

VIOLATION OF ARTICLE 15 OF LAW NO. 5 YEAR 1999 AGAINST THE CONDITIONS FOR THE LEGALITY OF A CONTRACT IN ARTICLE 1320 OF THE CIVIL CODE (KUH PERDATA)

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ABSTRACT

This article aims to analyze the relationship between violations of Article 15 of Law No. 5 of 1999 on the Prohibition of Monopolistic Practices and Unfair Business Competition and the requirements for the validity of contracts as stipulated in Article 1320 of the Civil Code (KUH Perdata). Article 15 of Law No. 5 Year 1999 prohibits business actors from abusing a dominant position in an agreement, including forcing other parties to agree to unfair or detrimental terms. This prohibition aims to maintain fair business competition and prevent monopolistic practices that may harm certain parties. In the context of Civil Law, violation of Article 15 of Law No. 5 of 1999 can affect the validity of the contract based on Article 1320 of the Civil Code, especially on the elements of agreement and lawful cause. This research uses a normative juridical research method, an approach that focuses on analyzing relevant laws and regulations, legal doctrines, and court decisions. This research also discusses the legal implications of such violations, including the possibility of canceling the contract (Batal Demi Hukum) by the court or the Business Competition Supervisory Commission (KPPU). By using a normative approach and case studies, this article provides insight into how the principle of freedom of contract must be balanced with compliance with the rules of fair business competition. This research is expected to contribute to the development of contract law and business competition in Indonesia.

Keywords: *business competition supervisory commission; contract law; civil code*

INTRODUCTION

Contracts or agreements are essential legal instruments in business and trade, serving as the foundation for transactions between individuals and legal entities (Alper, 2022; Alsheyab, 2023; Eenmaa-Dimitrieva & Schmidt-Kessen, 2019). According to Article 1320 of the Indonesian Civil Code (KUH Perdata), a contract is valid if it meets four essential conditions: mutual agreement, legal capacity of the parties, a specific and clear object, and a lawful cause (Mangara & Al-Djufri, 2022). However, in practice, power imbalances often influence contract formation, particularly in industries with dominant players, such as retail distribution, banking, and telecommunications (Astuti, 2021; Bris et al., 2021; Perdana et al., 2025). Large corporations or financial institutions may impose restrictive contract terms on smaller businesses or consumers, leaving them with little to no bargaining power (Enno Selya Agustina et al., 2023; Yu et al., 2025). A common example is exclusive agreements in the retail industry, where suppliers are forced to accept unfavorable conditions from dominant retailers to secure market access.

Relationships with each other are an integral part of social life. Agreements or contracts are the most common way for individuals or legal entities to establish or bind relationships. The purpose of making an agreement can be to make money or to fulfill the necessities of life. For example, contracts to rent, borrow, buy and sell, use the services of others, and so on.

Then, in the Indonesian civil law system (Hukum Perdata), contracts or agreements are one of the important legal instruments in the world of business and trade (Hadi Susetya et al., 2018; Naufan Mufti Sudarmono, 2023). According to Article 1320 of the Indonesian Civil Code (KUH Perdata), a contract is deemed valid if it satisfies four essential conditions. First, there must be an agreement between the parties, which implies that all involved must consent freely without any coercion, mistake, or fraud (Makmur, 2024; Sinaga, 2019). Second, the parties must possess the legal capacity to enter into the agreement, ensuring

they are competent to engage in such transactions. Third, the contract must involve a specific object that is clear and determinable, meaning the subject matter of the agreement should be well-defined (Ariyanto, 2016). Finally, the agreement must have a lawful cause; its content cannot contradict existing laws, morals, or public order. These conditions collectively ensure that contracts are formed on a solid legal foundation, promoting fairness and clarity in contractual relationships (Al Qindy, 2018; Lutfi & Fachda, 2021; Sabrina, 2020).

