

## **KNITTING THE LIMITS OF FREEDOM: ARTICLE 1337 OF THE CIVIL LAW BOOK AND DYNAMICS OF BUSINESS CONTRACTS**

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### **Abstract**

*This study's primary objective is to examine how Article 1337 of the Civil Code governs the boundaries of freedom of contract in Indonesian corporate contracts. This article aims to safeguard the parties' freedom to enter into agreements by preventing abuse that harms other parties or violates legal and moral standards. This research combines a normative technique with a legislative approach, closely examining primary, secondary, and tertiary legal texts to comprehend the application of Article 1337 in business practice. According to the findings, Article 1337 is crucial since it establishes explicit boundaries on contract freedom; yet, the efficacy of this provision is greatly reliant on the thoroughness of law enforcement and judicial interpretation. We identified subjectivity in determining public decency and order, along with an informational and power imbalance between the parties, as the primary obstacles to putting this article into practice. Therefore, consistent enforcement of the legislation and clearer standards are necessary for the fair and efficient enforcement of Article 1337.*

*Keywords: Freedom of contract, Article 1337 of the Civil Code, Business contract law*

## 1. Introduction

The liberty to enter into and alter the terms, conditions, and substance of an agreement is a cornerstone of civil law known as "freedom of contract."<sup>1</sup> Nevertheless, there are legal constraints that restrict the parties' freedom of movement when it comes to negotiating agreements, thus this freedom is not unlimited<sup>2</sup>. Article 1337 of the Civil Code states, among other things, the boundaries within which the freedom of contract may be exercised in Indonesia. An agreement is considered legally invalid if its terms are in disagreement with applicable laws, public morals, or public order, as stated in this article<sup>3</sup>.

Article 1337 of the Civil Code states, among other things, the boundaries within which the freedom of contract may be exercised in Indonesia. An agreement is considered legally invalid if its terms are in disagreement with applicable laws, public morals, or public order, as stated in this article<sup>4</sup>. This article stresses that a contract is deemed unlawful and void by law if its terms are in contradiction with public order, morals, or the law<sup>5</sup>. Put simply, the parties have the freedom to decide what the contract will include and how it will be structured, but they are not allowed to do anything that goes against societal moral standards or the law<sup>6</sup>.

Contract disputes involving purported violations of legal or moral principles often result in courts referring to Article 1337 of the Civil Code. If these restrictions are violated, for instance, any contract that contains an agreement to commit bribery or any other illegal conduct would be invalid<sup>7</sup>. Also, this article allows for the cancellation of contracts that contravene fundamental values of justice and decency, such as those that include fraud or coercion.

The validity and honesty of commercial contracts in Indonesia rely heavily on the safeguards offered by Article 1337 of the Civil Code. In order to prevent further financial harm, this article provides a procedure for canceling a contract that has been

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<sup>1</sup> Firman Yudhanegara et al., *Pengantar Filsafat Hukum : Sebuah Ontologi, Epistemologi, dan Aksiologi Ilmu Hukum* (PT. Sonpedia Publishing Indonesia, 2024).

<sup>2</sup> Tuti Khairani Harahap et al., 'PENGANTAR ILMU HUKUM', *Penerbit Tahta Media*, 30 May 2023, <https://tahtamedia.co.id/index.php/issj/article/view/255>.

<sup>3</sup> Fakhry Amin et al., *Ilmu Perundang-Undangan* (Sada Kurnia Pustaka, 2023).

<sup>4</sup> Fence Wantu et al., 'EKSISTENSI MEDIASI SEBAGAI SALAH SATU BENTUK PENYELESAIAN SENGKETA LINGKUNGAN HIDUP PASCA BERLAKUNYA UNDANG-UNDANG CIPTA KERJA', *Bina Hukum Lingkungan* 7, no. 2 (2023): 267-89, <https://bhl-jurnal.or.id/index.php/bhl/article/view/193>.

<sup>5</sup> Dolot Al Hasni Bakung, Zamroni Abdussamad, and Mohamad Hidayat Muhtar, 'Contra Perceptions Of The Freedom Of Contract Principle In Law No. 2 Of 1960 Concerning Agricultural Products Sharing With The Community Ijon System In The Bonebeach Environment', *Protection: Journal Of Land And Environmental Law* 1, no. 1 (2022): 1-4, <https://doi.org/10.38142/pjlel.v1i1.280>.

