

The Efforts to Completion of Contract Restructuring Due to Covid-19

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Abstract. *This study aims to identify and analyze the form of settlement by the Bank Financing Facility Due to COVID-19; To find out and analyze the Recruitment Contract Settlement Technique for the Impact of Covid-19; as well as to find out and analyze the Obstacles and Solutions to Settlement of Restructuring Contracts Impact of COVID-19. The type of research used is empirical normative research. The research uses qualitative analysis, which is a method of research that produces descriptive analytical data, which are stated by respondents in writing or verbally as well as real behavior, which is researched and studied as a whole. Primary data is data obtained from practices that occur and secondary data is carried out by means of tertiary legal material literature research. Collecting data in this study by means of observation and interviews. Based on the research it was concluded that potential customers unable to pay on Bank due to impact the spread of COVID-19, but this impact has been anticipated by the Regulation of the Financial Services Authority of the Republic of Indonesia Number 11/POJK.03/2020 concerning National Economic Stimulus as a Countercyclical Policy on the Impact of the Spread of Coronavirus Disease 2019 (COVID-19), where POJK provides an opportunity to restructure financing by taking into account the criteria that the specified customers are customers affected by the spread of COVID-19 and paying attention to the sectors affected by the spread of COVID-19. Completion of Impact Restructuring Agreement COVID-19 as follows: Rescheduling; Reconditioning; and Restructuring. Basically, there are 2 constraints that occur in the settlement of troubled financing at the Bank, namely First, Delays in customers completing administrative requirements for online verification. Second, the obstacle in verifying document requirements is when a customer is dishonest in reporting economic conditions after being affected by a virus outbreak COVID-19.*

Keywords: Bank; Contract; Restructuring.

1. Introduction

The spread of coronavirus disease 2019 (COVID-19) globally has an impact on increasing bank credit risk due to a decrease in debtor performance and capacity in fulfilling credit or financing payment obligations. An increase in credit risk has the potential to disrupt banking performance and financial system stability which can affect economic growth, so countercyclical policies are needed.

Countercyclical policies impacting the spread of coronavirus disease 2019 (COVID-19) are aimed at boosting banking performance, especially the intermediary function, maintaining financial system stability, and supporting economic growth, namely by providing special treatment to bank credit or financing with a certain amount and restructured credit or financing to debtors affected by the spread of coronavirus disease 2019 (COVID-19) including debtors of micro, small and medium enterprises (MSMEs).

As for some of the steps that can be used in order to save financing performance at the Bank is to carry out financing restructuring as it is known that financing restructuring is a step and strategy for saving financing. This is an effort for a bank to improve its financing position, and or the financial condition of the customer's company. With this policy, it is expected that customers can complete the remaining ongoing financing, properly and smoothly, in accordance with the customer's business capabilities at that time.

Financing restructuring is not an easy thing, especially for internal Islamic banks. Doing restructuring is the same as saving risks, the impact of which has the potential to appear in the future. Therefore, the financing restructuring process must be carried out by considering various factors, as well as paying attention to the principle of prudence in bank operations. So that the financing restructuring process can run as expected, Example of a bank creditor and a customer entering into a financing agreement, initially the customer can complete the remaining financing that is still ongoing, properly and smoothly, in accordance with the customer's business capabilities at that time, but over time it is expected that there will be a decline in business resulting in payments for the next month not being fulfilled, one of which is due to the impact of the spread coronavirus disease 2019 (COVID-19).

A countercyclical policy on the impact of the spread of coronavirus disease 2019 (COVID-19) is implemented while still paying attention to the precautionary principle accompanied by a monitoring mechanism to prevent abuse in applying the provisions (moral hazard). The countercyclical policy impact on the spread of coronavirus disease 2019 (COVID-19) is temporary so it needs to be evaluated and adjusted.

Based on the explanation that the researcher has described above, seeing the above facts prompted the author to raise this issue with the title "Efforts to Settle for Contract Restructuring Due to COVID-19".

