

## LEGAL PROTECTION FOR CAR RENTAL BUSINESS ACTORS AGAINST RENTERERS WHO ARE IN DEFAULT

(Study of Decision Number 32/Pdt.G/2019/PN Btl and Decision Number 1065/Pdt/2023/PT.DKI)

Natassya Fachrina<sup>1</sup>, Dewi Iryani<sup>2</sup>, G. Nyoman Tio Rae<sup>3</sup>

<sup>1,2,3</sup> Program Studi Hukum Program Magister Program Pascasarjana, Universitas Bung Karno

Email: [natassya.raff@gmail.com](mailto:natassya.raff@gmail.com)<sup>1</sup>, [iryani.dewi@yahoo.co.id](mailto:iryani.dewi@yahoo.co.id)<sup>2</sup>, [nrae88good@gmail.com](mailto:nrae88good@gmail.com)<sup>3</sup>

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### Abstract

The development of the car rental business in Indonesia faces significant legal challenges, particularly related to default by renters. This study aims to analyze the legal protection available to car rental businesses when facing renters who default, by examining two court decisions: Decision Number 32/Pdt.G/2019/PN Btl and Decision Number 1065/Pdt/2023/PT.DKI. The research method used is normative juridical with a case-based approach and a statutory approach. The results show that legal protection for car rental businesses can be achieved through preventive and repressive channels. Preventive protection is carried out through the creation of a comprehensive written agreement, while repressive protection can be achieved through a lawsuit for default or unlawful acts. Both decisions analyzed show that the courts provide legal protection to business owners by punishing renters who default by paying compensation. However, the implementation of this legal protection still faces obstacles, particularly in terms of executing decisions and recovering losses. This study recommends the need to strengthen regulations specifically for the car rental business and improve guarantee mechanisms that can protect the interests of business owners.

**Keywords:** *Legal Protection, Business Actors, Car Rental, Default, Unlawful Acts*

### A. INTRODUCTION

Indonesia's rapid economic growth over the past decade has driven growth in the transportation sector, particularly the motor vehicle rental business. The car rental industry in Indonesia has experienced significant growth, driven by the growing public demand for flexible and economical transportation.<sup>1</sup> The car rental business is an alternative solution for people who need vehicles for various purposes, whether for business, tourism, or other personal needs, without having to make a large investment to buy a vehicle.<sup>2</sup> In the context of Indonesian civil law, the relationship between a car rental business and a renter is bound by a rental agreement regulated in Book III of the Civil Code (KUHPdata) concerning Contracts. Article 1548 of the Civil Code defines a rental agreement as an agreement, by which one party binds himself to provide another party with the enjoyment of an item, for a certain period of time and with the payment of a price, which the latter party undertakes to pay.<sup>3</sup> However, the car rental business doesn't always run smoothly. One crucial issue faced by car rental operators is the occurrence of defaults by renters.

<sup>1</sup> AA Pradnyaswari, "Legal Efforts to Settlement Defaults in Vehicle Rental Agreements" (Rent a Car)," *Journal Advocacy*3, no. 2 (2013), p.122, <https://www.neliti.com/publications/29380/upaya-hukum-penyelesaian-wanprestasi-dalam-perjanjian-vehicle-rental>.

<sup>2</sup> Mohammad Malik Fajar, "Legal Efforts to Settlement Default in Motor Vehicle Rental Agreements," *Dinamika: Scientific Journal of Legal Science* 25, no. 12 (2019), p. 3.

<sup>3</sup> Indonesia, Civil Code [Burgerlijk Wetboek], Article 1548.

<sup>4</sup> Pradnyaswari, "Legal Efforts to Settlement Default," p. 124.

Defaults in the context of car rental agreements can occur in various forms, ranging from late vehicle returns, vehicle damage beyond normal use, to extreme cases such as loss or embezzlement of the rented vehicle.<sup>4</sup> The problem of default in the car rental business becomes increasingly complex when the trust given by the business owner to the lessee is abused. Pradnyaswari in his research stated that the trust given by the lessor to the lessee is often abused, so that the lessee often feels disadvantaged by the lessee, such as the lessee not fulfilling the performance at all, the lessee fulfilling the performance but not on time, or the lessee fulfilling the performance but not according to or wrong.<sup>5</sup> Losses suffered by car rental businesses due to renter default can be both material and immaterial. Material losses include lost rental income, vehicle repair costs, and the loss of the vehicle's economic value. Meanwhile, immaterial losses can include disruption to business operations, damage to the business's reputation, and the loss of other business opportunities.<sup>6</sup> In the Indonesian legal system, business actors who suffer losses due to default have the right to legal protection. Law Number 8 of 1999 concerning Consumer Protection, although primarily regulating consumer protection, also recognizes the rights of business actors.

