
The Legal Framework of Negotiable Instruments (Check, Bilyet Giro, And Bill Of Exchange) under Indonesian Corporate and Commercial Law

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Keywords

Non-cash payment; banking sector; technology development; payment system

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Abstract

With the rapid development of technology, significant changes have also occurred in various aspects of human life, including changes in the payment system in Indonesia. In the past, transactions relied solely on cash as the only legal means of payment. However, nowadays, everyone can easily make payments to anyone using non-cash payment methods. As we know, people tend to prefer payment systems that are fast, effective, and efficient. To facilitate transactions, the banking sector has established several types of payment instruments, such as cash, paper-based instruments, and electronic money (e-money). As a means of payment and debt collection, paper-based money functions equivalently to cash, with its authenticity guaranteed through negotiable instruments. In the world of trade, payment traffic is one of the most crucial aspects, and banks play a major role in it. Banks are one of the main drivers of the economy and have several objectives, including strengthening national development, promoting economic growth, ensuring equitable distribution of wealth, and maintaining national stability to achieve public welfare. Trade activities are carried out by individuals engaged in business enterprises. The bank's responsibility regarding the use of checks arises from an agreement between both parties the bank and the debtor customer known as the basic contract. The use of checks provides benefits not only for customers but also for banks, as it helps facilitate payments between parties involved in business activities.

1. Introduction

In the modern era, technological innovations have brought significant changes across various economic sectors, particularly in payment systems. In the world of commerce, the flow of payments is crucial, and banks, as financial intermediaries, contribute significantly to strengthening the national economy, distributing development, and improving the quality of life of society (Hermansyah, 2011). Beyond facilitating cash

transactions, banks also play an essential role in developing cashless payment systems. Bank Indonesia, as the regulatory authority for payment systems, actively promotes the use of demand deposits to facilitate the movement of money and educates the public to better understand banking practices through various payment methods (Mahameru et al., 2022).

One of the most common forms of non-cash payment in Indonesia is the cheque and the bilyet giro. Both instruments are issued by banks to regulate the flow of payments and function as substitutes for cash. According to Article 178 of the Indonesian Commercial Code (KUHD), a cheque is a document that instructs a bank to pay a specified amount of money to the named party. On the other hand, according to the Decree of the Board of Directors of Bank Indonesia Number 28/32/Kep/Dir/2005, a bilyet giro is a letter from a customer instructing a bank to transfer funds from one account to another. Although both serve the same function as means of payment, there are notable differences between them. A cheque can be cashed directly, whereas a bilyet giro can only be transferred to the recipient's account. However, in current business practices, cheques and bilyet giro are often not used according to their primary function as payment instruments. They are frequently used as collateral in lending transactions between lenders and borrowers. Such misuse can create legal uncertainty, especially if the cheque or bilyet giro used as collateral cannot be cashed or fails in the clearing process. In these circumstances, questions arise regarding the legal status of the relationship between the issuer and the recipient, as well as the resolution of disputes, whether under civil or criminal law.

This study aims to analyze the legal status of cheques and bilyet giro when used as debt collateral and to assess the legal responsibilities arising from their use in credit transactions. The research employs a normative juridical approach, focusing on legislation and literature studies to review the legal provisions concerning the use of these instruments as collateral. The findings indicate that using cheques and bilyet giro as collateral generates legal implications different from their primary function as payment instruments, highlighting the need for clear regulations to prevent misuse and ensure legal certainty. This study is expected to contribute to the development of understanding in commercial law and banking practices in Indonesia, particularly in clarifying the legal status of negotiable instruments both as payment tools and as collateral. Furthermore, the findings are anticipated to serve as a guide for policymakers, banking institutions, and legal practitioners in formulating regulations and promoting the appropriate use of non-cash payment instruments, thereby ensuring legal certainty and enhancing public trust in the national financial system.

1.1 Literature Review

In the Indonesian commercial legal system, the bilyet giro serves as one of the regulated non-cash payment instruments designed to facilitate the transfer of funds between accounts. Referring to the Decree of the Board of Directors of Bank Indonesia No. 28/32/KEP/DIR, the bilyet giro is defined as a document that instructs the bank holding the account to transfer a specified amount of money to the party indicated, whether at the same bank or at another bank. This definition highlights a fundamental difference between the bilyet giro and a cheque, as it cannot be cashed directly and functions solely as a means of transferring funds. Therefore, the bilyet giro primarily operates as a transfer instrument rather than a tool for withdrawing cash. The main elements of the bilyet giro have been standardized in SEBI No. 4/670, which prescribes a specific format, requires both the issuer and the recipient to be bank customers, and emphasizes its non-cashable nature. When transacting with a bilyet giro, the involvement of parties such as the issuer, the holder, and the bank establishes civil legal relationships based on contractual principles. According to M. H. Tirtaatmidjaja, law is a set of norms that regulates human behavior with consequences of sanctions. In the context of the bilyet giro, the legal relationship is based on interconnected rights and obligations among the parties, particularly concerning the validity of the fund transfer instructions.

