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# Legal Implications of Credit Deed Agreements Without Legalization at Banks

**Abhinaya Rai Renjana[1], Muhammad Taufiq[2] & Dahniarti Hasana[3]**
[1]Faculty of Law, Universitas Islam Sultan Agung (UNISSULA) Semarang, Indonesia, E-mail: abhinayarairenjana.std@unissula.ac.id
[2]Faculty of Law, Universitas Islam Sultan Agung (UNISSULA) Semarang, Indonesia, E-mail: muhammadtaufiq@unissula.ac.id
[3]Faculty of Law, Universitas Islam Sultan Agung (UNISSULA) Semarang, Indonesia, E-mail: dahniartihasana@unissula.ac.id

***Abstract.*** *This study aims to analyze the legal force and legal implications of credit agreements without notarial legalization on legal protection for banks and debtors at the Central Java Regional Development Bank. This study uses an empirical legal method with a statutory and sociological legal approach to examine legal provisions normatively and their application in practice. Data were obtained through interviews and observations as primary data, and literature studies as secondary data. Based on the results of the study, it is concluded that credit agreements without notarial legalization remain valid as long as they meet the requirements for a valid agreement according to the Civil Code, but have limitations in evidentiary power and executorial certainty compared to authentic deeds. From the perspective of legal protection, banks as creditors obtain relative protection and depend on internal control mechanisms, while debtors do not receive the guarantee of independent verification as in notarial legalization. This condition indicates implications for the level of legal certainty for parties in credit practices.*

***Keywords:*** *Credit Agreement; Evidential Power; Legal Protection; Notary Legalization.*

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## 1. Introduction

Credit, in this case, holds a central position as one of the primary banking products. Credit is defined as the provision of money or equivalent debt, based on a loan agreement or contract between a bank and another party, requiring the borrower to repay the debt after a specified period with interest.[1]The implementation of credit is, of course, also inseparable from the agreements involved in the activity. Credit agreements are also regulated by Article 1313 of the Civil Code concerning agreements and Article 1754 concerning borrowing and lending (use-use). The existence of these two articles within the scope of the credit agreement serves as a mutually binding element between the general agreement and the specific agreement. Credit agreements are more complex because, in addition to the elements of debt and receivables, they also contain clauses on interest, collateral, repayment, default conditions, and aspects of banking law such as the principle of prudence and regulations governing banks as financial institutions.

The formality of a credit agreement is a crucial factor in ensuring its validity and enforceability. Generally, two forms of written documents are recognized: authentic deeds and private deeds. An authentic deed is a document drawn up in accordance with the statutory format by an authorized public official, such as a notary. A private deed is a document signed by the parties without the involvement of a public official. However, in banking practice, credit agreements are often drawn up in private deeds without notarial approval or legalization. Legally, private deeds remain legally binding as long as they meet the requirements for a valid agreement as stipulated in Article 1320 of the Civil Code and the principle of pacta sunt servanda as stipulated in Article 1338 of the Civil Code. However, their evidentiary position is not as strong as that of an authentic deed, as the court still requires additional evidence to confirm the authenticity of the signature and the contents of the agreement.[2]In the context of a dispute, this can make things difficult for the bank when the debtor defaults, because the execution of the guarantee cannot be carried out directly through an executorial title, but must go through a civil lawsuit which is time-consuming and costly.[3] For banks, the absence of an authentic deed means weakened legal protection, especially in terms of proving and executing collateral or fiduciary rights.

On the other hand, from the debtor's perspective, the existence of an unlicensed, underhand agreement can create legal vulnerabilities. The debtor risks being deemed to lack maximum protection for their rights, as the agreement's contents could be interpreted differently by the court in the event of a dispute, particularly if there are burdensome standard clauses.[4] [5]

[1] Andrianto. (2020). Credit Management: Theory and Concepts for Commercial Banks. Pasuruan: Qiara Media Publisher, p. 2.

[2] BookCivil Law Act.

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[3] Subekti, R. (2014). Contract Law. Jakarta: Intermasa.
[4] Suwondo. (2020). "Legal Certainty of Credit Agreements Without Notarial Deed." in Jurnal Rechts Vinding, 2020.
[5] Putri. (2023). "Legal Protection of Debtors in Banking Credit Agreements". in the IUS QUIA IUSTUM Law Journal.