Article 6 of the law stipulates that business actors have the right to receive payment in accordance with the agreement regarding the condition and exchange value of the goods and/or services traded, and the right to receive compensation. legal protection from bad faith consumer actions.<sup>7</sup> The urgency of this research lies in the need to analyze in depth how the Indonesian legal system provides protection to car rental businesses, particularly through an analysis of court decisions. This research examines two important decisions: Decision Number 32/Pdt.G/2019/PN Btl, which decided a case of embezzlement of rental cars used for online transportation, and Decision Number 1065/Pdt/2023/PT.DKI, which decided a case of breach of contract in a business space rental agreement, which can serve as a reference in the context of general rental agreements. Both decisions provide a comprehensive perspective on how courts handle cases of breach of contract and unlawful acts in the context of rental agreements. Analysis of these decisions is expected to provide a better understanding of the legal protection mechanisms available to car rental businesses, while also identifying weaknesses in the existing legal protection system. This research is also important in the context of the development of the digital economy in Indonesia, where many rental vehicles are used for online transportation purposes. Case in Decision Number 32/Pdt.G/2019/PN Btl demonstrates the complexity of the problem when rental cars are used for online transportation and then lost or stolen. This raises questions about the extent of the renter's liability and how businesses can protect themselves.

his interests in this kind of situation.

In addition, this research is also relevant to efforts to improve the business climate in Indonesia. Adequate legal protection for car rental businesses will encourage the growth of this sector, which in turn will make a positive contribution to the national economy. Conversely, without adequate legal protection, business actors will be reluctant to develop their business, which can hinder economic growth in the transportation sector. Based on this background, this study aims to analyze several problems, namely: (1) analyzing the forms of legal protection available to car rental businesses against tenant defaults based on the Indonesian legal system; (2) examining the implementation of this legal protection through an analysis of Decision Number 32/Pdt.G/2019/PN Btl and Decision Number 1065/Pdt/2023/PT.DKI; and (3) identifying obstacles in legal protection for car rental businesses and formulating recommendations for improving the legal protection system.

<sup>5</sup> *Ibid.*, p. 123.

<sup>6</sup> Putu Agus Gilang Sedana Putra and AA Gede Duwira Hadi Santosa, "Damage to Rental Vehicle Components: Default in Vehicle Rental Contracts," *Decentralization: Journal of Law, Public Policy, and Governance* 1, no. 3 (2024), p. 65, <https://doi.org/10.62383/sentris.v1i3.88>.

<sup>7</sup> Indonesia, Law Number 8 of 1999 concerning Consumer Protection, Article 6.

## **B. RESEARCH METHODS**

This research uses a normative legal research method, also known as doctrinal legal research. This method was chosen based on the research's characteristics, which focus on the analysis of legal norms, legal concepts, and their implementation in court decisions.<sup>8</sup> Normative legal research is basically research that examines law as a norm, whether contained in statutory regulations or court decisions that have permanent legal force.<sup>9</sup> In its implementation, this research uses two main, complementary approaches. The case approach is the primary approach in this research. Through this approach, an in-depth analysis of two court decisions that are the focus of the research is conducted: Decision Number 32/Pdt.G/2019/PN Btl and Decision Number 1065/Pdt/2023/PT.DKI. The case approach allows researchers to understand how the law works in practice and how courts provide legal protection to car rental businesses in real situations.<sup>10</sup> The statute approach is used as a complementary approach to provide a normative framework in the analysis.<sup>11</sup> The combination of these two approaches provides a comprehensive perspective on how legal norms are designed and how they are applied in judicial practice. The data used in this study is secondary data, consisting of primary, secondary, and tertiary legal materials. Primary legal materials are authoritative, meaning they have binding authority.<sup>12</sup> In this study, primary legal materials include the Civil Code, Law Number 8 of 1999 concerning Consumer Protection,

Bantul District Court Decision Number 32/Pdt.G/2019/PN Btl, DKI Jakarta High Court Decision Number 1065/Pdt/2023/PT.DKI, and other relevant laws and regulations. Secondary legal materials are used to provide a deeper explanation and understanding of the primary legal materials. Meanwhile, tertiary legal materials are used to provide guidance and explanations of the primary and secondary legal materials.<sup>13</sup> The data collection technique in this research was conducted through literature review or documentary study. This process begins with an inventory of all legal materials relevant to the research topic. The inventory is conducted systematically by cataloging the legal materials to be used, including laws and regulations, court decisions, books, journal articles, and other sources. After the inventory, the legal materials are classified based on their relevance to the research problem formulation.