<sup>6</sup> Mohamad Hidayat Muhtar et al., *Konsep Hukum Indonesia* (Global Eksekutif Teknologi, 2023).

<sup>7</sup> Dolot Alhasni Bakung, Thanh Nga Pham, and Mohamad Hidayat Muhtar, 'Disparity in the Doctrine of Promissory Estoppel between Indonesia, the Philippines and the United Kingdom', *Journal of Law and Legal Reform* 5, no. 1 (31 January 2024): 267-304, <https://doi.org/10.15294/jllr.vol5i1.2122>.

entered into in poor faith or for illegal reasons<sup>8</sup>. Understanding these limits is critical for business players in today's complicated and globalized corporate environment to create contracts that adhere to legal requirements while still being fair and ethical.

The Civil Code's Article 1337 serves as a safeguard against the misuse of contract freedom that can cause injury to other parties or go against societal standards<sup>9</sup>. As a result of the complexity of the interests involved in commercial contractual dynamics, it is essential to comprehend the practical application of these restrictions on freedom. In order to avoid having their contracting freedoms infringed upon, which might lead to the agreement's nullification and subsequent losses for all parties, businesspeople must exercise extreme caution.

Business actors must use extreme care when applying Article 1337 of the Civil Code to the business world, due to the inherent complexity and ever-changing nature of contract discussions. There must be clear arrangements and no contradiction with relevant legal laws in business contracts since there are usually several parties with different interests<sup>10</sup>. Contracts governing partnerships or strategic collaborations often include provisions governing intellectual property rights, confidentiality of information, and profit sharing. The contract may be deemed null and invalid under Article 1337 of the Civil Code if any of these provisions is shown to be in violation of legal or ethical standards.

Agreements drafted by businesspeople should also take ethical considerations into account. Despite the fact that the law grants people the right to enter into contracts, such right cannot be abused or used for immoral ends<sup>11</sup>. For instance, if a contract includes unfair treatment of one party or exploitation of another, it might be seen as being against the principles of decency and public order, which could lead to

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<sup>8</sup> Dolot Alhasni Bakung et al., 'KONTRA PERSEPSI ASAS KEBEBASAN BERKONTRAK DALAM UU NO 2 TAHUN 1960 TENTANG BAGI HASIL PERTANIAN DENGAN SISTEM IJON (Penyuluhan Hukum Pada Masyarakat Di Desa Kaidundu Kecamatan Bulawa Kabupaten Boen Bolango Provinsi Gorontalo)', *Jurnal Nusantara Berbakti* 1, no. 3 (23 June 2023): 81-95, <https://doi.org/10.59024/jnb.v1i3.164>.

<sup>9</sup> Muhammad Marafwansyah, Sanusi Bintang, and Darmawan Darmawan, 'Perjanjian Baku dalam Perjanjian Sewa Beli Kendaraan Bermotor pada Perusahaan Pembiayaan di Kota Banda Aceh', *Kanun Jurnal Ilmu Hukum* 20, no. 2 (18 August 2018): 219-36, <https://doi.org/10.24815/kanun.v20i2.10684>.

<sup>10</sup> Aprilinda Rahman, Nirwan Junus, and Mohamad Hidayat Muhtar, 'KEDUDUKAN HIBAH BANGUNAN PEMERINTAH YANG DIBANGUN DI TANAH HAK MILIK ORANG LAIN SEBAGAI HAK GUNA BANGUNAN DITINJAU DARI PASAL 10. BUNDANG-UNDANG NOMOR 2 TAHUN 2012 (DESA DOULAN KECAMATAN BOKAT KABUPATEN BUOL PROVINSI SULAWESI TENGAH)', *SINERGI: Jurnal Riset Ilmiah* 1, no. 6 (13 June 2024): 342-52, <https://doi.org/10.62335/b2y7pd15>.

<sup>11</sup> Rahmat Teguh Santoso Gobel, Mohamad Hidayat Muhtar, and Viorizza Suciani Putri, 'Regulation And Institutional Arrangement Of Village-Owned Enterprises After The Work Creation Era Applied', *Jurnal Pamator: Jurnal Ilmiah Universitas Trunojoyo* 16, no. 1 (30 March 2023): 15-33, <https://doi.org/10.21107/pamator.v16i1.19135>.

the agreement's termination <sup>12</sup>. Here, Article 1337 of the Civil Code serves to safeguard the less powerful party in a contract, preventing the abuse of contract freedom for biased purposes.

