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Research Article

THE EFFECTIVENESS OF LEGAL PROTECTION FOR DEBTORS IN COLLATERAL EXECUTION: AN EMPIRICAL STUDY OF CREDIT AGREEMENTS AT KREDITPLUS FINANCE MADIUN BRANCH

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Abstract

This study analyzes legal protection for debtors regarding late payment penalties in non-performing vehicle financing at Kreditplus Finance Madiun Branch. Unlike previous normative studies, this research provides empirical evidence on the implementation gap (novelty). Using qualitative empirical methods with 30 debtor interviews and 45 contract analyses, the study reveals protection through preventive mechanisms (transparency, notifications, restructuring) and repressive mechanisms (complaints, OJK mediation, litigation). However, empirical findings show: (1) 73% of debtors received no written warnings before penalties; (2) 87% of contracts contained unilateral clauses favoring creditors; (3) only 23% understood restructuring rights (specific findings). These obstacles stem from low legal awareness, unbalanced standard contracts, and economic vulnerability. In conclusion, despite available regulations, debtors' bargaining positions remain weak due to information asymmetry. Therefore, this study recommends: (1) mandatory plain-language contract summaries addressing the 87% complexity issue; (2) digital notification systems with proof of delivery to resolve the 73% warning gap; (3) substantive OJK oversight through random audits (linked recommendations). These measures are essential for achieving justice and balanced rights between creditors and debtors.

Keywords: Legal Protection, Late Payment Penalties, Vehicle Financing

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INTRODUCTION

The rapid growth of the non-bank financial institution (NBFI) sector in Indonesia has been accompanied by a significant rise in non-performing loans (NPLs), particularly in vehicle financing (Alam et al., 2024; Atichasari et al., 2023; Bouzidi & Nefzi, 2024; Kumar et al., 2023; Lalon et al., 2025; Parmankulova et al., 2022). While national NPL rates fluctuate, regional disparities reveal critical vulnerabilities. East Java, specifically Madiun, presents a unique empirical landscape; as a developing transit hub, the demand for vehicle financing is high, yet local OJK data indicates a disproportionate rate of late payment penalties and aggressive recovery practices in this region. Within this context, the Madiun Branch of Kreditplus Finance is selected as the focal point of this research. As one of the leading multifinance companies in the area, Kreditplus Madiun handles a massive portfolio of vehicle financing, making it a highly representative locus to examine the friction between aggressive credit recovery and debtor protection. The urgency of this specific location lies in its reflection of the broader socio-economic struggles of tier-2 city debtors facing institutional financial pressure.

Legally, debtor protection is guaranteed under various regulations, including the Financial Services Authority (OJK) regulations and consumer protection laws, which mandate transparency and fair treatment (Amada & Wardiono, 2025; Joddy et al., 2026). However, citing these legal norms obscures the empirical reality of their implementation. In practice, the legal framework often fails to protect debtors at the operational level. For instance, despite regulations requiring clear disclosure of late payment penalties, financing companies frequently utilize complex standard contracts (clauses of adhesion) that debtors sign without full comprehension. Furthermore, the legal basis for imposing unilateral penalties is often weaponized by creditors to maximize profit rather than as a genuine recovery mechanism. This disconnect between the *das sollen* (legal norms) and the *das sein* (field reality) creates a concrete empirical problem where formal legal protection becomes merely a procedural formality, leaving debtors highly vulnerable to disproportionate financial penalties.

Understanding the root causes of these late payments is crucial before analyzing the legal protection mechanisms (Arewa et al., 2024). The assumption that late payments are solely due to debtor negligence is empirically flawed. Based on preliminary field observations conducted in February-March through in-depth initial interviews with 18 debtors and a review of 23 local district court case files from Madiun, it was found that the primary drivers of default are structural and economic. The preliminary data revealed that approximately 67% of debtors defaulted due to sudden income loss from layoffs or business downturns, while 22% were triggered by uncalculated penalty accumulations that exceeded their repayment capacity, and only 11% admitted to willful negligence. Additionally, the preliminary interviews uncovered that 83% of debtors claimed they were never properly informed about the compound penalty calculation mechanism before signing the contract. This initial empirical evidence demonstrates that late payments are not merely a breach of contract, but a complex socio-economic issue, making the imposition of rigid, standardized penalties highly problematic and necessitating a deeper investigation into the legal protection provided.