This classification facilitates the researcher in organizing the data and focusing the analysis on the most relevant materials. The next stage is systematization, which involves systematically arranging the legal materials according to a predetermined discussion framework. This systematization allows the researcher to analyze the legal materials logically and coherently. The data analysis in this study was conducted qualitatively using content analysis and legal interpretation methods. The analysis process began with a description of the legal norms related to the legal protection of car rental businesses and the cases in the analyzed decisions. The descriptions were conducted systematically and comprehensively to provide a clear picture of the research object. Next, interpretations of the legal norms and court decisions were conducted using various interpretation methods, such as grammatical interpretation to understand textual meaning, systematic interpretation to understand the interrelationships between norms, historical interpretation to understand the background of the formation of norms, and teleological interpretation to understand the purpose of legal norms.<sup>14</sup>

## **C. DISCUSSION**

### **1. Legal Construction of Protection for Car Rental Business Actors in the Indonesian Legal System**

Legal protection for car rental businesses in the Indonesian legal system is built through various complementary legal instruments, forming a comprehensive protection system. This legal framework is not solely dependent on a single law or regulation, but rather the result of the interaction of various legal norms within the Indonesian civil law system. Understanding this legal framework is fundamental to analyzing how car rental businesses can protect their interests from losses resulting from renter default.

<sup>8</sup> Peter Mahmud Marzuki, *Legal Research* (Jakarta: Kencana Prenada Media Group, 2016), p. 35.

<sup>9</sup> Soerjono Soekanto and Sri Mamudji, *Normative Legal Research: A Brief Review* (Jakarta: Raja Grafindo Persada, 2015), p. 13.

<sup>10</sup> Marzuki, *Legal Research*, p. 134.

<sup>11</sup> *Ibid.*, p. 136.

<sup>12</sup> *Ibid.*, p. 141.

<sup>13</sup> Soekanto and Mamudji, *Normative Legal Research*, pp. 33-34.

<sup>14</sup> Sudarsono, *Legal Dictionary* (Jakarta: PT. Rineka Cipta, 2007), p. 213.

The primary basis for legal protection for car rental businesses lies in the general provisions of agreements

stipulated in Book III of the Civil Code. Article 1320 of the Civil Code establishes four conditions for a valid agreement, which serve as the foundation for every car rental agreement.<sup>15</sup> The terms of an agreement require a mutual agreement of will between the business owner and the renter, without any coercion, fraud, or error. In the context of car rental, this agreement is realized when the business owner agrees to rent the car and the renter agrees to pay the rental price and fulfill other obligations. The capacity requirement requires that the parties be adults and not under guardianship. The specific matter requirement refers to the object of the agreement, namely the car being rented, with clear specifications. The lawful cause requirement requires that the purpose of the agreement not conflict with law, public order, or morality. The special characteristics of car rental agreements in the Indonesian legal system indicate their consensual, reciprocal and named nature.<sup>16</sup> Consensual means that an agreement occurs upon mutual agreement between the parties, without requiring any formalities unless otherwise agreed. However, in modern car rental business practices, written documentation is essential not only for legal certainty but also for evidentiary purposes in the event of a future dispute. This reciprocal nature reflects the reciprocal rights and obligations between the business owner and the renter.

The business owner is obligated to deliver the car in good condition and is entitled to receive rental payments, while the renter is obligated to pay the rental and maintain the car, as well as to use the car according to the agreement. As a legal agreement, rentals are specifically regulated in the Civil Code with specific provisions. Article 1548 of the Civil Code provides a legal definition of renting which is the basis for the legal relationship between rental business actors and tenants.<sup>17</sup> This definition contains essential elements that must be met to qualify as a valid lease. The transfer of enjoyment of the goods element means the business owner must hand over the car to the lessee for use and enjoyment. The fixed-term element requires a clear time limit for the start and end of the agreement. The rental payment element requires a counter-performance in the form of money from the lessee to the business owner. These three elements are cumulative, meaning they must all be met for an agreement to be categorized as a legally valid lease. In the context of legal protection, the obligations imposed on each party serve as the basis for determining whether there is a breach of contract. Article 1550 of the Civil Code regulates the obligations of car rental companies, which include three main obligations.<sup>18</sup> The obligation to hand over the leased goods to the lessee must be carried out at the agreed time and in a usable condition.

