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Legal Liability in Property Credit Agreements: Analysis of Default Risk and Debtor Protection from a Contractual Justice Perspective

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ABSTRACT
This study aims to analyze the construction of legal liability in property credit agreements, emphasizing the risk of default and debtor protection from a contractual justice perspective. The main focus of the study is directed at how the distribution of risk in credit agreements affects the assignment of legal liability, as well as the extent to which the principle of contractual justice is accommodated in banking practice. This study uses a normative legal research method with a statutory regulatory approach and a conceptual approach. The legal materials used include primary, secondary, and tertiary legal materials, which are analyzed descriptively and prescriptively to identify legal problems and formulate equitable normative solutions. The results show that the construction of property credit agreements in Indonesia is still dominated by standard agreements that tend to place debtors in a weak position, resulting in disproportionate legal liability for default. The risk of default is not only caused by individual debtor factors, but also by information imbalances, creditor dominance in contract drafting, and the influence of macroeconomic factors. Furthermore, debtor protection mechanisms in practice are still limited, both in terms of contract substance and in the law enforcement process, particularly in the implementation of collateral execution. The findings of this study confirm the need for a reformulation of property credit agreements based on contractual equity, through increased transparency, more proportional risk distribution, and the development of more effective debtor protection mechanisms. Thus, legal accountability will no longer be an instrument that reinforces inequality, but rather a means to achieve balance and fairness in contractual relationships.

Keywords: Legal Liability, Default, Property Credit, Debtor Protection, Contractual Justice

I. Introduction

Credit agreements serve as a strategic legal instrument in the evolution of property financing practices in Indonesia, enabling access to housing for individuals with limited financial resources. Property credit agreements, particularly those under the Home Ownership Credit (KPR) scheme, involve not only contractual relationships but also complex socio-economic dimensions, including the interests of financial institutions, debtors, and the stability of the broader economic system. As a result, legal liability in property credit agreements has become increasingly significant, especially regarding the risk of default and the need for debtor protection within a framework of contractual justice. Several previous studies have examined various aspects of credit agreements, particularly default and the legal protections for the parties. A study by Sjahdeini emphasised that the relationship between creditors and debtors in credit agreements is fundamentally

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unequal, with creditors possessing a stronger bargaining position through standard clauses that tend to burden debtors (Sjahdeini, 2014). This finding is reinforced by Hartono's research, which shows that many property credit agreements in Indonesia remain dominated by the principle of freedom of contract, which does not fully account for the principles of balance and justice (Hartono, 2019). On the other hand, research by Rahardjo underscores the importance of legal protection based on substantive justice to address this inequality (Rahardjo, 2010).

However, these studies tend to view default as a technical and individual phenomenon, without deeply linking it to the risk structure within property credit agreements. Fuady's research examines the legal liability aspect of default but focuses more on the legal consequences than on the distribution of risk and its implications for contractual justice (Fuady, 2017). Meanwhile, a study by Salim HS highlights debtor protection from a contract law perspective, but has not specifically integrated a contractual justice approach in the context of property financing (Salim HS, 2016). Thus, there is a lack of research that systematically connects the risks of default, legal liability, and debtor protection within a single analytical framework grounded in the principle of contractual justice. Conceptually, legal liability in property credit agreements cannot be separated from the doctrine of default as stipulated in the Civil Code. Default not only reflects the debtor's failure to fulfil its obligations but also opens the door for creditors to demand fulfilment, compensation, or even termination of the agreement. However, in practice, the application of this doctrine often fails to account for external factors that affect the debtor's ability to perform, such as economic fluctuations, policy changes, or force majeure (Subekti, 2014). Therefore, a purely legalistic approach is inadequate to address the complexities involved. From a contractual justice perspective, a credit agreement should be viewed not only as a formal agreement between the parties, but also as an instrument that must reflect a substantive balance of rights and obligations.