2. Research Methods

The type of research used is empirical normative research. Empirical normative legal research is legal research regarding the enactment of normative legal provisions (codifications, laws or contracts) in action in every particular legal event that occurs in society.¹ The research uses qualitative analysis, which is a method of research that produces descriptive analytical data, which are stated by respondents in writing or verbally as well as real behavior, which is researched and studied as a whole.² The data obtained from both field studies and document studies, are basically data that are analyzed descriptively qualitatively, namely data that is not in the form of numbers, such as sentences, photographs, sound recordings and pictures. The data used includes data Primary and secondary data includes primary legal materials, secondary legal materials and tertiary legal materials. Data collection in this study was carried out by means of observation and interviews with the parties concerned in this case regarding the Settlement of Problematic Financing.

a. Results and Discussion

3.1. Form of Settlement made by the Bank for the Financing Facility Due to Covid-19

In dealing with Corona Virus Disease (COVID-19), various state and government agencies have issued various policies regarding this global pandemic, one of which is the Financial Services Authority (OJK). The Financial Services Authority (OJK) also issued a financial stimulus policy to provide space for the Financial Services Industry and communities affected directly or indirectly due to Corona Virus Disease (COVID-19). This stimulus is contained in the Regulation of the Financial Services Authority of the Republic of Indonesia Number 11/POJK.03/2020, concerning the National Economic Stimulus as a Countercyclical Policy on the Impact of the Spread of Corona Virus Disease 2019 (COVID-19).

This Financial Services Authority (POJK) regulation applies to Conventional Commercial Banks (BUK), Sharia Commercial Banks (BUS), Sharia Business Units (UUS), Rural Credit Banks (BPR), and Sharia Rural Banks (BPRS). These banks can implement policies that support economic growth stimulus for debtors affected

¹ Muhammad, Abdulkadir. (2004). Law and Legal Research. Bandung: Citra Aditya Bakti.

² Rony Hanitjio Soemitro. (1983). Legal Writing Methodology. Jakarta: Ghalia Indonesia.

by the spread of COVID-19, including Micro, Small and Medium Enterprises (MSMEs) debtors, in policies on determining asset quality and credit or financing restructuring.

The following are the main points of regulation in the executive summary of the POJK Stimulus for the Impact of the Spread of COVID-19:

- a. This POJK applies to BUK, BUS, UUS, BPR and BPRS.
- b. Banks can implement policies that support economic growth stimulus for debtors affected by the spread of COVID-19, including Micro, Small and Medium Enterprises (MSMEs) debtors, while still observing the precautionary principle.
- c. Debtors affected by the spread of COVID-19 including Micro, Small and Medium Enterprises (MSMEs) debtors are debtors who experience difficulties in fulfilling obligations to the Bank because the debtor or debtor's business is affected by the spread of COVID-19, either directly or indirectly in the economic sector.
- d. The policies that support the stimulus for economic growth consist of:
 1. Asset Quality Determination Policy
 - a) Assessment of the quality of credit/financing/other provision of funds is only based on the accuracy of payment of principal and/or interest for credit/financing/other provision of funds with a ceiling of no more than Rp. 10,000,000,000.- (ten billion rupiah); And
 - b) Improving the quality of credit/financing to be smooth after being restructured during the validity period of the POJK. This restructuring provision can be applied by the Bank regardless of the credit/financing ceiling limit or the type of debtor.
 2. Credit or Financing Restructuring Policy.

The way credit/financing restructuring is carried out as stipulated in OJK regulations regarding asset quality assessment, among others by:

- a) Lower interest rates;
- b) Term extension;
- c) Principal arrears reduction;

- d) Reduction of interest arrears;
- e) Additional credit/financing facilities; and/or
- f) Conversion of credit/financing into Temporary Equity Participation.

3.2. Techniques for Completion of Restructuring Contracts for the Impact of Covid-19

To be able to apply for restructuring, customers can contact the Bank that usually serves customers and then submit a written request, where:

1. The customer makes an Application Letter with the contents of the letter that his business has been affected by the spread of Covid-19;

2. After the customer makes the Application Letter, the PIC in charge will contact the customer and the PIC will explain the credit restructuring process and ask the debtor some important information regarding program submissions such as:

- 1) Reasons for filing requests for relief;
- 2) Current financial condition;
- 3) The condition of the company where you work and the address of the office and what kind of impact is experienced by the company and its employees.

The Bank will also explain several important submission processes to be carried out as fulfillment of the main requirements, namely:

- 1) Submission of required documents;
- 2) Bank evaluation of the debtor's proposal;
- 3) Approval and restructuring proposals approved by the bank;
- 4) Customer approval of the proposed restructuring;
- 5) New contract after restructuring.

3. The customer prepares the provisions of the submission documents, including:

- 1) Application letter according to bank format has been filled in (Personal data and identity according to KTP, type of loan you want to reduce, reasons for

submitting with a precise and clear explanation and type of restructuring scheme desired (reduced interest rate, grace period or extension of tenor/credit period) ;

2) Bank statements for the last 3 months;

3) KTP husband and wife KTP;

4) Documents/Certificate of income from the company stating that there is a reduction in income and salary slips.

