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Legal Analysis of the Settlement of Credit Agreement Defaults Through the Small Claims Court Mechanism: A Study of Boyolali District Court Decision Number 1/Pdt.G.S/2026/PN BYL

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ABSTRACT

This study aims to analyze the resolution of credit agreement breaches through the Small Claims Court mechanism and to examine the judge's legal reasoning in Decision of the Boyolali District Court Number 1/Pdt.G.S/2026/PN BYL. The research employed a normative juridical method using statutory and case approaches. Data were collected through library research on legislation, legal doctrines, and court decisions and were analyzed qualitatively. The findings indicate that the Small Claims Court mechanism fulfills the principles of simple, speedy, and low-cost justice for resolving credit agreement disputes that satisfy the requirements of Supreme Court Regulation Number 4 of 2019. The judge's considerations were based on the existence of a legal relationship, the debtor's failure to perform contractual obligations, and the fulfillment of the elements of breach of contract under Article 1243 of the Indonesian Civil Code. The study concludes that the effectiveness of the Small Claims Court depends on the proper application of legal norms and careful judicial assessment of evidence to ensure legal certainty, justice, and legal benefit in civil dispute resolution).

Introduction

The banking sector plays a strategic role in supporting national economic development by functioning as a financial intermediary that collects public funds and redistributes them in the form of credit. Credit financing encourages business expansion, stimulates investment, and improves public welfare. Therefore, legal certainty in credit agreements is essential because every agreement creates reciprocal rights and obligations between creditors and debtors that must be performed in good faith based on the principle of *pacta sunt servanda* (Subekti, 2014; Undang-Undang Nomor 10 Tahun 1998).

One of the most common legal issues arising from credit agreements is breach of contract (*wanprestasi*). Under Indonesian civil law, breach of contract occurs when a debtor fails to perform contractual obligations, performs them improperly, performs them late, or carries out acts prohibited under the agreement. Such failure gives rise to legal consequences, including compensation and contract termination, as regulated under Articles 1238 and 1243 of the Indonesian Civil Code (KUHPerdata) (Subekti, 2014; Setiawan, 2005). In banking practice, disputes involving non-performing loans frequently require judicial intervention because they may adversely affect financial stability and legal certainty (Kasmir, 2016).

Conventional civil litigation has often been criticized for being time-consuming, procedurally complex, and relatively expensive. These conditions may discourage parties from seeking judicial remedies, particularly when the value of the dispute is relatively small (Harahap, 2017). To address this issue, the Supreme Court of Indonesia introduced the Small Claims Court (*Gugatan Sederhana*) through Supreme Court Regulation (PERMA) Number 2 of 2015, subsequently amended by PERMA Number 4 of 2019. The regulation aims to realize the principles of simple, speedy, and low-cost justice by simplifying procedural requirements while maintaining legal certainty (Mahkamah Agung Republik Indonesia, 2019).

Although the Small Claims Court mechanism has become an important innovation in Indonesian civil procedural law, its application in resolving disputes arising from credit agreements remains an important legal issue. Credit agreements generally involve various contractual clauses, documentary evidence, and legal relationships that require careful judicial examination. Consequently, questions arise regarding whether disputes involving credit defaults consistently satisfy the simplified evidentiary standards required under PERMA Number 4 of 2019 without reducing substantive justice (Harahap, 2017; Mertokusumo, 2013).

Previous studies have generally examined breach of contract from the perspective of contractual liability, legal consequences, or creditor protection (Sulistianingsih et al., 2024). Other studies discuss the implementation of the Small Claims Court mechanism primarily from procedural aspects without comprehensively analyzing judicial reasoning in determining the existence of breach of contract in banking disputes (Zulkarnain, 2022). Consequently, limited research has examined the consistency between substantive contract law and simplified procedural mechanisms in judicial practice. This gap demonstrates the need for further legal analysis concerning judicial considerations in resolving credit agreement disputes through the Small Claims Court.

