

Legal Protection for Cooperatives Whose Customers Commit Breach of Contract

(Study of Decision Number 293/Pdt.G/2021/PN MDN)

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ABSTRACT

This study aims to analyze the legal considerations taken by judges in cases of breach of contract (default) by customers against cooperatives, based on Decision Number 293/Pdt.G/2021/PN Mdn, and to identify appropriate legal measures that can be pursued by cooperatives in resolving such cases. The research employs a normative legal method with a case study approach. Data were collected through a literature review and analyzed using a descriptive-analytical method. The findings reveal that the judge's considerations are influenced by several factors, including the terms of the contractual agreement, the supporting evidence submitted by the parties, and the contextual impact of the COVID-19 pandemic. In dealing with cases of default, cooperatives may adopt persuasive measures and engage in alternative dispute resolution mechanisms. This study contributes theoretically to the field of legal studies, particularly in understanding judicial reasoning in civil cases, and provides practical insights for cooperatives in managing contractual disputes effectively.

Keywords: legal protection, cooperatives, breach of contract, default, dispute resolution

INTRODUCTION

In fulfilling daily needs, individuals inevitably require financial resources to access goods and services. As such, money functions not only as a medium of exchange but also as a tool to support various economic transactions (Nopirin, 2000). In this regard, the presence of financial institutions that are capable of managing and distributing financial resources becomes crucial. Among these institutions, cooperatives play a significant role, particularly in the context of the Indonesian economy, where they are viewed as pillars of people-based economic empowerment.

Cooperatives in Indonesia are formalized under Law Number 25 of 1992 concerning Cooperatives, which defines cooperatives as business entities composed of individuals or cooperative legal entities with a foundation of mutual cooperation and democratic management. Muhammad Hatta, as the "Father of Indonesian Cooperatives," emphasized that cooperatives are collective economic institutions that enable individuals with limited financial capacity to improve their welfare through shared ownership and collective action (Hatta, 1954).

One of the most prevalent types of cooperatives is the Savings and Loan Cooperative (Koperasi Simpan Pinjam), which serves to provide financial assistance through savings collection and credit distribution. These activities are governed under Government Regulation Number 9 of 1995 concerning the Implementation of Savings and Loan Activities by Cooperatives. According to Article 1 of the regulation, the savings and loan function involves the mobilization and distribution of funds through savings and credit activities for members, prospective members, other cooperatives, or members of other cooperatives.

Specifically, Article 1 paragraph (4) defines *savings* as funds entrusted by members and other related parties in the form of deposits or time deposits, while paragraph (7) defines *loans* as the provision of money or receivables based on an agreement between the cooperative and another party, where the borrower has an obligation to repay the amount within a certain period along with any agreed interest.

However, despite the ideal function of cooperatives as financial intermediaries rooted in trust and mutual benefit, their operational sustainability can be significantly disrupted when borrowers (customers) fail to fulfill their contractual obligations. Such *breach of contract*—or default—can lead to financial instability within the cooperative, disrupt liquidity, and threaten the rights of other members who also rely on the institution.

This issue is reflected in the case documented under Decision Number 293/Pdt.G/2021/PN MDN, where a customer obtained a loan amounting to IDR 1,000,000,000 (One Billion Rupiah) with a 60-month term, yet failed to meet the repayment terms stipulated in the contract. The resulting default triggered legal proceedings aimed at resolving the dispute and protecting the cooperative's legal and financial interests.

In the context of contract law, default (*wanprestasi*) is defined as the failure of a party to perform obligations as specified in an agreement without a valid legal reason (Subekti, 2001). According to Article 1243 of the Indonesian Civil Code (KUHPerdata), such failure entitles the aggrieved party to seek compensation. Cooperatives, in this sense, are entitled to legal remedies to uphold their rights, including access to collateral, mediation, or court enforcement mechanisms.

Legal protection for cooperatives is vital not only for dispute resolution but also for the maintenance of institutional trust, operational continuity, and equitable treatment among members. Drawing from the theory of legal protection as posited by Satjipto Rahardjo (2000), the law must act not only reactively—after harm occurs—but also preventively to ensure that vulnerable parties, such as cooperatives comprised of small-scale economic actors, are safeguarded from potential contractual breaches.

Thus, the legal study of this case aims to examine the extent to which existing legal frameworks offer protection to cooperatives in the face of customer defaults, and how legal certainty, justice, and benefit (the three pillars of Gustav Radbruch's theory of law) can be ensured in the practice of cooperative-based financial services.

