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Analysis of Letter of Intent and Its Implications on Unilateral Termination in Lease Agreement (Case Study of Decision Number 575/Pdt.G/2022/PN Jkt.Sel.)

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Abstract. *This research aims to analyze the legal status of the Letter of Intent (LoI) within the Indonesian civil law system and its legal implications regarding unilateral termination in lease agreements. LoI is commonly understood as a preliminary document expressing initial intention and is generally considered non-binding. However, in practice, LoI may contain substantive clauses that create legal rights and obligations. This study employs a normative juridical method, utilizing statutory, conceptual, and case approaches, as seen in the South Jakarta District Court Decision No. 575/Pdt.G/2022/PN Jkt.Sel as the primary case study. The findings indicate that a LoI may possess binding legal force if it fulfills the essential elements of a valid contract under Article 1320 of the Indonesian Civil Code and has been partially or fully executed by the parties. The court decision establishes that unilateral termination of an LoI containing substantive obligations constitutes an unlawful act (onrechtmatige daad) under Article 1365 of the Civil Code because it violates the principles of pacta sunt servanda and good faith. Thus, the binding nature of an LoI is determined not by its label but by the substance and legal intent of the parties. This study contributes to the understanding that an LoI may function as a binding legal instrument and impose liability on parties who terminate it unilaterally without valid legal grounds.*

Keywords: *Agreement; Freedom of Contract; Good Faith; Letter of Intent; Unlawful Act.*

1. Introduction

Human relationships in social life basically always generate a need for certainty and order. Law arises as a mechanism that regulates these relationships, one of which is through agreements as legal products that serve to bind the parties' will. In the context of civil law, an agreement is not only understood as a mere declaration of will, but also carries legal consequences in the form of the creation of legal relationships that give rise to rights and obligations. This is affirmed in Article 1313 of the Civil Code, which states that an agreement is an act by which one or more persons bind themselves to one or more other persons (Salim, 2023). Furthermore, Article 1338 paragraph (1) of the Civil Code states that all agreements made legally are binding as law for those who make them (Setiawan, 2015). This places agreements in a strong position as legal instruments that ensure certainty and order in society.

The validity of an agreement is not solely determined by the principle of *pacta sunt servanda* as stipulated in Article 1338 of the Civil Code, but also requires compliance with the legal provisions regarding the legality of the agreement. Thus, even if set forth in a written document, a contract only has binding force if the essential elements that provide legal legitimacy are fulfilled. These elements are regulated in Article 1320 of the Civil Code, namely the agreement of the parties, legal capacity, a specific object, and a lawful cause (R. Subekti, 2013). In reality, the fulfillment of these requirements does not happen all at once, but rather through a gradual and complex process before the contract reaches its final form.

Theoretically, the process of forming a contract is divided into three stages: the first stage is the pre-contract stage, which includes the drafting phase, then in the second stage the contract is executed, while the third stage refers to the post-contract phase (Amar, 2023). Although all three stages play an important role, this discussion will focus on the pre-contract stage. The pre-contract stage is an important part of forming a Business Contract (Sopamena, 2021). This stage is characterized by contract negotiations conducted through a formal bargaining process between the parties. Contract negotiation is a dialogue that takes place as a series of discussions and communications to reach a written agreement between two or more parties (Sopamena, 2021). Negotiation holds a very significant position in the pre-contract process because it occurs before a legally binding contract is formed, where the parties begin to proportionally formulate their respective rights and obligations. At this pre-contract stage, a legal relationship between the parties has not yet arisen because there is no legal basis that creates the right to demand performance or the obligation to fulfill performance. Therefore, a legal relationship between the parties can only be considered to exist after an agreement is reached and documented in a contract or agreement.

