

Implementation of Default Settlement in Pawn Agreements (Study at PT. Awi Gadai Yogyakarta)

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ABSTRACT

Non-bank financial institutions contribute to the economic development of the community, particularly by serving the economic needs of communities that cannot be reached by banking institutions. PT. Awi Gadai Yogyakarta is a non-bank financial institution that helps the economy of small communities by making it easier to obtain funds through loans secured by pawning. The issues raised are the resolution implemented by PT. Awi Gadai in the event of a customer's default and the legal protection provided to the customer or mortgagor in the event of a default under the pawning agreement at PT. Awi Gadai Yogyakarta. The purpose of this study is to determine the resolution implemented by PT. Awi Gadai in the event of a customer's default and to determine the legal protection provided to the customer or mortgage in the event of a default under the pawning agreement at PT. Awi Gadai. The type of research conducted is normative and empirical legal research. Data collection techniques include literature reviews and interviews with informants. The results indicate that PT. Awi Gadai resolves defaults through auctioning collateral, and the legal protection provided to the customer or mortgagor is through insurance to ensure the existence of the collateral.

INTRODUCTION

The rapid development of the contemporary global economy has fundamentally transformed the structure of financial transactions and community needs. Globalization has accelerated economic integration across regions, creating increasingly complex and dynamic patterns of financial activity. One of the most significant impacts of this contemporary economic development is the growing gap between the financial needs of the general public and the accessibility of formal banking institutions. As economic pressures intensify, particularly among lower- and middle-income communities, the demand for alternative financial services has increased substantially. Non-bank financial institutions, including pawnshops, have emerged as critical intermediaries that bridge this gap by providing accessible and relatively simple financing mechanisms (Abubakar, 2015).

In the contemporary economic context, transactions and agreements have become an inseparable part of human social life. As Allah SWT created humans as social beings who complement and support one another through various forms of economic activity, including trade, leases, and loans, the need for structured and legally sound financial agreements has grown in parallel with increasing economic complexity (Hadi, 2003). The contemporary economic era is marked by heightened transactional intensity,

greater public financial awareness, and diversification of financial products. These developments have, on one hand, expanded economic opportunities but, on the other hand, have also increased the risk of financial disputes, including default in debt agreements.

Pawning (*gadai*) has historically served as one of the most accessible forms of credit, particularly for communities that are reluctant or unable to engage with formal banking institutions due to psychological, administrative, or economic barriers. Unlike mortgage or fiduciary guarantee arrangements, pawn agreements are characterized by a simpler administrative process and a more direct procedure, making them a preferred choice for communities in economic need (Suari, 2019). According to Article 1150 to Article 1160 of the Civil Code, the pawn mechanism grants creditors rights over movable collateral, and the proceeds from the sale of such collateral may be used to settle outstanding debts. However, despite the relative simplicity of the process, disputes arising from default remain a persistent and legally complex issue in pawn agreements.

Several prior studies have examined the legal framework and implementation of pawn agreements in Indonesia. Research byuari (2019) focused on the legal protection of pawnbrokers in conventional pawn transactions and highlighted the vulnerability of debtors in the event of default. Similarly, Kholid (2018) examined the Islamic perspective on pawning, emphasizing the socio-economic function of pawn agreements in Muslim communities since the era of the Prophet Muhammad SAW. Paulina (2022) investigated public awareness of the growth of PT Pegadaian's services, noting persistent gaps in community understanding of pawn mechanisms. However, these studies were predominantly conducted in the context of government-owned pawnshops, particularly Perum Pegadaian, and were limited in their examination of private pawnshop institutions. Furthermore, prior research has not sufficiently addressed the procedural dynamics of default settlement in private pawnshops operating outside the formal state-owned framework, nor have they explored the institutional and legal responses of private pawnshops when debtors fail to fulfill their obligations.