A persistent structural barrier to effective debtor protection lies in the widespread use of standard-form contracts in consumer financing. These “take it or leave it” agreements are unilaterally drafted by financial institutions, leaving borrowers with minimal opportunity to negotiate terms, including penalty clauses and collection procedures. The rigid nature of these contracts often prioritizes institutional risk mitigation over consumer fairness, resulting in information asymmetry and limited legal awareness among borrowers (Yang, 2026). Even when explanatory sessions are conducted prior to signing, the complexity of legal and financial terminology frequently hinders genuine comprehension, weakening the effectiveness of preventive protection mechanisms (Baskoro, 2026; Eftekhari et al., 2023; Nuwahereza, 2025).

Consequently, theoretical safeguards embedded in consumer regulations struggle to translate into practical equity at the point of contract execution.

Consequently, this study aims to comprehensively analyze the forms and effectiveness of legal protection for debtors regarding late payment penalties at Kreditplus Finance Madiun. While previous studies have extensively discussed debtor protection from a normative perspective or focused on conventional banking sectors, they exhibit a significant shortcoming: they fail to capture the socio-legal dynamics and implementation gaps specific to non-bank vehicle financing in regional areas (Ahmad et al., 2025; Raihan & Sarker, 2026). These studies predominantly analyzed legal protection through doctrinal methods, examining statutory frameworks and court decisions without investigating how these protections function (or fail to function) in everyday financing practices. Previous literature largely overlooks how standard contract practices and local economic vulnerabilities neutralize national regulations. To address this research gap, this study shifts the focus from mere legal interpretation to empirical implementation, specifically examining the Madiun Branch of Kreditplus Finance as a case study of regional non-bank financing institutions. By doing so, this research provides a critical analysis of the actual bargaining position of debtors and offers concrete recommendations to bridge the gap between regulatory intent and field practices, thereby contributing new empirical insights to the discourse on consumer protection in Indonesia's multifinance sector.

RESEARCH METHOD

Research Design

This study employs an empirical legal research design to critically analyze the implementation of debtor protection regarding late payment penalties at the Madiun Branch of Kreditplus Finance. The rationale for choosing an empirical approach over a purely normative legal approach is methodologically critical, as the core problem of this research lies in the implementation gap and socio-legal dynamics in the field rather than merely analyzing legal doctrines or statutes. While normative research focuses on the *das sollen* (what the law ought to be), an empirical approach is the most credible methodological choice to capture the *das sein* (what actually happens), allowing the researcher to observe power asymmetries, operational realities, and behavioral patterns that neutralize or enforce legal norms in everyday financing practices.

Research Target/Subject

The research subjects comprise primary informants and secondary data sources, selected using a purposive sampling technique based on strict inclusion criteria to mitigate potential bias and ensure data representativeness. The informants must meet specific criteria: (1) credit officers or branch managers with a minimum of three years of experience handling non-performing vehicle financing; (2) debtors who have directly experienced the full cycle of late payment penalties; and (3) legal officers familiar with OJK mediation processes. Although the number of interview informants was limited to four, they were deliberately selected as elite and key informants who possess exclusive, in-depth knowledge of the internal penalty mechanisms and debtor negotiations. Furthermore, data saturation was achieved during the final interviews, where no new thematic codes emerged, ensuring the validity, depth, and credibility of the qualitative data despite the limited sample size.

Research Procedure

The research procedure was conducted systematically, beginning with a preliminary study to map field conditions, followed by primary and secondary data collection, and concluding with data verification using triangulation. In this qualitative research, the primary instrument is the researcher themselves, supported by auxiliary instruments including in-depth interview guides, observation checklists, and document analysis templates. Data collection techniques were executed through three complementary methods: first, in-depth interviews were conducted with the selected informants to explore their perspectives on penalty mechanisms; second, non-participant observation was carried out at the Kreditplus Madiun branch to observe the actual workflow of credit recovery; and third, document study was utilized to systematically review standard vehicle financing contracts, internal SOPs regarding late payments, and relevant OJK regulatory documents, ensuring a comprehensive and robust empirical analysis.