One of the legal instruments often used at the pre-contract stage is the Letter of Intent (LoI). The LoI is a document exchanged between the parties containing initial provisions regarding the proposed commercial transaction before the finalization of the formal contract (Bhattacharjee, 2025). According to the LexisNexis Dictionary, a LoI is a preliminary agreement made before the main contract negotiations begin (Bhattacharjee, 2025). This document provides a summary of the business agreement between the parties involved, without including more detailed information (Bhattacharjee, 2025). A LoI is sometimes referred to as an agreement to agree, which serves to record the initial agreement between the parties regarding the business transaction to be carried out. Although a LoI is not an agreement with legal force, this document can be used as a basis for drafting a contract. If prepared correctly, a LoI contains all the essential elements needed to create an official contract. However, in practice, the existence of a LoI often raises legal debates, especially when disputes arise between the parties regarding whether the document is binding. The unclear boundary between initial commitment and legal obligation makes a LoI a crucial point in resolving contractual disputes.

One real case related to the Letter of Intent (LoI) that will be studied further is Case Number 575/Pdt.G/2022/PN Jkt.Sel, in which PT Harmas Jalesveva (Plaintiff) and PT Bukalapak.com (Defendant) were involved in an office space lease agreement at the One Belpark Office Building through an LoI dated December 8, 2017, along with several addenda. The LoI regulated the leased area, the lease term (5 years), the fit-out period, rental costs, deposit payments, and other provisions. PT Harmas Jalesveva claimed to have fulfilled its obligations by gradually handing over the building and paying agent commissions and service charges to PT Leads Property Services Indonesia (Co-Defendant I) and PT Cahaya Karya Makmur (Co-Defendant II). However, PT Bukalapak.com unilaterally terminated the LoI on September 2, 2019, through letter number 167/TLT/SP/BL/IX/2019, requesting the return of the deposit and the collection of physical assets, which was then considered by PT Harmas Jalesveva as a violation of the LoI clause stating that the deposit is non-refundable. In response to the unilateral termination, the Plaintiff, through their legal counsel, sent two warning letters, but received no response from the Defendant. This situation prompted the Plaintiff to file a lawsuit for an unlawful act at the South Jakarta District Court.

In this case, the panel of judges found that although the Letter of Intent (LoI) is not a definitive contract, it contains substantive clauses that give rise to legal consequences, including provisions regarding non-refundable deposits, thereby creating a legal obligation binding the parties. PT Bukalapak.com's actions of unilaterally terminating and requesting the return of the deposit are considered not only a violation of the LoI provisions but also contrary to the principles of propriety, justice, and the principle of *pacta sunt servanda* as regulated in Article 1338 of the Civil Code. Furthermore, the Defendant's attitude in ignoring the Plaintiff's two summons indicates a lack of good faith in fulfilling its obligations, which reinforces the judges' assessment that these acts constitute an unlawful act under Article 1365 of the Civil Code. Based on this matter, the panel of judges declared that PT Bukalapak.com has caused real losses to PT Harmas Jalesveva, both financially and in terms of lost economic benefits, thereby sentencing the Defendant to pay compensation.

This case underscores the significance of comprehending the characteristics and binding nature of a Letter of Intent (LoI), as well as its legal implications for ensuring legal certainty and safeguarding the parties' rights in instances of unilateral termination. Based on this, this study aims to analyze the legal standing of a Letter of Intent (LoI) within the Indonesian civil law system, particularly in relation to lease agreements, as well as to examine the legal implications of unilateral termination actions based on an LoI as reflected in Decision Number 575/Pdt.G/2022/PN Jkt.Sel.

2. Research Methods

This study employs a normative juridical method, which involves research that examines law as a norm through the analysis of regulations, principles, doctrines, and legal theories relevant to the position of the Letter of Intent in lease agreements. The approaches used include the statutory approach, which involves reviewing legislation, and the case approach, which

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involves analyzing the South Jakarta District Court Decision Number 575/Pdt.G/2022/PN Jkt.Sel and other relevant decisions, as well as the conceptual approach sourced from doctrines and expert opinions. The legal materials used consist of primary legal materials, such as the Civil Code (Articles 1313, 1320, 1338, and 1365), and court decisions; secondary legal materials, in the form of books, journals, and scientific works; and tertiary legal materials, including dictionaries and encyclopedias. All legal materials were collected through library research and analyzed qualitatively using the content analysis method, focusing on the elaboration of norms, principles, and legal doctrines, and relating them to legal facts in concrete cases to obtain a comprehensive understanding of the position and legal implications of the Letter of Intent on unilateral termination in lease agreements.

