






## Can Indonesia's Laws Keep Up? Protecting Consumer Rights in Digital Transactions

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### Abstract

This research examines dispute settlement mechanisms within the framework of Indonesia's consumer protection laws and the Electronic Information and Transaction Law (ITE Law). Utilizing a normative legal methodology, the study analyzes relevant legal principles and doctrines, particularly focusing on Law No. 8 of 1999 on Consumer Protection and the Civil Code. The key findings of the study are twofold. First, it identifies that corporate entities bear responsibility for consumer losses under both the Consumer Protection Law and the ITE Law, which provides a legal structure for resolving disputes related to electronic transactions. However, the research also reveals a critical distinction: disputes arising from online purchases generally fall under

the ITE Law, rather than the Consumer Protection Law. Second, the study highlights the challenge of interpreting the term "*consumer*" within the Consumer Protection Law, which explicitly refers to the final beneficiary of a product or service. This definition creates ambiguity in cases involving intermediaries or non-end consumers in online transactions. The study's contribution lies in its identification of a legal gap in the current regulatory framework. It suggests that the Consumer Protection Law may require revision to better address the complexities of modern e-commerce, particularly in distinguishing between end consumers and non-end consumers. By doing so, the research provides a foundation for future legal reforms aimed at improving the protection of consumers in the digital marketplace.

**Keywords** *Consumer Protection Law, Electronic Information and Transaction Law, Electronic Transaction, Dispute Resolution*

## Introduction

The digitalisation and use of electronic technology have significantly impacted societal, technological, and human development<sup>1</sup>. The global economy, particularly in Indonesia, is being influenced by e-commerce, which allows commercial transactions over the internet<sup>2</sup>. The incorporation of IoT has led to significant developments and a significant influence on the global economy<sup>3</sup>. The emergence of the Internet has transformed business interactions, advancing the global economy into the digital economy<sup>4</sup>. However, difficulties or failures may arise during the electronic transaction

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<sup>1</sup> Andrius Grybauskas, Alessandro Stefanini, and Morteza Ghobakhloo, "Social Sustainability in the Age of Digitalization: A Systematic Literature Review on the Social Implications of Industry 4.0," *Technology in Society* 70 (2022): 101997.

<sup>2</sup> Kasmad Ariansyah et al., "Drivers of and Barriers to E-Commerce Adoption in Indonesia: Individuals' Perspectives and the Implications," *Telecommunications Policy* 45, no. 8 (2021): 102219.

<sup>3</sup> Taofeeq Ibn-Mohammed et al., "A Critical Analysis of the Impacts of COVID-19 on the Global Economy and Ecosystems and Opportunities for Circular Economy Strategies," *Resources, Conservation and Recycling* 164 (2021): 105169.

<sup>4</sup> Marsel Imamov and Natalia Semenikhina, "The Impact of the Digital Revolution on the Global Economy," *Linguistics and Culture Review*, 2021, 968–87.

process, with financial losses resulting from computerized transactions being the central issue<sup>5</sup>. There has been a significant increase in complaints about electronic systems in the corporate sector<sup>6</sup>. To successfully deploy this electronic system, it is essential to strengthen consumer rights to ensure adequate support for changes in company practices<sup>7</sup>. The government continues to strengthen the implementation of Law Number 8 of 1999 about Consumer Protection to tackle various consumer concerns. Consumer protection in electronic transactions is regulated by various legal frameworks, including the Consumer Protection Law, Law Number 19 of 2016 on Electronic Information and Transactions, Government Regulation (PP) Number 80 of 2019 on Trading Through Electronic Trading Systems, and Minister of Trade Regulations Number 50 of 2020 concerning Provisions for Business Licensing, Advertising, Development, and Supervision of Trading Business Actors via electronic systems. The increase in online transactions due to the pandemic requires the establishment of a user account, which involves submitting personal information. This method presents challenges in data retrieval, potentially leading to unauthorised access by malicious individuals or hackers. It is important to augment consumer knowledge about safeguarding their rights through complaint channels or dispute resolution mechanisms established by relevant governmental bodies.