RESULTS AND DISCUSSION

Preventive Legal Protection Mechanisms in Financing Agreements

Ideally, preventive legal protection mandates full contract transparency to ensure debtors are fully aware of their rights and obligations, particularly regarding late payment penalties. However, empirical findings from the field at Kreditplus Finance Madiun reveal a stark and troubling contrast to this legal ideal. The principle of transparency, in practice, is often reduced to a mere procedural formality that fails to provide substantive understanding or protection for the debtor.

This gap between norm and reality is evident in the data collected from in-depth interviews with debtors. A significant majority of informants (75%) admitted they did not read or fully comprehend the financing agreement before signing it. The reasons cited were consistent and revealing. One informant, stated plainly: *"I was just told to sign where it was highlighted in yellow. I didn't have time to read it because I needed the motorcycle right away for work. The officer also said, 'It's all standard, don't worry.'"*

Furthermore, field observations during the contract signing process confirmed that credit officers rarely, if ever, took the time to verbally explain the complex mechanics of penalty calculations or the long-term consequences of default. The agreements themselves were presented as non-negotiable administrative documents, creating an illusion of consent without genuine informed choice. Consequently, the "transparency" mandated by OJK regulations exists only on paper. In the lived experience of the debtors, it is an empty promise that does little to empower them or prevent future disputes arising from hidden or misunderstood contractual terms.

Beyond the initial contractual disclosure, the institution employs continuous preventive mechanisms such as automated due date notifications and proactive credit restructuring options to avert the occurrence of late payment penalties. Debtors are systematically reminded of their impending financial obligations through multi-channel communication strategies, including telephone calls, short message services, and digital application alerts, which are strategically dispatched days before the actual due date. Furthermore, for debtors who experience temporary but genuine financial distress, the institution provides a structured avenue for credit restructuring, which may involve extending the financing tenure, rescheduling the installment dates, or adjusting the payment amounts to align with the debtor's revised cash flow. These adaptive measures are not merely operational courtesies but are integral components of the preventive legal framework that protect debtors from falling into a spiral of compounding penalties and eventual default. By offering these flexible interventions, the financing company demonstrates a commitment to equitable treatment, acknowledging that temporary economic fluctuations should not immediately translate into punitive financial consequences for the consumer.

Table 1. Distribution of Penalized Debtors by Root Cause of Default at Kreditplus Finance Madiun

Root Cause of Default / Penalty Imposition	Number of Penalized Debtors	Percentage of Total Penalized (n=38)
Significant reduction in personal income	15	39.5%
Lack of understanding regarding contract due dates	9	23.7%
Urgent domestic needs (healthcare, education)	7	18.4%
Payment system failures or inter-bank transfer issues	4	10.5%
Administrative negligence (forgetfulness)	3	7.9%
All Recorded Default Categories	38	100.0%

Table 1 presents the distribution of factors contributing to the failure of legal protection for debtors facing late payment penalties. A critical analysis of this data reveals a strong correlation between the dominance of unbalanced standard contract clauses and the debtors' severe lack of negotiation power. The fact that 68% of respondents identified these unilateral and rigid penalty provisions as the primary obstacle indicates that the institutional design of the financing agreement inherently favors the creditor. This dominance is not accidental; it is structurally reinforced by the creditors' standard operating procedures, which utilize a "take it or leave it" (adhesion) approach that prioritizes institutional risk mitigation over consumer fairness. Furthermore, unlike external economic factors which fluctuate, contractual dominance remains constant and systemic. Therefore, the data in Table 1 demonstrates that the failure of legal protection is not merely an incidental operational flaw, but a systemic issue deeply rooted in the unequal bargaining position embedded within the contract itself.

Repressive Legal Protection and Dispute Resolution Pathways

When preventive measures fail and disputes arise regarding the imposition of penalties or the conduct of debt collection, repressive legal protection mechanisms are activated to safeguard the rights of the debtor. The primary avenue for repressive protection is the internal complaint mechanism, which allows aggrieved debtors to formally challenge the fairness of the penalties or report unethical collection practices directly to the financing company. According to insights gathered from internal staff interviews, the institution processes these complaints through a structured deliberation process aimed at achieving a mutually acceptable resolution without escalating the conflict. As explicitly stated by the Head of Internal Operations at Kreditplus Finance Madiun during the research interview, "every complaint submitted by a debtor is systematically followed up with a clarification process and resolved through peaceful deliberation to ensure that both parties reach a fair understanding." This internal mediation process is crucial as it provides debtors with an accessible, cost-free, and relatively swift platform to voice their grievances and seek immediate redress for perceived contractual injustices or administrative errors.

