UNILATERAL CANCELLATION OF AGREEMENT IN A BUSINESS CONTRACT

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Abstract

The purpose of this research is to analyze unilateral cancellation of agreements in business contracts and to analyze the legal consequences of unilateral cancellation of agreements in business contracts. The method used is normative legal research. Based on the research results, it is known that unilateral cancellation of agreements in business contracts is, in principle, not permitted if it is carried out without the consent of the other party or without a valid legal basis. Based on Article 1338 of the Civil Code, every legally made agreement binds the parties as law. Therefore, contract cancellation must be based on the agreement of the parties, the existence of a breach of contract, force majeure, or a court decision. Supreme Court Jurisprudence Number 4/Yur/Pdt/2018, derived from Supreme Court Decision Number 1051 K/Pdt/2014, also confirms that unilaterally canceling an agreement without legal basis is unlawful. The legal consequences of unilateral cancellation of an agreement in a business contract are that the party canceling the agreement can be declared in default and obligated to pay compensation in accordance with the provisions of the Civil Code. Furthermore, the injured party has the right to file a lawsuit to demand cancellation of the contract, fulfillment of performance, or compensation. Unilateral cancellation also reduces legal certainty and trust in business relationships, so contract implementation must always be based on the principles of good faith, legal certainty, and balance between the parties.

Keywords: Cancellation, Agreement, Business Contract

INTRODUCTION

The development of the modern business world has given rise to increasingly complex legal relationships. Activities ranging from trade, investment, services, financing, and even business partnerships are fundamentally based on a binding agreement between the parties. In practice, business agreements serve not only as a means of proving the existence of a legal relationship but also as a legal protection instrument that provides certainty regarding the rights and obligations of each party. Therefore, the existence of contracts in business activities plays a central role, serving as the basis for safe and sustainable economic transactions.

According to Article 1313 of the Civil Code (KUHPerdata), "An agreement is an act by which one or more persons bind themselves to one or more other persons." This provision indicates that an agreement creates a legal relationship that gives rise to rights and obligations for the parties who make it. This legal relationship must be carried out in good faith and in accordance with the contents of the agreement that has been mutually agreed upon.

The main principle that underlies the validity of contracts in Indonesian civil law is the principle of pacta sunt servanda. This principle is emphasized in Article 1338 paragraph (1) of the Civil Code, which states that all agreements made legally apply as law for those who make them.

This provision implies that each party is obligated to implement the terms of the agreement as agreed upon. An agreement that meets the legal requirements stipulated in Article 1320 of the Civil Code cannot be unilaterally disregarded by either party. Article 1320 of the Civil Code states that four conditions are required for an agreement to be valid:

1. Agree those who bind themselves;
2. The ability to make a contract;
3. A certain thing;
4. A legitimate cause.

These four conditions constitute the legal basis for determining the validity of a contract. If the subjective conditions are not met, the agreement can be voided (vernietigbaar), while if the objective conditions are not met, the agreement is void by law (nietig).

Although the law clearly regulates the binding force of an agreement, in business practice, unilateral cancellations by one party are common. Such unilateral cancellations can be made for various reasons, such as changes in economic conditions, inability to meet performance requirements, the existence of greater profits than the other party, changes in company policy, or other reasons lacking a sufficient legal basis. This situation gives rise to various legal issues because the injured party often loses their rights due to the unilateral termination of the contractual relationship.

An agreement is one of the sources of legal relations in the civil sector that gives rise to rights and obligations for the parties. In Indonesian law, provisions regarding agreements are regulated in Book III of the Civil Code (KUHPerdata), specifically Article 1313 which defines an agreement as an act in which one or more people bind themselves to one or more other people. For an agreement to have binding legal force, it must fulfill the valid requirements of an agreement as stipulated in Article 1320 of the Civil Code, which include the existence of an agreement between the parties, legal capacity, a specific object, and a lawful cause.

In addition, based on Article 1338 paragraph (1) of the Civil Code, it is emphasized that every agreement made legally applies as law for the parties who made it (pacta sunt servanda). This provision contains the meaning that each party is obliged to carry out the contents of the agreement in good faith and cannot unilaterally ignore or remove the obligations that have been agreed upon.

In modern business practices, contractual relationships do not always operate according to the agreed terms. It is not uncommon for one party to unilaterally terminate a contract without obtaining the consent of the other party. This unilateral termination has various legal consequences, including material losses, loss of anticipated profits, disruption of business relationships, and the emergence of civil disputes that ultimately must be resolved through the courts or arbitration.

The phenomenon of unilateral contract cancellations is increasingly common in service contracts, procurement contracts, business partnership contracts, and distribution contracts. Various court decisions have found that unilateral cancellations are made without any justifiable legal reason or without a clause granting either party the right to terminate the contract.

This situation demonstrates a gap between the legal provisions of contracts, which uphold the principle of legal certainty, and the practice of unilateral contract cancellation. While the law grants parties the freedom to enter into contracts, it also provides protection for those who are harmed if one party unilaterally terminates an agreement without a valid legal basis.