3. Results and Discussion

3.1. The Legal Position of a Letter of Intent (LoI) in the Indonesian Civil Law System, Especially in Lease Agreements

A Letter of Intent (LoI) is a pre-contractual document commonly used in the business world, including property lease transactions. Conceptually, a LoI is a statement of intent from the parties to establish cooperation or carry out a transaction in the future. According to Black’s Law Dictionary, a LoI is defined as “a document that expresses a preliminary understanding of parties who intend to enter into a contract or other agreement,” which is a document that contains an initial understanding before the final contract is formed. The LoI serves as a basis for negotiation that outlines key points such as objectives, terms, and main parameters of the agreement, and demonstrates the seriousness and good faith of the parties in the process of forming an agreement (Fauziyah, 2022). Nevertheless, a LoI cannot be classified as a contract or agreement that has binding legal force. If a LoI is not followed up on or is ignored by one of the parties, generally it does not result in legally binding consequences, because a LoI has not created a legal relationship that generates rights and obligations for the parties. Thus, a LoI only serves as a preliminary instrument in the negotiation process that has not met the elements of a valid agreement as regulated under civil law, and therefore does not have enforceable legal power.

However, a Letter of Intent (LoI) can have binding force if it contains substantive provisions that create legal consequences for the parties. In principle, an LoI is non-binding because it only reflects the initial intention to negotiate, but certain clauses can actually be binding if they impose actual legal obligations. For example, confidentiality clauses (Non-Disclosure Agreement) and exclusivity clauses (No-Shop Clause) (Anwari, 2025). These are considered binding because they create direct liability for violations. The validity of an LoI can also arise if one of the parties has made financing based on the cooperation agreement and the document is signed by both parties on a specific date, which indicates a mutual intention to be bound (Nimbus9 Editorial, 2025). Thus, the LoI is not entirely non-binding, but rather has legal force that is relatively dependent on its content, the parties' intentions, and the extent to which its clauses are concretely implemented.

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In the context of Indonesian civil law, LoIs are indeed not explicitly regulated in the Civil Code (KUHPerdata) or other legislation. However, the existence of an LoI is still recognized and considered legally valid based on the principle of freedom of contract as stated in Article 1338 of the Civil Code. This principle grants parties the authority to determine and arrange the content of an agreement themselves, including the limitations of its binding power. Furthermore, the principle of *pacta sunt servanda*, which is also contained in the same article, affirms that everything agreed upon by the parties is binding as law for them, meaning that specific clauses stated to be binding in an LoI must be adhered to. In line with this, the principle of good faith (as regulated in Article 1338 paragraph (3) of the Civil Code) also serves as a moral and legal foundation in the formation and execution of a Letter of Intent (LoI). This principle requires that the parties negotiate and act honestly, properly, and responsibly without deceiving or harming the other party, ensuring that the entire pre-contractual process remains grounded in fairness, propriety, and integrity.

In practice, an LoI can have legal force equivalent to a definitive contract if it meets the four conditions for a valid agreement as stipulated in Article 1320 of the Civil Code, which governs the validity of agreements, namely mutual consent of the parties, legal capacity, a specific object, and a lawful cause (R. Subekti, 2013). These four conditions are a unity that must be fulfilled for an agreement to be valid and have binding legal force (Musdalifah Darise, 2022). If one or more of the validity conditions are not met, the agreement loses its validity and is considered never to have existed (Musdalifah Darise, 2022). Of the four requirements, the element of agreement plays a central role because it indicates a shared will and aligned goals between the parties, binding them in a particular legal relationship (Ridha Wahyuni, 2022). This agreement must arise from the free will of the parties without any defects of consent such as mistake (*dwaling*), coercion (*dwang*), or fraud (*bedrog*) (Musdalifah Darise, 2022). Such an agreement not only reflects a good intention to conduct a transaction but also demonstrates a legal commitment that can give rise to rights and obligations, especially if one of the parties has begun to implement the contents of the LoI. In line with this, the mutual will and reciprocal relationship between the parties form the basis for establishing a valid legal bond, where consent must be expressed explicitly, agreed upon by all parties, and based on the principle of good faith in the contract formation process (Cathleen Lie, 2023).