The theory of contractual justice developed by Atiyah emphasises that fairness in a contract is determined not only by the existence of an agreement but also by the fairness of the process and content of the contract (Atiyah, 1986). This approach is relevant in the context of property credit agreements, where debtors are often vulnerable due to limited information and the pressure of housing needs. Empirical evidence indicates that the risk of default in property credit agreements increases with economic instability. Data from the banking sector shows an increase in non-performing loans in the property sector, indicating an imbalance between debtors' capacity and the burden of obligations they must fulfil (Bank Indonesia, 2023). Furthermore, the practice of collateral enforcement by creditors often raises legal and social issues, especially when not balanced by adequate protection mechanisms for debtors (Nasution, 2020). The legal issues that arise in this context relate not only to the implementation of the agreement but also to the normative design of the credit agreement itself. Exploitative standard clauses, limited transparency, and debtors' weak bargaining position increase the risk of default and weaken legal protections (Sutedi, 2018). In such circumstances, legal accountability

The burden of legal liability cannot be imposed solely on the debtor; it must be viewed as the result of the interaction of various structural factors. This research aims to fill this gap by offering a more comprehensive analysis of legal liability in property credit agreements, placing the risk of default and debtor protection within the framework of contractual justice. Unlike previous studies, which tended to be partial, this study integrates normative and conceptual approaches to examine how the distribution of risk in credit agreements influences the form and limits of the parties' legal liability. Furthermore, this research examines how the principle of contractual justice can be operationalised in credit agreement practice to create a fairer balance. The primary contribution of this research lies in its effort to reformulate the concept of legal liability in property credit agreements based on the principle of contractual justice. This research not only offers theoretical analysis but also provides practical implications for developing fairer, more sustainable banking policies and practices. Therefore, this research is expected to make a significant contribution to the development of civil law, particularly in contract law and property financing.

Furthermore, the novelty of this research lies in its integrative approach, which links three key aspects default risk, legal liability, and debtor protection within a single analytical framework grounded in contractual

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justice. This approach has not been widely used in previous research, providing a new perspective on the dynamics of property credit agreements in Indonesia. Furthermore, this research offers an analytical model that can serve as a basis for regulatory reform and contractual practices more responsive to the need for justice. This research is not only academically relevant but also has practical significance for addressing challenges in property financing practices in Indonesia. More broadly, this research also contributes to efforts to realise a more just and socially just legal system, in accordance with the values embodied in the constitution and the principles of the rule of law.

II. Literature Review

2.1. Legal Liability and Default in Property Credit Agreements

Property credit agreements establish a contractual relationship in which a bank provides financing to a debtor for the acquisition of residential property, while the debtor assumes an obligation to repay the principal, interest, and other agreed charges. Under Indonesian contract law, a legally concluded agreement binds the parties and must be performed in good faith. Consequently, failure to fulfil an agreed obligation may constitute default and generate legal consequences, including demands for performance, compensation, termination of the agreement, or enforcement of collateral (Subekti, 2014). Legal liability arising from default, however, should not be determined solely by the formal existence of unpaid instalments. Credit relationships are also governed by banking principles that require creditors to assess a prospective debtor's capacity, business prospects, financial condition, and ability to repay the credit. Law Number 10 of 1998 requires banks to apply prudential principles when extending credit, demonstrating that credit risk management is not exclusively the debtor's responsibility. The creditor also has a professional responsibility to conduct an adequate creditworthiness assessment and communicate the financial consequences of the agreement clearly. In property financing practice, most credit agreements are prepared as standard-form contracts whose provisions have been determined in advance by banking institutions. Such agreements provide efficiency and consistency, but they also restrict the debtor's opportunity to negotiate essential provisions concerning interest adjustments, penalties, acceleration, restructuring, and collateral execution. Sjahdeini (2009) argues that freedom of contract in banking agreements must be accompanied by balanced protection because the bank and the debtor generally possess unequal bargaining power. Similarly, Miru (2018) explains that standard contracts may become problematic when their provisions allow one party to transfer excessive responsibility or restrict the legitimate rights of the other party.