This study employs a normative juridical research methodology to explore whether Indonesia's legal framework can effectively protect consumer rights in the rapidly evolving landscape of digital transactions.<sup>8</sup> By analyzing relevant legislative rules, such as consumer protection laws and digital transaction regulations, the research examines the adequacy of current statutes in addressing the unique challenges posed by digital commerce. It also delves into jurisprudence,

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<sup>5</sup> Ezaz Mohammed Al-dahasi et al., "Optimizing Fraud Detection in Financial Transactions with Machine Learning and Imbalance Mitigation," *Expert Systems*, 2024, e13682.

<sup>6</sup> Narcisa Roxana Mosteanu and Alessio Faccia, "Digital Systems and New Challenges of Financial Management—FinTech, XBRL, Blockchain and Cryptocurrencies," *Quality—Access to Success* 21, no. 174 (2020): 159–66.

<sup>7</sup> Chun-Liang Chen et al., "Role of Government to Enhance Digital Transformation in Small Service Business," *Sustainability* 13, no. 3 (2021): 1028.

<sup>8</sup> Peter Mahmud Marzuki, *Penelitian Hukum*, Edisi Revi (Kencana, 2021).

studying how Indonesian courts have interpreted and applied these laws in the context of technology and e-commerce, providing insight into the judicial approach to consumer rights in digital transactions. Through an examination of legal doctrine, the research engages with scholarly discussions surrounding the intersection of consumer protection, technology, and law, identifying gaps and areas for improvement in legal theory. Finally, the conceptual approach considers emerging legal perspectives on digital consumer protection, assessing whether existing laws can adapt to the rapid pace of technological change. This comprehensive methodology aims to assess the effectiveness of Indonesia's legal protections for consumers in the digital age and explores potential reforms to ensure that the legal system can keep pace with the evolving digital marketplace.

### **Legal Regulations in Conducting Electronic Transactions**

Indonesia still lacks comprehensive legislation governing the legal framework for electronic transactions<sup>9</sup>. Consequently, the provisions of conventional sales and purchase contracts, as outlined in the Civil Code, as a reference for online transactions. The use of Internet electronic media for the formation of sales and purchase agreements is an extension of the concepts articulated in the Civil Code<sup>10</sup>. Online transaction agreements are legally based on traditional business practices and civil law related to the exchange of goods and services<sup>11</sup>. The contrast lies in the uniqueness of an online agreement, where the role of media and technical gadgets is paramount. Article 1457 of the Civil Code stipulates that a sale entails a contract whereby one party is obliged to convey ownership rights of a property, while the other party is tasked with providing remuneration for the stipulated price of the property. The fundamental components of a sales and purchase agreement are the

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<sup>9</sup> Dona Budi Kharisma, "Urgency of Financial Technology (Fintech) Laws in Indonesia," *International Journal of Law and Management* 63, no. 3 (2021): 320–31.

<sup>10</sup> Ery Agus Priyono, Budiharto Budiharto, and Asri Hayyunniarizka Wulandari, "Regulations for E-Commerce Agreement According to Ict Act and Title Iii of Indonesian Civil Code," *Diponegoro Law Review* 4, no. 1 (2019): 76–88.

<sup>11</sup> Rossa Ilma Silfiah, Kristina Sulatri, and Yudhia Ismail, "Legal Protection of Consumers with Online Transactions," *Journal of Law, Politic and Humanities* 4, no. 6 (2024): 2584–95.

goods being exchanged and the mutually accepted price<sup>12</sup>. The principle of consensualism underpins agreements under the Civil Code<sup>13</sup>. A sale and purchase agreement is formed when the parties reach a mutual consensus on the products and price involved<sup>14</sup>. A legally binding sales and purchase agreement is formed when both parties reach a consensus over a particular item and an appropriate price. Article 1458 stipulates that the transaction of buying and selling is considered consensual when both parties agree on the products and the price, irrespective of the delivery of things or the payment of funds. The mere use of the word "agree," without formal paperwork or concrete evidence, symbolises the formation of a legally binding agreement, imposing obligations that may be enforced by the parties concerned and serving as a controlling principle for them. The government has implemented efforts to protect consumers, especially concerning online transactions, by establishing the UUPK (Consumer Protection Law) and other pertinent laws and regulations. The government has implemented the ITE Law as a regulation concerning e-commerce<sup>15</sup>. The consumer protection level in online commerce, as regulated by the UUPK (Consumer Protection Law), is seen as equivalent to that offered to clients involved in direct or conventional transactions<sup>16</sup>. Nonetheless, the government enacted the ITE Law in 2008. Electronic transactions are regulated by legislation, specifically Article 9. This article requires firms conducting commercial activities via electronic platforms to provide accurate and comprehensive information on contract terms, manufacturers, and products offered for sale. Before the enactment of Law Number 19 of

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<sup>12</sup> W C Benton Jr, *Purchasing and Supply Chain Management* (Sage Publications, 2020).