In addition, the parties signing the LoI must have legal capacity for their actions to be legally valid. The LoI must also contain clear and determinable objects, such as the scope of cooperation, duration, or the planned transaction value, and have a lawful purpose that does not conflict with the law, public order, or morality. Thus, although an LoI is essentially pre-contractual, fulfilling these elements can provide legal force that is binding for the parties, especially if accompanied by concrete actions demonstrating the implementation of the agreement.

In the context of property lease agreements, a Letter of Intent (LoI) serves as an initial stage that bridges the negotiation process towards a definitive lease contract. This document serves as a medium for the parties to briefly outline the key points of the agreement, including the size and location of the leased property, the duration, and the planned rental value (Anwari, 2025). In addition, the LoI serves as an instrument that reflects the initial commitment and good faith of the parties before the establishment of a legally binding relationship through a lease contract. Nevertheless, the LoI is not intended to create a fully binding legal relationship as a definitive lease agreement does; rather, it functions more as a temporary arrangement that supports maintaining seriousness and certainty in the negotiation process. At this stage, the parties still have the room to renegotiate or adjust terms before they are formalized in the final contract, as long as they do not violate the principles of fairness and good faith that form the basis of every civil legal relationship.

However, the legal status of an LoI can change into a fully binding agreement if the substance of the document has developed to detail and clearly include the main rights and obligations of the parties, such as the obligation to deliver the leased object, payment of the lease price, the implementation period, and other essential provisions, all of which have been agreed upon without any conditions precedent. In such circumstances, the LoI meets the four legal requirements of a valid agreement as stipulated in Article 1320 of the Civil Code, namely the existence of mutual consent, legal capacity, a specific object, and a lawful cause. With these requirements fulfilled, the LoI generates binding legal consequences for the parties, thereby applying the principle of *pacta sunt servanda* as regulated in Article 1338 of the Civil Code, regardless of the form or title of the document. Therefore, the main benchmark is not the term 'LoI' itself, but rather the substance and the legal intentions of the parties reflected within it.

3.2. Legal Implications of Unilateral Termination of a Lease Agreement Based on a Letter of Intent Reviewed from Ruling Number 575/Pdt.G/2022/PN Jkt.Sel

The South Jakarta District Court Ruling Number 575/Pdt.G/2022/PN Jkt.Sel involving PT Harmas Jalesveva (Plaintiff) and PT Bukalapak.com, Tbk. (Defendant) originated from the signing of a Letter of Intent (LoI) dated December 8, 2017, along with several of its addenda regarding the plan to lease office space in the One Belpark Office Building totaling 5,807.12 m². The LoI contained provisions regarding the rental area size, a five-year lease term, fit-out period, rental costs, deposit payment mechanism, and each party's responsibilities, including a clause that the deposit is non-refundable. Based on the LoI, the Plaintiff was obliged to deliver the office space in a ready-to-use condition gradually from March to June 2018, while the Defendant had fulfilled its initial obligation by paying the booking deposit and security deposit as a form of commitment to proceed with the lease process.

In its implementation, the Plaintiff failed to deliver the office space according to the agreed schedule and specifications. The Plaintiff even requested extensions several times until early 2019 due to internal obstacles, including bankruptcy proceedings and Suspension of Debt Payment Obligations (PKPU). The delay was then used by the Defendant as a basis to declare that the Plaintiff was negligent, leading the Defendant to terminate the LoI through letter No. 167/TLT/SP/BL/IX/2019 dated September 2, 2019, referring to Clause 39 of the LoI, which was

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considered to grant the right to terminate the agreement if the lessor fails to fulfill its obligations.