Therefore, a study is needed to determine the legal provisions for unilateral cancellation of agreements in business contracts, the legal consequences for the parties, and the legal protections available for the injured party. Therefore, research on unilateral cancellation of agreements in business contracts is crucial for providing legal certainty and providing solutions to problems frequently encountered in business practices.

The phenomenon of unilateral contract terminations is increasing with the development of contract-based business activities. In various business disputes brought to court, the primary issue that frequently arises is the action of one party to terminate or cancel a contract without the consent of the other party. In principle, contract termination must be carried out by mutual agreement of the parties or through legal mechanisms established by law.

From a civil law perspective, the cancellation of an agreement cannot be done arbitrarily. Article 1338 paragraph (2) of the Civil Code expressly states that an agreement cannot be withdrawn except by agreement of both parties, or for reasons that are stated by law to be sufficient for that. This provision emphasizes that the cancellation of a contract can only be done if there is an agreement between the parties or a legal reason that is justified by law. Thus, unilateral cancellation actions carried out without a legal basis have the potential to cause violations of the principles of legal certainty and legal protection in contractual relations.

The issue of unilateral contract cancellation is becoming increasingly important to examine because it directly relates to the protection of business actors. In business practice, parties often expend significant costs, effort, and resources to implement the terms of a contract. When one party unilaterally cancels an agreement, the other party can suffer significant losses, both material and immaterial. These losses can include loss of expected profits, incurred operational costs, disruption of business relationships, and even a decline in the company's reputation.

From the perspective of legal certainty theory, unilateral contract cancellation is a problem that can disrupt the stability of legal relations in the business world. Gustav Radbruch (2006) stated that legal certainty is one of the main objectives of law, along with justice and benefit. Legal certainty is necessary so that every legal subject can clearly understand their rights and obligations and obtain protection from arbitrary actions by other parties. If a contract can be unilaterally canceled without clear legal consequences, then the function of law as a means of creating certainty in business relations is not achieved.

In addition to the theory of legal certainty, research on unilateral contract cancellation is also relevant to be studied using the legal protection theory proposed by Philipus M. Hadjon. According to Hadjon (2011), legal protection is an effort to protect the rights of legal subjects from detrimental actions through preventive and repressive means. In the context of business contract cancellation, legal protection is needed to ensure that parties who are harmed due to unilateral cancellation obtain their rights through available legal mechanisms, whether in the form of fulfillment of performance, compensation, or cancellation through a court decision.

In contract law, the cancellation of an agreement is also closely related to the concept of breach of contract. Article 1238 of the Civil Code stipulates that a debtor is deemed to be in default if a warning letter (summons) has been issued or if, based on the contents of the agreement, they are deemed to be in default after the specified time has elapsed. Furthermore, Article 1243 of the Civil Code states that compensation for costs, losses, and interest due to non-fulfillment of an agreement is mandatory if the debtor, despite being declared in default, continues to neglect the agreement. Based on these provisions, a party who unilaterally cancels a contract without a valid reason can be considered to be in default and is therefore obliged to compensate for the losses incurred as a result of their actions. However, in practice, proving the existence of a breach of contract and the extent of the losses is often a complex issue, creating uncertainty for the injured party.

Article 1266 of the Civil Code states that a cancellation condition is always considered included in a reciprocal agreement if one party fails to fulfill its obligations. In such cases, the agreement is not legally void, but cancellation must be requested from a judge. This article indicates that cancellation of an agreement, in principle, requires court intervention. The goal is to prevent unilateral actions that could harm the other party. However, in modern business practice, automatic termination clauses are often found, which allow one party to terminate a contract without going through a court process. This situation has given rise to debate regarding the extent to which freedom of contract can override the provisions of Article 1266 of the Civil Code.

This issue demonstrates a discrepancy between prevailing legal norms and prevailing business practices. While the law emphasizes the importance of certainty and protection for contractual parties, business practices often provide ample scope for unilateral contract cancellation through various clauses based on the principle of freedom of contract. This discrepancy necessitates in-depth research into the legal limitations of unilateral contract cancellation and its legal consequences for the parties.

The next legal issue concerns the legal protection of parties harmed by unilateral contract cancellation. In many cases, contract cancellation results in losses in the form of loss of expected profits, incurred operational costs, lost business opportunities, and immaterial losses such as damage to business reputation. Therefore, the question arises regarding the form of legal protection that can be provided to the injured party, whether through demands for compliance with the agreement, compensation, or contract cancellation through the courts.

Furthermore, there are legal issues regarding the relationship between unilateral contract cancellation and the concept of breach of contract. Contract cancellation without a valid reason can be classified as a breach of contract because one party fails to fulfill its obligations as agreed. However, not all contract cancellations can be categorized as breach of contract. In certain circumstances, cancellation may be justified by law, for example due to force majeure, a breach of contract by the other party, or due to a previously agreed termination clause. Therefore, it is necessary to analyze the legal criteria that distinguish between valid and breach of contract cancellations.