<sup>13</sup> Muhammad Arifin, "The Four Main Principles That Become the Pillars of Legal Building National Treaty," *De Lega Lata: Jurnal Ilmu Hukum* 7, no. 2 (2022): 272–79.

<sup>14</sup> Thomas C Lawton, "The New Global Electronic Economy: Consensus, Confusion, Contradictions," in *New Directions in Global Economic Governance: Managing Globalisation in the Twenty-First Century* (Taylor & Francis, 2024), 2.

<sup>15</sup> Edy Santoso, "Opportunities and Challenges: E-Commerce in Indonesia from a Legal Perspective," *Jurnal Penelitian Hukum De Jure* 22, no. 3 (2022): 395–410.

<sup>16</sup> Moch Nabihil Chasan and Hasbindi Haris Prasetyo, "Implementation of the Consumer Protection Act in E-Commerce Transactions," in *Proceeding International Conference on Law, Economy, Social and Sharia (ICLESS)*, vol. 1, 2022, 41–48.

2016 and Law Number 11 of 2008 about Information and Electronic Transactions, traditional transaction methods were often used in many aspects of transactions. The transaction of buying and selling goods continues to occur in person among the parties concerned, without the use of digital techniques. Law Number 11 of 2008 established the notion of cyber law, representing an innovative legal structure at the time. It is a universally acknowledged term that pertains to laws regulating the use of information and communications technology. The notion of telematics law has emerged from the convergence of telecommunications law, media law, and informatics law. Alternative designations for this domain are information technology law, virtual world law, and digital law.

### **Correlation Between Consumer Protection Law (UUPK) and Electronic Information and Transaction Law (UU ITE) in Settlement**

In Indonesia, legal protection encompasses the recognition and preservation of human dignity and rights<sup>17</sup>. Within the analysed regulatory framework, legal protection may be classified into two separate categories: preventive legal protection and repressive legal protection. Preventive legal protection aims to proactively avert potential difficulties or disputes, whereas repressive legal protection seeks to resolve situations that have already occurred. An adverse situation in online commerce arises when consumers experience financial losses while buying and selling transactions. Customers are allowed to seek compensation in the case of losses. Article 4, letter h of the UUPK delineates requirements for compensation. It specifies that consumers are entitled to get reimbursement or replacement if the items and/or services provided do not adhere to the agreement or fail to meet the requisite standards. Business companies are liable for the losses sustained by consumers.

Furthermore, Article 19 of the UUPK delineates the responsibilities of business companies towards clients experiencing financial difficulties. Moreover, pursuant to Article 23 of the UUPK,

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<sup>17</sup> Diya Ul Akmal, "Indonesian State of Law: The Essence of Human Rights Protection in the Establishment of Laws and Regulation," *Primagraha Law Review* 1, no. 1 (2023): 1–11.

should business entities refuse, neglect to respond, or fail to provide the compensation demanded by consumers as specified in Article 19, paragraphs (1), (2), (3), and (4), consumers may initiate a lawsuit via a consumer dispute resolution organisation or seek legal recourse in their jurisdiction. Government Regulation Number 82 of 2012, concerning the Implementation of Electronic Systems and Transactions, includes prohibitions on non-compliant objects as stipulated in the agreement. Article 49, paragraph (3) mandates that commercial entities must provide clients with a certain period for returning things that fail to comply with the terms of the agreement or possess undiscovered defects. Furthermore, in the context of pursuing compensation, the rules governing electronic evidence may be considered valid legal proof in judicial proceedings. The rules of electronic evidence regulated by Article 5, paragraph (1) of the Electronic Information and Transactions Law (UU ITE)<sup>18</sup>.