However, the Plaintiff considers this action to be an Unlawful Act (PMH) because the termination was carried out unilaterally and contrary to the principle of fairness as well as the provisions in the LoI, which state that the deposit is non-refundable. Therefore, the Plaintiff filed a claim for compensation amounting to Rp 107,422,502,875.71 along with immaterial losses of Rp 1 trillion. Meanwhile, the Defendant argues that the termination was carried out legally due to the Plaintiff�s negligence in handling the office space; therefore, the Defendant is seeking the return of the deposit, along with compensation for the losses incurred.

The Panel of Judges at the South Jakarta District Court in Decision Number 575/G/Pdt.G/2022/PN Jkt.Sel comprehensively assessed the status of the Letter of Intent (LoI) and the legal consequences of the unilateral termination carried out by the Defendant. Based on the evidence submitted by the parties, including the LoI dated December 8, 2017, Addendum I dated March 15, 2018, and Addendum II dated May 3, 2018, the Panel of Judges concluded that these documents are not merely letters of intent or non-binding pre-contractual documents, but have created a real legal relationship between the Plaintiff and the Defendant. These documents were signed by both parties, demonstrating an actual commitment to be legally bound.

The board assesses that in the LoI and its addendum, all elements required for a valid agreement as stipulated in Article 1320 of the Civil Code have been met. First, the element of mutual consent (consensus) is evident because the parties knowingly signed the LoI and its addendum, expressing agreement on the substance of the cooperation, including the implementation schedule, cost-sharing, and each party's obligations. This signing constitutes an intent to be bound, which factually demonstrates the parties' agreement. Second, the element of legal capacity is also fulfilled because the LoI was signed by authorized representatives of the company who have authority based on the company's articles of association or corporate power of attorney. Therefore, the parties are legally capable of entering into a binding agreement. Third, the element of a specific object is clearly stated in the LoI and its addendum, namely the rental of space and completion of building works, along with its technical installations. The scope of work, economic value, duration, and stages of implementation are described in detail, ensuring that the object of the agreement is concrete and determinable. Fourth, the element of a lawful cause is also fulfilled because the purpose of the agreement is a legitimate commercial business relationship that does not violate public order or the law. With the fulfillment of the four elements in Article 1320 of the Civil Code, the Panel of Judges concludes that the Letter of Intent (LoI) has binding legal force as stipulated in Article 1338 paragraph (1) of the Civil Code, which states that "every legally made agreement applies as law to those who make it.� (Santy Fitnawati WN, 2025) Therefore, the unilateral termination carried out by the Defendant constitutes an act that is contrary to the law and gives rise to an obligation to provide compensation.

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This legal consideration demonstrates that the judge interprets the LoI not merely from its formal shape, but also from its substance and the actualization of the legal relationship that arises between the parties. The judge observed that the agreement outlined in the LoI had been carried out in practice, both in terms of business commitments and the fulfillment of certain obligations. Consequently, in this case, the LoI is regarded as a preliminary agreement that is binding because it meets the legal elements of a contract. This approach aligns with the principle that an agreement that has already been executed in practice cannot be unilaterally terminated without legal consequences, even if the agreement has not yet been formalized into a final contract.

Meanwhile, Article 1365 of the Civil Code serves as the basis for the Panel of Judges to assess whether the Defendant's unilateral termination of the LoI execution can be classified as an unlawful act (*onrechtmatige daad*). In this context, the judges evaluate the fulfillment of four main elements, as regulated in the article, namely the existence of an unlawful act, fault (*Schuld*), loss (*Schade*), and a causal relationship (*Causal Verband*) (Atthaya Shaka Aisha, 2024). Based on the trial's facts, the judge ruled that the Defendant's unilateral termination of the Agreement without the Plaintiff's consent was an act contrary to the principles of *pacta sunt servanda* and good faith in the execution of agreements.

In their defense, the Defendant argued that the Plaintiff was considered to be in default for failing to fulfill their obligations in accordance with the LoI. However, the Panel of Judges stated that this argument could not be accepted because the lawsuit in the case a quo was a lawsuit for Unlawful Acts, not a lawsuit for breach of contract. Therefore, the principle of *non adimpleti contractus*, which states that a party who fails to fulfill their obligations cannot demand performance from the other party, is not relevant to apply in this case. The judge emphasized that the subject of examination is not about who failed to perform first, but whether the Defendant's unilateral termination of the LoI constitutes an unlawful act.

