

Civil Legal Liability for Breach of Contract in Indonesia: Case Analysis and Practice

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Submitted : 15-04-2025, Accepted : 17-05-2025, Published : 16-06-2025

Abstract

This study aims to examine the implementation of civil liability in breach of contract cases in Indonesia, focusing on how the civil law system regulates and offers solutions for such violations. Using a qualitative case study approach, the research analyzes actual breach of contract cases in Indonesia and includes interviews with legal practitioners. The findings reveal that civil liability in contract breaches generally follows the provisions of the Indonesian Civil Code (KUHPerdata), which obligates the breaching party to compensate the aggrieved party. However, several practical challenges arise, including ambiguities in contract drafting, difficulties in calculating compensation—especially for non-material damages—and limited availability of evidence to support damage claims. Indonesian courts typically strive to deliver fair judgments by considering the social impact of the breach, although the dispute resolution process is often time-consuming and costly. The study also finds that lawyers play a vital role in assisting clients in addressing breaches of contract, whether through litigation or mediation strategies.

Keywords: Civil Law, Breach Of Contract, Business Contract, Indonesian Court

Introduction

Breach of contract is a common issue in civil law relationships, affecting a wide range of agreements such as business transactions and employment contracts. When one party fails to fulfill its contractual obligations, it can cause significant harm to the other party who has abided by the terms. This situation gives rise to the concept of civil liability, aimed at ensuring justice for the injured party by upholding the integrity of contracts and providing appropriate legal remedies (Merkin et al., 2023). Understanding the legal framework of contract law is crucial, as it defines how contracts are formed, performed, and enforced, thereby clarifying each party's rights and obligations (Merkin et al., 2023).

In Indonesia's civil law system, contract breaches are governed by the Civil Code (KUHPerdata), which provides a legal structure for resolving disputes related to contractual non-performance (Badri et al., 2024). Despite clear legal provisions, parties often face practical challenges, particularly in determining the nature of contractual liability and the adequacy of compensation. Assigning liability involves assessing damages and respecting the parties'

autonomy in agreeing on terms such as liquidated damages (Dinissa et al., 2024). Moreover, enforcement of court decisions in such cases can be inconsistent, leading to further disputes (Sejati, 2024). Therefore, effective dispute resolution methods—such as negotiation and mediation—are essential to facilitate smoother outcomes.

A contract is considered breached when a party fails to perform as agreed, causing losses for which the injured party can seek accountability (Rahmandito et al., 2024). Under Book III of the Indonesian Civil Code, all parties are required to meet their contractual obligations, and Article 1239 provides a legal basis for claiming damages (Hafiz & Sukirno, 2024). However, practical enforcement may vary depending on the type of breach involved.

Typically, the injured party is entitled to monetary compensation. Nevertheless, the Civil Code includes provisions limiting the amount that can be claimed, ensuring compensation remains fair and proportionate (Pérez Velázquez, 2022). Termination clauses and liability limitations are also commonly included in contracts to reduce potential financial burdens for breaching parties (Photopoulos, 2022).

Examining civil liability in Indonesian breach of contract cases is highly relevant, as such disputes are prevalent within the civil legal system. The accountability framework plays a critical role in ensuring that contract violations are addressed, and that justice is served for the affected parties (Umami & Satriawan, 2024). A solid understanding of Indonesia's contract law principles is fundamental, as it outlines the formation, execution, and legal consequences of contractual breaches (Badri et al., 2024).

Literature Review

Definition and Legal Foundation of Contracts in Indonesian Civil Law

Under Indonesian civil law, a contract is defined as a legally binding agreement between two or more parties, as outlined in Article 1338 of the Civil Code. For a contract to be valid, it must contain four essential elements: mutual consent, legal capacity of the parties, a clear

object, and a lawful cause, as stated in Article 1320 of the Civil Code (Susanti, 2024). Consent ensures mutual agreement, while legal capacity refers to the parties' ability to enter into a contract (Hamidah et al., 2017). The object and cause must be legitimate and specific, ensuring the contract is legally enforceable. Failure to meet any of these elements can render the contract void or invalid, which may result in a breach.

Breach of Contract in Indonesian Civil Law

In Indonesia, breach of contract is primarily regulated by the Civil Code (KUHPerdata), which outlines the rights and obligations of contracting parties. A breach occurs when one party fails to perform their duties under the agreement, allowing the other party to seek legal remedies (Alwi et al., 2023). Article 1239 specifically entitles the aggrieved party to claim damages, reinforcing the legal framework to address breaches (Merkin et al., 2023). Furthermore, Article 1243 states that if one party does not fulfill the contract, the injured party may demand either enforcement or compensation for the resulting losses. Understanding these provisions is critical to navigating contractual disputes and pursuing legal action effectively.