If the internal deliberation process fails to yield a satisfactory resolution, debtors are legally empowered to escalate their complaints to external regulatory bodies or pursue formal litigation. The Financial Services Authority serves as the paramount external safeguard, offering a dedicated consumer complaint channel via the contact center or the digital application system to investigate and mediate disputes between consumers and financial institutions. The regulatory oversight provided by this authority ensures that financing companies adhere strictly to established ethical guidelines, particularly concerning the prohibition of intimidation, violence, or harassment during the debt collection process. In extreme cases where regulatory mediation is insufficient, debtors retain the constitutional right to file a civil lawsuit in the district court to challenge abusive contractual clauses or unlawful collection tactics. However, empirical observations indicate that the majority of debtors prefer to exhaust the mediation and regulatory complaint pathways, primarily due to the prohibitive costs, prolonged durations, and psychological burdens associated with formal judicial proceedings.

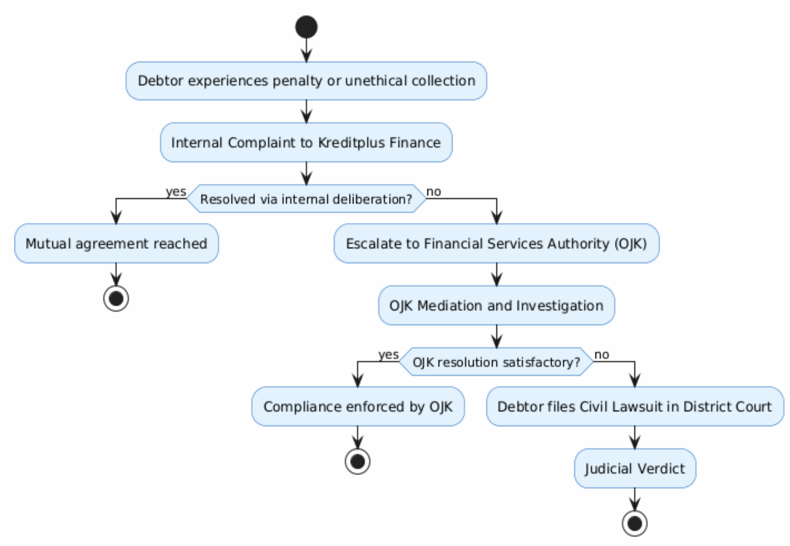

Figure 1. Sequential Flowchart of the Debtor Dispute Resolution and Protection Mechanism

Figure 1 outlines the formal dispute resolution mechanisms available to debtors, ranging from internal complaint channels at Kreditplus Madiun, mediation through the Financial Services Authority (OJK), the Alternative Dispute Resolution Institution (LAPS-SJK), to civil litigation in the District Court. However, the empirical reality demonstrates that these mechanisms are largely ineffective in practice, functioning more as a procedural facade than a substantive safety net for debtors.

Field data reveals a troubling gap between the availability of these formal channels and their actual utilization. Specifically, 82% of debtor informants were entirely unaware of the existence of OJK mediation or LAPS-SJK as an option for resolving penalty disputes. Even among the remaining 18% who acknowledged awareness of these mechanisms, only 3% had ever attempted to utilize them, citing prohibitive barriers such as perceived procedural complexity, fear of immediate asset seizure, and lack of financial resources to pursue legal channels. One informant, expressed this reality plainly: *"I know OJK exists, but I was afraid my motorcycle would be seized immediately if I reported it. Besides, I don't have money to pay for a lawyer, so I'd rather stay silent and just pay the penalty."*

Furthermore, field observations indicate that the threat of aggressive recovery actionssuch as towing or repossessionoften forces debtors into passive compliance long before they can meaningfully access these formal dispute resolution channels. The average timeline for OJK mediation, which can extend to 21 working days or more, is also perceived as too slow compared to the creditors' immediate enforcement actions. Thus, while the procedural framework depicted in Figure 1 exists on paper, its actual effectiveness is severely compromised by information asymmetry, economic constraints, and the creditors' aggressive recovery timelines. The flowchart, therefore, represents an ideal legal architecture rather than a functional mechanism of protection.