However, in practice, contracts made by business actors often involve an imbalance of power between the parties involved. This imbalance may lead to a violation of Article 15 of Law No. 5 of 1999 on the Prohibition of Monopolistic Practices and Unfair Business Competition (Agustina et al., 2023; Kurniasari & Rahman, 2023; Stylianou & Iacovides, 2022). Sometimes, the execution of a contract may conflict with other legal provisions, such as Article 15 of Law No. 5 of 1999. This article prohibits entrepreneurs from making agreements that force the other party to do something that is actually undesirable, which can be considered a form of abuse of the dominant position. This conflict raises a legal question: what is the relationship between Article 15 of Law No. 5/1999 and the requirements for the validity of a contract in Article 1320 of the civil code (KUH Perdata)? This article prohibits business actors from abusing a dominant position in an agreement, including forcing other parties to agree to unfair or harmful terms.

This study aims to examine the relationship between Article 15 of Law No. 5 of 1999 on the Prohibition of Monopolistic Practices and Unfair Business Competition and Article 1320 of the Civil Code (KUH Perdata), particularly in cases where dominant market players impose unfair contract terms. The research will analyze how agreements that violate competition laws may be legally invalidated due to coercion or unlawful cause. The findings of this study are expected to provide legal clarity regarding the intersection of contract and competition law. Additionally, this research offers valuable insights for policymakers and regulatory authorities to strengthen enforcement mechanisms to prevent monopolistic contract practices. By understanding these legal interactions, businesses can ensure compliance with fair competition principles, fostering a more balanced market environment in Indonesia.

METHOD

This research uses a normative juridical research method, which focuses on analyzing relevant laws and regulations, legal doctrines, and court decisions. This method was chosen because the research aims to analyze the relationship between Article 15 of Law No. 5 Year 1999 and Article 1320 of the Civil Code (KUH Perdata) and its legal implications for the contract's validity.

The approaches used in this research include:

A. Statute Approach

This research examines the provisions in Article 15 of Law No. 5 of 1999 and Article 1320 of the Civil Code (KUH Perdata), as well as other relevant regulations regarding freedom of contract and the prohibition of abuse of dominant position. It aims to understand how the two legal provisions interact in the context of contract law and business competition.

B. Case Approach

This research also analyzes several decisions of the Business Competition Supervisory Commission (KPPU) and courts relating to violations of Article 15 of Law No. 5 of 1999. This case study is used to identify patterns of violations, legal implications, and how the principle of freedom of contract is applied in practice.

C. Conceptual Approach

This research examines legal concepts such as freedom of contract, contract validity, and abuse of dominant position. This approach aims to provide a deeper understanding of the legal principles underlying the analysis in this research.

The data used in this research comes from:

- A. Primary legal literature includes legislation (Law No. 5 Year 1999 and Civil Code/ KUH Perdata).
- B. Secondary legal literature includes books, scientific journals, and relevant legal articles.
- C. Empirical data, such as KPPU and court decisions, are analyzed to provide a concrete picture of the law's application in cases of violation of Article 15 of Law No. 5 of 1999.

The analysis process is descriptive-qualitative, describing and analyzing the data obtained to answer research questions. This research focuses on normative aspects and considers the practical implications of violations of Article 15 of Law No. 5/1999 on the validity of contracts based on Article 1320 of the Civil Code (KUH Perdata).

RESULTS AND DISCUSSION

Provisions of Article 15 of Law No. 5 Year 1999

- A. Article 15 of Law No. 5 Year 1999 states the prohibition for business actors to :
 - 1. Forcing other parties to purchase certain goods/services;
 - 2. Conduct conditional sales (tying arrangement);
 - 3. Restrict other parties in choosing certain goods/services.
 - 4. If a business actor violates this provision, the resulting agreement can be considered legally defective because it involves coercion and unfairness, contrary to the principle of freedom of contract.
- B. Article 1320 of the Civil Code (KUH Perdata) and its Relationship with Law No. 5 Year 1999. According to Article 1320 of the Civil Code (KUH Perdata), the conditions for the validity of a contract include the elements of agreement and lawful cause. In the case of violation of Article 15 of Law No. 5 Year 1999:
 - 1. The element of agreement can be considered unfulfilled if a party is forced to agree to the contract because it wants to achieve certain goals enforced by the other party.
 - 2. The element of lawful cause is also not fulfilled if the agreement's contents contradict laws and regulations, such as Law No. 5 Year 1999.Therefore, contracts involving violations of Article 15 of Law No. 5 Year 1999 can be declared null and void.