This research offers a distinct novelty by shifting the analytical focus toward a private pawnshop institution, namely PT AWI Gadai Yogyakarta, which represents the largest and most branched private pawnshop in the Special Region of Yogyakarta. Unlike prior studies that concentrated on Perum Pegadaian or addressed pawn agreements in a general legal-theoretical manner, this research specifically examines the implementation of default settlement mechanisms as applied in a private pawnshop context. PT AWI Gadai was established in 2005 and has grown significantly in response to increasing public demand for accessible pawn services in Yogyakarta, operating with a vision of becoming a leading, professional, and trusted pawnshop that serves all segments of society through fast, affordable, and secure services (Awi Gadai Jogja, 2023). The novelty of this study also lies in its empirical approach, which investigates how default cases are handled in practice, including the mechanisms of collateral sale, debt settlement procedures, and the distribution of remaining proceeds to debtors, within the institutional and regulatory framework applicable to private pawnshops in Indonesia.

Default in pawn agreements frequently occurs when debtors are unable to repay their loans within the agreed period and the collateral offered is insufficient to cover the outstanding obligations. Forms of default include non-payment due to disagreement with applicable interest rates, the debtor's disappearance, or the debtor's denial of the existence of a debt relationship with the creditor (Satrio, 1993). Under Article 1132 of the Civil Code, the property serving as collateral may be sold and its proceeds distributed to fulfill creditor claims. Nevertheless, the practical implementation of this legal provision in private pawnshop

settings remains underexplored in the academic literature. Therefore, this study examines and analyzes the implementation of default settlement in pawn agreements, with PT AWI Gadai Yogyakarta as the research setting, in order to contribute empirical and juridical insights to the development of private pawnshop law and practice in Indonesia.

METHOD

This research employs a normative-empirical legal approach that integrates library research with field research. The normative dimension involves examining legal principles, theories, doctrines, and regulatory frameworks governing the resolution of default in pawn agreements. The empirical dimension involves field research to assess the conformity between community practices and applicable legal provisions. This combined approach is considered appropriate for legal research that seeks to understand not only the normative framework but also its practical application in society (Diantha, 2016; Mukti Fajar & Achmad, 2019).

Research data were obtained from two sources: primary data and secondary data. Primary data were collected through direct, in-depth interviews with informants using pre-prepared interview guidelines. Secondary data were obtained from primary and secondary legal materials. Primary legal materials include the Civil Code (Kitab Undang-Undang Hukum Perdata/KUHPerdata), Government Regulation Number 103 of 2000 concerning the Public Pawn Company (Perusahaan Umum Pegadaian), Government Regulation Number 10 of 1970, and Financial Services Authority (Otoritas Jasa Keuangan/OJK) Regulation Number 31/POJK.05/2016 concerning Pawn Businesses. Secondary legal materials were obtained from books, peer-reviewed journals, prior research findings, and other relevant legislation (Marzuki, 2019).

The research was conducted at PT. Awi Gadai Yogyakarta, located in Sleman Regency, Special Region of Yogyakarta. Research informants consisted of the management of PT. Awi Gadai Yogyakarta. Data collection techniques included literature study and direct semi-structured interviews. Informants were selected using purposive sampling, as respondents were assumed to possess direct knowledge of and experience with the issues under study (Sugiyono, 2022). The collected data were analyzed using descriptive-qualitative methods to provide a comprehensive picture of the implementation of default resolution in pawn agreements, and conclusions were drawn inductively (Creswell & Creswell, 2018; Miles, Huberman, & Saldaña, 2020).

RESULTS AND DISCUSSION

Result

A. Mission and Objectives of the Pawn Company

Pegadaian's mission is to meet the community's financial needs by providing loans based on pawn law. This goal is intended to help economically disadvantaged communities avoid becoming victims of loan sharks and illegal pawnshops with high interest rates. Every prospective borrower must meet the requirement of having movable property as collateral, as loan disbursement is based on a pawn system. The asset categories selected by the board of directors are used to categorize movable property that can be used as collateral. This classification makes it easier to identify the value of collateral when calculating the loan amount that can be used as collateral. Pegadaian selects appraisers with specialized knowledge in asset valuation to determine the value of each collateral. The value of collateral is estimated based on current

market prices, local market prices that are subject to periodic changes. In accordance with its stated mission, Pegadaian's goal is to help economically disadvantaged communities overcome difficulties in obtaining much-needed funds. In addition, Pegadaian also strives to improve the welfare of low-income communities by avoiding and preventing the use of loan sharks and pawnshops with high interest rates. Pegadaian also implements and supports government programs for economic and national progress (Muhammad & Murniati, 2004). Furthermore, pawnshops generally have the following missions and objectives:

