

CANCELLATION OF A LAND SALE AND PURCHASE AGREEMENT DUE TO BREACH OF CONTRACT IN THE SETTLEMENT OF THE PURCHASE PRICE AND ITS LEGAL CONSEQUENCES

(A STUDY OF THE MEDAN DISTRICT COURT DECISION NUMBER 316/PDT.G/2023/PN MDN)

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Abstract. The land sale and purchase agreement is a reciprocal contract that creates rights and obligations for the parties. In practice, such agreements often give rise to disputes due to the buyer's failure to fulfill the obligation to pay the purchase price in full, which ultimately constitutes a breach of contract. This study aims to analyze the legal regulation of the cancellation of land sale and purchase agreements due to breach of contract, the legal consequences arising therefrom, and the legal considerations of judges in the Decision of the Medan District Court Number 316/Pdt.G/2023/PN Mdn. The research method used is normative legal research with a statutory approach and a case approach. The legal materials consist of primary, secondary, and tertiary legal sources, which are analyzed qualitatively using deductive reasoning. The results of the study indicate that the cancellation of a land sale and purchase agreement due to breach of contract has a strong legal basis in the Indonesian Civil Code, particularly Articles 1238, 1266, and 1267. The legal consequences of cancellation include the termination of the contractual relationship, the obligation to return performances that have been rendered, and the restoration of the legal status of the land to the entitled party. The judges' legal considerations in the decision are deemed to have consistently applied civil law principles and to be oriented toward justice and legal protection for the aggrieved party.

Keywords: breach of contract, land sale and purchase, contract cancellation, civil law..

I. INTRODUCTION

Land sale and purchase agreements constitute one of the most frequently occurring forms of contractual relationships in Indonesian civil law practice. Land, as an object with high economic value, holds a strategic position; therefore, the implementation of land sale and purchase agreements must fulfill the principles of legal certainty, justice, and legal protection for the parties. In practice, such agreements often encounter obstacles due to the failure of one party to fulfill its obligations, particularly regarding the payment of the purchase price, which leads to civil disputes before the courts. This situation raises legal issues concerning whether a land sale and purchase agreement may be canceled and what legal consequences arise from such cancellation.[1]

Normatively, Indonesian civil law regulates agreements and the consequences of breach of contract in the Civil Code (Burgerlijk Wetboek). Article 1320 of the Civil Code stipulates the requirements for a valid agreement, while Article 1338 affirms the principle of *pacta sunt servanda*, which states that a legally formed agreement binds the parties as law. However, when one party fails to perform its obligations as agreed, such conduct may be qualified as a breach of contract as regulated in Article 1238 of the Civil Code, thereby granting the aggrieved party the right to seek

cancellation of the agreement along with its legal consequences. [2]

The issue of breach of contract in land sale and purchase agreements is concretely reflected in the Decision of the Medan District Court Number 316/Pdt.G/2023/PN Mdn. This case originated from a land sale and purchase agreement between PT Barumon Agro Sentosa (Plaintiff) and PT Gunung Bangau (Defendant) as set forth in the Deed of Self-Binding to Conduct Sale and Purchase Number 104 of 1987. Under the agreement, the parties agreed on an object of land with Cultivation Rights (Hak Guna Usaha) in Labuhan Batu Regency with a total price of IDR 247,642,500, of which the Defendant only paid IDR 47,642,500 and failed to settle the remaining IDR 200,000,000.

Despite the incomplete payment, the Plaintiff had transferred physical control of the land to the Defendant, as evidenced by a Joint Agreement Deed and a Handover Report. Furthermore, the Defendant applied for and obtained a Cultivation Rights Certificate (SHGU) over the land in its own name. However, until the case was brought before the court, the Defendant failed to fulfill its obligation to pay the remaining purchase price, resulting in actual losses for the Plaintiff and an imbalance of rights and obligations under the agreement.

