developers, although at the cost of time and expense. In the case of *PT WBL*, a consumer (initials DH) sued under Article 1243 of the Civil Code, and the East Kalimantan High Court (Decision No. 5/PDT/2020/PT SMR) found the developer guilty of default for failing to deliver the agreed condo-hotel unit and return on investment (ROI). The court ordered the developer to pay ROI, penalties for delay, and compensation for non-delivery under the terms of the PPJB. This case demonstrates that litigation can comprehensively uphold consumer rights through a clear legal foundation and strong evidentiary procedures.

In this context, the judiciary plays a vital role in providing legal certainty and substantive justice. Although lengthy, court proceedings offer a solid legal basis, including the possibility of

class actions under Supreme Court Regulation No. 1 of 2002, where multiple consumers face identical grievances. The Civil Code provides for damages through Article 1243, encompassing losses, costs, and interest due to breach of contract.

Third, the Indonesian National Arbitration Board (BANI) serves as an alternative for resolving disputes, provided an arbitration clause exists in the PPJB or supplementary agreements. Arbitration is final and binding, without recourse to appeal. According to Articles 1(1) and 2 of Law No. 30 of 1999 on Arbitration and Alternative Dispute Resolution, arbitration must be based on a written agreement. Arbitration clauses are more common in high-value contracts, such as those involving *Taman Melati Yogyakarta Apartments* or *Menara Rungkut Surabaya*, where arbitration is explicitly chosen as the dispute settlement method.

Nonetheless, arbitration is not without its shortcomings. BANI proceedings can be costly and administratively complex, particularly if an arbitration clause is absent and a *compromise deed* (akta kompromis) must be created. Furthermore, under Article 27 of Law No. 30/1999, arbitration proceedings are confidential and unpublished, limiting public access to precedents. These limitations make arbitration less accessible to lower-middle-income consumers and reduce overall access to justice for individual claimants.

From a legal protection perspective, the effectiveness of a dispute resolution mechanism depends on the compatibility between the nature of the dispute and the institution's jurisdiction. Breach of contract disputes are best suited to litigation or arbitration, not BPSK, which is structured for normative consumer rights violations (Kusumonegoro and Djajaputra 2023). Therefore, regulatory reform and institutional strengthening are needed, including amending the CPL to explicitly authorize BPSK to handle breach of contract cases and improving the capacity of judges and arbitrators to address PPJB-based property disputes.

Moreover, the principles of *legal certainty* and *legal protection* must guide consumer dispute resolution. When authorized institutions fail to provide certainty and effectiveness, legal protection becomes meaningless. Disputes in the property sector carry multidimensional impacts : economic, social, and psychological given that they involve access to basic housing.

Considering the legal phenomena that have occurred, it can be concluded that Indonesia's dispute resolution system requires structural and normative reform to ensure effective consumer protection in cases of developer default. Reforms should include regulatory harmonization, simplified procedures, expanded BPSK jurisdiction, and greater public awareness and accessibility of arbitration for consumers across socio-economic strata.

## CONCLUSION

The findings of this study indicate that legal protection for consumers against developers in breach of contract remains fraught with both normative and practical challenges. A common form of breach observed in residential property transactions involves the developer failing to complete construction on time, delivering property inconsistent with the specifications outlined in the Sale and Purchase Agreement (PPJB), or failing to provide land ownership certificates despite full payment by the consumer. In such instances, consumers, as the aggrieved party, are legally entitled to seek remedies under the principle of civil liability in contract law, particularly as stipulated in Article 1243 of the Indonesian Civil Code (KUHPerdota).

However, the existing legal protection mechanisms, particularly those provided by dispute resolution institutions, are not yet functioning optimally. The Consumer Dispute Settlement Agency (BPSK), while theoretically designed to serve as a forum for swift, affordable, and simplified dispute resolution, is often deemed to lack jurisdiction in breach of contract cases. This is largely because breach of contract is not explicitly regulated within Law No. 8 of 1999 on Consumer Protection (UUPK). Regulatory inconsistencies are evident, for

example, in Article 54(3) of the UUPK, which states that BPSK decisions are final and binding, contrasted with Article 56(2), which permits judicial objection through general courts. This normative contradiction results in legal uncertainty, as BPSK decisions may be overturned by general courts, undermining their enforceability. As a result, BPSK's position as a protective institution for consumers is weakened due to the lack of clear legal authority regarding its scope and powers.

By contrast, District Courts have proven to be more effective in resolving breach of contract cases involving developers. In several instances, consumer lawsuits have been upheld by the courts based on Article 1243 of the Civil Code, allowing plaintiffs to claim damages for contractual non-performance. District Courts offer legal certainty, as their decisions carry legal force and are enforceable without the normative ambiguity associated with BPSK. In cases involving collective losses, consumers may also pursue litigation through class action suits, as regulated under Supreme Court Regulation No. 1 of 2002, provided there is uniformity in the legal issues and harm suffered by the group members.

Another option is dispute resolution through the Indonesian National Arbitration Board (BANI), which may be pursued if the PPJB contains an arbitration clause agreed upon by both parties. BANI's rulings are final and binding, with no recourse to appeal or cassation, thereby offering a higher degree of legal certainty. However, arbitration via BANI tends to face accessibility issues due to procedural complexity and relatively high costs. Moreover, the confidential nature of arbitration proceedings limits the transparency and public availability of arbitral awards. Thus, BANI is generally more suitable for high-value disputes involving medium- to large-scale developers and consumers with stronger bargaining positions.

Overall, the mechanisms available to protect consumers from developer breach of contract cannot yet be considered fully effective. The primary weaknesses lie in BPSK's limited jurisdictional clarity in interpreting its authority over breach of contract cases, ambiguities in the Consumer Protection Law, and the exclusivity of arbitration. Accordingly, to date, litigation through District Courts remains the most rational and legally sound recourse for consumers seeking protection in such cases.

Based on these findings, several key recommendations can be made. First, there is an urgent need to revise the Consumer Protection Law, particularly to clarify BPSK's authority in adjudicating breach of contract disputes. The absence of explicit provisions creates interpretive ambiguity and legal loopholes that directly impact consumer rights. Second, institutional strengthening of BPSK is necessary, including procedural reforms, personnel integrity, and mechanisms for decision enforcement. Third, notaries and officials responsible for drafting PPJBs should explicitly include arbitration clauses as a preventive measure, offering consumers a flexible and expedient alternative to litigation. Fourth, consumer legal literacy must be enhanced to ensure that individuals are well-informed about available legal remedies and are not entrapped in protracted and ineffective legal processes.

Through legislative reform, institutional capacity-building, and heightened legal awareness among consumers, legal protection in real estate transactions can be realized more equitably, efficiently, and in alignment with constitutional mandates and the principles of contractual justice within Indonesian civil law.

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