1. Providing the fastest, easiest, safest financing and always providing guidance to lower-middle class businesses to encourage economic growth.
2. Ensuring equal distribution of services and infrastructure that provide convenience and comfort throughout Pegadaian in preparing to become a regional player and remain the people's primary choice.
3. Assisting the government in improving the welfare of the lower-middle class and carrying out other efforts to optimize company resources. In practice, pawn agreements can be implemented in written form, as is the case with the main agreement, namely a credit agreement. This written agreement can be made in the form of an authentic deed or a private deed. In reality, this pawn agreement is implemented in the form of a deed signed privately by both parties. Perum Pegadaian unilaterally determines the form, content, and conditions of the nation (Muhammad & Murniati, 2004) .

The Vision and Mission of PT. Awi Gadai itself is "To become a leading, professional, and trusted private pawn company that serves all groups by prioritizing fast, affordable, and safe services." The company's mission is:

1. Providing fast, easy, cheap and safe financing.
2. Helping the community's economy as a whole
3. Becoming the people's first choice with a variety of services and benefits
4. Improving collective prosperity

In terms of this mission and objectives, it becomes one of the benchmarks for the running of the pawn company, but also implements the rules in obtaining loan funds with collateral in accordance with Government Regulation Number 50 of 2011 concerning Changes in the Legal Form of a General Company to a Limited Liability Company. In general, PT. Pegadaian has a function in carrying out its duties, namely managing the distribution of loan funds on the basis of pawn law in an easy, fast, safe and economical way, therefore the existence of rules for obtaining loan funds at the pawnshop does not feel difficult, unlike obtaining loan funds at the bank. Based on the provisions of Article 1150 of the Civil Code, placing a pawn on movable property is generally done by bringing the physical movable property to the pawnshop as the pawn holder to be used as collateral for debt.

B. The establishment of PT. Awi Gadai Yogyakarta

Based on an interview with the Head of PT. Awi Gadai, located at Jl. Gurameh Raya No. 2, Mladangan, Ngaglik District, Sleman Regency, Special Region of Yogyakarta, the private pawnshop was originally established in 2005. At the time of its establishment, OJK Regulation Number 31 of 2016, which specifically regulates the pawn business, had not yet been issued, making PT. Awi Gadai older than POJK Number 31 of 2016. Prior to the establishment of the pawnshop, the owner operated a second-hand mobile phone trading business serving students who needed to sell their devices for urgent financial needs. The owner initially offered interest-free short-term loans as a form of informal financial assistance. Over time, as public enthusiasm grew, the owner introduced a service fee structure: from a principal of Rp. 1,000,000,

a fee of 10% was charged on a weekly basis, gradually extended to two weeks, three weeks, and eventually one month as borrowers' finances improved. Before the enactment of POJK Number 31 of 2016, PT. Awi Gadai had grown to become the largest private pawn company in Yogyakarta with 16 branches spread across the city (Budi Firmansyah, Head of PT. Awi Gadai Yogyakarta, 2023).

With the increasing public enthusiasm, many problems also arise because not everyone thinks positively. Many people lack trust in owners because they are worried about their goods being sold, lost, or damaged. From there, owners began to ask for services or payments voluntarily. As time went on, the number of services increased, initially without services, problems arose, then owners began asking for payments, but voluntarily. The owner finally decided to ask for a fee, for example, from the price of Rp. 1,000,000, taken 10% with a week's time span, then two weeks, when finances improved to three weeks, then a month. Before the enactment of POJK Number 31 of 2016 regulated by the OJK, PT. Awi Gadai was the largest private pawn company in Yogyakarta, consisting of 16 branches spread across the city. Thus, over time, many other private pawnshops emerged, both illegal and official. Illegal here refers to those that do not have permission from the OJK (Budi Firmansyah, Head of PT. Awi Gadai Yogyakarta, 2023).