Based on the above description, it can be understood that unilateral cancellation of agreements in business contracts is a legal issue that has a significant impact on legal certainty, legal protection, and the stability of business relationships. The existence of differences between the normative provisions stipulated in the Civil Code and the practices that develop in the field indicates the need for comprehensive research on the legality of unilateral cancellation of agreements, the legal consequences that arise, and the form of legal protection that can be provided to the injured party. Therefore, research entitled "Unilateral Cancellation of Agreements in Business Contracts" is relevant and important to be carried out in order to provide solutions to various legal problems that arise in the practice of contractual relations in Indonesia.

RESEARCH METHODS

This research is a normative legal research with a statute approach to examine the legal norms governing unilateral cancellation of agreements in business contracts. The data used are secondary data consisting of primary, secondary, and tertiary legal materials, including laws and regulations, court decisions, books, scientific journals, and relevant legal dictionaries. Data collection was conducted through literature review. All legal materials were analyzed descriptively and qualitatively by outlining legal provisions, doctrines, and expert opinions to answer the research questions. Conclusions were drawn deductively, namely by applying general legal norms to concrete problems to obtain systematic answers that are in accordance with the research objectives.

RESULT AND DISCUSSION

A. Unilateral Cancellation of Agreement in Business Contract

Unilateral cancellation of a business contract is one of the most common legal issues that gives rise to disputes in commercial relationships. Essentially, a business contract is designed to create legal certainty for the parties regarding the rights and obligations that must be fulfilled during the course of the working relationship. Therefore, when one party unilaterally terminates, cancels, or terminates a contract without the consent of the other party or a valid legal basis, such action has the potential to cause losses, eliminate legal certainty, and violate fundamental principles of contract law.(Fuady, 2015).

From the perspective of Indonesian civil law, a contract that has fulfilled the legal requirements as stipulated in Article 1320 of the Civil Code (KUHPerdata) has binding force as a law for the parties who made it. This is emphasized in Article 1338 paragraph (1) of the Civil Code which states that "all agreements made legally apply as laws for those who make them." The consequence of this provision is that no one can cancel a contract unilaterally simply because of personal interests, changes in business conditions, or dissatisfaction with the implementation of the contract. Cancellation can only be done based on an agreement between the parties, a court decision, or legal reasons that are expressly justified by statutory regulations.

Agreements can be divided into two types: written and unwritten. A written agreement is an agreement made by the parties in writing. A verbal agreement, on the other hand, is an agreement made by the parties orally (suffices to have the parties agree). There are three forms of written agreement, as outlined below (Salim, 2008):

1. A private agreement signed by the parties concerned only. The agreement only binds the parties to the agreement, but has no binding force on third parties. In other words, if the agreement is denied by a third party then the parties or one of the parties to the agreement is obliged to submit the necessary evidence to prove that the third party's objection is groundless and unjustified.
2. An agreement with a notary witness to legalize the parties' signatures. The function of a notary's testimony or a document is solely to legalize the authenticity of the parties' signatures. However, such testimony does not affect the legal force of the agreement. One party may deny the contents of the agreement, but the party denying it must prove their denial.

3. An agreement made before and by a notary in the form of a notarial deed. A notarial deed is a deed made in the presence and presence of an official authorized to do so. The authorized officials for this are notaries, sub-district heads, PPAT, and others.

This type of document is a perfect form of evidence for both the parties involved and third parties. The functions of a notarial (authentic) deed are:

1) As evidence that the parties concerned have entered into a certain agreement.
2) As evidence for the parties that what is written in the agreement is the goal and desire of the parties.
3) As evidence to a third party that on a certain date, unless otherwise specified, the parties have entered into an agreement and that the contents of the agreement are in accordance with the wishes of the parties (Salim, 2008).

In the discipline of contract law, one very important principle is recognized. The principle in question is the principle of binding force of agreements (Pacta Sunt Servanda). This principle means that the parties entering into an agreement must carry it out. Under this principle, the parties' agreement is binding, as is law, for the parties who made it (Khairandy, 2004).

The principle of Pacta Sunt Servanda can be found in Article 1338 of the Civil Code. Article 1338 of the Civil Code stipulates that every legally made agreement shall be valid as law for those who make it. Valid as law for those who make it means that the law recognizes and positions both parties on an equal footing with the legislator (Hernoko, 2014). Although the parties are on an equal footing with the legislator, there are differences between them. These differences lie in the validity of the product created. The product created by the legislator is a law, with all its processes and procedures being universally applicable and binding and abstract in nature. Meanwhile, an agreement that is the product of the parties has a limited validity only for the parties, and by making the agreement, the parties intend to carry out concrete actions (Pangestu, 2019).

Theoretically, unilateral cancellation of an agreement must be distinguished from termination of a contract. Cancellation relates to legal defects that existed when the contract was made, such as the failure to fulfill the valid terms of the agreement or defects in will in the form of coercion, error, or fraud. Conversely, termination of a contract occurs after a previously valid contract is breached in the form of a breach of contract, resulting in the contractual relationship being terminated before all performance is completed. In business practice, the two terms are often used interchangeably, even though the resulting legal consequences are very different.(Miru, 2020).