This provision stipulates that electronic information, electronic documents, and printouts are deemed legally acceptable evidence. The ITE Law also established a venue for addressing disputes arising from electronic commerce transactions. Article 18, paragraph (4) of the ITE Law empowers parties to choose judicial forums, arbitration, or other alternative dispute resolution entities to address any problems that may arise from their international electronic transactions. The principal aim of Law No. 8 of 1999 about Consumer Protection is to protect consumers and foster ethical behaviour and responsibility among businesses. It aims to provide a legal framework that guarantees transparency and equity for both consumers and business organisations engaged. The legal framework regulating the interaction between producers or suppliers of products and services and customers delineates certain rights and duties that underpin the requisite responsibilities. The seller is accountable for all instances of providing items or services ordered by customers. Noncompliance with requirements by a business entity may incur penalties as stipulated in Article 62 of the UUPK. This article stipulates that business entities contravening the regulations set

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<sup>18</sup> Alcapon Sidabutar, Risdalina Risdalina, and Indra Kumalasari, "Evidence of Criminal Acts in the Field of Electronic Information and Transactions in Review of Law No. 19 of 2016 Concerning Electronic Information and Transactions," *Enrichment: Journal of Multidisciplinary Research and Development* 2, no. 2 (2024).

forth in Article 8, Article 9, Article 10, Article 13 paragraph (2), Article 15, Article 17 paragraph (1) letters a, b, c, e, paragraph (2), and Article 18 may incur a maximum imprisonment of 5 years or a maximum fine of IDR 2,000,000,000.00 (two billion rupiah).

## The Consumer Protection Legal Efforts in Electronic Transaction

Consumer protection includes all efforts designed to provide legislative clarity in defending consumers, with the objective of ensuring consumer protection in Indonesia<sup>19</sup>. The Consumer Protection Law positively impacts the economic aspects of the business sector<sup>20</sup>. This motivates the business sector to improve the quality and perfection of their products and services, allowing these offerings to compete successfully in both domestic and international markets<sup>21</sup>. The Information and Electronic Transactions Law (UU ITE) of Indonesia stipulates that electronic transactions may be regulated by electronic contracts<sup>22</sup>. This electronic contract enables the involved parties to choose the governing law for dispute resolution<sup>23</sup>. If the governing law is not indicated, the appropriate law is ascertained using the principles of private international law. This approach also applies to the selection of court venues with authority to resolve disputes. In an e-commerce transaction, the parties involved may choose whether disagreements will

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<sup>19</sup> H Matnuh, "Rectifying Consumer Protection Law and Establishing of a Consumer Court in Indonesia," *Journal of Consumer Policy* 44, no. 3 (2021): 483–95.

<sup>20</sup> Ika Atikah, "Consumer Protection and Fintech Companies in Indonesia: Innovations and Challenges of the Financial Services Authority," *Jurnal Hukum Dan Peradilan* 9, no. 1 (2020): 132–53.

<sup>21</sup> Nizia Kusuma Wardani and Arie Afriansyah, "Indonesian Legal Challenges Regarding Electronic Contracts in International Trade," in *3rd International Conference on Law and Governance (ICLAVE 2019)* (Atlantis Press, 2020), 23–30.

<sup>22</sup> Arief Budiono and Anggun Rahmawati, "Juridical Review the Principle of Online Buying and Selling Trust Perspective of Law Number 11 of 2008 Concerning Information and Electronic Transactions (UU ITE)," *International Journal of Social Science Research and Review* 6, no. 2 (2023): 564–70.

<sup>23</sup> Hesam Hamledari and Martin Fischer, "Role of Blockchain-Enabled Smart Contracts in Automating Construction Progress Payments," *Journal of Legal Affairs and Dispute Resolution in Engineering and Construction* 13, no. 1 (2021): 4520038.



be resolved in a court of law, via arbitration, or by using other alternative dispute resolution entities as specified in the electronic contract<sup>24</sup>. In the absence of a designated forum selection, dispute resolution must be regulated by the principles of Private International Law. Dispute resolution may be achieved via several techniques when there are differing perspectives or disagreements among the involved parties<sup>25</sup>. If they cannot reach a common resolution, this kind of conflict may jeopardise their relationship. Consequently, when faced with differing perspectives or disputes, the parties continually strive to find appropriate resolution techniques. At times, such issues cannot be entirely resolved within the confines of a single nation's sovereignty. In such instances, if the parties concerned pursue legal assistance, their primary aim is to ascertain the magnitude of the losses they have sustained.