C. Procedures for Pawning at PT. Awi Gadai

The procedure for pawning to obtain loan funds at the pawnshop is as follows (Budi Firmansyah, Head of PT. Awi Gadai Yogyakarta, 2023) :

1. Customers come directly to the nearest Awi Gadai outlet to carry out an assessment;
2. Hand over the items used as collateral by bringing personal identification such as an ID card, passport, or power of attorney (if the owner cannot be present in person).
3. The pawnshop will then inspect the collateral to determine its quality. To assess and set the price, the pawnshop will adjust the market price if the item is in good condition.
4. The value of the collateral received by the customer is determined from the appraiser's estimate.
5. To avoid losses for the pawnshop, the loan value given is lower than the market price of the pawned item.
6. The form of the agreement is proven by the customer receiving a pawn certificate (SBG) after the parties agree on the loan value. Article 1151 of the Civil Code stipulates that a pawn contract must be proven by all available means to prove the main contract.
7. The fee for processing loan payments is based on the deadline set by the pawnshop.

D. Terms and Conditions for Pawning Procedures at PT. Awi Gadai

From what has been described above regarding pawning procedures, here are several terms and conditions that must be understood and understood and are binding on both parties so that it can run smoothly, including:

1. The items pawned by Party I are their own items, not those of other people, husband/wife, or parents.
2. The items pawned by Party I are not stolen goods or office inventory items.
3. PT. Awi Gadai Yogyakarta is not required to notify customers regarding the maturity date of their pawn loans. Each customer is required to remember their own due date.
4. In the event that Party I cannot pay off or extend the pawn loan on the due date, PT. Awi Gadai has the right to sell the pawned collateral (based on OJK Regulation No. 31/POJK.05/2016 Article 24 paragraph

- 2)
5. According to OJK Regulation No. 31/POJK.05/2016 Article 24 paragraphs 3 and 4, before maturity, goods can be sold in the following ways:
 - a. Find a buyer yourself and make the transaction at PT. Awi Gadai Yogyakarta before the due date.
 - b. Granting power of attorney to PT. Awi Gadai to sell the collateral within a maximum of 20 days after the due date.
 6. Party I has authority over PT. Awi Gadai to sell the collateral if at the maturity of the loan Party I is unable to pay off or extend the pawn loan
 7. Any remaining proceeds from the sale of the collateral after deducting the loan, storage fees, and sales fees can be collected within one year of the due date, provided you bring the receipt and original ID card. If the remaining proceeds are not collected, PT. Awi Gadai will use the proceeds for social activities.
 8. Party I can make a transfer to pay off or extend the pawn loan by:
 - a. Transfer to account number 137.00.0616030.9, Bank Mandiri, in the name of Budi Firmansyah, by adding the last three digits of the note number to the transfer amount. For example: note number MN - 141076, if you want to transfer Rp. 100,000, the amount transferred is Rp. 100,076.
 - b. Next, send proof of transfer and a pawn note to the Awi Gadai Minomartani Branch number.
 9. To avoid errors, collection of goods can only be carried out by Party I (First), or authorized by Party I (First) by showing a power of attorney or bringing the original note and original identity of Party I (First).
 10. Items can only be collected if the original proof of pledge and identification are presented. If the proof of pledge (SBG) is lost, Party I must report it to Party II and attach a stamped statement of loss and a photocopy of their valid identification document. Party I will be charged a replacement fee for the proof of pledge (SBG).
 11. Party I can take care of goods that have matured only if they are still available/have not been sold at the price set by Party II or calculated as an automatic extension of a maximum of 20 days from the maturity date.
 12. Party II is not responsible or provides any compensation outside of the written deposit agreement that has been signed by both parties.
 13. Documents included to increase the estimated value of the goods will be one package with the collateral and will become the property of the Pawnbroker/Party II when the due date or sale occurs.