In relation to banking practices, legal certainty is realized through the prudential principle as regulated in Article 29 paragraph (2) of Banking Law Number 10 of 1998, which requires banks to apply the prudential principle in all their business activities, including in providing credit. Furthermore, the principle of legal protection requires that credit agreements not only protect the interests of the bank as a creditor, but also guarantee the rights of debtors so that they are not harmed by exploitative standard clauses.[6] This research focuses on the case study of the Central Java Regional Development Bank (BPD Jateng), particularly in terms of credit law practices. The practical implications of credit agreements are generally drawn up through authentic notarial deeds to ensure complete evidentiary power and provide legal protection for both parties in the event of default.

Such conditions were seen in Hasrulsah's case study. In his research, he revealed that there were problems with credit law practices where credit agreements were made without notary legalization, which could have legal implications for the validity of the agreement and legal protection for banks and debtors.[7]Furthermore, Cahyo's research, which shows the results of his study in the case of credit agreement problems at Bank Jateng, revealed the importance of the role of a notary not only at the stage of making the agreement, but also in the process of resolving problematic credit peacefully.[8] Furthermore, numerous similar studies have been conducted, including those on the validity of credit agreements and their legal implications. Aisyah Ayu Musyafah emphasized that the practice of drafting credit agreements without the presence of the parties results in the deed being downgraded from an authentic deed to a private deed. This situation has serious consequences, including the loss of the bank's right of direct execution, the customer gaining a stronger bargaining position, and the potential for legal liability for notaries.[9] Muh. Dias Saktiawan's research shows that private deeds can gain additional evidentiary value if legalized or notarized by a notary, even though they do not equal authentic deeds. This view aligns with Indry Lombogia's research in Lex Et Societatis, which emphasizes that legalization increases a document's evidentiary value in court.[10]Furthermore, Restri Ismi Wardhani and Rhama Wisnu Wardhana highlighted the notary's responsibility for private deeds that were notarized,[11]Meanwhile, Majidi Slamet, Raudatul Bayti, and Muhammad Haris emphasized the legal consequences of legalizing private deeds based on the Notary Law.[12]

## 2. Research Methods

This study uses an empirical juridical approach that combines normative legal studies with empirical facts to examine the application of legal provisions in credit practices. The methods used include a normative-empirical approach, a statute

[6] Law Number 10 of 1998 concerning Banking.

approach, and a sociological juridical approach to understand law as both a norm and a social institution functioning in society.

The research data is sourced from primary data obtained through interviews and observations, as well as secondary data including laws and regulations, books, scientific journals, and other supporting legal materials. All data were analyzed qualitatively to provide an in-depth description of the practice of credit agreements without notarial legalization and their legal implications at the Central Java Regional Development Bank.

## 3. Results and Discussion

### 3.1. Practice of Drafting Credit Deed Agreements Without Notarial Legalization at Bank Jateng

#### 3.1.1 Overview of the Practice of Making Credit Deed Agreements at Bank Jateng

The practice of drafting credit agreements in banking essentially reflects not only the agreement between the parties but also demonstrates how civil law and banking regulations are implemented in contractual documents. In the context of Bank Jateng, credit agreements are structured in two forms: a notarized credit agreement and an unnotarized credit agreement (underhand). Both are used according to the characteristics of the credit facility provided. These differences in form do not necessarily result in overall differences in substance, but rather relate more to formalities and the need for specific reinforcement in the implementation of the agreement.

The comparison results show that there are no significant differences between credit agreements with and without a notary in terms of the types of clauses

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[7] Sudarmadi, Ari Cahyo. (2017). Implementation of Credit Agreements Through Notarial Deeds and the Legal Consequences in the Event of Default at Bank Jateng Banjarnegara. Master's Thesis. Semarang: Faculty of Law, Sultan Agung Islamic University.

[8] Hasrulsah, Bangkit. (2022). The Role of Notaries in Peaceful or Voluntary Settlement of Bad Debts (Case Study at PT Bank Jateng Branch of Pasar Induk Kramat Jati, East Jakarta). Master's Thesis. Yogyakarta: Gadjah Mada University.

[9] Musyafah, Aisyah Ayu. (2019). “Legal Implications for Banks Due to the Downgrading of Credit Agreement Status from Authentic Deed to Private Deed.” in Law, Development & Justice Review, Vol. 2 No. 1, 2019.

[10] Saktiawan, Muh. Dias. (2020). A Private Deed Legalized and Notarized by a Notary as Evidence in Court. Thesis. Semarang: Sultan Agung Islamic University.

[11] Wardhani, Restri Ismi., & Wardhana, Rhama Wisnu. (2020). "Notary's Responsibility for the Evidential Power of Private Deeds that Have Been Notarized." in Journal of Notary Science, University of Jember.