This study addresses the research gap by analyzing Decision of the Boyolali District Court Number 1/Pdt.G.S/2026/PN BYL. The decision provides an appropriate case for evaluating whether the implementation of the Small Claims Court mechanism complies with the provisions of PERMA Number 4 of 2019 and whether the judge's legal reasoning is consistent with the doctrine of breach of contract under the Indonesian Civil Code. Through this case analysis, the study also evaluates the relationship between procedural efficiency, legal certainty, and substantive justice in resolving banking disputes.

This research is theoretically grounded in contract law, particularly the doctrines of contractual obligations, breach of contract, legal certainty, and simplified civil procedure. The principle of *pacta sunt servanda* serves as the primary theoretical foundation, emphasizing that legally concluded agreements bind the parties and must be performed in good faith (Subekti, 2014). Furthermore, the theory of legal certainty is employed to assess the consistency of judicial reasoning in applying statutory provisions governing breach of contract and Small Claims Court procedures.

Accordingly, this study aims to analyze the legal mechanism for resolving breaches of credit agreements through the Small Claims Court under Indonesian civil law and to examine the legal reasoning adopted by the judge in Decision Number 1/Pdt.G.S/2026/PN BYL. The findings are expected to contribute to the development of Indonesian civil procedural law and provide practical recommendations for judges, banking institutions, legal practitioners, and future researchers.

Method

This study employed normative juridical research using statutory and case approaches to examine the legal settlement of breaches of credit agreements through the Small Claims Court mechanism in Indonesia. The statutory approach was used to analyze relevant legal provisions, including the Indonesian Civil Code (KUHPerdata), Law Number 10 of 1998 concerning Banking, and Supreme Court Regulation (PERMA) Number 4 of 2019 concerning Small Claims Court Procedures, while the case approach focused on the analysis of Decision of the Boyolali District Court Number 1/Pdt.G.S/2026/PN BYL. The research relied exclusively on secondary data consisting of primary legal materials, including legislation and court decisions, secondary legal materials such as books, scientific journal articles, and previous research, as well as tertiary legal materials including legal dictionaries and other supporting references. Data were collected through library research by identifying, reviewing, and systematically examining legal documents and relevant literature. The collected legal materials were analyzed qualitatively using descriptive-analytical methods to interpret legal norms, judicial reasoning, and the application of civil law principles governing breach of contract in credit agreements. Finally, conclusions were drawn deductively by interpreting specific legal findings from statutory provisions, legal doctrines, and judicial considerations to answer the research objectives and provide a comprehensive legal analysis of the implementation of the Small Claims Court mechanism in resolving credit agreement disputes

Results and Discussion

1. Mechanism for Resolving Breach of Credit Agreement through the Small Claims Procedure

The existence of the Small Claims Procedure within Indonesia's civil procedural law system is a response to criticism of court proceedings that have long been regarded as slow and costly. This mechanism was first regulated through Supreme Court Regulation (PERMA) No. 2 of 2015, which was later refined by PERMA No. 4 of 2019 on Amendments to Supreme Court Regulation No. 2 of 2015 concerning Procedures for Resolving Small Claims (Supreme Court of the Republic of Indonesia, 2019). Under Article 1(1) of the PERMA, the Small Claims Procedure is defined as a method of examining civil claims at trial with a maximum material claim value of Rp500,000,000.00, resolved through simplified procedures and evidentiary rules. Disputes that may be filed through this mechanism include breach of contract and unlawful acts, with the exception of land rights disputes and disputes falling under the jurisdiction of special courts.

The main characteristics of the Small Claims Procedure are examination by a single judge, a resolution period limited to a maximum of 25 working days from the first hearing, and evidence that focuses on written documentary evidence (Harahap, 2017). The settlement procedure proceeds in stages, beginning with registration and completion of the claim form, verification of file completeness by the court clerk, assessment of the case's eligibility by the judge (the dismissal process), summoning of the parties, an attempt at reconciliation at the first hearing, the reading of the defendant's response, the presentation of evidence, and finally the reading of the verdict. The only legal remedy available against a Small Claims decision is an Objection examined by a panel of judges at the same District Court, with no room for Appeal, Cassation, or Judicial Review.