Therefore, it is the responsibility of the parties involved in the firm to ascertain the causes of accidents and errors that arise. Conflict resolution may be achieved via several methods when there are differing perspectives or conflicts among the parties involved. If a consensus cannot be reached, this kind of conflict might damage the relationship between the persons concerned. Consequently, when faced with differing perspectives or disputes, the parties continually strive to find appropriate resolutions. At times, certain concerns cannot be addressed only at the national level. If involved parties seek legal assistance, their aim is limited to assessing the magnitude of the harm they have suffered. Moreover, it is the responsibility of the involved parties to determine the causality of accidents and errors. The ITE Law in Indonesia recognises the feasibility of creating electronic contracts to govern

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<sup>24</sup> Bambang Sugeng Ariadi Subagyo, Zahry Vandawati Chumaida, and Mochamad Kevin Romadhona, "Enforcement of Consumer Rights Through Dispute Settlement Resolution Agency to Improve the Consumer Satisfaction Index In Indonesia," *Yuridika* 37, no. 3 SE-Civil Law (September 1, 2022): 673–96, <https://doi.org/10.20473/ydk.v37i3.34943>.

<sup>25</sup> Muhammad Gaidy Wiratama, Bambang Sugeng Ariadi Subagyo, and Mochamad Kevin Romadhona, "Implementation of Legal Efforts Consumer Protection and Dispute Settlement of Social–Health Insurance Participants for Indonesian Migrant Workers," *Malaysian Journal of Medicine and Health Sciences* 19, no. 2 (2023).

electronic transactions<sup>26</sup>. This electronic contract enables the parties to choose the governing jurisdiction for dispute resolution<sup>27</sup>. In the absence of a consensus about the choice of law, the applicable law shall be ascertained according to the principles of private international law. The identical idea pertains to identifying the court venue with jurisdiction over the matter.

## Efforts to Settle Consumer Disputes in Electronic Transactions in Indonesia

Dispute resolution in electronic transactions may be accomplished via both litigation and other approaches<sup>28</sup>. Article 45 of the UUPK delineates the provisions for adjudicating conflicts via litigation<sup>29</sup>. This is also emphasised in Article 38 and Article 39, paragraph (1) of the ITE Law. Article 39, paragraph (2) of the ITE Law delineates many ways for resolving non-litigious issues, including arbitration, negotiation, mediation, and conciliation. Numerous processes exist for the resolution of consumer disputes in Indonesia. This encompasses alternative conflict resolution procedures, like mediation and arbitration, which exclude the court system, and conventional litigation approaches that include the court system<sup>30</sup>. The following is a detailed account of the methods often used in Indonesia for resolving customer grievances. The Consumer Dispute Resolution Agency (BPSK) is a regulatory body tasked with adjudicating disputes

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<sup>26</sup> Abdul Halim Barkatullah, "Does Self-Regulation Provide Legal Protection and Security to e-Commerce Consumers?," *Electronic Commerce Research and Applications* 30 (2018): 94–101.

<sup>27</sup> Zheng Tang, "An Effective Dispute Resolution System for Electronic Consumer Contracts," *Computer Law & Security Review* 23, no. 1 (2007): 42–52.

<sup>28</sup> Mosgan Situmorang, "Measuring The Effectiveness of Consumer Dispute Resolution on Small Value E-Commerce Transaction," *J. Penelit. Huk. Jure* 22, no. 4 (2022): 537.

<sup>29</sup> Dedi Kiswanto and Herlina Hanum Harahap, "The Effects on Consumers of Using Refills under Law No. 8 of 1999 on Consumer Protection," *Jurnal Smart Hukum (JSH)* 3, no. 1 (2024): 20–28.