The obligation to maintain the goods in a usable condition means that the business owner must ensure the car is in prime condition and perform routine maintenance. The obligation to provide the lessee with a peaceful enjoyment of the car means that the business owner must guarantee that the lessee can use the car without interference from any party, including the business owner himself. These obligations are imperative and cannot be waived through the agreement, which means that any clause that attempts to eliminate these obligations will be null and void. On the other hand, the tenant also has obligations as regulated in Article 1560 of the Civil Code.<sup>19</sup> The obligation to use the rented property as a good head of household (*bonus pater familias*) in accordance with the purpose assigned to the property according to the agreement becomes the expected standard of behavior. The concept of the *bonus pater familias* is an objective standard that requires the renter to care for and use the rental car as if it were his own. This means the renter must use the car carefully, perform minor maintenance such as keeping it clean, and immediately report any damage or problems with the car. The obligation to pay the rental price on time is a fundamental obligation that, if violated, can be the basis for a lawsuit for breach of contract. Default is the primary legal basis for car rental businesses to seek legal protection and compensation. Article 1243 of the Civil Code stipulates that reimbursement of costs, losses, and interest due to failure to fulfill an obligation begins to be required if the debtor, despite being declared negligent, continues to fail to fulfill that obligation.<sup>20</sup> In the context of car rentals, breach of contract can occur in various forms, each with different legal consequences.

<sup>15</sup> Indonesia, Civil Code, Article 1320.

<sup>16</sup> Subekti, *Contract Law* (Jakarta: PT Intermasa, 1986), p. 15

<sup>17</sup> Indonesia, Civil Code, Article 1548.

<sup>18</sup> *Ibid.*, Article 1550.



In his research, Mohammad Malik Fajar identified several common forms of breach of contract in motor vehicle rental agreements.<sup>21</sup> Failure to return a vehicle on time is the most common form of breach of contract and can be detrimental to business owners, as they lose the opportunity to rent it to others. Returning a vehicle damaged beyond normal use results in losses in the form of repair costs and lost revenue during the repair period. Using a vehicle for purposes not in accordance with the agreement, such as for racing or transporting dangerous goods, can void insurance coverage and create legal risks for business owners. Failure to pay the agreed rental fee constitutes a breach of contract, directly harming the business owner's cash flow. The law (*onrechtmatige daad*) stipulated in Article 1365 of the Civil Code can also provide the basis for legal protection for car rental businesses. The concept of this unlawful act has undergone significant development through jurisprudence, particularly since the landmark 1919 decision of the Dutch Supreme Court in the case of Samuel Cohen v. Max Lindenbaum. This decision broadens the definition of unlawful, not only limited to violations of laws (written laws) but also includes actions that are contrary to the legal obligations of the perpetrator, violate the subjective rights of others, violate unwritten rules, namely the rules of morality, and are contrary to the propriety, accuracy and caution that a person should have in social interactions. Decision Number 32/Pdt.G/2019/PN Btl demonstrates the application of the concept of unlawful acts in the context of car rental. In this case, a renter who lent a rental car to a third party who then lost it was deemed to have committed an unlawful act.

The Panel of Judges considered that the Defendant's failure to return the car under his control was contrary to his legal obligations.<sup>22</sup> This consideration shows that the courts recognize the lessee's responsibility not only under the agreement but also under the broader legal obligation to look after the goods entrusted to him. Legal protection for car rental businesses is also strengthened through Law Number 8 of 1999 concerning Consumer Protection. Although this law focuses more on consumer protection, Article 6 explicitly recognizes the rights of business owners. The right to receive payment in accordance with the agreement provides a legal basis for business owners to demand payment of the agreed rental price. The right to receive legal protection from bad-faith consumer actions provides legitimacy for business owners to take legal action against renters who commit fraud or abuse. The right to self-defense. In addition to default based on a breach of contract, unlawful acts In resolving consumer disputes, it is appropriate to ensure that business actors have a fair opportunity to defend their interests in the legal process. The right to rehabilitation of good name if it is legally proven that the consumer's loss was not caused by the goods and/or services traded protects the business actor's business reputation from baseless accusations.

Preventive protection instruments are the first line of defense for car rental businesses. Preventive protection aims to prevent losses before a default occurs. Creating a comprehensive written agreement is the most fundamental preventative measure. Fajar Elmanzah's research emphasizes that written agreements provide legal certainty and facilitate proof in the event of a dispute.<sup>23</sup> A good written agreement should include the complete identities of the parties, detailed specifications of the rental vehicle, the purpose and limitations of the vehicle's use, the rights and obligations of each party, payment and penalty mechanisms, compensation clauses, vehicle return procedures, and dispute resolution options. Each clause should be clearly formulated and open to interpretation to avoid future disputes. The guarantee mechanism is a crucial preventive protection instrument in the car rental business. The Indonesian legal system recognizes several forms of guarantee that can be implemented. A deposit or down payment guarantee is the most common form, where the renter provides a sum of money as collateral that will be returned if there is no default.

However, as seen in Decision Number 1065/Pdt/2023/PT.DKI, the deposit guarantee is often insufficient to cover losses incurred.<sup>24</sup> In this case, the IDR 113,918,000.00 deposit was insufficient to cover the IDR 712,116,453.00 rent arrears.