However, this clause also serves as a helpful reminder that a genuine contract is one that is fair to all parties <sup>13</sup>. Disregarding the legal standards outlined in Article 1337 of the Civil Code could nullify the contract, damage the company's credibility, and erode partners' faith. Thus, businesspeople should check that all contracts adhere to current social and moral standards in addition to relevant legislation.

It is critical for businesspeople in this age of globalization to have a thorough grasp of Article 1337 of the Civil Code, as commercial transactions increasingly include many parties with diverse cultural and legal backgrounds and span borders. Companies may reduce their exposure to legal risk and foster more amicable and long-lasting business relationships by reading this article and putting its recommendations into practice. When entrepreneurs are cognizant of the constraints placed on their right to enter into contracts, they are better equipped to craft deals that benefit their bottom lines while also adhering to all relevant ethical and legal standards.

In commercial contract disputes, Article 1337 of the Civil Code is often used, particularly when claims are made that an agreement was established in poor faith or with immoral or illegal purposes. If lawyers and businesspeople want to make sure that all agreements stay within the law, they need to read this piece thoroughly. To ensure fairness in today's interconnected corporate world, it is necessary to strike a balance between contractual flexibility and legal protections.

In this age of globalization, where commercial contracts often include parties from several countries with diverse legal histories, compliance with Article 1337 of the Civil Code has also become more critical. Clear and legally valid arrangements are crucial to sustaining the stability and longevity of economic interactions across nations, especially when globalization increases the breadth and complexity of corporate contracts. Businesses and their owners may protect themselves against potentially disastrous legal battles by adhering to the rules laid forth in Article 1337.

The function of Article 1337 of the Civil Code goes beyond that of a mere legal instrument; it is crucial for the upkeep of fairness and equilibrium in the corporate realm <sup>14</sup>. This article establishes explicit boundaries for the freedom of contract in

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<sup>12</sup> Isdian Anggraeny and Sholahuddin Al-Fatih, 'Kata Sepakat Dalam Perjanjian Dan Relevansinya Sebagai Upaya Pencegahan Wanprestasi', *De Lega Lata: Jurnal Ilmu Hukum* 5, no. 1 (2020): 57-66.

<sup>13</sup> Dolot Alhasni Bakung, Zamroni Abdussamad, and Mohamad Hidayat Muhtar, 'The Principle of Freedom of Contract in Agricultural Product Sharing Based on Islamic Law', *Jambura Law Review* 4, no. 2 (30 July 2022): 344-58, <https://doi.org/10.33756/jlr.v4i2.11645>.

<sup>14</sup> Hartana Hartana, 'HUKUM PERJANJIAN (DALAM PERSPEKTIF PERJANJIAN KARYA PENGUSAHAAN PERTAMBANGAN BATUBARA)', *Jurnal Komunikasi Hukum (JKH)* 2, no. 2 (18 September 2016), <https://doi.org/10.23887/jkh.v2i2.8411>.

order to avoid any potential injustice that may result from its misuse. Businesspeople that disregard these regulations run the danger of having contracts voided, which may hurt their bottom line and damage their credibility with customers and other associates.

Businesses must comply with all applicable regulations and rules outlined in Article 1337 of the Civil Code. Realizing that the right to enter into contracts does not give them *carte blanche* to behave immorally or illegally, individuals must exercise extreme caution when entering into any kind of deal. Instead, we should utilize this liberty to create agreements that are equitable and beneficial to all parties involved. In order to make sure that every contract they form is fair and ethical, businesspeople should study Article 1337 of the Civil Code and put its requirements into practice. Strengthening business relationships based on mutual trust and adherence to legal principles will reduce the likelihood of future legal issues. Article 1337 of the Civil Code lays the groundwork for a more equitable and long-term viable business climate by balancing contract flexibility with legal protections. When looking at the primary concern when applying Article 1337 of the Civil Code in the corporate sector is how to maintain contract freedom within legal boundaries without violating public morality and order. world of ever-increasing corporate contract complexity, competing interests often put this flexibility to the test. Businesspeople are faced with the challenge of drafting legally binding contracts that take into account the interests of vulnerable parties and prevent the exploitation of contract freedom.