2.2. Contractual Justice and Proportional Risk Distribution

The concept of contractual justice provides the principal theoretical foundation for evaluating the allocation of rights, obligations, and risks in property credit agreements. Atiyah (1986) maintains that contractual fairness cannot be assessed merely from the formal expression of consent. The circumstances surrounding contract formation, the parties' bargaining positions, and the substantive effects of contractual provisions must also be considered. Therefore, an agreement may satisfy formal validity requirements while remaining substantively unfair when its provisions systematically favour the economically stronger party. Contractual justice is closely related to the principle of proportionality. Hernoko (2014) explains that proportionality does not necessarily require an identical distribution of rights and obligations but demands a reasonable allocation based on the parties' roles, contributions, capacities, and exposure to risk. In property credit agreements, proportionality requires that default risk not be transferred entirely to debtors through unilateral clauses. Banks possess greater access to legal expertise, financial information, market forecasts, and risk-management instruments. Consequently, they should bear responsibility for transparent contract drafting, responsible credit assessment, and the provision of reasonable mitigation mechanisms when debtors experience genuine financial difficulty.

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Default risk may result from both internal and external factors. Internal factors include the debtor's financial management, repayment discipline, and accuracy of information submitted during the credit application. External factors may include job loss, income reduction, inflation, interest-rate changes, economic crises, and regulatory changes. A contractual justice approach does not eliminate the debtor's obligation to repay the debt but requires legal liability to be assessed contextually. Where payment difficulties arise from material circumstances beyond the debtor's reasonable control, restructuring, rescheduling, interest adjustment, or temporary payment relief may provide a more proportionate response than immediate collateral execution.

2.3. Debtor Protection in Standard Credit Agreements

Debtor protection is an essential component of contractual justice because debtors are simultaneously parties to credit agreements and consumers of financial services. Law Number 8 of 1999 concerning Consumer Protection recognises consumers' rights to accurate information, fair treatment, legal certainty, and dispute resolution. It also restricts standard clauses that transfer responsibility unfairly, deny consumer rights, or grant excessive unilateral authority to business actors. These principles are relevant to property credit agreements because debtors frequently accept contracts without meaningful opportunities to negotiate or fully understand their long-term legal and financial consequences. The regulatory framework for financial consumer protection has been strengthened through Law Number 4 of 2023 concerning Financial Sector Development and Strengthening, as subsequently amended by Law Number 4 of 2026. This framework incorporates consumer protection, financial literacy, supervision, and enforcement into the broader regulation of the financial sector. In addition, Financial Services Authority Regulation Number 22 of 2023 prohibits financial service providers from using standard agreements containing exemption or exoneration clauses and requires credit collection activities to comply with legal and ethical standards. These provisions reinforce the obligation of banks to ensure transparency, fairness, and responsible conduct throughout the credit relationship.

Effective debtor protection must operate at the pre-contractual, contractual, and post-contractual stages. At the pre-contractual stage, banks should provide understandable information regarding interest rates, payment schedules, penalties, restructuring opportunities, and collateral execution. During contract formation, debtors should be given adequate time to read the agreement and obtain clarification. At the post-contractual stage, debtors experiencing payment difficulties should have access to complaint procedures, restructuring mechanisms, mediation, and other forms of dispute resolution before irreversible enforcement measures are taken. Financial Services Authority Regulation Number 38 of 2025 further strengthens consumer protection by regulating the authority of the Financial Services Authority to initiate legal action in the interests of financial consumers.