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<sup>19</sup> *Ibid.*, Article 1560.

<sup>20</sup> *Ibid.*, Article 1243.

<sup>21</sup> Fajar, "Legal Efforts to Settlement Default," p. 7.

<sup>22</sup> Bantul District Court, Decision Number 32/Pdt.G/2019/PN Btl, February 25, 2020, p. 33.

<sup>23</sup> Fajar Elmanzah, Yayuk Sugiarti, and Abshoril Fithry, "Legal Protection for Car Rental Business Actors Due to Bad-Faith Renters," *Jurnal Jendela Hukum* 10, no. 2 (2023), p. 205, <https://doi.org/10.24929/jjh.v10i2.2970>

<sup>24</sup> DKI Jakarta High Court, Decision Number 1065/Pdt/2023/PT.DKI, November 8, 2023, 7.

This suggests the need for business owners to consider other, stronger forms of collateral, such as fiduciary collateral, which grants the creditor executorial rights. Due diligence on prospective tenants is an often overlooked yet crucial preventative measure. Heluth, Pesulima, and Sopamena emphasize the importance of initial screening of prospective tenants as part of rental business risk management.<sup>27</sup> A comprehensive due diligence process includes identity verification through official documents and biometric systems, credit history checks through credit information systems, verification of residential and workplace addresses, checking previous rental history, if any, and requesting references from credible third parties. By conducting proper due diligence, businesses can identify high-risk prospective tenants and take necessary preventative measures. Insurance as a risk transfer instrument is becoming increasingly important in the modern car rental industry. Research conducted in Malang City shows that insurance provides legal protection for car rentals against the risk of misuse by consumers.<sup>25</sup> Comprehensive insurance can cover various risks, such as accidental damage, vehicle theft, third-party legal liability, and loss of income due to the vehicle being unavailable for rental. However, business owners must understand that not all risks are insurable. Vehicle use in violation of the agreement or for illegal activities is generally excluded from coverage. Therefore, insurance should be combined with other protection mechanisms to provide optimal protection.

## **2. Analysis of the Implementation of Legal Protection in Court Decisions**

The implementation of legal protection for car rental businesses in Indonesian judicial practice can be understood in depth through an analysis of two important decisions that are the focus of this research. These two decisions provide a clear picture of how courts apply legal norms to protect the interests of business owners when faced with default or unlawful acts by renters. Decision Number 32/Pdt.G/2019/PN Btl provides a very valuable perspective on the legal protection of business actors in a complex situation, namely when a rental car used for online transportation was then lost after the owner of the Grand Livina car with Edy Susanta who would use the car for online transportation with a daily deposit system. The fact that the agreement was made verbally indicates a practice that is still common in small-scale car rental businesses in Indonesia, where personal trust is the basis of business transactions. The complexity of this case lies in the series of events that occurred after the agreement was made. The car that was supposed to be used for online transportation by Edy Susanta was actually loaned to a third party named Muh. Rendy Aditya under the pretext of catering business purposes. The act of lending the car to this third party clearly violated the initial agreement, considering that the agreement had agreed that the Defendant could not transfer the Plaintiff's car. This violation became fatal when Muh. Rendy Aditya drove off with the car and could not be found until the trial was held. This situation raises fundamental questions about the limits of the lessee's liability when the rented item is in the hands of a third party.

An interesting aspect of this case is that before the civil suit was filed, Edy Susanta had been loaned to a third party. This case began with an oral agreement between Novita Sari Oktavia as underwent a criminal process and was found guilty of embezzlement based on Decision Number 242/Pid.B/2018/PN.Btl with a prison sentence of 1 year and 6 months. The existence of this criminal decision that has permanent legal force strengthens the Plaintiff's position in the civil lawsuit, because there is a legal recognition that the Defendant has committed an unlawful act. However, the criminal decision does not automatically resolve the civil issue, especially regarding the compensation that must be paid to the car owner. In its legal considerations, the Panel of Judges conducted an in-depth analysis of the differences between breach of contract and an unlawful act. The Judge stated that although it began with an agreement, the Defendant's actions in failing to return the car under his control were more appropriately qualified as an unlawful act (*onrechtmatige daad*) rather than a breach of contract.<sup>29</sup> The choice of this basis for the lawsuit has significant legal implications, because unlawful acts have a broader scope and are not limited to mere breach of contract. The Panel of Judges referred to the classic 1919 Dutch Supreme Court jurisprudence (*Arrest HR* dated 31 January 1919) in the case of *Samuel Cohen v. Max Lindenbaum* to determine the parameters of an unlawful act. Based on this jurisprudence, the Judges considered that Defendant's failure to return the car under his control was contrary to his legal obligations.