The Role of Courts in Resolving Contract Breaches

In breach of contract cases, courts play a vital role in ensuring fair outcomes by assessing whether a breach has occurred and determining the appropriate remedy, such as damages or specific performance (Bryhinets, 2022). The court examines each party's contractual duties to ensure compliance (Bakito et al., 2024). It also considers defenses raised by the breaching party, such as force majeure or inability to perform, which may influence the final judgment. While courts often award material damages, they may also apply *restitutio in integrum*, requiring the breaching party to restore the original condition of the agreement. This multifaceted approach highlights the court's essential function in upholding justice and balancing the rights and duties of all parties (Merkin et al., 2023).

Methods

This research employs a qualitative method with a case study approach. Specifically, it utilizes a descriptive qualitative case study design, aiming to provide a detailed and in-depth understanding of legal issues that arise in real-life contexts, particularly those involving civil liability in contract breach cases. The study focuses on analyzing how Indonesian civil law addresses breaches of contract and how courts implement the relevant legal provisions in practice. Data is collected through interviews with legal professionals who possess substantial experience and knowledge in handling contract breach cases and the application of civil liability within Indonesia's legal system. The study includes approximately 15 to 20 participants, selected using purposive sampling.

Results and Discussion

Understanding Civil Liability in Contract Breach Cases

Civil liability arising from a breach of contract represents a crucial component of contractual jurisprudence. According to the majority of legal professionals interviewed in this study, when one party fails to fulfill the obligations stipulated in a contract, they are legally bound to compensate the aggrieved party for any resulting harm. This liability may take the form of material damages—such as financial loss—or immaterial damages, which refer to emotional distress, reputational harm, or psychological suffering, depending on the nature and severity of the breach.

Although this principle is clearly stated in Article 1239 of the Indonesian Civil Code, determining the exact scope and amount of compensation remains a complex and often disputed matter. In practice, material compensation is more commonly granted, as it can be calculated based on tangible evidence such as invoices, lost income, or damaged goods. However, some court decisions also recognize immaterial harm, particularly in cases where the breach causes

significant emotional or reputational damage. This nuanced approach demonstrates the evolving interpretation of civil liability in Indonesian contract law.

Common Types of Contract Breaches

Through analysis of various judicial cases, this research has identified three recurring categories of contract breaches that dominate litigation in Indonesia:

- Total Non-Performance (Article 1239): This type of breach occurs when one party completely fails to fulfill their contractual obligations. Common examples include failure to deliver goods in a sales agreement or refusal to carry out agreed-upon tasks in an employment contract. Such breaches often lead to direct financial losses and trigger immediate legal action from the aggrieved party.
- Delay in Performance: Delayed execution of contractual duties is a prevalent issue, particularly in commercial and construction sectors. This type of breach, while not always total, can still cause substantial economic disruption and loss, especially when time-sensitive agreements are involved.
- Force Majeure (Articles 1244–1245): Certain breaches occur due to unforeseeable events beyond the control of the parties, such as natural disasters, political unrest, or global pandemics. While these clauses provide a legal basis for non-performance, proving the legitimacy of a force majeure claim often involves rigorous evidentiary standards and judicial interpretation.

In most instances, the injured party prefers to seek monetary compensation rather than insist on the fulfillment of the contract. However, if the transaction involves significant strategic or financial stakes—such as in large infrastructure projects or critical supply agreements—parties may push for specific performance to protect long-term interests.

Legal Process for Contract Breach Disputes

The legal process for resolving contractual disputes in Indonesia is centered around judicial review and adjudication. Legal experts emphasize the judiciary's vital role in establishing whether a breach has occurred, identifying the responsible party, and determining appropriate remedies. Although statutory provisions are relatively clear, the practical execution of these rules often encounters delays and procedural complications.

One of the key barriers is the evidentiary burden placed on the claimant, who must provide comprehensive documentation to substantiate their losses. In many cases, this includes financial records, expert testimony, and corroborative contractual clauses. As a result, the legal process becomes time-consuming and financially demanding, which can discourage parties from pursuing legitimate claims.

Despite these challenges, courts tend to prioritize fairness and accountability. Compensation is typically granted when the breach is evident and harm can be reasonably quantified. In some instances, particularly where restitution is more appropriate than financial redress, courts invoke the principle of *restitutio in integrum*, returning both parties to their original positions prior to the agreement.