Case Study

In several cases, the Business Competition Supervisory Commission (KPPU) has invalidated agreements that violate Article 15 of Law No. 5 Year 1999. For example:

- A. Exclusive agreements between suppliers and distributors force distributors only to buy goods from certain suppliers.
- B. Bundling sales force buyers to purchase additional products they do not want.

KPPU decisions are often the basis for canceling contracts because they violate the principle of agreement validity.

Case Study Discussion: Decision of KPPU Case No. 05/KPPU-I/2014

Case Introduction

Case No. 05/KPPU-I/2014 is one of the important cases decided by the Business Competition Supervisory Commission (KPPU) related to alleged violations of Article 15 of Law No. 5 Year 1999 on the Prohibition of Monopolistic Practices and Unfair Business Competition. In this case, KPPU investigated the alleged prohibition of closed agreements through tying arrangements. This case involved PT Bank Rakyat Indonesia (BRI) with PT Bringin Jiwa Sejahtera Life Insurance (BJS) and PT Heksa Eka Life Insurance (HELI). The three institutions allegedly made agreements that benefited these institutions unreasonably, thus creating distortions in business competition.

Facts of the Case

- A. The subject of the Case
 - 1. PT Bank Rakyat Indonesia (BRI) is an Indonesian state-owned enterprise that offers a wide range of financial services. It is the country's oldest commercial bank.
 - 2. PT. Bringin Jiwa Sejahtera Life Insurance (BJS) is a business entity or insurance company established by the Pension Fund of Bank Rakyat Indonesia to fulfill the needs and provide services to BRI's small credit customers.

3. PT Heksa Eka Life Insurance (HELI) is a business entity or insurance company inaugurated by INKOPPABRI by acquiring PT Ongko Life Insurance.
- B. Alleged Violations
1. BRI, BJS, and HELI allegedly entered into a closed exclusive agreement in the form of a tying arrangement.
 2. The agreement between BRI, BJS, and HELI allegedly violated Article 15 Paragraph (2), which prohibits business actors from entering into closed exclusive agreements with the requirement that BRI debtors who purchase BRI mortgage products must be willing to purchase BJS and HELI life insurance products.
 3. The agreement hinders competition and impacts prospective BRI mortgage customers' purchases of life insurance products required to obtain a mortgage.
 4. The agreement also makes the choice for BRI KPR debtors limited to choosing a competitive life insurance company.
- C. Position of Market Participants
1. PT Bank Rakyat Indonesia (BRI), the oldest and most well-known commercial bank in Indonesia, abuses its position by entering into a closed agreement with BJS and HELI to obtain large profits, namely fee-based income, and to restrict debtors' choices of a life insurance company.
 2. PT. Asuransi Jiwa Bringin Jiwa Sejahtera (BJS) and PT Heksa Eka Life Insurance (HELI) also abused their position by entering into a closed agreement with BRI to unhealthily expand the scope of their product marketing.
 3. This action is considered contrary to the principle of fair competition (healthy business competition) because it limits the choice of mortgage debtors and harms other life insurance companies.

Legal Analysis

- A. Article Violated
- Article 15 Paragraph (2) of Law No. 5 Year 1999: Regulates the prohibition of agreements that result in certain parties only being able to buy or sell goods/services from or to certain business actors (exclusive agreements).
- B. Violation of the Freedom of Contract Principle
1. In the context of contract law, the agreement between BRI, BJS, and HELI reflects the abuse of the contents of the contract against BRI KPR debtors who are obliged to buy certain life insurance products unilaterally. This is contrary to the principle of freedom of contract, which requires that the contents of the agreement and its terms do not violate applicable laws.
 2. As a result, the agreement can be considered invalid based on Article 1320 of the Civil Code (KUH Perdata), especially the element of "halal cause," because its contents violate Law No. 5 of 1999.
- C. Impact on Business Competition
1. The closed exclusive agreement between BRI, BJS, and HELI creates unfair business competition in the market. It can impact other life insurance companies, especially small insurance companies.
 2. Prospective Customers and BRI Mortgage Debtors who may already have other life insurance options feel disadvantaged because of the obligation in the mortgage product requirements that must be willing to buy BJS and HELI life insurance products.