This study aims to enhance understanding of the business-specific application of Article 1337 of the Civil Code and the integration of contract freedom constraints into regular company operations. For the purpose of assisting businesspeople in creating contracts that are both legal and ethical, this study delves more into the provisions governed by this article. Furthermore, the purpose of this study is to investigate the possible legal ramifications of applying Article 1337, particularly as they pertain to the possibility of contract cancellation, which might cause injury to the parties concerned.

Business and legal practice in Indonesia, as well as the academic community, stand to benefit from this study's findings. Companies may lessen their exposure to legal trouble for failing to comply with Article 1337 of the Civil Code when they have a firm grasp of the boundaries of freedom of contract. Furthermore, it is believed that this study's findings may help construct a more equitable and long-lasting corporate climate, one that upholds the right to contract freely while also providing sufficient legal safeguards. By analyzing current legal laws and recommending their suitable use, this study aims to enhance corporate justice and balance.

We derive the following issue statement from the explanation: (1) How deciding the bounds of freedom of contract in Indonesian commercial contracts, how is Article 1337 of the Civil Code applied? Does Article 1337 of the Civil Code provide

parties to commercial transactions with sufficient protection to prevent the misuse of freedom of contract?

## **2. Methods**

The purpose of this study is to investigate how Article 1337 of the Indonesian Civil Code applies to commercial contracts using normative research methodologies grounded in statutory law. This study employs a normative method due to its concentration on statutory regulatory analysis, particularly that of Article 1337 of the Civil Code, which governs the boundaries of contract freedom. This area of research will examine how the law regulates contract freedom to ensure it aligns with public morality and order, as well as the practical application of these regulations in the complex corporate environment of today due to globalization.

Primary, secondary, and tertiary sources of legal texts are all included into this study<sup>15</sup>. The Civil Code, specifically Article 1337, and other applicable statutes such as the Commercial Code (KUHD) are the main sources of legislation. The opinions of legal professionals who provide in-depth analyses of the notion of freedom of contract and its constraints are considered secondary legal documents, along with scientific journals, textbooks, and legal literature. We further elaborate the legal principles included in this study by consulting tertiary legal literature.

We review and understand the relevant legal provisions via qualitative normative analysis to comprehend how Article 1337 of the Civil Code applies to commercial activities. We outlined the relevant legal provisions and drew interpretations from a variety of legal sources and expert views to conduct this descriptive study. To understand how courts interpret the boundaries of freedom of contract in real-life scenarios, this study will also include case analysis and specific examples from business practice that involve the application of Article 1337 of the Civil Code.

To address the research questions, we will conduct a textual examination of provision 1337 of the Civil Code, an analysis of business cases and practices, and an evaluation of whether this provision adequately protects parties in business contracts against possible abuse of freedom of contract. This study aims to illuminate the practical application of Article 1337 of the Civil Code in commercial contexts and provide guidance to lawyers and business owners on crafting contracts that comply with legal requirements and are equitable for all parties. as it pertains to Indonesia.

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<sup>15</sup> Amirudin Zainal Asikin, *Pengantar Metode Penelitian Hukum* (Jakarta: Raja Grafindo Persada, 2004).

### 3. Discussion

#### 3.1. Application of Article 1337 Civil Code in Determining the Limits of Freedom of Contract in Business Contracts in Indonesia

In Indonesian law, agreements serve as a cornerstone for controlling the parties' legal interactions. An agreement is defined as an act whereby one or more individuals tie themselves to another or to more than one person according to Article 1313 of the Civil Code <sup>16</sup>. According to this definition, the participants in an agreement always undertake some kind of duty or promise. Several legal experts have come to the same conclusion; for example, Professor R. Subekti argued that an agreement occurs whenever one party promises to do something to another party or when two parties promise to do something to each other. According to this school of thought, the parties to an agreement enter into a legally binding partnership with certain rights and responsibilities <sup>17</sup>.

Never underestimate the importance of knowing what makes an agreement valid. The four primary elements for an agreement to be legitimate, as outlined in Article 1320 of the Civil Code, are as follows: (1) an agreement between individuals who are binding themselves; (2) the power to create an agreement; (3) a specific item; and (4) a justifiable purpose. The agreement must accurately reflect the parties' free will, free from aspects of fraud, mistake, or compulsion. In addition, the capacity to enter into a legally binding agreement is crucial; that is, the parties must be adults who are not under the legal guardianship of anyone else and who are of sound mind. This guarantees the validity and enforceability of the agreements formed.