[12] Slamet, Majidi., Bayti, Raudatul., & Haris, Muhammad. (2023). "Analysis of the Responsibilities and Legalization Power of Private Deeds by Notaries." in Falah: Journal of Islamic Economic Law.

regulated. Nearly all key aspects, such as general provisions, credit ceiling, interest rates and fees, repayment terms, fines and penalties, the right to terminate the agreement, confidentiality, covenants, defaults, and dispute resolution, are still included in both agreements. This demonstrates an effort to standardize the substance of Bank Jateng's credit agreements without fundamentally distinguishing between the use or non-use of a notarial deed.

Then, in depth, these twelve aspects can be explained in the following analytical explanation;

1. The main clause aspects in the Bank Jateng credit agreement which contain information regarding the location, time and subject of the agreement are an essential part in establishing a legal relationship between the parties.[13]The mention of the place and date of the Bank Jateng credit agreement indicates a specific legal event that marks the birth of the agreement and provides certainty regarding the initial rights and obligations of the parties. Normatively, the inclusion of these elements is necessary to ensure legal clarity and certainty in the implementation of the agreement.

Fulfillment of this normative capacity is in line with the element of capacity to act in an agreement as required in Article 1320 of the Civil Code.[14]

2. The general provisions are contained in Article 1 of the Bank Jateng Credit Agreement, which stipulates that both parties are subject to the Bank's General Credit Regulations. The contents of this agreement have been fully approved by the borrower and are declared an integral part of the agreement. This clause indicates the binding nature of additional provisions outside the main text of the agreement, which legally serve as the basis for regulating the parties' rights and obligations in greater detail.[15]

The conditions stated in the clause reflect the application of the principle of freedom of contract as regulated in Article 1338 paragraph (1) of the Civil Code, which gives the parties the authority to determine the contents of the agreement as long as it does not conflict with the law, morality and public order.[16]

3. The ceiling amount aspect in the Central Java Regional Development Bank credit agreement is regulated in an integrated manner in Article 2, Article 3, and Article 4 of the Central Java Bank credit agreement as a form of legal certainty and credit risk control. Article 2 stipulates the maximum credit ceiling in the form of a Personal Loan (PLO) which reflects the fulfillment of certain

13 Bank Jateng Credit Agreement
14 Article 1320 of the Civil Code
15 Chapter1. Bank Jateng Credit Agreement
16 Chapter1338 paragraph (1) of the Civil Code

object elements as per Article 1320 paragraph (3) of the Civil Code, while providing clarity regarding the bank's performance as a creditor and the maximum limit of the borrower's rights in withdrawing credit facilities, as well as being the basis for classifying the type and level of credit risk. Furthermore, Article 3 regulates the purpose of using credit for consumptive purposes according to the bank's agreement as a form of legal limitation on the use of funds that reflects the element of a lawful cause as per Article 1320 paragraph (4) of the Civil Code, in order to protect the bank's interests and ensure that the use of credit does not conflict with the law, morality, or public order. Article 4 requires borrowers to open an account at Bank Jateng as a means of disbursing credit, paying installments and other related costs, which functions to support the implementation of the agreement in an orderly, controlled and transparent manner and is a manifestation of the principle of good faith as stipulated in Article 1338 paragraph (3) of the Civil Code.

4. Regarding the Interest Rate and Provisions aspect, it can be seen that the provisions regarding interest rates and provisions in the Bank Jateng credit agreement determine the extent of the borrower's financial obligations during the loan term. The agreement stipulates that the loan bears interest at a floating rate, expressed as a certain percentage per year, and is paid monthly along with the principal installments.[17]

This condition can be analyzed to mean that the determination of interest rates as part of the borrower's obligations is a manifestation of the elements of the object of the agreement as regulated in Article 1320 paragraph (3) of the Civil Code.[18]Clarity regarding the mechanism for charging and paying interest provides a basis for legal certainty regarding the performance that must be fulfilled by the borrower.