In the context of a credit agreement, breach of contract generally arises from a debtor's failure to fulfill payment obligations, whether through delay or total default. This condition is legally regulated under Articles 1238, 1243, and 1267 of the Indonesian Civil Code (KUHPerdata), which respectively govern the requirements for a state of default (*in mora*), the obligation to pay damages, and the creditor's right to choose the form of claim for the breach of contract. These provisions form the primary normative basis for creditors filing breach-of-contract claims, including through the Small Claims Procedure, since the elements of breach of contract namely a valid agreement, a violation of obligations, a declaration of default, and loss must still be proven even though the trial process is simplified.

2. Conformity of the Small Claims Procedure with the Principles of Indonesian Civil Law

Procedurally, the Small Claims Procedure does not conflict with Indonesian civil law, since it still provides room for the parties to file claims, submit evidence, and obtain a judge's decision. This mechanism can even be seen as a concrete embodiment of the principle of simple, swift, and low-cost justice mandated by Law No. 48 of 2009 on Judicial Power. Nevertheless, from the standpoint of civil law substance, several aspects warrant critical attention. First, the limited 25-working-day examination period may restrict the depth of the judge's analysis of the legal facts, given that evidentiary examination is a highly decisive stage in determining whether a breach of contract has occurred (Harahap, 2017). Second, the judge's active role in directing the proceedings, although intended to expedite the process, may affect the balance of the principle of *audi et alteram partem*. Third, the limitation of legal remedies to an Objection alone creates a risk that an inaccurate decision cannot be adequately reviewed (Zulkarnain, 2020).

Based on the foregoing, it can be stated that the Small Claims Procedure is fundamentally consistent with Indonesian civil law, both formally and normatively, since the elements of breach of contract remain the basis for the judge's considerations even though the evidentiary process is shortened. Nevertheless, its application still requires caution so that the principles of legal certainty and substantive justice are not diminished by an orientation toward speed and procedural efficiency alone. The effectiveness of the Small Claims Procedure in practice is determined more by the simplicity of the disputed legal facts than merely by the brevity of the examination period.

3. Judge's onsiderations in Boyolali District Court Decision Number 1/Pdt.G.S/2026/PN Byl

Case Number 1/Pdt.G.S/2026/PN Byl was filed at the Boyolali District Court by PT BPR Nusamba Ampel as the Plaintiff (creditor) against Defendant I and Defendant II as retail debtors (a husband and wife/guarantors). The dispute originated from a Standard Credit Agreement secured by a Certificate of Land Ownership (SHM), under which the Defendants failed to pay the principal installments and interest according to the agreed schedule. The Plaintiff had duly issued three warning letters (somasi), but the Defendants showed no good faith in settling their obligations, causing the remaining debt to be classified as a non-performing loan.

In examining this case, the Single Judge conducted a legal qualification based on three main considerations. First, the validity of the agreement that the legal relationship between the Plaintiff and the Defendants is based on a Credit Agreement that is legally valid under Articles 1320 and 1338 of the Civil Code, and therefore binding as law upon the parties who made it. Second, proof of the element of breach of contract where, based on documentary evidence in the form of bank account statement details and credit notes, it was proven validly and convincingly that the Defendants had stopped fulfilling their performance, while the element of default (*in mora*) was satisfied through evidence that the warning letters had been duly received but ignored, so that the element of breach of contract under Article 1243 of the Civil Code was fully satisfied. Third, conformity with the qualifications of PERMA No. 4 of 2019, since the evidentiary process was simple requiring only a comparison of the debt agreement documents with the facts of payment arrears, without the need for expert examination or complex on-site inspection.

Documentary evidence, in the form of the credit agreement, proof of payment arrears, and the warning letters, formed the main basis of the judge's considerations, since documentary

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evidence carries high evidentiary weight in civil cases (Harahap, 2017). Based on all these considerations, the Single Judge of the Boyolali District Court rendered a verdict as follows: (1) granting the Plaintiff's claim in part; (2) declaring by law that Defendant I and Defendant II had committed a breach of contract; (3) ordering the Defendants to pay, in cash and in full at once, their entire remaining obligation of Rp104,380,605.00; (4) ordering the Defendants to pay court costs of Rp345,000.00; and (5) rejecting the remainder of the Plaintiff's claim. This decision shows that the judge considered the elements of breach of contract comprehensively including the existence of the agreement, the obligations to be fulfilled, the debtor's default, the warning letters, and the loss suffered by the creditor so that the application of the Small Claims Procedure in this case reflected the principle of simple, swift, and low-cost justice without disregarding legal certainty for the parties.