The agreement's parts are also crucial in deciding how legitimate and lawful the agreement is. *Essentialia*, *naturalia*, and *accidentalia* are the three basic components of every agreement. The price in a purchase and sale agreement is one example of an essential element since it is one of the primary components of the agreement that must be present for the agreement to be deemed valid <sup>18</sup>. Legally controlled provisions, or "naturalia elements," are those that are implicit in the agreement but not mentioned therein. At the same time, the *accidentalia* element is something that the parties agree upon and adds to the contract, even if it is not required by law.

There are many different kinds of agreements used in the legal field. Some are purely compulsory, imposing responsibilities on the parties, while others govern tangible rights and control other aspects of the agreement. For instance, the creation of responsibilities for the persons involved in an obligatory agreement does not lead

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<sup>16</sup> Ahmadi Miru, *Hukum Kontrak Perancangan Kontrak* (Jakarta: Raja Grafindo Persada, 2007), <http://library.stik-ptik.ac.id>.

<sup>17</sup> Ariyanto Ariyanto, 'PERBANDINGAN ASAS IKTIKAD BAIK: DALAM PERJANJIAN MENURUT SISTEM HUKUM CIVIL LAW (EROPA CONTINENTAL) DAN COMMON LAW (ANGLOSAXON)', *Jurnal Komunikasi Hukum (JKH)* 2, no. 2 (18 September 2016), <https://doi.org/10.23887/jkh.v2i2.8409>.

<sup>18</sup> F Fajaruddin, 'PEMBATALAN PERJANJIAN JUAL BELI HAK ATAS', *Jurnal Ilmu Hukum* 2, no. 2 (2017), <https://doi.org/10.30596/dll.v2i2.1167>.

to the immediate transfer of rights to objects <sup>19</sup>. The Civil Code governs named agreements, whereas the concept of freedom of contract governs nameless agreements. There are other types of agreements as well. One last thing to think about is the contract's expiration date. When all parties have fulfilled their responsibilities, the provisions of cancellation are legal, or a court rules in favor of one party over the other, the agreement may end or be terminated. This agreement may also be terminated if the parties so agree or if the law so decrees.

A balance between the parties' freedom to create agreements and protection against abuse of that freedom is maintained by the application of Article 1337 of the Civil Code in defining the boundaries of freedom of contract <sup>20</sup>. Any arrangement shall not be entered into for motives that are incompatible with the law, morals, or public order, as stated in Article 1337. While the right to enter into legally binding contracts is fundamental to civil law, this section makes it plain that such rights must not be in conflict with the more abstract principles that govern our social and moral lives.

Disputes arising out of agreements that are believed to have invalid causes are often resolved in accordance with Article 1337 of the Civil Code in Indonesian business practice. For instance, according to Article 1337, a commercial agreement may be deemed null and invalid if it is established with the goal of engaging in corrupt acts or bribery, for instance <sup>21</sup>. This demonstrates that the parties have the right to decide on the terms of their agreement, but that this power cannot be utilized in a way that goes against moral or legal standards.

Also, for less powerful parties in commercial agreements, Article 1337 serves as a safeguard. These measures may prevent negotiations from being unfair or exploitative when one side has more power or influence. The courts often use Article 1337 to nullify agreements that they believe lead to injustice or go against the public interest. This guarantees that contracts are not only legitimate but also uphold the values of equality and justice.

Applying the restrictions on freedom of contract in a way that does not stifle innovation and flexibility in business is a common challenge when dealing with Article 1337 of the Civil Code. Identifying whether an agreement's motivations violate law, morals, or public order becomes a major problem. When one side

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<sup>19</sup> Ronald Saija, 'Penyalahgunaan Keadaan Oleh Negara Dalam Praktik Perjanjian Pada Kajian Hukum Privat', *Kertha Patrika* 38, no. 3 (2016), <https://ojs.unud.ac.id/index.php/kerthapatrika/article%20/view/30080>.