According to Subekti (2014), a legally entered into contract cannot be unilaterally canceled because the contract creates rights and obligations that must be respected by each party. Cancellation without legal basis is a violation of the principle of pacta sunt servanda, which requires each party to comply with the contents of the contract as required by law. Therefore, the act of unilaterally canceling a contract can be classified as a breach of contract if it results in the other party not obtaining the rights that have been agreed upon.

This opinion is supported by Salim HS (2021), who stated that freedom of contract does not mean giving absolute freedom to the parties to terminate the contract at any time according to their wishes. This freedom only applies at the time of contract formation, whereas after the contract is legally born, the parties are obliged to carry out all contents of the contract in good faith as stipulated in Article 1338 paragraph (3) of the Civil Code. Thus, unilateral cancellation without a legally justified reason constitutes a violation of contractual obligations that can give rise to civil liability.

Basically, an agreement applies to the party entering into the agreement. This principle is a personal principle (Articles 1315 and 1340 of the Civil Code). Parties cannot enter into an agreement that binds third parties (Article 1317 of the Civil Code).

An agreement is an agreement in which one person promises to another person or in which two people promise each other to do something (Silondae & Fariana, 2013). An agreement is an event in which two or more people promise each other to do or not do a certain act, usually in writing (Saliman, 2014).

The term Agreement (Overeenkomst) according to Article 1313 of the Civil Code is "An agreement is an act by which one or more people bind themselves to one or more other people." An agreement is "an event where someone promises to another person or where two other people promise each other to carry out something (Subekti, 1985)." An agreement is a legal relationship regarding property between two parties, in which one party promises or is deemed to have promised to do something or not to do something, while the other party has the right to demand the implementation of that promise (Prodjodikoro, 2000).

The difference in views of agreements according to the Civil Code with the opinions of experts, according to Subekti, what is meant by the word agreement is the agreement of wills between two parties, namely what is desired by one party is also desired by the other party and both wills want something the same reciprocally. And it is further explained that by only mentioning "agreement" without any demands for any form of method (formality) such as writing, giving a sign or deposit and so on, it can be concluded that when an agreement has been reached, then the agreement is valid or binding or it applies as a law for those who make it.

J. Satrio states that an agreement is a meeting of wills between two people, where the two wills meet and these wills must be expressed. The statement of will must be a statement that the person desires a legal relationship to arise. Therefore, the mere existence of will does not constitute an agreement, as the will must be expressed, must be clear to the other party, and must be understood by the other party.

From this event a legal relationship arises between the two people which is called an agreement. This agreement creates an agreement between the two people who make it. In its form, the agreement is a series of words containing promises or commitments which are spoken or written (Prodjodikoro, 2000).

Meanwhile, what is meant by an agreement is a legal relationship between two people or two parties, based on which one party has the right to demand something from the other party and the other party is obliged to fulfill that demand (Rahman, 2003).

Basically, an agreement applies to the party entering into the agreement. This principle is a personal principle (Articles 1315 and 1340 of the Civil Code). The parties cannot enter into an agreement that binds third parties (Article 1317 of the Civil Code).

The principle of pacta sunt servanda is also referred to as the binding principle of an agreement, which means that the parties who make the agreement are bound by the agreement in the agreement they have made. In other words, an agreement that is made legally applies as if it were a law for the parties who made it. The principle of pacta sunt servanda is contained in the provisions of Article 1338 paragraph (1) and paragraph (2) of the Civil Code which states that, "all agreements made legally apply as a law for those who make them." These agreements cannot be withdrawn except by agreement of both parties or for reasons that are stated by the law to be sufficient for that.

The phrase "applies as law and cannot be revoked" means that the agreement binds the parties who made it, and that the agreement cannot be revoked without the consent of the other party. Therefore, the parties must comply with what they have mutually agreed upon. The parties' binding obligation to the agreement is not solely limited to what is agreed upon but also to several other elements as required by custom and moral propriety. Thus, the principles of morality, propriety, and custom bind the parties (Badrulzaman et al., 2015).

The principle of propriety is stated in Article 1339 of the Civil Code which explains that, “Agreement is not only binding for matters expressly stated therein, but also for anything that, according to the nature of the agreement, is required by propriety, custom and law." According to Mariam Darus Badrulzaman, the principle of propriety must be maintained, because through this principle the measure of relationships is also determined by a sense of justice in society.

According to Article 1320 of the Civil Code, four conditions are required for an agreement to be valid, namely:

1) They agreed to bind themselves

   By agreeing, it is meant that the parties entering into the agreement must agree, consent or agree regarding the main matters of the agreement being entered into.

2) The ability to make an agreement

   Article 1330 of the Civil Code states that people who are not competent to make an agreement are:

   a. Immature people
   b. People under guardianship

   Article 433 of the Civil Code states, "Any adult who is consistently imbecile, mentally ill, or blind must be placed under guardianship, even if he or she is occasionally able to use his or her mind. According to the same article, even an extremely wasteful adult is worthy of being placed under guardianship."