The following are the terms and conditions for pawning fees at PT. Awi Gadai:

Time period	Reward
1 to 7 days :	Services 3%
8 to 14 days :	Services 5%
15 to 21/30 Days :	Services 10%
Gold	
Time period	Reward
1 to 7 Days :	Services 3%

8 to 21/31 Days

:

Services 5%

E. Default in the Pawn Agreement at PT. Awi Gadai

Default (wanprestasi) in pawn agreements at PT. Awi Gadai occurs when a customer or debtor fails to fulfill their obligations under the pawn agreement. In every contractual relationship, there exists an active side representing the creditor's right to demand performance and a passive side representing the debtor's obligation to perform. When a debtor fails to fulfill this obligation, the debtor is considered to have committed default (Hernoko, 2014).

Several factors contribute to debtor default, including:

1. Fault or negligence on the part of the debtor (mortgagor), where the debtor knew or should have foreseen the consequences of their failure to fulfill obligations.
2. Force majeure, where the debtor's failure is caused by circumstances beyond their control that were unforeseeable at the time the agreement was made, thereby relieving the debtor of liability.

Legal consequences applicable to defaulting debtors include:

1. Under Article 1243 of the Civil Code, the debtor is required to pay compensation to the creditor even if declared negligent.
2. Under Article 1266 of the Civil Code, the creditor has the right to seek cancellation of the agreement through the court.
3. Under Article 1267 of the Civil Code, the creditor may demand contract enforcement or seek cancellation with compensation.
4. Under Article 1237 paragraph 2 of the Civil Code, the debtor bears the risk of obligations not fulfilled from the time of default.

F. Settlement of Default in Pawn Agreements at PT. Awi Gadai

Settlement of default in a pawn agreement at PT. Awi Gadai Yogyakarta is carried out through several stages aimed at providing the debtor with the opportunity to fulfill its obligations before the collateral is auctioned. The initial step taken is to offer the customer an extension of the Pawn Proof Letter (SBG) on the condition that the pawn interest be paid before maturity. This extension provides additional repayment time for the debtor, but also causes the amount of the obligation to increase due to the accumulation of interest and loans. If the debtor accepts the extension, the collateral will not be auctioned. Conversely, if the debtor refuses or remains unable to repay the loan, PT. Awi Gadai will auction the collateral as agreed in the pawn contract.

The auction is conducted based on the provisions of pawn law in the Civil Code and the Minister of Finance Regulation Number 27/PMK.06/2016 concerning Auction Implementation Guidelines. These provisions explain that auctions consist of execution auctions, mandatory auctions without execution, and voluntary auctions without execution (Minister of Finance Regulation, 2016). In practice, auctions at PT. Awi Gadai are conducted after the debtor is declared in default and has been given a warning to fulfill his obligations. Creditors are not permitted to directly own or sell pawned goods without an auction mechanism because the goods are only collateral for debt repayment.

The auction procedure at PT. Awi Gadai begins with notification to the customer regarding the

maturity of the pawned item and the auction plan. The auction date is announced publicly by each branch to the head office. Furthermore, during the auction implementation stage, the implementation team is responsible for the security of the auctioned item and the bidding process is carried out openly to auction participants. The item will be awarded to the highest bidder according to the auction committee's decision. The proceeds from the sale are used to pay off the loan, interest, and other costs incurred during the pawn process. If there is an excess of sales proceeds, the excess becomes the customer's right and will be notified via telephone, SMS, WhatsApp, or official letter.

Based on the research results, the auction implementation at PT. Awi Gadai has met the applicable standard procedures. Several general criteria are applied to avoid irregularities in the auction, including that the pawned goods must be owned by the owner, not derived from rental income, and have a clear and transparent value. In addition, the auction price must be agreed upon objectively and the auction process must not contain elements of collusion or bribery. These provisions are in line with the principle of legal protection in pawn agreements that prioritize legal certainty and justice for the parties (Salim, 2007).