<sup>20</sup> Faizal Kurniawan and Ayik Parameswary, 'KONSTRUKSI HUKUM PERLINDUNGAN ADHERED PARTY DALAM KONTRAK ADHESI YANG DIGUNAKAN DALAM TRANSAKSI BISNIS', *Perspektif* 19, no. 3 (24 September 2014): 144–52, <https://doi.org/10.30742/perspektif.v19i3.17>.

<sup>21</sup> A Simajuntak, *Hukum Bisnis: Sebuah Pemahaman Integratif Antara Hukum dan Praktik Bisnis / Augustinus Simanjuntak* | UPT Perpustakaan IAIN Palangka Raya (Bandung: Rajawali Pers, 2018), [http://elib.unisa-bandung.ac.id/index.php?p=show\\_detail&id=3191](http://elib.unisa-bandung.ac.id/index.php?p=show_detail&id=3191).



believes the arrangement is legitimate and lucrative while the other side thinks it violates relevant legal or moral standards, it may lead to complicated legal challenges because of differences in interpretation between the parties and law enforcement authorities <sup>22</sup>.

Conflicts may arise when parties reach agreements when their relative power is unequal. A stronger or more influential side may try to force unjust conditions on the other. The agreement may include undetectable aspects of exploitation or unfairness, even if it satisfies all legal criteria for a lawful contract. While the Civil Code's Article 1337 may be used to terminate such an agreement, doing so requires careful consideration and research, particularly when determining how much contract freedom can be restricted to safeguard the less powerful party.

By carefully examining its implementation, Article 1337 of the Civil Code demonstrates the critical role it plays in preserving a balance between contract freedom and legal protection. One side of the coin holds the view that the law ought to provide room for parties to tailor the substance and structure of their agreements to their specific business requirements. This independence is critical to business innovation and economic dynamics. However, on the other side, Article 1337's restrictions are essential for preventing the abuse of this freedom for criminal or harmful ends.

Consistent execution of the law and prudent judicial interpretation are also necessary for the implementation of Article 1337. Courts must often strike a compromise between safeguarding public interests and morals and protecting the freedom of contract in cases involving agreements with unlawful purposes <sup>23</sup>. This involves thinking about the agreement's background, its goals, and how it will affect both the parties and society at large.

Last but not least, Article 1337 of the Civil Code provides an essential legal foundation for controlling freedom of contract in Indonesian corporate contracts. However, there are times when the implementation is not straightforward and complex issues arise. To overcome these obstacles, one must be well-versed in the legal concepts that form the basis of this article, as well as have fair and reasonable legal policies to interpret and enforce them. This means that Article 1337 may serve its purpose of promoting healthy and responsible contract freedom while also protecting the rights of all parties involved in commercial relationships.

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<sup>22</sup> David Herianto Sinaga and I Wayan Wiryawan, 'KEABSAHAN KONTRAK ELEKTRONIK (E-CONTRACT) DALAM PERJANJIAN BISNIS.', *Kertha Semaya Journal Ilmu Hukum* 8, no. 9 (2020), <https://doi.org/10.24843/ks.2020.v08.i09.p09>.

<sup>23</sup> Ni Made Intan Maharani, Anak Agung Sagung Laksmi Dewi, and Luh Putu Suryani, 'Penyelesaian Sengketa Para Pihak Yang Telah Terikat Dalam Perjanjian Arbitrase (Studi Kasus Di Pengadilan Negeri Denpasar)', *Jurnal Analogi Hukum* 2, no. 1 (2020): 119-23, <https://doi.org/10.22225/ah.2.1.1615.119-123>.

### **3.2. Aspects of Adequate Protection for Parties to Business Contracts from Abuse of Freedom of Contract in Article 1337 Civil Code**

Article 1337 of the Civil Code, which provides sufficient protection for parties to commercial transactions against the misuse of freedom of contract, is the fundamental basis of justice in Indonesian contract law. This article lays out the boundaries of contract freedom by making it clear that all agreements must have a good reason and not be in conflict with public morals, law, or order. This safeguard is crucial to prevent harm to the less powerful party and to ensure the contractual relationship remains fair.

In actuality, the purpose of the safeguards afforded by Article 1337 of the Civil Code is to guarantee that the parties' agreement accurately represents their mutually beneficial understanding. A court may nullify an agreement if it deems it invalid or fails to adhere to legal standards, safeguarding the wronged party from unjust terms. When parties to a contract have different levels of power and are in different negotiating positions, this safeguard becomes very important.