3) A certain thing

   A certain thing means that the goods that are the object of the agreement must be able to be determined. At least the type must be able to be determined as regulated in Article 1333 of the Civil Code, in Article 1332 of the Civil Code, namely goods that are traded, goods that exist in the future in Article 1334 paragraph 1 of the Civil Code unless the inheritance is not yet open Article 1334 paragraph 2 of the Civil Code.

4) A lawful cause or cause

   The cause or cause that is intended by law is the contents of the agreement itself. Article 1335 of the Civil Code - agreement without cause "An agreement without cause, or which has been made for a false or forbidden reason, has no force."

   Article 1336 of the Civil Code "If a reason is stated, or if there is a reason other than that stated, the agreement is nevertheless valid."

   Article 1337 of the Civil Code "A cause is prohibited, if it is prohibited by law, or if it is contrary to good morality or public order."

Based on the provisions of Article 1381 of the Civil Code which regulates various ways of terminating obligations for agreements and obligations arising from the Law and the ways indicated by the legislators are not restrictive in nature for the parties to create other ways to terminate an obligation. The termination of obligations as stated in Article 1381 of the Civil Code is as follows (Badrulzaman et al., 2015):

1. Payment
2. Subrogation
3. Cash payment offer followed by storage or safekeeping
4. Debt renewal (novation)
5. Compensation or Set-off of Debt
6. Debt mixing
7. Debt relief
8. Destruction of the goods owed
9. Annulment and annulment of engagements
10. The validity of a void condition
11. Over time

The legal provisions and regulations regarding the principle of pacta sunt servanda in relation to the implementation of an agreement are that the principle of pacta sunt servanda is a principle in contract law which is based on the provisions of Article 1338 paragraph (1), (2) and (3) of the Civil Code, which relates to the principle of pacta sunt servanda in providing legal certainty regarding the implementation of an agreement which is based on a valid agreement, which applies as a law for the parties who make it and the agreement must be implemented in good faith. The principle of pacta sunt servanda has provisions that an agreement must be implemented in good faith, sincerely and honestly so that in its implementation the agreement can run well and smoothly in accordance with the hopes of those who make the agreement.

In business practice, unilateral termination generally occurs due to several factors. The first factor is a change in economic conditions that causes one party to feel that implementing the contract is no longer profitable. For example, rising raw material prices, changes in currency exchange rates, or declining market demand are often cited as reasons by business actors to unilaterally terminate cooperation. However, these changes in economic conditions do not automatically terminate contractual obligations unless they meet the elements of force majeure as stipulated in Articles 1244 and 1245 of the Civil Code.

The second factor is a breach of the contract by one of the parties. In such circumstances, the injured party does have the right to request termination of the contract. However, such termination must be carried out in accordance with agreed procedures, such as issuing a warning (summons), an opportunity to correct the violation (grace period), and an agreed-upon dispute resolution mechanism. If these procedures are ignored and the contract is unilaterally terminated, such action may still be deemed contrary to the principle of good faith.

The third factor is the use of standard clauses that grant one party absolute authority to terminate the contract at any time without the consent of the other party. Such clauses are often found in cooperation, distribution, financing, and digital service contracts. From a modern contract law perspective, such clauses can be viewed as contrary to the principle of balance and can even be declared legally void if they place one party at a significant disadvantage. This also aligns with the principle of protecting the party with a weaker bargaining position in a contractual relationship.(Muhammad, 2015).

From the analysis of the provisions of the Civil Code, it can be understood that unilateral cancellation does not automatically terminate the legal relationship that has arisen from the contract. Article 1266 of the Civil Code stipulates that the cancellation of a reciprocal agreement must, in principle, be requested to a judge. This provision indicates that the legislators require judicial oversight of contract cancellations to prevent arbitrary actions. Although in modern business practices, clauses that override Article 1266 of the Civil Code are often found, the existence of such clauses must still be implemented based on the principle of good faith and must not conflict with propriety or justice.(Khairandy, 2014).

The legal relationship between parties is based on an agreement outlined in a contract. The contract serves not only as evidence but also as a legal instrument that provides certainty regarding the parties' rights and obligations. Therefore, unilaterally terminating a contract by one party often leads to disputes because it contradicts the purpose of the contract, which is to provide legal certainty and protect the interests of the parties.

The issue of unilateral cancellation of agreements has received special attention in Indonesian judicial practice. The Supreme Court has even established Jurisprudence Number 4/Yur/Pdt/2018 which originated from Supreme Court Decision Number 1051 K/Pdt/2014 between PT Chuhatsu Indonesia and PT Tenang Jaya Sejahtera. In this decision, the Supreme Court emphasized that unilateral cancellation or termination of an agreement against a valid contract is an unlawful act because it is contrary to Article 1338 of the Civil Code. This decision was then consistently followed in several other decisions, thus becoming a permanent jurisprudence of the Supreme Court.