Provisions regarding the cancellation of a bilyet giro are also outlined in SEBI No. 4/670, which allows the issuer to revoke the bilyet giro as long as the fund transfer instruction has not yet been executed. The purpose of this regulation is to protect the issuer from risks posed by recipients acting in bad faith. However, previous studies indicate that these rules do not fully guarantee fair protection for both the issuer and the holder. Research by Sari (2018) revealed that although the bilyet giro holds a strong legal position within the national

payment system, it remains susceptible to misuse if the issuer's account balance is not carefully monitored. This underscores weaknesses in control mechanisms, both from the bank and the issuer. Wibowo (2020) added that legal protection for bilyet giro holders is still inadequate, as unilateral cancellation by the issuer is often not accompanied by adequate compensation mechanisms. These findings indicate an imbalance in legal protection between issuers and holders, which may disadvantage parties acting in good faith.

On the other hand, Rahmawati (2022) noted that the development of financial technology has altered the role of the bilyet giro in corporate transactions, alongside the increasing adoption of digital payment methods. Nevertheless, the study emphasizes that, despite the declining use of the bilyet giro, the underlying principles of civil law remain relevant. Compared to previous studies, there is a difference in focus: Sari and Wibowo emphasize structural issues and legal protection, whereas Rahmawati focuses more on the changing function of the bilyet giro within the modern payment system.

From these three studies, it is evident that there is inconsistency in understanding the necessity of updating bilyet giro regulations. According to Sari (2018) and Wibowo (2020), regulatory reform is considered highly important and urgent. Conversely, Rahmawati (2022) argues that changes in the bilyet giro primarily result from technological advancements. The combined findings of these studies indicate that the bilyet giro is in a transitional phase still playing a significant role in certain business transactions, yet vulnerable and increasingly marginalized by newer digital payment tools. Moreover, regulations concerning financial instruments such as cheques, bilyet giro, and promissory notes remain heavily dependent on provisions within the Indonesian Commercial Code (KUHD) and Bank Indonesia regulations, which have yet to fully adapt to digital developments. This represents an important research gap, as the current legal framework for financial instruments in Indonesia does not fully meet the demands of technology-driven business transactions. Considering the existing literature, this study introduces innovation by employing an approach that compares and integrates the legal framework for financial instruments (cheques, bilyet giro, and promissory notes) within the context of modern commercial and corporate law.

The research not only examines normative aspects but also analyzes the legal relationships among relevant parties, regulatory effectiveness, and challenges in implementation amid the digitalization of payment systems. Through in-depth analysis and the integration of prior research findings, this study aims to contribute academically to the development of legal reforms related to financial instruments, aligning them with current technological advancements and business practices.

2. Research Methods

This study employs a normative legal approach, aiming to analyze the positive legal norms contained in regulations, legal doctrines, and judicial decisions. The focus of the research is to assess the legal status of cheques and bilyet giro as forms of non-cash payments, particularly when used as debt collateral.

Research Approach

Three methods are applied in this study :

- Regulatory approach, which aims to examine various regulations related to negotiable instruments, including the Indonesian Commercial Code (KUHD), the Civil Code, and Bank Indonesia regulations such as the Decree of the Board of Directors No. 28/32/KEP/DIR and SEBI No. 4/670.
- Conceptual approach, used to understand legal concepts related to negotiable instruments, legal relationships, and obligations of all parties involved.
- Comparative approach, intended to compare the legal system and practices regarding the regulation of negotiable instruments in Indonesia with other countries or with newer digital payment methods.

Type and Sources of Data

The data analyzed in this study are secondary data, which include :

- Primary legal materials, namely regulations governing payment systems and negotiable instruments.
- Secondary legal materials, including academic research, journal articles, and opinions of legal experts.
- Tertiary legal materials, such as legal dictionaries and other supporting references.

Data Collection Techniques

Data were collected through a literature study, which involved the identification, evaluation, and analysis of relevant legal documents, regulations, and academic sources.