In practice, PT. Awi Gadai uses two types of auction mechanisms: ascending and descending auctions. In ascending auctions, the price of an item starts at a low value and increases according to bids until the highest bid is reached. Conversely, in descending auctions, the price starts at a high value and is then lowered until a buyer agrees to the price. Before the auction, the pawnshop typically collaborates with a collector or "bakoel" who has established a reputation for purchasing auctioned items.

Auction pricing involves several stages. First, the branch inspects items that are more than 20 days past due. Second, data is collected on the item's type, condition, and pawn value. Third, the items are brought to the central office for a market price check. Market pricing is determined by comparing used goods prices on online platforms like OLX, Shopee, and Tokopedia, as well as through information from collectors. Once the market price is determined, PT. Awi Gadai sets the selling price with a discount of approximately 10%–20% to facilitate easier sale. This percentage is determined by the company director based on market conditions and other business considerations.

Auctions also face various challenges. One major obstacle is the damaged condition of collateral, which affects its resale value. Furthermore, the market price of certain items, such as mobile phones, can decline rapidly, potentially causing company losses. Another risk arises when the loan amount exceeds the auctioned item's selling price. In such circumstances, the company or branch staff will bear the loss if the loan is not granted in accordance with standard operating procedures. This highlights the importance of careful assessment of pawned items to minimize the risk of loss.

Based on research, customer default rates at each PT. Awi Gadai branch vary. Some branches have a non-performing loan rate of up to 20%, while others have only around 5% or no non-performing loans at all. Auction items also don't always sell immediately and often take two to three weeks to find a buyer. Therefore, PT. Awi Gadai holds regular auction sales, up to four times a week, to expedite the default resolution process.

After the auction process is complete, the excess sales proceeds after deducting the loan, interest, and auction fees become the customer's right, as stated in the Pledge Certificate. If the customer does not claim the excess, the funds will be used for the company's social activities. Thus, the default resolution mechanism through auction at PT. Awi Gadai not only functions as an effort to repay debts, but also reflects the implementation of the principles of legal protection and corporate responsibility towards customers.

G. Legal Protection for Pawnbrokers at PT. Awi Gadai

In general, the mortgagor is in a weaker position because he has an urgent need for funds, but does not have sufficient financial capacity to meet his needs. Therefore, people choose to take out loans by pledging movable goods through a pawn agreement. In this legal relationship, protection for customers has been regulated in the provisions of Article 1155 of the Civil Code which states that collateral must be sold through auction in accordance with applicable procedures in order to obtain a fair market price so as not to harm the debtor. The customer as the owner of the collateral is also entitled to receive the remaining sales proceeds after deducting debts and other costs. This provision is the basis for legal protection for the mortgagor in the relationship between PT. Awi Gadai as a creditor and the customer as a debtor (Muhammad, 2011).

Furthermore, Article 1157 of the Civil Code stipulates that the creditor is responsible for the loss or damage to the pawned item if it occurs due to his/her negligence. This provision indicates that the party who suffers a loss due to negligence has the right to receive compensation. However, the party claiming compensation must be able to prove that there was an error or negligence on the part of the other party that caused the loss (Nasution, 1995). Thus, legal protection for customers in a pawn agreement not only concerns the right to the auction proceeds, but also protection for the security of the collateral while it is in the possession of the pawnbroker.

Legal protection in the implementation of pawn agreements is also regulated in Law Number 8 of 1999 concerning Consumer Protection. This law requires business actors, including pawnbroking institutions, to create standard clauses that do not harm consumers. Article 1 number 1 of the UUPK states that consumer protection is all efforts that guarantee legal certainty for consumers. Furthermore, Article 45 paragraph (1) provides the right to consumers or customers who are harmed to submit dispute resolution through the courts or outside the courts in accordance with applicable provisions (Law Number 8 of 1999).

The objectives of consumer protection include increasing consumer awareness and ability to protect themselves, increasing consumer empowerment in choosing and demanding their rights, creating a legal protection system that provides legal certainty, and raising awareness among business actors to act honestly and responsibly in running their businesses (Law Number 8 of 1999). In the context of pawn agreements, legal protection for customers is very important because customers are often in a weak economic position and need certainty regarding the security of their collateral.