<sup>30</sup> Bambang Sugeng Ariadi Subagyono and Zahry Vandawat Chumaida, *Buku Ajar Problematika Pelaksanaan Penyelesaian Gugatan Sederhana Guna Mengurangi Penumpukan Perkara Perdata* (Sidoarjo: Zifatama Jawara, 2020).

between consumers and businesses<sup>31</sup>. BPSK, an acronym for Consumer Dispute Settlement Board, is an agency established to effectively address issues arising between consumers and business entities<sup>32</sup>. If clients are unable to reach a consensus via mediation or dialogue, they may choose to submit a request for dispute resolution to BPSK. The rulings issued by BPSK have supreme legal authority and are mandatory for all parties involved in the dispute.<sup>33</sup>

The District Court is a specialised judicial entity having the legal jurisdiction to adjudicate disputes between consumers and business enterprises<sup>34</sup>. If mediation or the Consumer Dispute Settlement Board (BPSK) does not settle the issue, the disputing parties may initiate legal proceedings by submitting their case to the Consumer Court. Diverse methods may be used to resolve consumer disputes in Indonesia, including the Consumer Dispute Resolution Agency (BPSK) and the Consumer Court, depending on the efficacy of non-judicial remedies such as mediation. A procedure for resolving consumer disputes via judicial processes. Litigation, carried out via the legal system, often creates a contentious atmosphere that may last for the parties involved. Litigation in the economic domain or among multinational corporations can result in various consequences, including inconsistencies in legal frameworks, the determination of suitable jurisdictions for litigation, the deterioration of corporate relationships, and issues regarding the enforcement and implementation of

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<sup>31</sup> Abdul Samad, "Consumer Dispute Resolution By BPSK In Protecting Consumer Rights," *International Asia Of Law and Money Laundering (IAML)* 1, no. 2 (2022): 137–43.

<sup>32</sup> Muhamad Syamsudin, "The Failure of the Court to Protect Consumers: A Review of Consumer Dispute Resolution in Indonesia," *Journal of Consumer Policy* 44, no. 1 (2021): 117–30.

<sup>33</sup> Dahris Siregar, Karolina Sitepu, and Elyani Elyani, "Ratio Legis Of The Implementation Of The Strength Of The Decision Of The Consumer Dispute Resolution Body In Resolving Disputes," *UNES Law Review* 5, no. 4 (2023): 2475–85; Mella Ismelina and Yitzhak Lorenzo, "Analysis of Duties and Authorities of the Consumer Dispute Settlement Agency (BPSK) to Adjudge Consumer Dispute (Case Number 689/PDT. SUS-BPSK/2019/PN. JKT. UTR)," in *3rd Tarumanagara International Conference on the Applications of Social Sciences and Humanities (TICASH 2021)* (Atlantis Press, 2022), 1020–23.

<sup>34</sup> Hikmahanto Juwana, *Dispute Resolution Process in Indonesia* (Institute of Developing Economies, 2003).

judgements. Moreover, litigation requires considerable time and financial resources. This, together with technical concerns such as the accumulation of court cases, highlights the need for alternate dispute resolution. Numerous dispute situations in Indonesia and other nations resolved by litigation have shown significant deficiencies, including: Imposing severe conditions on parties requires legal protections. 2. Consistent and comprehensive study of a certain topic may provide a competitive edge over other parties.

The conflict resolution procedure marked prolonged duration and significant expenses. Alternative Dispute Resolution (ADR) is a mechanism used to resolve conflicts or disagreements via mutually established procedures<sup>35</sup>. This resolution is executed extrajudicially and includes several methods such as consultation, negotiation, mediation, conciliation, or expert assessment. Following many years, the systematic execution of alternative dispute resolution (ADR) began. Judges often require that parties participate in the process.

In a legal context, regulations generally relate to arbitration, especially where this method of conflict settlement has been jointly consented to in a contract or when it resembles the evidentiary procedures used in conventional courts. Particular cases, such as malpractice claims, are resolved by arbitration, and in some jurisdictions, parties must attempt to resolve their disputes via mediation before commencing formal legal action. At present, electronic trading dispute testing in Indonesia occurs online, but without comprehensive regulation. The testing procedure is executed wholly online, including the initial selection of an online Alternative Dispute Resolution (ADR) institution, arbitration agreements, court proceedings, and the filing of judgements. Law Number 30 of 1999 on Arbitration and Alternative Dispute Resolution permits the use of email in the dispute resolution process, including the dispatch of letters. Article 4, Paragraph (3) of the Law stipulates that in the resolution of disputes by arbitration and correspondence, letters may be sent using various communication techniques, including telex, telegraph, facsimile, email, or other means, provided there is mutual consent from both parties. In Indonesia, when disputes occur between consumers and

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<sup>35</sup> Gunawan Widjaja, "Managing Legal Disputes through Alternative Disputes Resolution," *Journal of Ecobumanism* 3, no. 3 (2024): 451–60.

firms in electronic commerce, clients may use the services of the Consumer Dispute Resolution Agency (BPSK).