5. The collateral and binding aspects of the collateral in the Central Java Regional Development Bank credit agreement are legal instruments that function to guarantee the repayment of the borrower's obligations for the credit facility received and are preventive in the event of a future default. The submission of collateral by the borrower does not change the nature of the credit agreement as a principal agreement, but rather places the collateral as an additional agreement (accessoir) whose existence follows and depends on the Bank Jateng credit agreement. In practice, the binding of collateral can be carried out in various ways, both privately or through material collateral institutions such as Mortgage Rights, Fiduciary, Pawn, or other forms recognized by law, the determination of which is adjusted to the type and value of the collateral and the amount of the credit ceiling. This flexibility reflects the credit risk management policy that still requires compliance with material collateral law

[17] Article 5 of the Bank Jateng Credit Agreement

[18] Chapter1320 paragraph (3) of the Civil Code

in order to have clear legal force and executorial power. The involvement of a notary in binding certain collateral demonstrates the bank's efforts to obtain legal certainty and evidentiary power through authentic deeds as authorized by the notary under the Notary Law, especially to ensure the certainty of the date, content, and parties involved. However, in relatively small loans, collateral binding is not always carried out through a notary as part of the bank's internal policy that adjusts the level of legal protection to the credit risk, where binding without a notary remains valid as long as it meets the legal requirements of the agreement according to the Civil Code, even though its evidentiary power is not equal to an authentic deed. In addition, the borrower's obligation to bear the cost of collateral binding is part of the legally valid agreement of the parties, but normatively it needs to be understood within the framework of the principles of balance and propriety, considering that the borrower's bargaining position in credit agreements is generally weaker than that of banks.

6. The Payment Term aspect contains data containing legal certainty regarding the deadline for fulfilling the borrower's obligations. This condition is stated from the credit's effective date to the repayment due date.[19]The determination of the time period fulfills the elements of the object of the agreement as referred to in Article 1320 paragraph (3) of the Civil Code. This condition is part of the agreed performance which is clearly determined (both regarding the amount and the time of fulfillment).[20]

The agreement contains provisions that the credit must be paid in full (including principal, interest and other fees) on a certain date, which serves as the basis for determining whether or not the borrower's obligations have been fulfilled.[21]This condition provides clarity regarding the maturity date which is important for assessing the existence of default if the borrower does not make payments according to the agreement.

7. The power of sale provision in the Central Java Regional Development Bank credit agreement is a provision that restricts the borrower from transferring or selling collateral assets and authorizes the bank to sell the collateral if the borrower fails to fulfill its loan repayment obligations. This provision serves as a security mechanism for loan repayment and is an integral part of the agreement that has been agreed upon from the outset by the parties. In addition to the power of sale, the Central Java Bank credit agreement also contains other powers granted to the bank, such as debiting accounts, setting off debts and receivables, and issuing a deed of debt recognition in the event of default, all of which are valid as long as the loan obligation has not been

19 Article 7 of the Bank Jateng Credit Agreement
20 Chapter1320 paragraph (3) of the Civil Code
21 Chapter7 Bank Jateng Credit Agreements

paid and give rise to legal consequences in accordance with the principle of freedom of contract and civil law provisions. In a notarial credit agreement, a special, irrevocable power of sale that is directly related to the exercise of collateral rights is generally set out in a notarial deed or attached to the notarial credit agreement, in order to provide legal certainty and stronger evidentiary force. The involvement of a notary in this aspect is based on the notary's authority according to the Notary Law, and also to ensure that the granting of power of attorney is carried out consciously, freely, and without coercion as a manifestation of the principle of caution in making authentic deeds.

8. The Fines and Penalties section contains provisions aimed at regulating the legal consequences if the borrower fails to fulfill their obligations within the agreed timeframe. This also applies if the borrower makes a pre-payment. Late fees, charged proportionally to the outstanding principal and/or interest, represent a compensation mechanism for late performance within the contractual relationship.[22]

The imposition of these fines and penalties is in accordance with Article 1243 of the Civil Code, which regulates compensation for default. This provision is enforced as a legal consequence, provided the fines have been previously agreed upon in the Bank Jateng credit agreement.[23]Early repayment penalty provisions can be understood as part of risk management and credit cost calculations. These conditions must also be considered as long as they are implemented transparently and do not conflict with the principle of good faith as stipulated in Article 1338 paragraph (3) of the Civil Code.[24]

9. The results of data findings on the Right to Terminate the Agreement Aspect, this condition found a clause that regulates the bank's right to terminate the agreement and collect all borrower obligations immediately and in cash if the borrower does not fulfill the payment obligations as agreed.[25]These regulatory conditions confirm the legal consequences of default and provide certainty regarding when the legal relationship between the parties ends.