2.4. Collateral Execution and Debtor Protection

Property credit is generally secured through mortgage rights over land and buildings. Law Number 4 of 1996 concerning Mortgage Rights grants the first mortgage holder the authority to sell the collateral through a public auction when the debtor defaults. This mechanism provides legal certainty and repayment protection for creditors. Nevertheless, the exercise of enforcement rights must remain consistent with procedural fairness, transparency, proportionality, and the debtor's right to receive accurate information concerning the outstanding debt, auction process, collateral valuation, and distribution of sale proceeds. Previous research has primarily emphasised the legal certainty and enforcement rights available to creditors. Ngadenan (2010), for example, examined mortgage execution as a mechanism for protecting creditor interests. More recent research has increasingly recognised that execution procedures may also create problems relating to transparency, valuation, procedural consistency, and the protection of affected parties. Maskanah et al. (2024) found that Indonesia's mortgage auction system requires clearer and more consistent

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implementation to ensure fairness and transparency. Similarly, Anggraeni et al. (2026) concluded that the use of a power-of-sale deed as the principal basis for executing collateral may undermine legal certainty and debtor protection when it is inconsistent with the statutory mortgage framework.

2.5. Research Gap and Analytical Framework

Existing studies have generally examined default, banking liability, standard agreements, mortgage execution, and debtor protection separately. Studies focusing on creditors tend to emphasise repayment certainty and collateral enforceability, while studies focusing on debtors generally examine unfair clauses, procedural weaknesses, or consumer protection. Limited attention has been given to the relationship among default risk, the construction of legal liability, proportional risk allocation, and debtor protection within a single contractual justice framework. This study addresses that gap by treating default not merely as an individual failure of the debtor but as a contractual risk shaped by the debtor's conduct, the creditor's professional responsibilities, the design of standard clauses, information asymmetry, and external economic conditions. The analytical framework is based on three propositions. First, legal liability should be determined through a contextual assessment of the cause of default. Second, contractual risks should be distributed proportionally according to the parties' capacities, bargaining positions, and access to information. Third, debtor protection should extend from contract formation to restructuring, dispute resolution, and collateral execution. Through this framework, contractual justice functions as a standard for reconciling legal certainty for creditors with substantive protection for debtors.

III. Research Method

This research is a normative legal study that focuses on the study of legal norms governing liability in property credit agreements, particularly regarding the risk of default and debtor protection. The approaches used are the statute approach and the conceptual approach. Through the statutory approach, this research examines various relevant legal provisions, such as the Civil Code, banking regulations, and regulations related to consumer protection. This approach is important for understanding the normative construction that underlies the legal relationship between creditors and debtors. Meanwhile, the conceptual approach is used to explore and analyze legal concepts that develop in doctrine, such as default, legal liability, and contractual justice. This approach allows the researcher to build a more in-depth analytical framework and not solely rely on positive legal texts. The legal materials used include primary, secondary, and tertiary legal materials relevant to the research issue. The data analysis technique is descriptive-prescriptive, namely by systematically describing existing legal problems, then providing normative arguments and recommendations as solutions to these problems. With this approach, research not only explains, but also offers a direction for more just legal reform.

IV. Result and Discussion

2.1. Construction of Legal Liability in Property Credit Agreements

Legal liability in property credit agreements is fundamentally based on fundamental principles of contract law derived from the Civil Code, particularly the principle of pacta sunt servanda, which affirms that every legally concluded agreement is valid as law for the parties making it. This principle theoretically legitimises the parties' obligation to fully and consistently implement the agreement's terms. However, in practice, property credit agreements, particularly in the Home Ownership Credit (KPR) scheme, the application of this principle often does not operate within a balanced framework, but rather reinforces the dominance of one party, the creditor (Rachmadi Usman, 2017). In this context, credit agreements are no longer understood merely as free agreements but as legal instruments fraught with unequal power relations. The legal

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relationship between creditors and debtors in property credit agreements is generally set out in standard contracts unilaterally drafted by banking institutions. This contract model inherently limits the debtor's negotiating space, rendering the principle of freedom of contract illusory (Ahmadi Miru, 2019). Debtors are generally in a "take it or leave it" position, without adequate opportunity to correct or adjust potentially detrimental clauses. This situation directly affects the formation of legal liability, shifting the burden of responsibility to the debtor, even when the circumstances are not entirely within their control.