Article 1337 of the Civil Code, which provides sufficient protection for parties to commercial transactions against the misuse of freedom of contract, is the fundamental basis of justice in Indonesian contract law. This article lays out the boundaries of contract freedom by making it clear that all agreements must have a good reason and not be in conflict with public morals, law, or order. This safeguard is crucial to prevent harm to the less powerful party and to ensure the contractual relationship remains fair.

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In addition, the Civil Code's Article 1337 governs the moral limits of commercial contracts. This article safeguards the integrity of commercial transactions and discourages acts that might harm public faith in the legal and business systems by making sure that agreements cannot be contradictory to morals. These agreements should not include bribery, fraud, or other anti-public interest actions.

Despite the fact that Article 1337 offers substantial protection, there are still obstacles to putting it into effect. To ensure the successful implementation of this article, there must be consistent law enforcement and proper interpretation by the courts. In order to fairly decide on the wronged party's case, the court must have the impartial ability to determine whether the agreement in question is void or immoral.

In addition, the Civil Code's Article 1337 governs the moral limits of commercial contracts. This article safeguards the integrity of commercial transactions and discourages acts that might harm public faith in the legal and business systems by making sure that agreements cannot be contradictory to morals. These agreements should not include bribery, fraud, or other anti-public interest actions.

## *Knitting The Limits Of Freedom: Article 1337 Of The Civil Law Book And Dynamics Of Business Contracts*

Since Article 1337 emphasizes that the purpose of an agreement must be in conformity with law, morals, and public order, there is a solid legal foundation for rejecting and canceling agreements formed on immoral grounds. This enhances public trust in the current legal system and promotes cleaner, more transparent corporate practices.

Additionally, Article 1337 contributes to societal and economic stability. This article helps keep business relationships running smoothly and the investment environment healthy by establishing clear moral and legal limits on agreements. Businesses will see more responsible and cautious behavior from their employees when they realize that all contracts must adhere to high moral and legal standards. A more ethical and environmentally conscious corporate culture may flourish in an environment where legal issues are less likely to arise.

Despite the fact that Article 1337 offers substantial protection, there are still obstacles to putting it into effect. To ensure the successful implementation of this article, there must be consistent law enforcement and proper interpretation by the courts. In order to fairly decide on the wronged party's case, the court must have the impartial ability to determine whether the agreement in question is void or immoral. Definitions of "illegal cause" and "contrary to morality" may lead to contentious disagreements that are challenging to settle. This demonstrates that this article's effectiveness in providing protection is highly dependent on the honesty and competence of the law enforcement officials involved.

An issue that often occurs in the context of analysis is the power and information imbalance between the parties involved in a business contract. This imbalance may lead to one side not completely comprehending the implications of the agreement they are signing. To safeguard citizens in such a case, Article 1337 should provide for the cancellation of unjust agreements. But in practice, it is sometimes difficult to show that an agreement is immoral or invalid. The court has to take the initiative to look into the current situation and evaluate the agreement's context and purpose, in addition to its language.

Further complicating matters is the fact that concepts like "decency" and "public order" are subjective and may change based on local or national standards of behavior. This might lead to different interpretations of Article 1337 by different judges or courts, which could have unpredictable consequences. Consequently, a more consistent application of this provision requires better guidelines or precedent. In the absence of such uniformity, the more powerful side in a corporate agreement runs the risk of abusing freedom of contract, which might lead to inadequate legal repercussions.

While Article 1337 of the Civil Code does serve as a safeguard for parties to commercial transactions, its efficacy is ultimately contingent upon the consistency of its enforcement, the accuracy of its interpretation, and the impartiality with which courts evaluate individual cases. All parties to a commercial transaction may benefit from the protections afforded by Article 1337 if the courts can implement them equitably. Furthermore, this will help to make the corporate world more open and equitable, as well as increase public faith in the justice system.

#### 4. Conclusion

Article 1337 of the Civil Code adequately protects parties to commercial contracts against misuse of freedom of contract, according to this study. Every agreement must have a valid reason and not be in opposition to the law, morals, or public order, as stated clearly in this article. But continuous enforcement of the law and correct interpretation by the courts are crucial for Article 1337's protections to work. Careful management is required to guarantee equity and balance in commercial contracts because of the power imbalance between the parties and the subjectivity of determining decency.

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