Article 45 of the Consumer Protection Law also provides customers with the opportunity to resolve disputes through the courts or out of court based on the parties' mutual agreement. Out-of-court settlement does not absolve the business owner of criminal liability if a legal violation is found. If out-of-court settlement efforts are unsuccessful, a lawsuit can be filed. Thus, customers have extensive legal protection if they suffer losses due to the actions of creditors or pawnbrokers.

In practice, legal protection for customers is not regulated in detail in the Civil Code. However, the provisions of Articles 1155 and 1157 of the Civil Code provide the basis for protection for debtors. Based on Article 1155 of the Civil Code, the creditor has the right to sell collateral if the debtor defaults, but the sale must be conducted openly through a public auction to obtain a fair price. After the sale is made, the pledgee is obliged to account for the auction proceeds to the pledgor and return any remaining auction proceeds if there is a surplus after deducting the loan and other costs. Conversely, if the auction proceeds are insufficient, the debtor is still obliged to repay the remaining debt.

If a debtor defaults, the creditor has the right to execute the collateral without going through a judge.

However, before the auction takes place, the debtor is usually given a warning, either in writing or by telephone, to fulfill their obligations. This provision demonstrates a balance between the creditor's right to receive repayment and the debtor's right to have the opportunity to fulfill their obligations.

If the creditor's negligence results in the loss or damage of collateral, Article 1157 of the Civil Code provides protection for the debtor. The creditor is responsible for the loss or damage to the collateral if it is caused by his or her negligence. However, the debtor is also obligated to reimburse the creditor for any costs incurred to safeguard the collateral. This provision emphasizes that the legal relationship between the debtor and creditor in a pawn agreement must be carried out in a balanced and responsible manner.

Legal protection for customers is also strengthened through Financial Services Authority Regulation No. 31/POJK.05/2016 concerning Pawnshop Businesses. Article 22 stipulates that pawnshops are required to insure collateral and entrusted items to mitigate the risk of loss or damage. PT. Awi Gadai has collaborated with insurance companies to ensure the security of pawned items. This insurance minimizes the risk of loss or damage to items.

Furthermore, Article 25 paragraph (1) of POJK Number 31/POJK.05/2016 states that pawnbroking companies are required to return collateral in the same physical condition as when the goods were received. If loss or damage occurs due to an error on the part of the pawnbroker, the company is required to provide compensation to the customer. The provisions of Article 25 paragraph (2) explain that compensation can be in the form of money or goods with a value equivalent to the value of the collateral at the time of loss or damage.

PT. Awi Gadai applies these provisions by providing compensation if collateral under its control is lost or damaged due to circumstances other than force majeure. Compensation is calculated based on the appraised value of the item, the loan amount, capital leases, and other costs in accordance with company policy. This demonstrates the company's responsibility to maintain the security of customers' pawned items.

In addition to providing insurance protection, PT. Awi Gadai also implements a special system for storing and maintaining collateral. Collateral is recorded in a ledger to ensure the quantity and condition of the collateral remains under control. Gold and jewelry are stored in a secure location, while electronic goods and vehicles are stored in a storage location appropriate to their characteristics. Cameras and other electronic items, for example, are stored in a closed, dry, and well-lit area to prevent damage.

To ensure the security of collateral, PT. Awi Gadai also implements regular inspection procedures. Customers are given the opportunity to extend the pawn term by paying part of the principal plus the capital lease or paying only the capital lease fee (Pandia et al., 2000). This system provides convenience for customers, preventing them from immediately losing their collateral if they are unable to repay the entire debt.

Maintenance and storage fees for pawned items are determined based on the appraised value of the item. To do this, the customer simply needs to show identification and hand over the item to be pawned. The appraiser then determines the item's value and the loan amount available. Administrative fees, storage fees, and other costs are clearly explained to the customer as part of the principle of transparency in the pawn agreement.