Furthermore, even though the Defendant alleged that the Plaintiff's delay in handing over the office space constituted a breach of contract, the Panel of Judges considered that this reason could not be justified as a basis for unilaterally terminating the agreement. Based on the facts presented in court and evidence in the form of the Central Jakarta Commercial Court Decision and the Supreme Court Cassation Decision, it is proven that the Plaintiff was undergoing a legal process of Suspension of Debt Payment Obligations (PKPU) at the time of the delay. In the PKPU process, based on Article 240 paragraph (1) of the PKPU Law, the debtor's authority to carry out management and asset transfer actions is restricted without the consent of the administrator or court approval. Such a condition is considered a force majeure (*overmacht*) as regulated in Article 1245 of the Civil Code, which eliminates the debtor's obligation to compensate for losses if the inability to fulfill the performance occurs due to circumstances beyond their control (R. Subekti, 2013). Thus, the plaintiff's delay cannot be classified as a breach of contract.

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Furthermore, the panel emphasizes that even if the defendant considers the plaintiff to be in default, the proper legal action is not to unilaterally terminate the agreement, but rather to file a petition for the annulment of the agreement through the court in accordance with Article 1266 of the Civil Code, which stipulates that the annulment of an agreement does not occur automatically, but must be requested from a judge, unless the agreement includes a clause granting the authority to cancel without a court ruling. This provision is reinforced by Article 1338 paragraph (2) of the Civil Code, which asserts that an agreement cannot be withdrawn or cancelled unilaterally, except with the mutual consent of both parties or for valid reasons according to the law (R. Subekti, 2013). This means that, even though the Defendant considers that there has been a breach of contract, the Defendant is still obliged to follow legal mechanisms by submitting a request for the cancellation of the LoI to the court and not taking unilateral action outside of legal procedures. Unilateral termination without a valid legal basis and contrary to the provisions of Article 1266 and Article 1338 paragraph (2) of the Civil Code demonstrates a violation of the principle of *pacta sunt servanda* as well as the principle of good faith as regulated in Article 1338 paragraph (3). Such actions result in real losses for the Plaintiff in the form of lost potential income and agent commissions, so the Panel concludes that all elements of Unlawful Acts under Article 1365 of the Civil Code have been fulfilled, and therefore the Defendant is obliged to pay compensation.

In addition to basing its considerations on the norms in the Civil Code, the Panel of Judges also reinforced its opinion by referring to several Supreme Court jurisprudence, including Decision Number 1051 K/Pdt/2014 and the Review Decision Number 580 PK/Pdt/2015, which affirmed that the unilateral termination of a cooperation agreement constitutes an unlawful act as it contradicts the provisions of Article 1338 of the Civil Code. In these jurisprudence cases, the Supreme Court held that an agreement cannot be revoked except with the consent of both parties. Another reference is Supreme Court Decision Number 4/Yur/Pdt/2018, which also stated that a unilateral termination of an agreement without a valid basis can be categorized as an unlawful act. By referring to these precedents, the Panel of Judges reinforced their view that the Defendant's actions fulfill the elements of an unlawful act as regulated in Article 1365 of the Civil Code.

Based on these considerations, the Panel of Judges declares that the Defendant is proven to have committed an unlawful act and therefore is obliged to compensate the Plaintiff for the losses suffered. The form of compensation ordered is actual loss, namely, material damages that truly arose as a result of the unilateral termination (Syaiful Badri, 2024). The judge considered that the payment of agent commissions that had been made to other parties was part of the losses suffered by the Plaintiff and therefore should be included in the calculation of compensation. In the judgment, the Panel of Judges ordered the Defendant to pay compensation to the Plaintiff amounting to Rp 107,422,502,875.71 as compensation for the incurred losses, including job completion costs, third-party payments, and loss of income. This consideration demonstrates that the judge applied the principle of restitutio in integrum, which aims to restore the injured party to their original position, as if the unlawful act had not occurred. (Syaiful Badri, 2024)