From a legal perspective, this clause is related to the provisions on default as regulated in Article 1243 and Article 1267 of the Civil Code, which gives creditors the right to demand fulfillment of obligations and their legal consequences.[26]However, the credit agreement explicitly explains that setting aside the provisions of Article 1226 of the Civil Code which requires a prior warning

22 Article 9 of the Bank Jateng Credit Agreement
23 Chapter1243 Civil Code
24 Chapter1338 paragraph (3) of the Civil Code
25 Chapter10 Bank Jateng Credit Agreements
26 Chapter1243 and Article 1267 of the Civil Code

indicates that the parties consciously agree to a termination mechanism without the formality of a summons.[27] [28]Such arrangements are possible based on the principle of freedom of contract as stated in Article 1338 paragraph (1) of the Civil Code, as long as they are agreed upon and do not conflict with the law.[29]

10. Then, in the confidentiality aspect, there is data that explains the bank's obligation to maintain the confidentiality of all information and borrower data obtained directly in the context of implementing the agreement.[30]This regulation states that banks are not permitted to disclose, provide, transport, or use borrower data or documents, including all or part of them, to third parties during the agreement or after its termination, except under certain circumstances expressly stipulated in the agreement.[31]

11. The discussion regarding other aspects in the Central Java Regional Development Bank credit agreement basically contains five main points which are interrelated and function as risk control instruments and affirmation of legal certainty.

a) First, the terms of signing a credit agreement regulate administrative and legal prerequisites before the agreement is declared valid, including the borrower's consent to the use and protection of data, authorization to debit accounts, participation in insurance or credit guarantees, and the submission of collateral. These provisions are not only administrative in nature, but also reflect the application of the principle of prudence and the principle of pacta sunt servanda as stipulated in Article 1338 of the Civil Code, while maintaining good faith as the basis for implementing the agreement. The involvement of a notary in certain circumstances emphasizes the bank's efforts to strengthen legal certainty, in line with the notary's authority and obligations under the Notary Law.

b) Second, the loan disbursement requirements stipulate that disbursement of the facility can only occur after the formal aspects of the agreement have been fulfilled, initial fees have been paid, and adequate collateral has been secured, at least through a notary's cover note. This provision demonstrates that the loan disbursement is conducted under normal and controlled legal conditions.

c) Third, the affirmative covenant contains positive obligations of the borrower during the credit period, such as orderly principal and interest payments, transparency of financial information, and compliance with Financial Services

27 Chapter10 Bank Jateng Credit Agreements
28 Chapter1226 Civil Code
29 Chapter1338 paragraph (1) of the Civil Code
30 Chapter11 Bank Jateng Credit Agreements
31 *Ibid.,*

Authority regulations and other laws and regulations, which function as a monitoring mechanism and early warning system.

d) Fourth, the negative covenant regulates the prohibition for borrowers to transfer credit rights and obligations without the bank's approval, emphasizing the personal nature of the credit legal relationship.

e) Fifth, the regulations regarding the occurrence of breach of contract provide clear parameters regarding default as stipulated in Article 1243 of the Civil Code, thus becoming a legal basis for banks to exercise their rights.

Further discussion of other aspects of the Bank Jateng credit agreement can be conducted by analyzing the differences in the regulatory nature of the Bank Jateng credit agreements drawn up with and without a notary. These conditions include:

a. In notarial credit agreements, the provisions regarding signing and withdrawal requirements are generally accompanied by formal requirements such as signing before a notary, using a notary cover note, and securing collateral through a notarial deed or a land deed official. Notarial agreements also stipulate affirmative covenants, negative covenants, and event of default clauses, which tend to be formulated in greater detail and systematically. These provisions encompass provisions regarding securing collateral, collection, and reporting to the relevant authorities.[32]

b. In Bank Jateng credit agreements drawn up without a notary, these clauses generally remain, but are presented in a simpler format. This is particularly true for consumer loans with no or limited collateral. In non-notarized agreements, provisions regarding collateral binding, the use of a notary, and certain administrative aspects are not always detailed, but are instead tailored to the bank's internal policies and the nature of the credit facility being provided.[33]

12. Finally, regarding the Dispute Resolution aspect, data was found that could explain the existence of applicable legal provisions and stages for dispute resolution. The provision regarding the agreement's subjection to the laws of the Republic of Indonesia serves as a general choice of law clause and is consistent with banking credit agreement practices.[34]

Based on the results of the overall analysis regarding the description of the practice of making credit deed agreements at Bank Jateng, it can be concluded that in general there are differences between credit agreements made by

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32 Article 12 of the Bank Jateng Credit Agreement

33 AgreementBank Jateng Non-Notary Credit

34 Chapter13 Bank Jateng Credit Agreements

involving a notary and credit agreements made without a notary, which lie in the differences between credit agreements made by involving a notary and credit agreements made without a notary.