Article 1157 of the Civil Code stipulates that creditors are responsible for collateral while they are in their possession. Therefore, PT. Awi Gadai recognizes the risk of loss or damage to pawned assets. To address this risk, the company pursues two resolution approaches: amicable settlement and legal resolution.

PT. Awi Gadai prioritizes amicable settlements because the company views customers as a

vulnerable group in need of assistance. In the event of loss or damage to collateral, the pawnshop will contact the customer to discuss the form and amount of compensation. Customers can choose whether to have the item repaired or replaced with a new item of equal value.

However, not all customers accept the compensation offered by the pawnshop. Under certain circumstances, disputes can be resolved through legal channels if an agreement cannot be reached between the two parties. Customers who feel they have been wronged have the right to file a lawsuit in court alleging the creditor's negligence in safeguarding the pawned item. This provision is in accordance with Article 1157 of the Civil Code, which states that the pawnbroker is responsible for the loss or damage of collateral due to their negligence.

Additional protection is provided under Law Number 8 of 1999 concerning Consumer Protection (Undang-Undang Perlindungan Konsumen/UUPK), which requires business actors including pawnshops to avoid standard clauses that are detrimental to consumers and grants customers the right to resolve disputes through courts or out-of-court mechanisms (Law Number 8 of 1999). OJK Regulation Number 31/POJK.05/2016 further strengthens customer protection by requiring pawnshops to insure collateral (Article 22) and to return collateral in the same physical condition as received, with compensation in the form of money or equivalent goods if loss or damage occurs due to the pawnshop's error (Article 25).

PT. Awi Gadai implements these protections through: collaboration with Bumida Syariah Insurance for collateral coverage; maintenance of a collateral ledger to control quantity and condition; storage of gold and jewelry in secure locations and electronic goods in appropriate conditions; regular inspection procedures; and provision of amicable settlement options prior to legal resolution in the event of collateral loss or damage.

CONCLUSION

Based on the author's analysis of the main problems of implementing the settlement of default in pawn agreements (study at PT. Awi Gadai Yogyakarta), it can be concluded that:

1. The default that occurred at PT. Awi Gadai was in the form of a debtor or customer who did not pay off his debts or only paid off part of it. In this case, the action taken by PT. Awi Gadai in resolving the default in the pawn guarantee agreement was carried out by auctioning the collateral of the pawnbroker or customer. Before the auction, the customer can extend the Pawn Proof Letter which is done before it is due. If the extension is not able to pay it off, there is a process carried out by the creditor or pawnshop, namely a week before the due date, the pawnbroker or pawnshop gives a warning to the customer via WhatsApp, *Short Message Service* (SMS), or telephone to remind them that it is due. Then, if the debtor has not been able to pay off the collateral from the warning, the collateral has the right to be auctioned. If the pawnbroker does not accept the pawned item for sale, then the pawn recipient has the right to file a lawsuit with the judge.
2. Legal protection for customers, namely to prevent losses for customers, the provisions of Article 1155 of the Civil Code state that the auction of pawned goods is carried out in public and in accordance with applicable provisions. After the auction, the creditor or pawnshop is obliged to account for the auction results to the debtor or customer, and if there is excess auction funds, it is returned to the debtor or customer. In terms of legal protection for customer collateral and for creditors or pawn recipients in the pawn agreement, PT. Awi Gadai provides protection for customers

or debtors in the form of compensation for collateral if damage or loss occurs due to negligence. In this case, creditors also receive legal protection in the form of insurance. Where this insurance is intended for pawnshops if the debtor's collateral is damaged or due to negligence. Because if the goods are beyond the creditor's control, the creditor can also suffer losses, in the sense that the debtor's collateral cannot be sold or can be sold but far from the estimate, therefore the creditor is entitled to the insurance. PT. Awi Gadai center or creditor who has cooperation with an insurance institution, namely Bumida Syariah. Apart from that, customers whose collateral is damaged or lost due to negligence on the part of the creditor will receive compensation. This is also regulated in Article 1157 of the Civil Code.

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