METHOD

This research adopts a normative juridical approach, also known as doctrinal legal research, to examine the legal principles and statutory provisions relevant to cases of breach of contract, particularly those involving cooperatives. The study focuses on analyzing legal norms found in statutory regulations such as the Indonesian Penal Code (KUHP) and cooperative laws, as well as relevant legal theories and concepts. This approach is essential for understanding how the law conceptualizes obligations, default, and legal remedies available to cooperatives when customers fail to fulfill contractual agreements, as exemplified in Decision Number 293/Pdt.G/2021/PN MDN.

Additionally, the study employs an analytical descriptive approach to systematically describe and interpret the legal facts surrounding disputes involving financial cooperatives. To strengthen the analysis, the research integrates three complementary legal research strategies: the statute approach, to examine relevant laws and regulations; the conceptual approach, to explore key legal definitions and

doctrines; and the case approach, to assess judicial decisions as reflections of legal application in practice. These combined methods aim to provide a comprehensive legal understanding of the mechanisms of protection available to cooperatives in the face of contractual breaches.

RESULTS AND DISCUSSION

1. Judicial Consideration in the Case of Breach of Contract by the Customer Against the Cooperative Based on Decision Number 293/Pdt.G/2021/PN MDN

In Decision Number 293/Pdt.G/2021/PN MDN, the plaintiff, the Cooperative and Micro, Small, and Medium Enterprises Revolving Fund Management Institution (Lembaga Pengelola Dana Bergulir – LPDB-KUMKM), a government agency responsible for the disbursement of revolving funds to cooperatives, filed a civil lawsuit against the defendants: Koperasi Syariah Baitul Maal wat Tamwil (Kopsyah BMT) Qania, Sri Nurhayati, Nurkasnah, and Erlitna Br S Pelawi. The lawsuit was based on a financing agreement in which the defendants received a loan of IDR 1,000,000,000 but failed to fulfill their payment obligations as stipulated in the agreement. Despite various non-judicial efforts by the plaintiff—including field visits and formal notifications—the defendants did not settle the outstanding obligations, prompting the plaintiff to pursue legal action.

From a legal standpoint, the judge's consideration relied on the fundamental principles of contract law as governed by the Indonesian Civil Code (Kitab Undang-Undang Hukum Perdata). According to Article 1238 of the Civil Code, a debtor is in default if they fail to perform an obligation after being formally declared negligent. In this case, the existence of a valid agreement, the failure of the defendants to fulfill the loan repayment, and the absence of justified legal grounds for non-performance—despite the economic challenges posed by the COVID-19 pandemic—met the threshold for a declaration of default. The court ruled that the defendants had committed a breach of contract and were jointly and severally liable to repay the remaining debt along with compensation. This decision is aligned with the doctrine of *pacta sunt servanda*—agreements must be kept—which forms the basis of contractual obligations in civil law systems (Fried, 1981).

2. Cooperative Efforts in Resolving Default through Litigation and Non-Litigation Approaches

The dispute resolution process in this case illustrates the dual-track mechanisms available under Indonesian civil law: litigation and alternative dispute resolution (ADR). Initially, the cooperative attempted to resolve the breach through non-litigation channels, consistent with the cooperative principle of mutual assistance and kinship. The cooperative employed persuasive strategies, including negotiation and potential debt restructuring, in line with the spirit of *musyawarah untuk mufakat* (deliberation to reach consensus), as endorsed by Law No. 30 of 1999 concerning Arbitration and Alternative Dispute Resolution. However, when these efforts failed to result in a settlement, litigation became the necessary recourse.

ADR mechanisms—such as mediation, conciliation, and negotiation—offer advantages in terms of efficiency, confidentiality, and the preservation of relationships between parties (Menkel-Meadow, 2001). Conversely, litigation is often adversarial, time-consuming, and resource-intensive, with the potential to create further conflict due to its winner-loser paradigm. In the context of Decision Number 293/Pdt.G/2021/PN

MDN, while litigation successfully produced a binding decision that restored the cooperative's financial standing, it also underscores the limitations of judicial intervention in resolving relational and reputational aspects of cooperative finance. Therefore, future frameworks for managing defaults within cooperatives should incorporate structured ADR mechanisms as part of an integrated legal risk management strategy to mitigate financial and relational losses.