Data Analysis Techniques

The analysis applied is descriptive qualitative, aiming to explain and interpret legal norms and related theories to identify the legal principles governing the use of cheques and bilyet giro as payment instruments and collateral. This analysis connects positive law with banking practices and case studies to fully understand the legal responsibilities of the parties involved.

Scope of the Research

This study focuses on the Indonesian legal system, particularly in aspects of commercial and banking law. The discussion covers normative regulations on cheques and bilyet giro, their misuse as debt collateral, and the legal consequences for the parties involved.

3. Result and Discussion

1. Bank Responsibility in the Use of Cheques

In the banking sector, banks play a crucial role in executing cheques as non-cash payment instruments. Under applicable law, including the Indonesian Commercial Code (KUHD), the Civil Code, and regulations issued by Bank Indonesia, banks are obligated to ensure that sufficient funds are available before processing a cheque. This aligns with civil law principles, which state that issuing a cheque serves as a means to fulfill payment obligations arising from agreements between the parties involved.

Research findings indicate that the responsibility of banks extends beyond merely transferring funds; it also includes protection for third parties acting in good faith. If a bank fails to verify the validity of

funds, legal consequences may arise in both civil and administrative domains. Therefore, the role of the bank is not only preventive but also serves as an enforcer of public trust in the payment system.

2. Legal Protection for Good-Faith Recipients of Bounced Cheques and Bilyet Giro

Studies on the Civil Code (Articles 1234–1239, 1243, 1365), the Commercial Code (Articles 178–229), and the Criminal Code (Article 378) indicate that holders of negotiable instruments acting in good faith are entitled to legal protection. Civil law primarily applies when bounced cheques or bilyet giro do not involve criminal elements or malicious intent.

Research also shows that the repeal of Law No. 17 of 1964 has made the resolution of bounced cheques dependent on proving the presence of intent or fraud. Thus, recipients acting in good faith still retain legal protection, while the bank's obligation to ensure sufficient funds remains critical. This analysis supports Philipus M. Hadjon's Legal Protection Theory, emphasizing the importance of both preventive and repressive protection for parties acting in good faith.

3. The Legal Position of Promissory Notes and the Legal Framework for Negotiable Instruments

Promissory notes, regulated under Articles 100–173 of the Commercial Code, serve as written instructions from the drawer to a third party to pay a specified sum of money. Together with cheques and bilyet giro, promissory notes form the legal framework for negotiable instruments, providing certainty and legitimacy in non-cash business transactions.

Research findings indicate that the use of negotiable instruments by companies imposes legal responsibilities on both issuers and recipients. If a company issues a financial instrument without sufficient funds, the act may be considered a breach of contract, a tort, or even fraud, depending on whether there was intent. Prudence principles in banking are applied in business practices, meaning that these instruments function not only as payment tools but also as mechanisms for monitoring legal compliance and corporate responsibility.

In conclusion, the findings demonstrate that cheques, bilyet giro, and promissory notes are essential components in supporting business activities, ensuring legal certainty, and enhancing trust in the national payment system, despite challenges posed by digitalization and potential misuse of these instruments.

4. Conclusions

Based on the analysis and discussion conducted, it can be concluded that cheques, bilyet giro, and promissory notes play a crucial role in providing legal certainty and enhancing public trust in Indonesia's non-cash payment system. These three instruments function not only as payment tools but also as legal instruments that link business law principles with corporate responsibility. Banks have a clear legal obligation to execute payment instructions via cheques while adhering to the principle of prudence. Failure to verify funds can result in legal consequences, both civil and administrative, and may undermine public trust. Holders of cheques and bilyet giro acting in good faith are entitled to legal protection. Issuing a cheque or bilyet giro without sufficient funds can be considered a civil violation if there is no intent to defraud, or may constitute a criminal offense if theft is involved. Good faith is a primary factor in determining legal protection for all parties involved.

In the corporate context, negotiable instruments serve as financial tools as well as mechanisms for ensuring legal accountability. The issuance and use of cheques, bilyet giro, and promissory notes demonstrate that companies comply with prudential principles and implement good governance practices. Companies must ensure the availability of funds and the validity of transactions to prevent losses and protect their reputation. Generally, the legal framework for negotiable instruments in Indonesia is still based on the Commercial Code (KUHD) and regulations issued by Bank Indonesia.

In facing challenges posed by financial technology and digital payment systems, updating regulations, improving legal certainty, strengthening oversight, and enhancing public education are essential to ensure fairness, efficiency, and legal protection within the commercial legal system. This conclusion underscores the importance of this research as both a practical and academic guide for banks, corporations, and policymakers.

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