4. The bank sends the customer document requirements via email. After the documents in question are complete, the customer only needs to bring all the documents to the office. Then the bank follows up on the document by sending all documents to the central bank via the PIC's email on duty.

3.3. Constraint and Solutions for Restructuring the Impact of COVID-19 Contracts

a. Obstacles in Completing Restructuring Contracts Impact of COVID-19

In implementing the settlement of bank customer financing affected by the Covid-19 outbreak, there are certainly obstacles. Constraints that occur in the completion of financing at the Bank there are several things, namely:

1) Customer delays in completing administrative requirements for online verification. This delay occurred because some customers did not have online access. So that the verification process is hampered and restructuring is experiencing problems.

2) The obstacle in verifying document requirements is if there are customers who are dishonest in reporting economic conditions after being affected by a virus outbreak COVID-19. Some customers provided data that they were affected by the epidemic so that their economy declined to get restructuring, but when the bank checked the location of their business or residence, their business was running smoothly and their income was stable amid the Covid-19 outbreak. So that banks must carry out supervision and checks on related customers carefully so that restructuring is right on target.

b. Solution for Completion of Restructuring Contracts Impact of COVID-19

Restructuring is an effort to help customers affected by the Covid-19 outbreak get financing relief while their economic conditions are still declining³. In general,

³ Sjahdeini, Sutan Remy. (2018). *Sharia Banking (Products and Legal Aspects)*. Jakarta: Kencana.

settlement of financing for Bank customers refers to OJK regulations. Information regarding financing relief for customers affected by the COVID-19 virus outbreak with the following conditions:

- 1) Requests must be submitted by the customer to the bank without having to come to the bank directly, as one way to implement social distancing.
- 2) Relaxation (waivers) can be given after the bank verifies eligibility and gives approval referring to OJK regulations regarding the economic sector, criteria and conditions for customers affected by the COVID-19 virus outbreak.
- 3) Provisions regarding the amount and tenor of installments will later be provided with reference to the POJK provisions and the agreement between the customer and the bank.

Banks provide several ways of providing restructuring to customers in accordance with PBI number 10/18/PBI/2008, concerning restructuring for Islamic Commercial Banks and Sharia Business Units, including;

1. *Rescheduling* is a change in the payment schedule for customer financing installments over a period of time⁴.
2. *Reconditioning* is a change in part or all of the financing requirements without adding to the remaining principal that must be paid to the bank. Reconditioning includes changes to payment schedules, payment amounts, changes to ratios and profit sharing⁵.
3. *Restructuring* is a change in requirements apart from using Rescheduling and Reconditioning but also through changes in financing terms. Such as changes in financing contracts, conversion of financing into securities or temporary capital participation to the customer concerned⁶. Such as changing murabahah financing to musyarakah or mudharabah financing and vice versa.

4. Conclusion

Potential customers are unable to pay due to impact the spread of COVID-19, has been anticipated by the Regulation of the Financial Services Authority of the Republic of Indonesia Number 11/POJK.03/2020, concerning National Economic Stimulus as a Countercyclical Policy on the Impact of the Spread of Coronavirus

⁴ Muhammad Nafik Hadi Riyandono and Rofiul Wahyudi. 2018. Islamic Bank Management: 434. Syariah Approach and Practice. Yogyakarta: UAD PRESS.

⁵Wangsawidjaja, Islamic Bank Financing, 460.

⁶Sutan Remy Sjahdeini, Sharia Banking (Products and Legal Aspects), 434.

Disease 2019 (COVID-19), where the POJK provides an opportunity to restructure financing by taking into account the criteria that the specified customers are customers affected by the spread of COVID-19 and also paying attention to the sectors affected by the spread of COVID-19. Customers who wish to restructure the impact of Covid-19 must take restructuring steps in accordance with PBI number 10/18/PBI/2008 concerning restructuring for Islamic Commercial Banks and Sharia Business Units, namely by rescheduling, reconditioning and restructuring. Basically problematic financing at the Bank occurs because there are 2 factors, namely internal factors and external factors. First, Bank customers are late in completing administrative requirements for online verification. Second, the Bank's obstacle in verifying document requirements is when a customer is dishonest in reporting economic conditions after being affected by a virus outbreak of COVID-19.

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