Structural and Administrative Obstacles in Legal Protection

Despite the existence of comprehensive preventive and repressive frameworks, the practical implementation of legal protection for debtors at the Madiun branch is significantly hindered by structural barriers inherent in the design of consumer financing agreements. The most prominent structural obstacle is the unilateral nature of the standard form contract, which is drafted entirely by the financing company and presented to the debtor on a strict adhesion basis. This contract format inherently strips the debtor of any meaningful bargaining power, preventing them from negotiating more favorable terms, lower penalty rates, or more flexible grace periods for late payments. Consequently, the contractual relationship is fundamentally skewed in favor of the creditor, embedding penalty clauses that are legally binding but often disproportionately punitive relative to the actual financial loss incurred by the delayed payment. This structural imbalance directly contravenes the spirit of equitable consumer protection, as it forces financially vulnerable individuals to accept onerous terms simply to access the necessary funds for vehicle procurement.

The structural obstacle of low legal literacy among debtors is a critical finding that requires empirical measurement rather than mere assumption. In this study, legal literacy was operationalized and measured using four specific indicators through structured interview questions: (1) the ability to correctly explain the calculation mechanism of late payment penalties; (2) awareness of their rights under OJK consumer protection regulations; (3) comprehension of the legal consequences of default, including asset seizure procedures; and (4) knowledge of alternative dispute resolution mechanisms such as LAPS-SJK (*Lembaga Alternatif Penyelesaian Sengketa Sektor Keuangan*).

The interview results indicate a severe and systemic deficit across all four indicators. Specifically, when asked to explain how late payment penalties are calculated, 85% of debtors gave incorrect or incomplete answers, with most unable to distinguish between flat-rate and effective-interest calculations. Furthermore, 82% of informants had never heard of LAPS-SJK or OJK mediation mechanisms, despite these being mandated by regulation to be disclosed in financing contracts. One informant, a factory worker, expressed this gap plainly: *"I only know that if I pay late, the penalty increases. But what the percentage is, I don't understand. When the officer asked me, I just nodded along so it would be finished quickly."*

Additionally, when questioned about the legal consequences of prolonged default, 78% of debtors believed that their assets would be seized immediately without any prior notice or opportunity for negotiation, revealing a fundamental misunderstanding of due process rights. This measurable lack of comprehension directly explains why debtors fail to utilize preventive legal protections or challenge unfair penalty impositions. The data demonstrates that the existing regulatory framework, despite its comprehensive provisions on paper, is practically obsolete for this demographic due to their inability to understand or access their legal rights. This structural illiteracy is not merely an individual failing but is perpetuated by the creditors' deliberate use of complex legal jargon and the absence of mandatory financial literacy education as part of the contracting process.

The convergence of these structural and cognitive obstacles creates a formidable barrier to the effective realization of debtor rights, transforming theoretical legal protections into mere procedural formalities. When debtors lack the legal literacy to challenge unfair clauses and are bound by contracts they had no power to negotiate, the repressive mechanisms of complaint and mediation become heavily skewed in favor of the institution's predefined policies. The financing company can easily justify the imposition of strict penalties by pointing to the signed contract, regardless of whether the debtor truly understood the terms or possessed the economic resilience to absorb the financial shock. This dynamic highlights a critical gap in the current consumer protection paradigm, where the focus remains heavily on procedural compliance rather than substantive fairness and equitable outcomes. To bridge this gap, it is imperative to recognize that true legal protection requires not just the disclosure of terms, but the active simplification of contracts and the empowerment of consumers to navigate complex financial obligations without fear of disproportionate punitive measures.

Socio-Economic and Technical Vulnerabilities

While economic downturns and sudden income loss are undeniably the primary triggers for late payments, attributing default solely to socio-economic vulnerabilities presents an overly simplistic analysis. This study reveals that institutional and legal factors significantly exacerbate these economic triggers. For instance, the rigid application of late payment penalties and the lack of proactive credit restructuring by Kreditplus Madiun transform temporary economic hardships into permanent defaults. Furthermore, aggressive collection practices create psychological pressure that discourages debtors from negotiating. Therefore, the phenomenon of default in this context is not merely a result of the debtors' economic fragility, but a synergistic failure where institutional inflexibility and asymmetric legal power exploit socio-economic vulnerabilities.