Based on these facts, the Plaintiff filed a breach of contract lawsuit before the Medan District Court seeking cancellation of the land sale and purchase agreement. In its legal considerations, the panel of judges held that Deed Number 104 of 1987 constituted a valid and binding agreement as it satisfied the requirements of Article 1320 of the Civil Code. However, the Defendant's negligence in paying the purchase price despite having received the benefits of the agreement constituted a serious breach of contract. Therefore, the cancellation of the agreement was deemed legally justified pursuant to Articles 1238 and 1266 of the Civil Code.

This decision is significant for juridical analysis as it provides a concrete illustration of the judicial application of breach of contract principles and contract cancellation in land sale and purchase disputes. Moreover, the decision demonstrates the legal consequences of contract cancellation, both with respect to the status of the land object and the rights and obligations of the parties, as well as legal protection for the aggrieved party. Accordingly, this research is important to analyze the legal regulation of the cancellation of land sale and purchase agreements due to breach of contract, the resulting legal consequences, and the judges' legal considerations in the Decision of the Medan District Court Number 316/Pdt.G/2023/PN Medan, thereby contributing theoretically and practically to the development of Indonesian civil law.

II. RESEARCH METHODS

This study employs normative legal research, which focuses on the examination of prevailing positive legal norms, legal principles, legal doctrines, and court decisions related to the cancellation of land sale and purchase agreements due to breach of contract. Normative legal research is chosen because the issues examined concentrate on the analysis of civil law provisions and their application by judges in adjudicating cases of breach of contract concerning payment of land purchase prices, as reflected in the Decision of the Medan District Court Number 316/Pdt.G/2023/PN Mdn.[3]

The approaches used in this research are the statutory approach and the case approach. The statutory approach is conducted by examining relevant legal provisions, particularly the Civil Code, including Articles 1238, 1266, 1267, 1320, and 1338, as well as civil procedural law provisions related to breach of contract and contract cancellation. The case approach is carried out by analyzing in depth the judges' legal considerations in the Decision of the Medan District Court Number 316/Pdt.G/2023/PN Mdn to understand the application of legal norms to concrete facts in land sale and purchase disputes.

The legal materials used consist of primary, secondary, and tertiary legal materials. Primary legal materials include relevant statutory regulations and court decisions, particularly the Decision of the Medan District Court Number 316/Pdt.G/2023/PN Mdn. Secondary legal materials comprise legal literature such as civil law textbooks, scholarly journals, prior research, and expert legal opinions discussing agreements, breach of contract, and the cancellation of land sale and purchase agreements. Tertiary legal materials serve

as supporting sources, including legal dictionaries and legal encyclopedias.

The collection of legal materials is conducted through library research by tracing, examining, and inventorying various legal materials relevant to the object of study. The analysis of legal materials is carried out qualitatively using deductive reasoning, namely drawing conclusions from general legal norms and applying them to concrete legal events. This analysis constructs the relationship between civil law provisions on breach of contract and contract cancellation and the legal facts in the Decision of the Medan District Court Number 316/Pdt.G/2023/PN Mdn to obtain a comprehensive understanding of the legal consequences of canceling land sale and purchase agreements due to breach of contract.

III. RESULTS AND DISCUSSION

Legal Regulation of the Cancellation of Land Sale and Purchase Agreements Due to Breach of Contract under Indonesian Civil Law.

Land sale and purchase agreements in the Indonesian legal system are fundamentally subject to the civil law regime, particularly the provisions of Book III of the Civil Code concerning obligations. A land sale and purchase agreement is a consensual contract that gives rise to reciprocal legal relations between the seller and the buyer, whereby the seller is obliged to transfer rights over the land and the buyer is obliged to pay the agreed price. Imbalances in the performance of these obligations may result in breach of contract, which in turn may lead to the cancellation of the agreement.[4]