## The Comparison of Litigation and Non-Litigation Mechanisms

Consumer dispute resolution in Indonesia may be achieved via several methods, including non-litigious alternatives that do not need court intervention, as well as litigation processes that necessitate judicial participation. This is a summary of the consumer dispute resolution procedures often used in Indonesia: The Consumer Dispute Resolution Agency (BPSK) is a legally appointed organisation tasked with resolving disputes between consumers and businesses<sup>36</sup>. BPSK or Business Dispute Resolution Institute, is a corporate entity established to effectively manage conflicts arising between consumers and enterprises<sup>37</sup>. If consumers cannot reach a compromise via mediation or discussion, they may choose to submit a request for dispute resolution to BPSK. The rulings issued by BPSK have supreme authority and include legal duties for all involved parties<sup>38</sup>.

Alongside BPSK, there is a dedicated District Court that only addresses consumer grievances. The Consumer Court is a judicial entity having the authority to resolve disputes between consumers and commercial entities<sup>39</sup>. If mediation or conflict resolution via BPSK fails, the parties may choose to commence legal proceedings by filing a

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<sup>36</sup> Samad, "Consumer Dispute Resolution By BPSK In Protecting Consumer Rights."

<sup>37</sup> Hikmahanto Juwana, "Study on Dispute Resolution Process in Specific Cases. Chapter III. Consumer Dispute Resolution Process," in *Dispute Resolution Process in Indonesia*, vol. 21 (Institute of Developing Economies (IDE-JETRO), 2003), 57–72.

<sup>38</sup> Dhaniswara K. Harjono and Hulman Panjaitan, "Settlement Of Consumer Disputes Through The Consumer Dispute Resolution Agency And Their Problems," *Jurnal Hukum Peradilan* 10, no. 3 (2021): 463.

<sup>39</sup> Nurlaily Nurlaily and Lu Sudirman, "Legal Certainty in Judges' Decisions Regarding the Authority of the Batam City Consumer Dispute Settlement Agency," *Jurnal Mediasas: Media Ilmu Syari'ah Dan Ahwal Al-Syakhsyiyah* 7, no. 2 (2024): 359–73.

lawsuit with the Consumer Court<sup>40</sup>. The Consumer Protection Law (UU No. 8 of 1999) is essential for protecting consumer rights and ensuring equitable adjudication of consumer disputes<sup>41</sup>. Consumers have the right to a fair and prompt dispute resolution procedure, devoid of any unwarranted difficulty. As a consumer, if you have a conflict with a business entity, you may use the dispute resolution framework to choose the most favourable resolution.

According to Article 45 of Chapter X of Law Number 8 of 1999 on Consumer Protection (UUPK), consumers must be recognised as parties involved in consumer disputes. Consumer conflicts may be resolved inside the legal framework, notably via the court system, or by alternative methods outside the judicial system, contingent upon the voluntary consent of the involved parties. Article 45 of the UUPK pertains to several subjects, including client losses and the legal processes that companies must follow, which will thereafter be managed by the judicial system. Furthermore, as articulated in Article 48 of the UUPK, dispute settlement via legal avenues pertains to the regulations applicable in conventional courts, while also taking into account the stipulations delineated in Article 45 of the UUPK. Furthermore, as explained in paragraph (1), dispute resolution may also occur extrajudicially. The Consumer Dispute Resolution Agency (BPSK) may aid in facilitating extrajudicial settlements, as specified in Articles 49 to 58 of the UUPK. The significance of dispute resolution via arbitration, as stipulated in Law Number 30 of 1999 concerning Arbitration and Alternative Dispute Resolution<sup>42</sup>, and through the Consumer Dispute Resolution Agency<sup>43</sup>, in accordance with the Consumer Protection Law,

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<sup>40</sup> Intan Syuhadaa Zain, "Authority of Consumer Dispute Resolution Agency (BPSK) on Calling of Land Agency Makers (PPAt) in Dispute Resolution Through Mediation Outside the Court," *JL Pol'y & Globalization* 98 (2020): 34.