4. Comparative Analysis with Tanjung Karang District Court Decision Number 4/Pdt.G.S/2021/PN Tjk

To confirm the consistency of the application of Small Claims procedural law in banking credit breach-of-contract disputes, a comparative analysis was conducted between the Boyolali District Court Decision No. 1/Pdt.G.S/2026/PN Byl and the Tanjung Karang District Court Decision No. 4/Pdt.G.S/2021/PN Tjk, which share similar dispute characteristics. Both decisions share similarities in the characteristics of the parties a banking institution as plaintiff against an individual debtor as well as in the subject of the dispute, namely breach of contract arising from the debtor's failure to pay installments under a standard credit agreement secured by a mortgage right (hak tanggungan).

A fundamental difference is found in the judges' thoroughness in examining the prerequisites for a debtor's default. In the Boyolali District Court Decision, the Single Judge emphasized the validity of the breach of contract based on formal proof in the form of three warning letters sent to the debtor, and held that the debtor had been in absolute default once the deadline of the third warning letter was ignored. Conversely, in the Tanjung Karang District Court Decision, the judge held that the debtor was in default by operation of law from the moment the due date passed, without requiring any further formal warning letter, because the parties had agreed to an automatic default clause in their standard contract. This difference reflects a variation in the judges' interpretation of Article 1238 of the Civil Code within the bounds of simplified evidentiary proceedings. Another difference appears in the judges' policy regarding claims for collateral seizure: the Boyolali District Court judge was more cautious and declined to grant the seizure of real collateral in the verdict, whereas the Tanjung Karang District Court judge more firmly confirmed the executory power of the collateral in order to provide certainty of asset recovery for the creditor.

These differences do not diminish the principle of swift justice, but rather reflect the independence of single judges in assessing the threshold of evidentiary simplicity presented at trial. Thus, the Small Claims Procedure across various District Courts has effectively served as an instrument of the *small claims court* in reducing problem loans (*non-performing loans*) in the banking sector, although it still leaves room for variation in legal interpretation by single judges within the limits of their authority.

Conclusion

This study draws two main conclusions. First, the mechanism for resolving breach of credit agreements through the Small Claims Procedure is not merely a simplification of civil procedural law, but an instrument that integrates legal certainty in contractual obligations with efficiency in dispute resolution. The procedural simplification set out in PERMA No. 2 of 2015, as amended by PERMA No. 4 of 2019, does not diminish the application of substantive norms under the Civil Code, since proof of the validity of the agreement, the state of default (in mora), breach of contract, and the creditor's right to compensation must still be proven under Articles 1238, 1243, and 1267 of the Civil Code. The effectiveness of the Small Claims Procedure in credit agreement disputes is determined by the simplicity of the disputed legal facts, not merely by the brevity of the 25-working-day examination period, so that the principle of simple, swift, and low-cost justice can only be achieved in balance with the protection of the parties' rights if the subject of the dispute genuinely has a simple evidentiary character.

Second, ratio decidendi of the judge in the Boyolali District Court Decision No. 1/Pdt.G.S/2026/PN Byl was constructed through a normative approach linking the trial facts with the elements of breach of contract under the Civil Code, including the existence of a valid credit agreement, the agreed payment obligation, the debtor's default following the warning letters, and the loss arising from the non-fulfillment of performance. This pattern of considerations shows that the simplification of procedural law occurs only in procedural aspects, while the examination of the elements of breach of contract is still carried out comprehensively based on the principle of pacta sunt servanda, the principle of good faith, and the provisions of the Civil Code, thereby achieving a balance between the efficiency of the judicial process and substantive justice without disregarding legal certainty.

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