Normatively, the validity of a land sale and purchase agreement must first be examined based on Article 1320 of the Civil Code, which sets forth four requirements for a valid agreement: consent of the parties, legal capacity, a specific object, and a lawful cause. If these requirements are fulfilled, the agreement is legally valid and binding. In the context of land sale and purchase, the object of the agreement must be clearly defined in terms of legal status, size, and basis of control, while the parties' consent is typically embodied in authentic deeds or private agreements, such as binding sale and purchase agreements. [5]

Once an agreement is deemed valid, the principle of *pacta sunt servanda* as stipulated in Article 1338 paragraph (1) of the Civil Code applies, meaning that the agreement binds the parties as law. Consequently, each party is obliged to perform the agreement in good faith. A violation of such obligations constitutes breach of contract, granting the aggrieved party the right to demand performance, compensation, or cancellation of the agreement.

Breach of contract is explicitly regulated in Article 1238 of the Civil Code, which provides that a debtor is deemed in default if declared negligent by a formal notice or if, by the nature of the obligation, default occurs automatically. In land sale and purchase agreements, breach of contract commonly occurs in the form of failure to pay the purchase price in full within the agreed time and manner. Such failure constitutes a material breach as it affects the core obligation of the buyer. [6]

The cancellation of agreements due to breach of contract is regulated in Articles 1266 and 1267 of the Civil Code. Article 1266 stipulates that a resolutive condition is deemed to be included in reciprocal agreements if one party fails to perform its obligations; however, cancellation does not occur automatically and must be sought through a court decision unless the parties explicitly agree otherwise. Thus, the cancellation of a land sale and purchase agreement due to breach of contract falls within judicial authority and must be based on the judge's assessment of the facts and evidence. [7]

Article 1267 of the Civil Code grants the aggrieved party the option to demand performance, cancellation of the agreement, or compensation, either alternatively or cumulatively. In land sale and purchase practice, cancellation is often chosen when the breach is fundamental, such as prolonged non-payment of the purchase price, rendering the main purpose of the agreement unattainable. Such cancellation aims to restore the parties to their original position (*restitutio in integrum*). [8]

The regulation of cancellation of land sale and purchase agreements cannot be separated from the special characteristics of land as an object. Although national agrarian law is governed by Law Number 5 of 1960 concerning Basic Agrarian Principles, the contractual aspects of land sale and purchase remain subject to the Civil Code. Accordingly, cancellation due to breach of contract represents an intersection between civil law and agrarian law, where the contractual aspects are governed by the Civil Code, while the consequences for land rights must comply with land registration principles and agrarian legal certainty. [9]

Normatively, it can be concluded that Indonesian civil law has systematically regulated the cancellation of land sale and purchase agreements due to breach of contract through the Civil Code. Articles 1238, 1266, 1267, 1320, and 1338 provide a strong legal basis for aggrieved parties to seek cancellation through the courts, reflecting efforts to maintain a balance of rights and obligations and to achieve legal certainty and justice in land transactions.

Legal Consequences of the Cancellation of Land Sale and Purchase Agreements Due to Breach of Contract.

The cancellation of a land sale and purchase agreement due to breach of contract gives rise to significant legal consequences for the parties, both with respect to their contractual relationship and the legal status of the land object. Under Indonesian civil law, cancellation primarily aims to terminate the legal relationship created by the agreement and restore the parties to their original position prior to the agreement (*restitutio in integrum*).

Normatively, these consequences derive from Articles 1266 and 1267 of the Civil Code. Upon cancellation through a court decision, the agreement loses its binding force, and the rights and obligations arising from it are extinguished once the decision becomes final and binding. [10]

The first legal consequence is the termination of the contractual relationship between the seller and the buyer. With the cancellation of the agreement, neither party is any longer obliged to perform its contractual duties. Although cancellation has retroactive effect, practical considerations are taken into account, particularly where one party has already benefited from the object of the agreement. [11]

The second consequence is the obligation to return performances that have already been rendered. If the buyer has paid part of the purchase price, the seller must return such payment. Conversely, if the buyer has taken possession or utilized the land, the buyer must return possession to the seller. This principle aims to restore balance and prevent unjust enrichment. [12]