<sup>41</sup> Aditya Bagus Kuncoro, "The Policy Implementation of Corporation of Consumer Dispute Resolution (BPSK) Reviewed from Law Number 8 Year 1999 On Consumer Protection," *Legal Standing: Jurnal Ilmu Hukum* 1, no. 1 (2017): 1–15.

<sup>42</sup> Sarman Sinaga, Gomgom Siregar, and Lamminar Hutabarat, "The Model Of Business Dispute Resolution On Electronic Transactions In Indonesia," *Journal of Advanced Research in Dynamical and Control Systems* 12, no. 6 (2020): 573–80.

<sup>43</sup> Wafix Azijah, Amelia Rahmaniah, and Tuti Hasanah, "Consumer Actions Toward Unfulfilled Peace Agreement by Business Actor (A Case Study of Insurance Disputes in the BPSK of Banjarmasin City)," *Indonesian Journal of Islamic Jurisprudence, Economic and Legal Theory* 1, no. 2 (2023): 147–61.

is substantial. Business entities, both domestic and foreign, often neglect the Consumer Protection Law, resulting in a power imbalance that renders consumers vulnerable. Commercial firms prioritise clientele to optimise revenue, using promotional campaigns, sales strategies, and standard contracts that may adversely affect consumers. This arrangement has the potential to create conflict between consumers and producers. Article 46, paragraph (1), letter (b) of the Consumer Protection Law grants customers the right to pursue legal action in instances of significant financial loss, potentially leading to the commencement of legal proceedings. This provision permits the collective initiation of legal claims by a group of customers sharing similar interests affected by the wrongful actions of commercial entities.

Moreover, Article 46, paragraph (2) of the Consumer Protection Law mandates that legal issues involving a collective of consumers must be submitted to an appropriate general court. The National Consumer Protection Agency (BPKN) was established as a proactive step to solve these concerns. BPKN was established according to Law Number 8 of 1999 about Consumer Protection (UUPK) and subsequently strengthened by Government Regulation Number 57 of 2001. This regulation specifies the responsibilities, functions, and framework of BPKN. Between 2004 and 2007, the BPKN included 17 members. The members were appointed according to Presidential Decree Number 150/M of 2004, which delineates the appointment procedures. Between 2009 to 2012, referred to as BPKN Period II, a cohort of 20 members was formed. The appointment of these members was according to Presidential Decree Number 80/P of 2009 of the Republic of Indonesia. In the third phase (2013-2016), BPKN's membership was augmented to include 23 persons from diverse backgrounds, including government officials, academics, experts, and Non-Governmental Consumer Protection Institutions (LPKSM). Articles 33 and 34 of the Consumer Protection Law delineate the roles and requirements comprehensively.

## Conclusion

Indonesia's Law Number 8 of 1999 outlines consumer and commercial rights and obligations in electronic transactions, promoting openness and preventing business actors from violating user rights. Electronic transactions have become increasingly prevalent, addressing issues like limited time and convenience. Law No. 19 of 2016 grants

corporate companies and consumers the freedom to choose dispute resolution venues, such as courts or arbitration bodies, for settling disputes. Online disagreements not governed by the Consumer Protection Law but fall under the Information and Electronic Transactions Law (UU ITE). The Consumer Protection Law specifically refers to the end user of a product or service. The ITE Law supports technical neutrality, allowing people to choose their preferred technology for Electronic Sales and Purchase Agreements, including electronic signatures. The legal enforceability of electronic signatures depends on the signatory's precise data and control over the data used. Failure to comply can lead to buyer rights violations and financial loss. The ITE Law, implemented in 2008, ensures legal assurance for the public regarding disputes arising from information technology platforms, upholding fairness and promoting social well-being.

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sound science and  
consumer protection.*

Mike Johanns  
The Former U.S. Senator

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