Normatively, default is defined as the debtor's failure to fulfil an obligation as agreed. This default can take the form of failure to perform at all, performance but not in accordance with the agreement, late performance, or conduct expressly prohibited by the contract. In property lending practice, the most common form of default is late or inability to pay loan instalments. However, overly formalistic definitions of default often overlook the socio-economic dimensions that influence the debtor's ability to fulfil their obligations (Sutan Remy Sjahdeini, 2021). In reality, debtors are not always completely free to determine their economic capacity. External factors, such as interest rate fluctuations, inflation, economic crises, and personal circumstances, including job loss and reduced income, significantly contribute to the risk of default. Therefore, a legal approach that solely focuses on the debtor's fault without considering the broader context will result in an unfair construction of liability (Agus Yudha Hernoko, 2020). From this perspective, default should not be positioned solely as an individual failure, but rather as a phenomenon also influenced by the contractual structure and external conditions.

The main problem in establishing legal liability in property loan agreements is the disproportionate distribution of risk. From the outset of the agreement, clauses drafted by the creditor tend to shift the majority of the risk to the debtor. An acceleration clause, for example, gives the creditor the right to demand repayment of the entire remaining debt in one go if the debtor is deemed to have defaulted on its obligations. Similarly, collateral execution clauses authorise creditors to sell collateral relatively quickly, often without adequate judicial process (J. Satrio, 2018). Such clauses demonstrate a significant imbalance in the allocation of responsibilities. From a contractual justice perspective, this situation reflects a structural imbalance that is inconsistent with the principle of equilibrium in modern contract law. Contractual justice requires that every agreement be not only formally valid but also substantively fair. This means that the distribution of rights and obligations must reflect a reasonable balance and not place one party at a systematic disadvantage (Ridwan Khairandy, 2019). In this context, the construction of legal liability that imposes all consequences of default on the debtor without considering the unequal distribution of risk is problematic.

The implications of this unbalanced allocation of liability are also evident in dispute-resolution mechanisms. Debtors in default are often in a weak position, both economically and in terms of information, and in terms of access to legal mechanisms. The collateral execution process, particularly through the parate execution mechanism, allows creditors to sell collateral without a court order, thereby expediting settlement but potentially undermining debtor protections (Zainal Asikin, 2020). In practice, debtors often lack sufficient opportunity to raise objections or renegotiate before execution. This situation raises fundamental questions about the extent to which the legal system provides adequate protection for debtors in the context of property credit agreements. If legal liability is understood solely as the debtor's obligation to fulfil obligations without considering aspects of justice, then the law has the potential to become an instrument that reinforces inequality, rather than correcting it. Therefore, a reinterpretation of the concept of legal liability is needed, oriented not only toward legal certainty but also toward justice and utility (Teguh Prasetyo, 2021).

This reinterpretation can be achieved by establishing the principle of contractual justice as the basis for formulating legal liability. Within this framework, liability is determined not only by the presence or absence of default, but also by how risk is distributed within the agreement, and the extent to which the parties have equal opportunity in the contract formation process. Thus, legal liability becomes more contextual and less absolute. Furthermore, it is important to encourage reformulation in property credit agreement practices, particularly in the drafting of contractual clauses. Excessive and burdensome clauses for debtors need to be reviewed to align with the principles of balance and good faith. Furthermore, transparency in the provision of information to debtors must be increased, so that debtors can fully understand the risks

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and consequences of their agreements (M. Yahya Harahap, 2019). These efforts are crucial not only to protect debtors but also to create a more sustainable financing system. Therefore, the construction of legal liability in property credit agreements must be understood as part of a broader system that involves the interaction of legal norms, contractual practices, and socio-economic conditions. An overly legalistic and formalistic approach is no longer adequate to address the existing complexities. Instead, a more holistic, justice-oriented approach is needed, so that the law is not only a regulatory tool but also an instrument for achieving balance in contractual relationships.