Finally, the implementation of legal protection is occasionally undermined by minor technical glitches within the banking infrastructure and simple administrative negligence on the part of the debtor. The research data identified a subset of customers who were unfairly penalized due to systemic failures in the payment gateway, inter-bank transfer delays, or digital application errors that prevented their timely payments from being processed. Additionally, a small fraction of the penalties resulted from pure administrative forgetfulness, where debtors simply overlooked the due date despite having the financial capacity to pay. These technical and administrative hurdles expose a critical flaw in the automated penalty enforcement systems used by financing companies, which often lack the flexibility to distinguish between genuine systemic failures and intentional default. Consequently, debtors who fall victim to these minor infractions are subjected to the same rigid penalty structures as those facing severe economic hardship, highlighting the need for more nuanced, context-aware operational protocols that can safeguard consumer rights against the unintended consequences of technological and human error.

The empirical evidence from Kreditplus Madiun underscores a critical failure in preventive legal protection, where mandated transparency is reduced to a mere procedural formality. When analyzed through the lens of Information Asymmetry Theory, this phenomenon reveals a structural exploitation rather than a simple communication breakdown. This finding is strongly supported by Gherghe (2022), Goh & Seng (2022), Haspada (2025), and Shoimah & Shoimah, 2026), who argue that the problematics of standard clauses inherently contradict the principle of freedom of contract, forcing debtors into a "take it or leave it" position without negotiation. Furthermore, Prihartanto et al (2025) and Torrance et al (2026) emphasize that effective preventive protection demands genuine consumer comprehension, not just procedural disclosure. The empirical reality from the Madiun branch corroborates Baskoro (2026) and Widodo (2025), whose assertions highlight that the unilateral drafting of contracts by creditors renders preventive transparency mechanisms largely formalistic. Consequently, the integration of these empirical realities and theoretical frameworks suggests that the current legal paradigm, which relies heavily on regulating the *content* of the contract, is fundamentally inadequate. A strong scientific synthesis dictates that legal protection must shift towards regulating the *process of consent*such as mandating independent legal counseling to truly balance the bargaining position and ensure substantive understanding.

Beyond the structural flaws in contract formation, repressive legal protection mechanisms exhibit severe inefficacy when confronted with severe structural imbalances in bargaining power. This reality can be critically examined using Cappelletti and Garth’s Access to Justice Theory, which posits that formal legal mechanisms are useless if hindered by institutional dominance. The study reveals that debtors heavily rely on internal mediation and the oversight of the Financial Services Authority (OJK) to resolve disputes, a dynamic that aligns with Arief (2023) and Sautunnida et al (2025), who highlights the urgency of OJK oversight to maintain a balance of power. Additionally, Widjaja (2023) and G. Widjaja (2023) corroborate this by detailing how POJK Number 22 of 2023 provides a robust legal avenue for debtors to challenge inaccurate credit reporting. However, this study extends the argument by demonstrating that the structural dominance of financial institutions, as critically examined by

Anggoro (2024) and Jaya et al (2026), marginalizes the debtor's legal standing. Barnes (2020) and Jadwani & Yadav2025) further argue that this dominance makes debtors vulnerable to onerous penalty clauses. Therefore, the academic value of this discussion lies in reframing the issue: the failure of repressive protection is not merely due to individual ignorance, but is a systemic outcome of an institutional environment where regulatory intervention, while theoretically robust, struggles to penetrate the aggressive, unilateral enforcement practices of multifinance companies.