In Supreme Court Decision Number 1051 K/Pdt/2014, PT Chuhatsu Indonesia, as the Plaintiff, entered into a business partnership with PT Tenang Jaya Sejahtera based on a legally valid agreement. While the contract was still in effect, one party unilaterally terminated or canceled the agreement without the consent of the other party. As a result of this termination, the injured party lost its economic rights and filed a lawsuit in court.

The Supreme Court, in its cassation ruling, held that unilaterally canceling an agreement violates Article 1338 of the Civil Code, as an agreement cannot be revoked except by mutual agreement or by reason justified by law. Based on this, the Supreme Court declared that unilaterally canceling a contract is an unlawful act. This legal principle was later confirmed as Jurisprudence Number 4/Yur/Pdt/2018.

Article 1338 paragraph (1) of the Civil Code stipulates that all legally made agreements apply as law for those who make them. This provision contains the principle of pacta sunt servanda, namely that each party is obliged to carry out the contents of the contract as agreed. Furthermore, Article 1338 paragraph (2) of the Civil Code emphasizes that an agreement cannot be withdrawn except by agreement of both parties or for reasons that are stated by law to be sufficient for that. In addition, Article 1266 of the Civil Code stipulates that the cancellation of a reciprocal agreement must in principle be requested from a judge, while Article 1267 of the Civil Code gives the injured party the right to demand fulfillment of the agreement, cancellation of the contract, or compensation in the event of a breach of contract. Thus, normatively, the cancellation of a contract cannot be carried out solely based on the will of one of the parties.

According to the author, the Supreme Court's considerations in Decision Number 1051 K/Pdt/2014 are appropriate because they reflect protection of the principles of legal certainty and pacta sunt servanda. If unilateral contract cancellation were simply justified, any business actor could terminate the business relationship at any time without regard for the rights of the other party. This situation would erode trust in the business world and increase the risks of business transactions.

The author also argues that in modern business relationships, contract cancellation should be a last resort (ultimum remedium) after the parties have exhausted negotiations, legal notices, mediation, and other dispute resolution mechanisms as agreed upon in the contract. Therefore, contract cancellation is not arbitrary, but rather respects the principles of professionalism and good faith.

Furthermore, the author agrees with the Supreme Court's position that qualifies unilateral cancellation as an unlawful act if it is carried out without a valid legal basis. This approach provides broader protection to the injured party, as it can sue not only based on breach of contract but also based on provisions regarding unlawful acts if the conditions are met. This approach strengthens legal certainty in business contract practices in Indonesia and encourages business actors to be more cautious when terminating contractual relationships.

From a jurisprudential perspective, the Supreme Court consistently holds the opinion that unilateral cancellation of a contract without legal basis is a form of breach of contract which gives rise to an obligation to pay compensation to the injured party.(Harahap, 2016). Judges generally assess not only the existence of a contract clause, but also whether the cancellation was carried out proportionally, preceded by notification, and provided the other party with an opportunity to fulfill its obligations. This approach demonstrates that contract dispute resolution is not only oriented towards legal certainty but also considers aspects of justice and good faith in business relationships (Satrio, 2018).

According to Ahmadi Miru (2020), developments in modern contract law demonstrate that judges no longer merely act as "la bouche de la loi," but also function to balance the interests of the parties through the application of the principles of propriety, fairness, and good faith. Therefore, unilateral contract cancellation cannot be justified solely on the formal grounds stated in the contract if its implementation clearly disproportionately harms the other party.

In business practice, the principle of freedom of contract gives business actors the flexibility to determine various clauses, such as price, timeframe, payment mechanism, dispute resolution, choice of law, and choice of forum. However, this freedom must not result in clauses that are exploitative or detrimental to either party.

For example, a clause that gives one party the right to cancel a contract at any time without justification may be deemed contrary to the principles of balance and good faith. The Supreme Court, in several of its decisions, has emphasized that freedom of contract may not be used as a basis for arbitrary contract cancellation, as it violates Article 1338 of the Civil Code and the principle of pacta sunt servanda.

In the development of electronic transactions, the application of the principle of freedom of contract is also evident in electronic contracts. Although contracts are made electronically, their validity must still comply with Article 1320 of the Civil Code and the provisions of Law Number 1 of 2024 concerning the Second Amendment to Law Number 11 of 2008 concerning Electronic Information and Transactions. Therefore, the existence of electronic media does not diminish the importance of the principle of consensualism or the principle of freedom of contract in determining the validity of a contract.

From the perspective of Freedom of Contract Theory, the existence of contracts is the result of individual freedom to determine their own legal relationships. However, this theory has evolved into a concept of freedom limited by the principles of justice and legal protection. Therefore, the freedom of the parties must always be balanced with the interests of the other party to prevent abuse of rights. When analyzed using Gustav Radbruch's Theory of Legal Certainty, the principle of freedom of contract provides certainty that every legally created contract will receive legal protection. Meanwhile, the principle of consensualism provides certainty regarding when a contract begins and binds the parties. Furthermore, based on Philipus M. Hadjon's Theory of Legal Protection, restrictions on the principle of freedom of contract are a form of state protection for parties with a weaker bargaining position. Thus, the contract made is not only formally valid but also substantively fair.