DISCUSSION

The case reflected in Decision Number 293/Pdt.G/2021/PN MDN highlights critical issues in contract enforcement within the cooperative financing ecosystem. The legal consideration by the court rested heavily on classical contract theory, particularly the doctrine of *pacta sunt servanda*—that agreements legally entered into must be honored by the parties. This doctrine, as rooted in civil law systems, forms the bedrock of contractual relations and has been affirmed in Indonesian jurisprudence through various precedents. In the present case, the court correctly identified the three elements of *wanprestasi* (default): the existence of a valid agreement, the debtor's failure to perform, and the presence of losses suffered by the creditor (Subekti, 2014). These criteria were clearly satisfied, as the Defendants received a loan under specific terms, failed to repay it within the agreed period, and the Plaintiff incurred measurable financial harm.

Furthermore, while the economic challenges posed by the COVID-19 pandemic were raised by the Defendants, the court found these insufficient to absolve their legal obligations. In the Indonesian legal system, *force majeure* (keadaan memaksa) is only recognized if the non-performance was caused by unforeseeable and uncontrollable events that render contractual obligations impossible to fulfill. In this case, however, the Defendants neither proved the absolute impossibility of repayment nor showed efforts to renegotiate the terms under pandemic conditions. Thus, the court's rejection of the pandemic as a valid excuse aligns with the strict interpretation of *force majeure* under Article 1245 of the Indonesian Civil Code.

From a procedural standpoint, the case also demonstrates the tension between litigation and non-litigation approaches. The Plaintiff initially undertook non-judicial methods—including direct communication, monitoring visits, and offers for resolution—but with no success. The litigation process, while ultimately effective in securing a binding decision, involved significant time and legal expense. This reinforces critiques found in alternative dispute resolution (ADR) literature, which emphasize that formal adjudication is often ill-suited for maintaining long-term relational harmony, particularly in cooperative settings (Menkel-Meadow, 2001). Cooperatives, as social and economic institutions, ideally rely on internal conflict resolution mechanisms grounded in trust, transparency, and shared values. However, when such mechanisms fail, litigation becomes the final recourse.

To that end, the decision underscores the importance of enhancing cooperative governance with robust legal literacy and proactive risk management systems. Legal agreements must be clearly drafted with clauses that anticipate financial distress scenarios and outline structured renegotiation or mediation pathways. This would ensure that cooperatives are equipped not only to enforce rights through litigation when necessary, but also to prioritize fair and efficient dispute resolution that upholds the cooperative ethos.

CONCLUSION

The judicial decision in Case Number 293/Pdt.G/2021/PN MDN underscores the legal enforceability of financing agreements between cooperatives and their members, reaffirming the principle that contractual obligations must be fulfilled regardless of external economic disruptions such as the COVID-19 pandemic. Despite the defendants' argument that the pandemic impaired their ability to repay the loan, the court found that such circumstances did not meet the threshold for *force majeure* under Indonesian civil law. Consequently, the defendants were held jointly and severally liable for the outstanding debt. This ruling aligns with the doctrinal foundations of contract law in Indonesia, particularly the obligation to perform as stipulated in a legally binding agreement, as well as the debtor's responsibility to bear the consequences of default as outlined in Articles 1238 and 1243 of the Civil Code.

From a broader governance perspective, the case illustrates the complex dynamics between litigation and alternative dispute resolution in cooperative finance. While cooperatives traditionally emphasize kinship values and favor non-litigation strategies such as negotiation, rescheduling, and debt restructuring, the failure of such methods often necessitates legal recourse. However, the litigation route is not without drawbacks; it entails prolonged proceedings, increased financial costs, and the potential erosion of trust between cooperative stakeholders. Therefore, this case highlights the need for cooperatives to institutionalize preventive legal strategies, such as incorporating mediation clauses and strengthening risk assessment protocols, to ensure sustainable and equitable resolution of future defaults.

Acknowledgment

The parties, especially members as borrowers, are expected to understand the contents of the agreement that has been made. This agreement aims to protect the rights and obligations of both the cooperative and members. It is expected that each party is responsible and complies with the obligations agreed upon in the agreement, with the aim of reducing the possibility of default. Cooperatives must conduct a careful credit analysis before providing loans to debtors, by checking credit history, payment capacity, financial condition, and collateral provided. This aims to reduce risk and ensure smooth loan repayment. However, the risk of default remains, so cooperatives need to have an effective resolution mechanism to deal with this problem.

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