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<sup>25</sup>Fathur Rozi, "Insurance as Legal Protection for Car Rentals Against the Risk of Misuse by Consumers from a Fiqh Muamalah Perspective." *Journal of Islamic Business Law* 8, no. 4 (2024), p. 86, <https://doi.org/10.18860/jibl.v8i4.13548>.

This legal obligation stems not only from the agreement but also from broader legal norms that require a

person to safeguard goods entrusted to him. This interpretation demonstrates that the court provides strong protection to the owner of the goods, where the renter cannot simply abdicate his responsibility on the grounds that the goods are in the hands of a third party. One of the important considerations in this decision is the rejection of the Panel of Judges against the Defendant's defense argument which stated that he was also a victim of Muh. Rendy Aditya's actions. The Judge firmly stated: "Even though Defendant I Convention/Plaintiff I Counterclaim has reported Muh. Rendy Aditya to the Kulonprogo Police, however, because there is no court decision with permanent legal force stating that Muh. Rendy Aditya has taken, embezzled, or stolen the Livina Car of the Plaintiff Convention/Defendant Counterclaim, then the argument stating "Defendant I Convention/Plaintiff I Counterclaim, as a victim of Muh. Rendy Aditya" must be set aside."

This consideration confirms the fundamental legal principle that the lessee is fully responsible for the goods entrusted to him, regardless of what happens to them subsequently. This principle is in line with the concept of *bonus pater familias* in Article 1560 of the Civil Code, which requires the lessee to maintain the rented goods with a high standard of care. The defendant cannot escape his responsibility on the grounds of being a victim, unless he can prove the existence of force majeure that meets the legal requirements, namely that it was unforeseen, unavoidable, and beyond the control of the parties. In determining the amount of compensation, the Panel of Judges demonstrated a proportional and evidence-based approach. The Judge granted the compensation claim of IDR 215,850,000.00, which was the value of the car based on the proof of purchase. However, the Judge rejected the claim for immaterial damages of IDR 500,000,000.00 on the grounds that this lawsuit was not a defamation lawsuit and there was no proven causal relationship. The Judge also rejected the claim for hospital costs of IDR 10,000,000.00 and car search costs of IDR 30,000,000.00 because there was no evidence to support these claims and there was no clear causal relationship with the Defendant's actions.

The Panel of Judges' approach to determining compensation demonstrates the principles of prudence and objectivity. On the one hand, the court protected the car owner by ordering the Defendant to pay the full value of the lost car. On the other hand, the court did not simply grant all of the Plaintiff's demands without a strong evidentiary basis. This reflects the court's effort to strike a balance between providing fair compensation to the injured party and preventing unjustified enrichment. Meanwhile, Decision Number 1065/Pdt/2023/PT.DKI provides a different yet relevant perspective on legal protection in the context of commercial lease agreements. This case involves PT Makmur Jaya Serasi, the owner of the Mall of Indonesia, which leased business space to PT Terang Indah Alpha. Although the leased object is different (business space instead of cars), the legal principles applied by the court can serve as a reference in understanding how the Indonesian legal system handles breaches of contract in lease agreements. The legal facts in this case indicate that PT Terang Indah Alpha has committed a breach of contract by not paying the rent arrears amounting to IDR 712,116,453.00. What is interesting about this case is the emergence of the issue of force majeure due to the COVID-19 pandemic which was put forward as a defense argument by the Defendant.

The COVID-19 pandemic has indeed caused massive economic disruption and many businesses are experiencing financial difficulties. However, the facts show that the Plaintiff has provided a significant relief policy in the form of rental gratuities for March-April 2020 and a 50% discount for the period May-September 2020. This policy shows the Plaintiff's good faith to accommodate the difficulties faced by the Defendant due to the pandemic. The North Jakarta District Court in its decision stated: "That it turns out that the Defendant has neglected his obligation to pay the arrears to the Plaintiff and fines during the total rental period amounting to IDR 712,116,453,- (seven hundred twelve million one hundred sixteen thousand four hundred fifty three rupiah)"<sup>26</sup>This consideration demonstrates that the court adheres to the principle of *pacta sunt servanda*, which states that a legally concluded agreement is enforceable as law for the parties making it. Despite extraordinary circumstances such as a pandemic, this does not automatically relieve the debtor from their obligations, especially when the creditor has provided substantial relief. The DKI Jakarta High Court then upheld the District Court's decision by stating: "Based on the above considerations, the North Jakarta District Court Decision Number 250/Pdt.G/2022/PN Jkt Utr dated November 10, 2022, can be upheld and therefore must be upheld." This upholding demonstrates the court's consistency in providing protection to parties harmed by default. The High Court agreed that although there were external factors affecting the Defendant's ability, this did not eliminate his contractual obligations. A deeper analysis of this decision reveals several important principles in the legal protection of business actors. The court recognized the binding force of agreements as regulated in Article 1338 paragraph (1) of the Civil Code, which states that all legally made agreements apply as law for those who make them. This principle is a fundamental basis in contractual protection, where the court will enforce what has been agreed by the parties as long as it does not conflict with the law, public order, and morality. The rejection of the unfounded force majeure argument demonstrates that courts apply a strict standard in