This ruling has significant implications for the development of civil law in Indonesia, particularly in clarifying the legal status of a Letter of Intent (LoI) in business agreement practices. Until now, LoIs have often been regarded as non-binding pre-contractual documents, merely indicating the parties' intention to proceed with negotiations to the main contract stage. However, through this ruling, the court provides a new perspective that an LoI can acquire binding legal force if it meets the elements required for a valid agreement as stipulated in Article 1320 of the Civil Code, and if it has already resulted in actual performance by the parties. Thus, the existence of an LoI can no longer be ignored or treated formally as a document free from legal consequences.

Furthermore, this ruling affirms that the unilateral termination of a legal relationship based on a Letter of Intent (LoI) without a valid reason can be considered a breach of the principle of good faith. In this case, the court not only examines the formal aspects of the agreement but also assesses the parties' behavior in fulfilling the pre-contractual obligations. If one party unilaterally cancels the LoI after the other party has performed part of their obligations or incurred certain costs based on trust in the existence of a cooperation commitment, the cancelling party may be held legally liable for damages. This demonstrates a shift in paradigm from a rigid approach (contractual formalism) to a more substantial and equitable approach.

From a business practice perspective, this ruling provides valuable lessons for business actors in drafting a Letter of Intent (LoI). Clarity in wording and the intention of the parties are crucial aspects, especially in determining whether the document is binding or non-binding. Ambiguity in an LoI can lead to disputes and pose legal risks for the party that unilaterally terminates it. Therefore, an LoI should ideally include clauses that explicitly regulate the legal status of the agreement, the scope of the parties' obligations, cancellation mechanisms, and dispute resolution. Furthermore, this ruling also expands the function of the Letter of Intent as a legal instrument that can reflect the principles of legal certainty and fairness in the pre-contractual stage. An LoI is no longer merely a negotiation document but also a reflection of the moral and legal responsibilities between parties intending to cooperate. In the context of lease agreements, this means that a party who has shown commitment through a Letter of Intent (LoI) cannot unilaterally withdraw without consequences, especially if such action causes actual harm to the other party.

Thus, Decision Number 575/Pdt.G/2022/PN Jkt.Sel plays a crucial role in strengthening the position of the LoI as part of legal practice in agreements in Indonesia, while also serving as jurisprudence that guides the application of the principles of good faith and legal certainty at every stage of contractual relationships. This decision not only resolves a concrete dispute between the parties but also serves as a guideline for future business practices, encouraging greater care and transparency in formulating initial agreements before the main contract is signed.

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4. Conclusion

The legal position of a Letter of Intent (LoI) in the Indonesian civil law system indicates that, although it is not explicitly regulated in statutory law, a LoI is still recognized based on the principles of freedom of contract, *pacta sunt servanda*, and good faith as stipulated in Article 1338 of the Civil Code. In principle, an LoI is a pre-contractual document reflecting the initial intentions of the parties, but its legal nature is largely determined by the substance contained within it. An LoI can be binding if it includes substantive provisions agreed upon by both parties and meets the four requirements of a valid agreement under Article 1320 of the Civil Code, especially if it has been actually implemented in the legal relationship between the parties. This is reinforced through the Decision of the South Jakarta District Court Number 575/Pdt.G/2022/PN Jkt.Sel, which states that an LoI whose substance meets the elements of an agreement can be regarded as a binding contract, and unilateral termination without a valid reason constitutes an unlawful act under Article 1365 of the Civil Code because it contradicts the principle of *pacta sunt servanda* and the principle of good faith. Thus, in practice, an LoI is no longer merely seen as a statement of interest, but as a legal instrument that can generate real liability from the pre-contractual stage. Therefore, the drafting of an LoI must be carried out carefully and clearly, because from a legal perspective, the substance and intentions of the parties are far more decisive than the terms or formalities of the document, so an LoI needs to be drafted based on the principles of prudence, legal certainty, and good faith to avoid disputes in the future.

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