2.2. Default Risk Analysis in Property Loan Agreements

Default risk in property loan agreements can no longer be understood narrowly as the individual debtor's failure to meet payment obligations, but rather must be viewed as the result of a complex interaction between structural factors, contractual design, and broader economic dynamics. In Indonesian property financing practices, particularly through the Home Ownership Credit (KPR) scheme, there is a strong tendency for financing risks to be systematically transferred to debtors, both through the creditworthiness analysis process and through the construction of clauses within the agreement. This situation creates a situation where debtors bear the burden of risks that are not substantially within their control, thus raising issues of fairness in the distribution of legal responsibility (Sugiarto, 2021). Within the banking legal framework, credit risk assessment is indeed an important part of the prudential banking principle. However, in practice, this mechanism is often more oriented towards protecting the interests of creditors than achieving a balance of risk between the parties. Creditworthiness analyses conducted by banks, such as through credit scoring, tend to only assess the borrower's ability at the time of the loan application, without adequately considering potential changes in future economic conditions (Darmawan, 2022). Consequently, when significant changes occur in the borrower's economic conditions, the risk of default becomes inevitable, even if the borrower was initially deemed creditworthy.

One of the most dominant factors in shaping default risk is the information asymmetry between the borrower and the creditor. Creditors, as professional financial institutions, have access to various risk analysis instruments, market data, and the ability to predict economic fluctuations. Conversely, borrowers generally have only a limited understanding of the long-term implications of the credit agreements they sign. In many cases, borrowers do not fully understand the consequences of changes in interest rates, late payment penalties, or collateral enforcement mechanisms (Pratama, 2023). This information asymmetry is further exacerbated by the use of legal language and technical terms in credit agreements that are difficult for the general public to understand. Credit contracts are often structured in a complex and lengthy manner, without adequate explanations to borrowers. This contradicts the principles of transparency and good faith in contract law, which should be the foundation of every contractual relationship. In such circumstances, the debtor is not in a position to fully understand the risks they face, so the agreement given does not reflect full awareness (informed consent) (Nugroho, 2020).

In addition to structural factors in contractual relationships, the risk of default is also significantly influenced by macroeconomic factors. Fluctuations in interest rates, inflation, and national and global economic instability have a direct impact on the debtor's ability to meet payment obligations. An increase in interest rates, for example, can increase the installment amount a debtor must pay in a floating-rate credit scheme, thereby increasing the financial burden. In unstable economic situations, such as during a crisis or economic slowdown, many debtors experience a significant decrease in income, increasing the risk of default (Hidayat, 2022). In this context, a legal approach that places default as the individual fault of the debtor is no longer adequate. Default must be understood as a systemic risk, influenced not only by the debtor's behavior but also by external conditions beyond their control. Therefore, a more progressive approach to viewing default is needed, namely as part of the contractual risk that should be managed jointly by the parties (Setiawan, 2021). This approach aligns with the principle of contractual fairness, which emphasizes the importance of proportional risk distribution.

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From a contract law perspective, default risk analysis should be conducted not only at the contract execution stage but also from the agreement drafting stage. This means that credit agreements must be designed in such a way as to anticipate various potential risks that may arise during the credit term. This can be achieved through clauses that provide room for flexibility, such as credit restructuring mechanisms, payment rescheduling, or interest rate adjustments under certain conditions (Kusumawardani, 2023). However, in practice, these risk mitigation mechanisms are often not explicitly stipulated in credit agreements, but are left entirely to the bank's internal policies. This creates uncertainty for debtors, as there is no guarantee that they will receive relief or restructuring when experiencing payment difficulties. In many cases, restructuring policies are discretionary and rely heavily on the creditor's subjective judgment, potentially leading to inconsistent treatment (Wicaksono, 2022). The absence of clear regulations regarding risk mitigation mechanisms in credit agreements indicates that existing contractual designs do not fully accommodate the principle of fairness. Credit agreements still function more as a tool to protect creditors' interests, rather than as an instrument to create balance between the parties. In such circumstances, the risk of default is not only a consequence of the debtor's failure but also a result of unfair contract design.