According to the author, the principles of freedom of contract and the principle of consensualism are two inseparable principles in determining the validity of a business contract. Freedom of contract allows the parties to formulate the contents of the contract according to their business needs, while the principle of consensualism ensures that the contract is truly born from a free agreement of wills and is free from any defects of will.

The author argues that in modern business practices, the application of the principle of freedom of contract can no longer be interpreted as absolute freedom. The imbalance in bargaining power between large and small business actors often causes one party to accept contract clauses out of necessity, rather than out of completely free will. Therefore, judges must interpret the principle of freedom of contract proportionally by paying attention to the principles of balance, propriety, and good faith as mandated by Article 1338 paragraph (3) of the Civil Code.

Furthermore, the author believes that the principle of consensualism is a key element in establishing the validity of a contract. Agreements obtained through coercion, fraud, or abuse of circumstances do not reflect a true agreement of wills and therefore are not worthy of legal protection. Therefore, the validity of a contract is not solely based on the signatures of the parties; it must also be proven that the agreement was given freely, consciously, and responsibly.

Based on the results of the discussion, it can be analyzed that unilateral cancellation of an agreement in a business contract is in principle contrary to the law if it is done without a valid basis, without the consent of the other party, and without following the agreed mechanism. Unilateral cancellation not only violates the principle of pacta sunt servanda, but also contradicts the principles of good faith, the principle of legal certainty, and the principle of balance in contract law. Conversely, cancellation of a contract can be justified if it is based on an agreement between the parties, the existence of a breach of contract that has met the legal requirements, the existence of force majeure, or based on a court decision. Therefore, in every business relationship, the parties must prioritize the implementation of the contract in a professional, transparent, and good faith manner so that disputes resulting from unilateral cancellation can be minimized and legal certainty in business activities is guaranteed.

B. Legal Consequences of Unilateral Cancellation of a Business Contract

Unilateral cancellation of a business contract has various legal consequences that not only impact the legal relationship between the parties but also affect legal certainty, the stability of business transactions, and the protection of the parties' economic interests. Essentially, a legally valid contract is legally binding for the parties involved. Therefore, unilateral cancellation without the consent of the other party or without legally justified reasons constitutes a violation of contractual obligations and may result in legal liability for the party making the cancellation.

The legal consequences of unilateral cancellation of an agreement must be analyzed based on the provisions of Article 1338 paragraph (1) and paragraph (2) of the Civil Code (KUHPerdata). This article states that every agreement made legally applies as law for the parties and cannot be withdrawn except based on the agreement of both parties or reasons determined by law. This provision means that unilateral cancellation does not immediately erase the legal relationship that has arisen from the contract. As long as there is no valid legal basis, the contract remains valid and the party who cancels it can be held legally responsible.

According to Subekti (2014), the binding force of an agreement is a consequence of the principle of pacta sunt servanda. This principle requires each party to respect and implement all agreed-upon terms of the contract. If one party unilaterally terminates the contractual relationship without a valid legal reason, this action constitutes a violation of the contract, which can result in an obligation to compensate the other party.

The first legal consequence of unilaterally canceling an agreement is the emergence of liability for breach of contract. In business contract practice, unilateral cancellation generally occurs when one party is no longer willing to fulfill its obligations as agreed. If this action is taken without legal basis or without force majeure, the party canceling the contract is considered to have committed breach of contract.

According to Article 1238 of the Civil Code, a debtor is considered to be in default after being given a warning (summons) or based on contractual provisions stating that the passage of a certain time period automatically places the debtor in default. Furthermore, Article 1243 of the Civil Code gives the injured party the right to demand compensation for costs, losses, and interest if the default results in economic loss.(Salim, 2021).

Salim HS explained that default due to unilateral contract cancellation constitutes a violation of contractual obligations because one party knowingly stops performing the contract before fulfilling all obligations. Therefore, the injured party has the right to seek enforcement of the contract, cancellation through the courts, or compensation commensurate with the extent of the loss suffered.

The next legal consequence is the obligation to pay compensation. In a contractual relationship, losses include not only actual losses but also profits that would have been earned if the contract had been performed (loss of profit).

Article 1246 of the Civil Code states that compensation consists of costs (kosten), losses (schade), and interest (interesten). Costs are all expenses incurred by the injured party. Losses are the reduction in asset value due to the cancellation of a contract, while interest is the profit that would have been obtained if the contract had been implemented in accordance with the terms of the agreement.(Fuady, 2015).

In business practice, unilateral contract cancellation often results in significant losses. For example, the injured party may have purchased raw materials, built production facilities, recruited workers, or made investments based on the contract. When a contract is unilaterally canceled, all costs incurred are wasted, resulting in financial losses that must be recovered through compensation mechanisms.

According to Munir Fuady, compensation in a business contract aims to restore the injured party to the position of the party as if the breach had never occurred (restitutio in integrum). Therefore, the amount of compensation must take into account both the actual losses and the profits that could reasonably be obtained if the contract were to continue.