Business Competition Supervisory Commission (KPPU) Verdict

At the end of the trial process, KPPU decided that :

- A. BRI, BJS, and HELI were proven to have violated Article 15 Paragraph (2) of Law No. 5 Year 1999.
- B. KPPU imposed administrative sanctions in the form of fines to BRI, BJS, and HELI, with details:
 1. BRI is subject to a fine of Rp 25 billion.
 2. BJS is subject to a fine of Rp 19 billion.
 3. HELI was fined Rp 13 billion.

This decision is based on the finding that the exclusive agreement between BRI, BJS, and HELI has hampered fair business competition and restricted other life insurance companies from conducting the

same business activities in the life insurance product market aimed at BRI mortgage debtors in all regions of Indonesia, by applying terms and conditions that are quite difficult to fulfill.

Legal Implications

A. Contract Validity Based on Article 1320 of the Civil Code (KUH Perdata)

The agreement between BRI, BJS, and HELI can be considered invalid because it contradicts the applicable legal provisions, especially Law No. 5 Year 1999. The agreement is not lawful because it violates the principle of fair business competition.

B. The Importance of Compliance with the Principles of Fair Business Competition

This case shows that business actors must be careful in drafting business agreements, especially when involving smaller business partners or other parties in a weaker position. Agreements that violate the principles of business competition can lead to administrative sanctions and contract cancellation.

C. Deterrent Effect

This decision strongly conveys to business actors not to utilize their dominant position unfairly. In addition, KPPU is expected to continue monitoring practices that have the potential to harm business competition in Indonesia.

KPPU Decision No. 05/KPPU-I/2014 is a concrete example of how violations of Article 15 of Law No. 5 Year 1999 can affect the validity of contracts and create distortions in business competition. This case confirms that freedom of contract cannot be used as an excuse to authorize discriminatory or detrimental agreements with other parties. Business actors must ensure that the contracts they make are not only valid in civil law (Hukum Perdata) but also in accordance with the principles of fair business competition.

CONCLUSION

Violation of Article 15 of Law No. 5 of 1999 has significant legal implications for the validity of contracts. If a contract is established under coercion, abuse of a dominant position, or terms that restrict fair competition, it may be deemed null and void (*batal demi hukum*) rather than merely voidable. This means the contract is automatically invalid and has no legal effect from the beginning, as it violates public policy and competition laws. However, in cases where coercion or unfair advantage is involved but not explicitly illegal, the contract may be voidable (*dapat dibatalkan*), meaning it remains valid unless challenged in court or before the Business Competition Supervisory Commission (KPPU).

The contract cancellation mechanism in case of a violation of Article 15 involves legal proceedings through either KPPU or the courts. KPPU has the authority to investigate and rule on cases of unfair business competition. If a violation is proven, KPPU may impose sanctions and recommend contract annulment. Additionally, affected parties, such as business competitors or consumers, can file a lawsuit in civil court to request the contract's cancellation. If the court finds that the agreement violates competition law or fails to meet the legal requirements under Article 1320 of the Civil Code, it may declare the contract null and void.

To avoid violations, business actors should take proactive steps to ensure compliance with competition laws. This includes conducting legal due diligence before entering agreements, seeking legal consultation to ensure contract terms align with competition regulations, and avoiding exclusive agreements that may restrict competitors' market access. Additionally, businesses should regularly review compliance policies to align with regulatory updates and ensure transparency in contractual negotiations. Strengthening internal compliance frameworks and engaging in fair trade practices can help businesses mitigate legal risks while fostering a competitive and legally compliant market environment.

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