Challenges in Enforcing Civil Liability

The enforcement of civil liability in breach of contract cases is not without its difficulties. This study has identified several major challenges that often hinder effective enforcement:

- **Vague Contractual Language:** Ambiguous terms and poorly drafted clauses frequently lead to confusion regarding each party's obligations. Such uncertainty opens room for differing interpretations, complicating the assessment of whether a breach has truly occurred.

- Difficulty Quantifying Non-Material Losses: Emotional and reputational damages are inherently subjective and difficult to measure. Courts struggle with setting objective standards for evaluating these losses, resulting in inconsistent outcomes.
- Insufficient Evidence: Many plaintiffs lack the necessary documentation to support their claims, especially in informal or oral agreements. This evidentiary gap weakens the legal standing of the aggrieved party and limits the court's ability to assess actual harm.

These barriers emphasize the importance of legal clarity and proactive documentation in contract management, particularly for parties involved in high-stakes or long-term agreements.

Application of Justice Principles in Court Rulings

Indonesian courts are not only concerned with legal formalities but also strive to uphold broader principles of justice. Judges often take into account the social and economic context surrounding the breach, ensuring that verdicts reflect a fair balance between legal rights and real-world consequences. This is particularly true in cases where one party is in a weaker bargaining position or suffers disproportionately from the breach.

In exceptional cases, courts may award enhanced compensation or even order contract termination when they determine that the breach is fundamental and irreparable. Such decisions reflect the judiciary's commitment to equitable dispute resolution and reinforce public trust in the legal system.

Role of Lawyers in Contract Breach Cases

Lawyers play a pivotal role in both preventing and addressing breaches of contract. Their involvement begins with the drafting phase, where they ensure that contracts are legally sound, clearly worded, and tailored to the specific needs of the parties involved. During disputes, lawyers provide critical legal advice, guide clients through the litigation process, and help them navigate procedural requirements.

Moreover, attorneys are instrumental in gathering and presenting evidence, negotiating settlements, and proposing alternative dispute resolution mechanisms such as mediation or arbitration. Their strategic insights and advocacy are essential in achieving favorable outcomes—whether through court proceedings or out-of-court agreements.

Conclusion

In the context of Indonesian civil law, a breach of contract carries significant legal consequences, not only from a formal perspective but also in its real-world impact on the parties involved. When a contractual agreement is violated, the responsible party is legally obligated to compensate the injured party, as stipulated in Article 1239 of the Indonesian Civil Code. However, while the legal basis is clear, the actual implementation often proves challenging—particularly in determining the value of non-material damages, such as emotional distress or damage to reputation. Courts are often required to carefully assess the broader social and psychological implications of the breach to ensure justice is truly served.

This study found that the most frequently occurring types of contract breaches involve failure to fulfill agreed obligations, delays in performance, and breaches arising from extraordinary events or force majeure. The latter, in particular, poses unique legal difficulties, as it demands clear evidence that the circumstances were genuinely unforeseeable and beyond the control of the parties—something that is often contested in court.

The dispute resolution process in Indonesian courts remains a significant hurdle, marked by lengthy procedures and high litigation costs. The complexity of proving damages, especially when the harm is indirect or intangible, often prevents swift and equitable resolutions. Therefore, reforming dispute settlement procedures and enhancing transparency in civil litigation are necessary to improve access to justice.

Indonesian courts, in their rulings, generally strive to uphold principles of fairness and social equity. Judges often base their decisions not only on codified legal provisions but also

on the real-life conditions faced by the aggrieved party. Compensation is typically awarded as a remedy; however, in cases where the breach is deemed irreparable, the courts may annul the contract altogether to restore the balance between the parties.

The study also identified several obstacles to the practical application of civil liability in contract breaches. These include poorly drafted contracts that lead to ambiguous interpretations, difficulties in quantifying immaterial losses, and a lack of strong evidence to support damage claims. Such issues hinder the delivery of fair and proportionate judicial outcomes.

Lawyers play a vital role in navigating these challenges. Their responsibilities extend from drafting legally sound contracts that minimize risk of breach, to advising clients on legal strategy and gathering evidence in support of damage claims. In many cases, they also help design more efficient dispute resolution pathways through mediation or negotiation, reducing dependency on costly litigation.

In summary, while Indonesia's civil law framework provides a solid foundation for addressing contract breaches, its implementation still faces substantial challenges. Improving contract clarity, increasing the efficiency of dispute resolution systems, and enhancing the legal competence of professionals are all critical to ensuring that civil liability for contractual breaches is enforced in a more just, effective, and comprehensive manner.

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