Another legal consequence is the right of the injured party to file a lawsuit. This provision is stipulated in Articles 1266 and 1267 of the Civil Code, which grant the creditor the right to request that the judge declare the contract void and order the defaulting party to pay compensation.

Article 1266 of the Civil Code stipulates that the cancellation of a reciprocal agreement must, in principle, be requested from a judge. This regulation is intended to prevent arbitrary contract cancellations and to ensure judicial oversight of the reasons for cancellation submitted by the parties.

In judicial practice, the Supreme Court, through Jurisprudence Number 4/Yur/Pdt/2018, which is based on Supreme Court Decision Number 1051 K/Pdt/2014, emphasized that unilateral cancellation of an agreement without legal basis is an unlawful act because it is contrary to Article 1338 of the Civil Code. This decision shows that the court provides protection to parties who are harmed by the act of unilaterally canceling a contract.(Muhammad, 2015).

Cancellation of a legally binding contract terminates the contractual relationship between the parties. Once the contract is declared void, the parties may no longer demand performance as previously agreed. However, termination of the contract does not eliminate the injured party's right to claim compensation if the loss arose before the contract expired.

According to Abdulkadir Muhammad (2015), contract cancellation terminates the prospective legal relationship but does not eliminate any previously arising legal consequences. Therefore, the obligation to pay compensation can still be claimed even if the contract has been declared terminated by the court.

In addition to legal consequences, unilateral contract cancellation also impacts the business climate. In business, contracts form the basis for trust between business actors. Unlawful cancellation can undermine business partners' trust, hinder investment, and increase the risks of business transactions.

Ridwan Khairandy believes that legal certainty is a key requirement for business development. If contracts can be unilaterally canceled without clear legal consequences, business actors will lose certainty regarding the implementation of their rights and obligations, which could hamper investment growth and economic activity.(Khairandy, 2014).

Judging from Gustav Radbruch's Theory of Legal Certainty, the legal consequences of unilateral cancellation demonstrate the importance of certainty in contractual relationships. Legal certainty ensures that all agreed-upon rights and obligations cannot be unilaterally terminated. Therefore, the application of Article 1338 of the Civil Code protects the value of legal certainty in business relationships.

Furthermore, according to Philipus M. Hadjon's Legal Protection Theory, the law must provide protection to injured parties through mechanisms such as breach of contract lawsuits, compensation, and contract cancellation through the courts. This protection aims to create a balance between the parties and prevent abuse of rights by parties with a stronger bargaining position.

Furthermore, based on Aristotle's Theory of Justice, each party must receive their rights in accordance with their share. Therefore, a party who unilaterally cancels a contract without legal basis is obliged to compensate the other party for the losses suffered as a form of corrective justice. This justice is realized through a judge's decision ordering the defaulting party to pay compensation or fulfill their obligations under the contract.

According to the author, unilateral cancellation of a business contract not only results in legal consequences such as default and the obligation to pay compensation, but also creates legal uncertainty in the business world. Business actors generally make investments, provide capital, and allocate resources based on the belief that the contract will be executed according to the agreed timeframe. When a contract is unilaterally canceled without a valid reason, the entire business plan is disrupted and has the potential to cause extensive economic losses.

The author also argues that the application of Article 1266 and Article 1267 of the Civil Code still has significant relevance as a mechanism for monitoring contract cancellation. Although in practice, many business contracts override the provisions of Article 1266 of the Civil Code through special clauses, the implementation of these clauses must still be based on the principles of good faith, propriety, and proportionality. The overriding of these provisions should not be used as a reason to cancel contracts arbitrarily. Furthermore, the author considers that Supreme Court Jurisprudence Number 4/Yur/Pdt/2018 is a very important legal development because it provides guidance that unilateral contract cancellation can be qualified as an unlawful act if it is carried out without a valid legal basis. This approach strengthens protection for business actors acting in good faith while increasing legal certainty in the implementation of business contracts in Indonesia.

CONCLUSIONS

Unilateral Cancellation of an Agreement in a Business Contract is in principle not permitted if it is carried out without the consent of the other party or without a valid legal basis. Based on Article 1338 of the Civil Code, every agreement made legally binds the parties as law. Therefore, cancellation of a contract must be based on the agreement of the parties, the existence of a breach of contract, force majeure, or a court decision. Supreme Court Jurisprudence Number 4/Yur/Pdt/2018 which is sourced from Supreme Court Decision Number 1051 K/Pdt/2014 also confirms that unilateral cancellation of an agreement without a legal basis is an act that is contrary to the law.

The legal consequences of unilateral cancellation of a business contract are that the party who cancels can be declared in default and is obliged to pay compensation in accordance with the provisions of the Civil Code. In addition, the injured party has the right to file a lawsuit to demand cancellation of the contract, fulfillment of performance, or compensation. Unilateral cancellation also has an impact on reducing legal certainty and trust in business relationships, so that the implementation of the contract must always be based on the principles of good faith, legal certainty, and balance between the parties.

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