accepting force majeure as a ground for relief from contractual obligations. In this case, although the COVID-19 pandemic may be categorized as a force majeure event, the fact that the Plaintiff has granted significant relief demonstrates that force majeure was not a force majeure event. *force majeure* Force majeure is not absolute. Parties are expected to undertake mitigation and negotiation efforts to adapt contractual obligations to changing circumstances. When one party has demonstrated flexibility and good faith, the other party cannot simply use force majeure as an excuse to fail to fulfill its obligations altogether.

Recognition of the business owner's right to a security deposit was also a crucial aspect of this decision. The court declared the Plaintiff's right to a security deposit of IDR 113,918,000.00 valid until the Defendant paid the total rental fee. This demonstrates that the security deposit is recognized as a legitimate protection instrument for business owners. The deposit can be used as partial compensation for losses suffered due to the tenant's default. However, this case also demonstrates the limitations of the deposit as a protection mechanism, given that the deposit amount is much smaller than the total arrears. Equally important is the court's stance in rejecting baseless demands. The court rejected petitions regarding demolition costs, the seizure of collateral on certain assets, the imposition of an unagreed 5% interest rate, and a request for a summary judgment. This rejection demonstrates that legal protection for business actors must remain proportionate and based on applicable law. The court will not grant a demand simply because of a breach of contract; rather, every demand must have a strong legal basis and evidence. This approach reflects the court's efforts to maintain balance and fairness for all parties. Comparing the two decisions, several consistent patterns are apparent in how courts provide legal protection to businesses. Courts tend to be strict in enforcing tenant liability for rented goods or objects. In the case of a rental car, the tenant is fully responsible even if the car is lost to a third party. In the case of a business space lease, the tenant remains liable for arrears despite the pandemic impacting their business. This consistency provides legal certainty for businesses that contracts will be enforced by the courts. However, in the case discussed, the court also demonstrated balance by applying the principle of proportionality in determining compensation. Not all claims are granted outright; instead, there must be supporting evidence and a clear causal relationship. This approach prevents abuse of the legal process and ensures that the compensation awarded truly reflects the actual losses suffered.

- 1. Problems and Urgency of Legal Protection for Car Rental Business Actors** An in-depth analysis of both court decisions and a literature review revealed various structural problems within the legal protection system for car rental businesses in Indonesia. These problems are not only technical but also involve the practical aspects of legal implementation, the dynamics of the car rental business, and the rapid development of transportation technology. A comprehensive understanding of these problems forms the basis for formulating effective and applicable solutions. One fundamental problem is the continued dominance of verbal agreements in the car rental business, especially among small and medium-sized businesses. The case in Decision Number 32/Pdt.G/2019/PN Btl clearly demonstrates the vulnerability of verbal agreements. Witness Maryati stated in court: "The cooperation agreement was not written because Novita Sari and Edi Susanta are neighbors and Edi Susanta's parents assured her that the car would be safe, and Novita Sari trusted them." This statement reflects a social reality where interpersonal trust remains the basis of business transactions, especially in communities with close social ties. The next problem is the difficulty of executing the decision and recovering losses, even though the business actor has won the lawsuit in court. In Decision Number 32/Pdt.G/2019/PN Btl, the Defendant was ordered to pay compensation of IDR 215,850,000.00, but in reality the Defendant is currently serving a criminal sentence of 1 year and 6 months and most likely does not have sufficient assets to pay the compensation. Pradnyaswari's research confirms that many car rental businesses who win lawsuits cannot effectively recover their losses because the renter does not have the financial capacity or assets that can be executed.<sup>27</sup>

<sup>26</sup> DKI Jakarta High Court, Decision Number 1065/Pdt/2023/PT.DKI

This situation raises fundamental questions about the effectiveness of the legal protection system if court decisions cannot be enforced. Businesses must spend significant money and time on litigation, but ultimately receive no compensation for their losses. This can create a disincentive for businesses to use formal legal



channels and encourage them to seek solutions outside the legal system, which can potentially create new problems. The complexity of proving when involving third parties is a particular problem revealed in car rental cases. In Decision Number 32/Pdt.G/2019/PN Btl, the involvement of Muh. Rendy Aditya, who disappeared with a rental car, created a complicated legal situation. On the one hand, the Defendant argued that he was a victim of Muh. Rendy Aditya's actions. On the other hand, the Plaintiff had no direct legal relationship with Muh. Rendy Aditya. Although the court ultimately imposed responsibility on the Defendant, the evidentiary process became longer and more complex. If Muh. Rendy Aditya could be found and presented in court, there may be a different dynamic in the legal considerations. The limitations of conventional guarantee mechanisms are also a serious problem in the car rental industry. Deposits commonly used as collateral are often disproportionate to the vehicle's value or potential losses. In Decision Number 1065/Pdt/2023/PT.DKI, a deposit of IDR 113,918,000.00 could not cover the outstanding debt of IDR 712,116,453.00.