The disproportionate distribution of risk also impacts the construction of legal liability. Debtors who default tend to be immediately burdened with severe legal consequences, such as fines, late payment interest, and even collateral enforcement. Meanwhile, creditors do not have an equal obligation to bear the risks arising from changes in economic conditions or failure to provide adequate information to debtors (Firmansyah, 2021). This indicates that legal liability in property credit agreements remains asymmetrical. From a contractual justice perspective, this situation needs to be corrected through a more comprehensive approach to regulating risk distribution. The risk of default should not be borne unilaterally by the debtor but rather distributed proportionally according to the capabilities and position of each party. Creditors, as parties with greater economic capacity and information, should also bear some of the risk, for example by providing protection mechanisms for debtors under certain circumstances (Rahman, 2023). This approach is not only crucial for creating fairness but also for maintaining the sustainability of the property financing system. If risks continue to be disproportionately borne by debtors, the potential for non-performing loans will increase, which could ultimately disrupt the stability of the financial system. Therefore, a more equitable arrangement in risk distribution benefits not only debtors but also creditors and the economic system. Thus, the analysis of default risk in property credit agreements shows that the main problem lies not only in the implementation of the agreement, but also in the contractual design, which does not reflect the principle of fairness. Information imbalance, creditor dominance in contract drafting, and the influence of macroeconomic factors are factors that increase the risk of default. Therefore, reformulation is needed in the design of credit agreements that are more responsive to the principle of contractual fairness, so that legal liability is no longer a tool that reinforces inequality, but rather a mechanism for achieving a fairer balance.

2.3. Debtor Protection from a Contractual Justice Perspective

Debtor protection in property loan agreements is an issue that is not only practically relevant but also theoretically significant in the development of modern contract law in Indonesia. In the context of the relationship between creditors and debtors, there is a structural imbalance in position, where creditors, as financial institutions, possess far greater economic power, access to information, and negotiating capacity than debtors. This imbalance creates the need for a protection framework that is not merely normative but also capable of ensuring substantive justice in contractual relationships. From a contractual justice perspective, debtor protection is understood not only as an effort to protect the vulnerable party but also as a mechanism to ensure that the agreement reflects a fair balance between the rights and obligations of the parties (Sembiring, 2021). Contractual justice, as a concept, demands balance (equity) in legal relationships, measured not only by formal agreements but also by the process and substance of the contract itself. In property loan agreements, this principle requires transparency, equality of information, and adequate opportunity for debtors to understand and consciously agree to the contract's contents. However, in practice,

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credit agreements are often drafted in the form of complex standard contracts, using legal and financial terminology that is difficult for debtors to understand. This leaves debtors in a position where they do not fully understand the legal implications of the agreements they sign (Putri, 2022).

Furthermore, the problem lies not only in the content of the contract, but also in the process of its formation. In many cases, debtors are not given sufficient space to negotiate the clauses contained in the credit agreement. The contract signing process is often carried out in a relatively short time, without a comprehensive explanation of the rights and obligations of the parties. This situation contradicts the principle of informed consent, which should be the foundation of every contractual relationship. Without adequate understanding, the consent given by the debtor becomes formalistic and does not reflect a true agreement (Santoso, 2020). In the context of debtor protection, law enforcement is also a crucial factor. In banking practice, when a debtor experiences default, the most common mechanism is the execution of collateral through a mortgage. This process, although legally regulated, often proceeds quickly and lacks transparency, leaving debtors with insufficient opportunity to defend their interests. In some cases, debtors do not even receive clear information regarding the execution process, creating uncertainty and injustice (Widodo, 2021).