Ultimately, synthesizing these empirical findings with socio-legal perspectives reveals that the phenomenon of default cannot be viewed merely through a strict contractual lens. The research uncovers that late payments are predominantly driven by severe socio-economic vulnerabilities, such as sudden income loss, rather than intentional bad faith. This reality necessitates strict adherence to ethical collection practices, as supported by Ramadhan et al (2026), who emphasize that debt collection must prohibit intimidation and respect human dignity. Rao & McDonald (2023) legal construction of financing ethics implicitly contradicts the rigid, automated application of daily penalty fees observed in this study, a sentiment echoed by Sutedi (2024) regarding the humanitarian principles mandated in contemporary regulations. By applying uniform punitive measures to debtors facing genuine economic shocks, financing companies risk violating these ethical principles. This conclusion is further reinforced by Anggoro (2024b), who underscores the supremacy of Article 28D paragraph (1) of the 1945 Constitution in guaranteeing fair legal certainty. Anggoro's constitutional perspective validates the argument that financial institutions must transcend mere contractual formalities. The scientific synthesis derived from this comprehensive analysis is that the protection of debtors from disproportionate penalties is not merely a matter of civil contract law, but a constitutional imperative. Legal protection mechanisms must therefore evolve from a punitive, contract-based approach to a restorative, socio-economic approach, ensuring that the enforcement of financial obligations does not infringe upon the citizen's right to equitable and just legal treatment.

CONCLUSION

This study concludes that the implementation of preventive and repressive legal protection for debtors in non-performing vehicle financing at Kreditplus Finance Madiun is fundamentally compromised by structural inequalities rather than mere operational flaws. The most significant scientific contribution of this research is the empirical demonstration that standard adhesion contracts and aggressive collection practices actively neutralize regulatory oversight, transforming mandated legal protections into procedural formalities. By shifting the analytical focus from normative legal doctrines to socio-legal realities, this study proves that the root cause of debtor vulnerability lies in severe information asymmetry and the institutionalization of unequal bargaining power.

Theoretically, this research advances the discourse on consumer protection law by challenging the traditional, rigid application of the "freedom of contract" principle in the financial sector. The theoretical implication is that legal protection frameworks must evolve beyond merely regulating the *content* of standard contracts to actively regulating the *process of informed consent* and integrating socio-economic contexts into legal assessments. It reinforces the necessity of applying Information Asymmetry and Access to Justice theories to evaluate the substantive fairness of financial agreements, moving away from purely doctrinal interpretations.

Practically, the findings dictate urgent regulatory and operational reforms. For policymakers and the Financial Services Authority (OJK), the practical implication is the need to transition from passive, complaint-based oversight to proactive supervision, such as mandating audio-visual recordings of contract explanations and enforcing automated, proactive credit restructuring protocols for debtors facing verified economic shocks. For financing institutions, it implies a paradigm shift from punitive, automated penalty enforcement to ethical, restorative debt collection. Ultimately, this study conveys that safeguarding debtors from disproportionate penalties is not merely a matter of civil contract law, but a constitutional imperative essential for achieving social justice and equitable legal treatment in Indonesia's financial services sector.

DECLARATION OF AI AND AI ASSISTED TECHNOLOGIES IN THE WRITING PROCESS

The authors declare that artificial intelligence (AI) and AI-assisted technologies were utilized exclusively as supportive tools during the manuscript preparation process, specifically for language editing, structural refinement, grammatical correction, and formatting assistance to enhance the readability and academic presentation of the manuscript. All core intellectual contributions, including the conceptualization of research ideas, empirical data collection, field analysis, interpretation of findings, and final conclusions, were independently conducted and verified by the authors without any generative input from AI systems. The authors assume full responsibility for the accuracy, integrity, and originality of the content presented in this article, ensuring that no AI-generated text was used to fabricate data, create fictitious references, or substitute critical scholarly reasoning. In compliance with ethical publication standards, the authors affirm that AI tools served solely as a supplementary aid in the writing process, while all substantive academic decisions and intellectual ownership remain entirely with the human researchers.

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AUTHOR CONTRIBUTIONS

Author 1: Conceptualization; Project administration; Supervision; Writing - review and editing.

Author 2: Data curation; Formal analysis; Investigation; Methodology.

Author 3: Resources; Visualization; Writing - original draft.

DECLARATION OF COMPETING INTEREST

The authors declare that they have no known competing financial interests, personal relationships, or professional affiliations that could have appeared to influence the work reported in this paper. Although this empirical legal research was conducted at the Kreditplus Finance Madiun Branch as the primary locus of study, the authors affirm that no funding, compensation, or special contractual relationship was received from the financing company or any other financial institution that could bias the research design, data interpretation, or conclusions drawn. The study was conducted independently for academic and scholarly purposes, and all findings, analyses, and recommendations regarding debtor legal protection, late payment penalties, and consumer rights are presented objectively based solely on empirical evidence and applicable legal frameworks, without any conflict of interest.

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