Overall, Bank Jateng's credit agreements with notaries and non-notaries are clearly and specifically stated. This demonstrates a consistent standardization of the substance of credit agreements implemented by Bank Jateng.

A more in-depth examination of the main differences identified in the collateral and collateral binding clauses, the power of sale and power of attorney clauses, and the opening clause containing information on the location and subject of the agreement. In a credit agreement with a notary, these aspects are presented more comprehensively and formally. This includes detailed identification of the parties, their legal status, and the granting of specific powers of attorney as outlined in the notarial deed.

In contrast, in a credit agreement without a notary, the provisions regarding collateral are limited, the power of attorney to sell is not always included, and the opening clause is not structured as systematically as is typical in a notarial deed. These differences are administrative-formal and do not eliminate the existence of other principal clauses in the agreement.

**3.1.2 Overview of the Practice of Making a Credit Deed Agreement with Notary Legalization at Bank Jateng**

This overview of Bank Jateng's practice of notarizing loan agreements is based on empirical findings obtained through interviews with relevant work units. The discussion focuses on the implementation of the notary policy for large-cap loans and the legal considerations underlying notary involvement in loan agreements and collateral binding. In practice, the use of a notary is a key instrument for ensuring a higher level of legal certainty as the value and risk of the loan increases.

Bank Jateng's practice of notarizing loan agreements is based on the high loan ceiling. The larger the loan amount, the more complex the legal and financial risks involved, requiring strong legal protection through a notarized loan agreement. An authentic deed is considered to have perfect and binding evidentiary power, thus providing the bank with a more secure legal position in the event of default by the debtor.

This practice is also closely related to the binding of material collateral. According to information from the Credit Restructuring and Settlement Division, the binding of collateral for large-cap loans is carried out through a Deed of Granting of Mortgage Rights (APHT). The APHT grants the bank a preferential position as the creditor, namely the right to priority in the repayment of receivables from the proceeds of the execution of the collateral object. Furthermore, the executorial nature of the APHT simplifies the execution process if the debtor defaults on their obligations, thereby preventing the bank from being in a weak legal position in resolving problem loans.

The legality of collateral is a determining factor in approving large-capital loans. Analysis of business feasibility and the debtor's capabilities must be balanced with legal certainty regarding the collateral provided. This empirical finding reflects the increasingly stringent application of prudential banking principles as credit limits increase. The practice of notarizing credit agreements at Bank Jateng serves not only to fulfill formal requirements but also as a legal protection mechanism to ensure certainty, regularity, and risk mitigation in the legal relationship between the bank and the debtor.

### 3.1.3 Overview of the Practice of Making a Credit Deed Agreement Without Notary Legalization at Bank Jateng

This illustrates Bank Jateng's practice of drafting credit agreements without notarization, which has been empirically applied to loans with relatively small limits. This practice is part of the bank's internal policy, tailored to the characteristics of the loan, the level of risk, and the purpose of providing financing to the public. Unlike loans with large limits, which require a high level of formality, loans with small limits are considered not to require notary involvement as long as the loan agreement complies with the legal provisions of the agreement.

Loans with small limits (especially under Rp100,000,000) are generally structured in the form of private loan agreements. These agreements are drafted by the bank based on an internal standard format and signed by the borrower as a sign of agreement to all terms and conditions of the loan. This practice reflects a balanced approach between the need for legal certainty and the bank's operational efficiency, given that the risk exposure of small-limit loans is considered relatively low.

From a risk management perspective, differentiating the use of notaries based on credit limits is understood as a measured policy. Smaller loans have a more limited potential for loss in the event of default, so the use of simple legal instruments is considered sufficient to bind the legal relationship between the bank and the debtor without compromising the effectiveness of risk management. Furthermore, the exclusion of notary services is also driven by considerations of cost efficiency and expedited loan disbursement, thus facilitating public access to financing, particularly for small businesses and individual debtors.

From a credit analysis perspective, this practice demonstrates a difference in risk management focus. For small-limit productive loans, the assessment focuses more on the debtor's business feasibility, cash flow, and business prospects, while a private credit agreement serves as an administrative tool to secure the agreement.

For small-limit consumer loans, the primary focus is on the certainty of repayment, such as the debtor's salary or fixed income. Therefore, simple loan characteristics are considered sufficient to be bound by a private agreement.