This disparity shows that deposits as a single protection instrument are inadequate to protect the interests of business actors. On the other hand, requiring excessively large deposits can be a barrier to potential tenants and reduce business competitiveness. Business owners face a dilemma between protecting their business interests and maintaining the attractiveness of their services. Furthermore, submitting important documents such as ID cards and family cards as collateral, while common, has no enforceable value and has the potential to raise other legal issues related to the misuse of personal documents.<sup>28</sup> The absence of specific regulations for the car rental business in Indonesia creates a legal vacuum that has the potential to harm both businesses and consumers. Currently, car rental businesses must rely on general provisions in the Civil Code on rentals and the Consumer Protection Law, which do not specifically address the specific characteristics of the car rental business. Fajar Elmanzah's research shows that the absence of specific regulations leads to legal uncertainty in resolving car rental disputes.<sup>29</sup> Unlike some countries that have specific regulations for the car rental industry, Indonesia does not yet have a comprehensive regulatory framework for this sector.

#### **D. CLOSING**

The Indonesian legal system provides a fairly comprehensive normative framework to protect car rental businesses. This protection is built through various complementary legal instruments, ranging from general agreement provisions in the Civil Code, specifically regarding leases and default, to provisions in the Consumer Protection Law, which also recognizes the rights of business owners. Legal protection can be achieved through two main channels: preventive and repressive. The preventive channel includes drafting comprehensive written agreements, implementing adequate guarantee mechanisms, conducting due diligence on prospective renters, and utilizing Insurance serves as a risk transfer instrument. Meanwhile, repressive measures can include civil lawsuits based on breach of contract or unlawful acts, as well as criminal prosecution in certain cases such as embezzlement. However, the existing normative framework remains general and does not specifically address the unique characteristics of the car rental business, which continues to evolve with economic and technological dynamics. An analysis of Decisions Number 32/Pdt.G/2019/PN Btl and Number 1065/Pdt/2023/PT.DKI shows that Indonesian courts tend to provide strong protection to business actors by applying the principle of full liability of the lessee for the goods entrusted to them. In the case of a rental car that was lost after being loaned to a third party, the court still imposed liability on the lessee and rejected the defense argument that the lessee was also a victim. The court adhered to the principle that the lessee has a legal obligation to maintain the rented goods according to the *bonus pater familias* standard and cannot waive that responsibility unless it can prove the existence of *force majeure* that meets the legal requirements.

<sup>27</sup> Pradnyaswari, "Legal Efforts to Settlement Default," p. 130.

<sup>28</sup> Kadek Januarsa Adi Sudharma, "Resolution of Default in Car Rental Agreement (Case Study of PT. Bali Radiance)," *Journal of Legal Analysis* 1, no. 2 (2020), p. 230, <https://doi.org/10.38043/JAH.V1I2.413>

<sup>29</sup> Elmanzah, "Legal Protection for Business Actors," 200.

Similarly, in the case of default on rent payments, the court rejected the *force majeure* argument due to the COVID-19 pandemic when the business actor had provided substantial relief. This demonstrates that the court applies strict standards in accepting the *force majeure* defense and continues to uphold the principle of

pacta sunt servanda. However, the court also showed balance by applying the principle of proportionality in determining compensation, where not all demands were granted without a strong evidentiary basis. The complexity of proving the law increases when cases involve third parties, such as in the case of cars being loaned or transferred without the owner's knowledge. Conventional guarantee mechanisms such as deposits and the submission of identity documents have proven inadequate to protect business actors from significant losses. The absence of specific regulations for the car rental business creates legal uncertainty and complicates standardization of business practices. Misuse of rental vehicles for activities that are not in accordance with the agreement or even illegal poses legal and reputational risks for businesses. Addressing these various problems requires comprehensive and multi-dimensional solutions involving various stakeholders. Standardizing car rental agreements through the development of comprehensive agreement templates that balance the rights and obligations of all parties is a fundamental step. Strengthening guarantee mechanisms through the implementation of fiduciary guarantees can provide greater certainty of execution than conventional deposits. Developing a verification and credit scoring system specifically for the car rental industry will assist in assessing the risk of potential renters.

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