Another important consequence concerns the legal status of the land. A legal transfer of land rights only occurs through a deed executed before a Land Deed Official (PPAT) and subsequent registration. If cancellation occurs prior to such transfer, ownership remains with the seller. If registration has already occurred in the buyer's name, the cancellation decision may serve as a legal basis for correcting or revoking the registration to restore the rights to the original owner. [13]

Cancellation also gives rise to the right to claim compensation. Pursuant to Article 1267 in conjunction with Article 1246 of the Civil Code, compensation may include costs, losses, and interest, provided such damages are proven in court. Furthermore, cancellation affects physical control and utilization of the land. If the buyer continues to occupy the land without legal basis after cancellation, such occupation may be deemed unlawful, entitling the seller to seek eviction and compensation for losses. [14]

Overall, the legal consequences of cancellation serve as both a sanction against defaulting parties and a protective mechanism for parties acting in good faith, reinforcing justice, legal certainty, and balance in land sale and purchase agreements.

Judges' Legal Considerations in the Decision of the Medan District Court Number 316/Pdt.G/2023/PN Medan

The judges' legal considerations in the Decision of the Medan District Court Number 316/Pdt.G/2023/PN Mdn constitute a central aspect in determining the legitimacy of canceling a land sale and purchase agreement due to breach of contract. The judges examined not only procedural aspects but also the substantive legal relationship, performance of obligations, and legal consequences of the defendant's failure to pay the purchase price. [15]

Initially, the judges assessed the validity of the agreement and concluded that Deed Number 104 of 1987 fulfilled all the requirements under Article 1320 of the Civil Code and was therefore legally valid and binding under Article 1338. The judges then evaluated the performance of the parties, finding that the plaintiff had fulfilled its obligation by transferring physical control of the land, while the defendant failed to pay the remaining purchase price. This imbalance formed the basis for classifying the defendant's conduct as a breach of contract under Article 1238 of the Civil Code. [16]

The judges held that non-payment of the purchase price constituted a substantial breach justifying cancellation under Article 1266 of the Civil Code. The absence of an automatic cancellation clause required judicial intervention, which the court deemed procedurally and substantively appropriate. [17]

In considering proportionality and justice, the judges emphasized that allowing the agreement to continue would unfairly disadvantage the plaintiff. Cancellation was therefore considered the most appropriate legal remedy to restore fairness and protect the party acting in good faith. The court also addressed the legal consequences for the land object,

affirming that cancellation invalidated the defendant's legal basis for control and ownership, thereby restoring the land's legal status to the plaintiff.

Academically, the decision reflects a systematic application of civil law principles, from validating the agreement to proving breach and assessing legal consequences. The decision may serve as a relevant jurisprudential reference in land sale and purchase disputes involving breach of contract. [18]

IV. CONCLUSIONS

Based on the results and discussion, it can be concluded that Indonesian civil law clearly regulates the cancellation of land sale and purchase agreements due to breach of contract through the Civil Code. Articles 1320 and 1338 establish the validity and binding force of agreements, while Articles 1238, 1266, and 1267 provide the legal basis for seeking cancellation through the courts in cases of breach of contract. The legal consequences of cancellation include the termination of the contractual relationship, the obligation to return performances rendered, restoration of the legal status of the land to the entitled party, and the possibility of claiming compensation pursuant to Article 1246 of the Civil Code. These consequences aim to restore the parties to their original position and maintain balance in contractual relations. The judges' legal considerations in the Decision of the Medan District Court Number 316/Pdt.G/2023/PN Mdn demonstrate a consistent and justice-oriented application of civil law. The cancellation of the land sale and purchase agreement due to breach of contract in this case constitutes a lawful and proportional legal consequence, providing effective legal protection for the aggrieved party and serving as a relevant reference for resolving similar disputes in Indonesia.

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