Legally, the practice of drafting a credit agreement without notarial legalization remains in line with the provisions of the Civil Code. The legal relationship between a bank and a debtor arises from an agreement between the parties as referred to in Article 1313 of the Civil Code and meets the requirements for a valid agreement under Article 1320 of the Civil Code. Even though it is made privately, a credit agreement for a small loan remains legally binding and effectively supports the implementation of the agreement between the bank and the debtor.

**3.1.4 Legal Status and Evidentiary Power of Credit Deed Agreements Without Notarial Legalization**

The unnotarized credit agreement used in the practice of providing small-limit loans at the Central Java Regional Development Bank (BPD) is a legal phenomenon that requires in-depth analysis from the perspective of its legal standing and evidentiary force within the civil law framework. Although the agreement is made in the form of a private deed and does not involve a notary, this agreement is still used as the primary instrument binding the legal relationship between the bank and the debtor. Assessment of the validity and binding force of this credit agreement must be based on the provisions of the Civil Code (KUH Perdata) and the practice of resolving problematic loans in the field.

Based on empirical data obtained in the research, the validity of underhand credit agreements is also strengthened by the principle of pacta sunt servanda as regulated in Article 1338 of the Civil Code, which states that every agreement made legally applies as law for the parties who made it. Credit agreements without notarial legalization still give rise to legal rights and obligations for the bank and the debtor, and can be used as a basis for demanding fulfillment of performance in the event of default.

The main problem with using a credit agreement without notarization lies in the evidentiary aspect. A credit agreement made privately lacks the full evidentiary power of an authentic deed. In the event of a dispute, the agreement does not serve as the sole and decisive evidence but requires additional supporting evidence. This situation demonstrates the difference in legal consequences between a credit agreement legalized by a notary and one made without the involvement of a notary.

Furthermore, in terms of problem loan resolution practices, unnotified loan agreements are still used as legal basis for debtor collection, restructuring, and settlement. However, banks generally require other supporting evidence, such as proof of loan disbursement, installment payment history, loan administration records, and correspondence between the bank and the debtor. This demonstrates that the evidentiary power of unofficial loan agreements is cumulative and dependent on a range of other pieces of evidence.

More deeply, when viewed from a civil procedural law perspective, a credit agreement without notarial legalization is classified as a private deed, the evidentiary force of which is only complete if the contents and signatures thereof are acknowledged by the parties. Based on interview data, if there is a denial of the signatures or contents of the agreement, the bank is burdened with additional evidentiary obligations to prove the validity of the agreement. This condition normatively places the bank in a weaker evidentiary position than if an authentic deed were used.

Despite these conditions, Bank Jateng considers the use of credit agreements without notarization for small-limit loans to be proportionate and effective. The inherent risk of proof associated with such agreements is considered commensurate with the loan value, and the potential for loss is relatively limited. Furthermore, an organized banking administration system, supported by transaction evidence and internal documentation, strengthens the bank's position in credit settlement practices.

## 3.2. Legal Implications of Credit Deed Agreements Without Notarial Legalization for Legal Protection

### 3.2.1 Implications for Legal Protection of Bank Jateng as a Creditor

Legal protection for banks as creditors is a fundamental aspect of credit activities because it is directly related to legal certainty regarding the fulfillment of the bank's rights in the event of a debtor's default. In the practice of providing small-limit loans at the Central Java Regional Development Bank, the use of credit agreements without notarial legalization is still considered legally valid as long as they meet the requirements for a valid agreement according to the Civil Code. However, this form of agreement has certain implications for the level of legal protection received by banks as creditors, especially in the context of proving and enforcing legal rights.

Based on empirical findings, Bank Jateng applies differentiated legal treatment in the preparation of credit agreements, taking into account the credit value, debtor characteristics, and financing risk level. For relatively small consumer and micro loans, the legal risks are considered within the bank's tolerance limits. Therefore, the bank's legal protection is primarily supported by internal risk management mechanisms. This is reinforced by an analysis of the debtor's creditworthiness, certainty of repayment sources, and post-credit disbursement supervision, rather than strengthening the formal aspects of proof through authentic deeds.

From a civil law perspective, private credit agreements have significant limitations. Uncertified credit agreements lack full evidentiary force and do not create an executory title. If a dispute arises and the debtor denies the contents or signature of the agreement, the bank must first prove the existence of the legal relationship and the debtor's obligations through additional evidence. This situation increases the burden of proof, prolongs the dispute resolution process, and potentially increases legal risk and costs for the bank.