From a contractual justice perspective, law enforcement should not only be oriented towards efficiency, but also towards fairness and proportionality. This means that every legal action taken by a creditor, including the execution of collateral, must consider its impact on the debtor and provide the debtor with the opportunity to file objections or pursue legal action. Without a fair mechanism, law enforcement can become a tool that reinforces inequality, rather than correcting it (Arifin, 2023). Furthermore, debtor protection must also be viewed within a broader legal policy framework, particularly in banking regulations and consumer protection. Indonesia already has various regulations aimed at protecting consumers of financial services, such as provisions regarding information transparency, the obligation to provide explanations, and complaint mechanisms. However, the effectiveness of these regulations depends heavily on the implementation and oversight of the relevant authorities. In practice, there are still many violations of these principles, indicating that debtor protection remains normative and not yet fully effective (Lestari, 2022).

One of the main challenges in debtor protection is the lack of legal and financial literacy among the public. Many debtors do not understand their rights as consumers of financial services, and therefore are unable to take appropriate steps when facing problems in credit agreements. This situation further strengthens the position of creditors, as they lack the capacity to negotiate or reject detrimental clauses. Therefore, efforts to protect debtors must be carried out not only through regulation but also through increasing public literacy and education (Halim, 2021). Within the framework of contractual justice, the reformulation of agreements Property credit is crucial for creating a fairer balance between the parties. This reformulation can be achieved through several approaches, including more clearly regulating risk distribution, increasing transparency in contract drafting, and strengthening protection mechanisms for debtors. For example, credit agreements can include clauses that allow for credit restructuring under certain conditions, so that debtors are not immediately subject to severe sanctions when experiencing payment difficulties (Fauzi, 2023).

Furthermore, it is crucial to encourage fairer contract standards, which not only protect creditors' interests but also consider their rights. In this regard, the role of regulators is crucial in ensuring that credit agreements used by financial institutions comply with the principles of contractual fairness. Without regulatory intervention, it is difficult to expect significant changes in contractual practices that tend to favor creditors (Yuliana, 2022). Furthermore, debtor protection can also be strengthened through alternative dispute resolution mechanisms that are more accessible and non-litigation. Mechanisms such as mediation or arbitration can provide debtors with a space to resolve disputes at a lower cost and with a faster process than through the courts. However, the effectiveness of these mechanisms also depends on the awareness and willingness of the parties to utilize them, as well as support from the existing legal system (Prabowo, 2021). Overall, debtor protection in property credit agreements cannot be separated from efforts to realize contractual justice. Justice must be present not only in legal norms but also in contractual practices and law enforcement. Inequalities that exist in the relationship between creditors and debtors must be addressed

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through a comprehensive approach, encompassing regulatory reform, increased transparency, and strengthening debtor capacity. Thus, it can be concluded that legal liability in property credit agreements cannot be understood separately from the analysis of default risk and debtor protection. These three aspects are interrelated and form a complete system within the contractual relationship. An approach based on contractual justice provides a more comprehensive perspective in understanding these dynamics and offers a direction for fairer and more sustainable reform. Through this approach, it is hoped that property credit agreements will not only become economic instruments, but also become a means to realize justice in legal relations between the parties.

V. Conclusion

Legal liability in property credit agreements cannot be understood narrowly as a normative consequence of the debtor's default alone, but must be viewed within a broader framework encompassing risk distribution, contractual design, and the principle of fairness in the legal relationship between the parties. The construction of credit agreements, which has been dominated by the use of standard clauses, has placed the debtor in an unbalanced position, so that the burden of legal liability tends to be shifted excessively to the debtor without considering external factors that contribute to the occurrence of default. Debtor failure is not only caused by individual factors, but also influenced by information imbalances, creditor dominance in contract drafting, and macroeconomic dynamics beyond the debtor's control. In this context, a legal approach that positions default as an individual error is inadequate, necessitating a new paradigm that views default as a contractual risk that must be distributed proportionally. Debtor protection from a contractual justice perspective requires substantive balance in the content and process of agreement formation, as well as a legal enforcement mechanism that is not only efficient but also fair and proportional. Therefore, reformulating property credit agreements is a necessity, emphasizing transparency, equitable risk distribution, and strengthening debtor protection mechanisms. This way, legal accountability will no longer be an instrument that reinforces inequality, but rather a means to achieve fairness in contractual relationships.

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