In the practice of resolving problem loans, these limitations become even more apparent when the loan is not supported by a strong collateral instrument, such as a Deed of Mortgage. Unlike large loans that use authentic deeds and APHT, underhand loan agreements for small loans do not provide banks with the convenience of immediate execution. Bank legal protection in this context is relative and highly dependent on the completeness of administrative evidence and the debtor's good faith.

Bank Jateng's unnotarized credit agreement is a legitimate and proportionate policy from a risk management perspective. However, from a normative perspective, this policy has implications in the form of weakening the bank's legal protection as a creditor, particularly in terms of the strength of evidence and the effectiveness of rights enforcement. Bank Jateng's legal protection for unnotarized credit can only be optimal if balanced with internal control instruments, adequate supporting documentation, and agreement implementation based on good faith and the principle of prudence.

### 3.2.2 Implications for Legal Protection of Debtors

Legal protection for debtors under credit agreements is not merely administrative, but rather embodies the principle of justice aimed at maintaining a balanced bargaining position between creditors and debtors. In the practice of disbursing small-cap loans at the Central Java Regional Development Bank, the use of underhand credit agreements without notarial legalization presents ambivalent implications for debtors' legal protection. On the one hand, this policy opens broader access to financing through procedural simplification and cost efficiency, but on the other hand, it has the potential to weaken substantive legal protection for debtors.

The use of underhand agreements reflects a paradigm shift from legal formalism to functional efficiency. Simplifying credit disbursement procedures, particularly for consumer and microcredit, is intended to reduce bureaucratic barriers that often prevent low-income communities from accessing financing facilities. From this perspective, this policy can be understood as an effort to achieve access to justice, as debtors receive convenience, faster disbursement, and lower transaction costs. Institutionally, this approach supports the banking intermediation function, which is responsive to the economic needs of the community.

However, from the perspective of substantive legal protection, the lack of notarial legalization has serious consequences for the debtor's position. The absence of a notary eliminates the independent oversight function that should ensure the debtor fully understands the content, consequences, and legal risks of the loan agreement clauses. Private loan agreements are generally drafted in the form of standard clauses by banks, leaving the debtor in a "take it or leave it" position without adequate room for negotiation. This situation creates an information asymmetry that has the potential to harm the debtor, especially in the event of default or force majeure.

These implications become even more problematic when viewed from an Islamic legal perspective. The principle of Al-'Adl demands balance between creditors with economic power and debtors who need access to financing. The absence of notarial legalization has the potential to violate the principle of tabayyun (clarification), as debtors do not receive an objective and adequate explanation of the contents of the contract. Furthermore, the orientation of private agreements, which tend to emphasize administrative certainty, has the potential to ignore the principle of Al-Ihsan, which demands leniency, good faith, and substantive justice in the implementation of agreements.

Consistent with previous research findings, the debtor's position in bank credit agreements tends to be weak due to the dominance of standard clauses and the lack of substantial protection mechanisms. Although private credit agreements without notarization are valid under positive law, their implications for debtor legal protection are problematic. This policy emphasizes administrative efficiency and fair access, but has the potential to sacrifice legal certainty, balance between the parties, and substantive justice for debtors.

## 4. Conclusion

Based on the discussion, it can be concluded that the use of credit agreements without notarial legalization at the Central Java Regional Development Bank is a legally valid policy and is justified within the framework of banking risk management, especially for small-limit loans. Unauthorized credit agreements remain legally binding as long as they meet the requirements for a valid agreement according to the Civil Code, but their evidentiary power is limited because they lack the full evidentiary power and executorial certainty of an authentic deed. This condition places the legal protection of banks and debtors in a relative position, where banks can still rely on supporting administrative instruments, while debtors are potentially vulnerable due to the lack of independent control functions, legal education, and clarification of the substance of the agreement. Thus, although administratively efficient, credit agreements without notarial legalization have legal implications in the form of a reduced level of certainty and legal protection if not balanced with adequate security mechanisms. In light of these findings, it is recommended that Bank Jateng maintain the use of underhand credit agreements as an operational efficiency tool, while simultaneously strengthening substantive legal protection. This strengthening can be achieved through increased contractual transparency, the development of simpler and more easily understood clauses, and the provision of written explanations of the debtor's rights and obligations prior to signing the agreement. Furthermore, the bank should consider implementing internal safeguards, such as signing the agreement before a legally competent bank official and supporting explanatory contract documentation, as a limited substitute for the clarification function of a notary. From a debtor protection perspective, the application of the principle of pre-contractual disclosure through contract summaries and simulations of default risk is crucial to prevent misunderstandings and potential future disputes, thus achieving a balance between operational efficiency and legal certainty.

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