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APPLICATION OF PROPRIETY AND FAIRNESS PRINCIPLES IN BREACH OF CONTRACT COMPENSATION DECISIONS

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Abstract

This study analyzes the factors that serve as the basis for judges' considerations in determining the form and amount of compensation resulting from breach of contract in civil cases, and examines judges' assessments of material and immaterial compensation. A normative juridical approach with an analytical descriptive specification is used through a literature study of primary, secondary, and tertiary legal materials. The results of the study indicate that judges consider the form and level of breach of contract, the losses suffered as well as causal relationships, provisions in the agreement, legal certainty, and the principles of appropriateness and fairness. Material compensation requires proof of actual loss that can be calculated economically, while immaterial compensation is based on an assessment of appropriateness and fairness because it lacks a standardized calculation formula. Judges use the principle of *ex aequo et bono* in determining a proportional amount of compensation. Clearer legal certainty regarding the valuation standards for immaterial compensation is needed to prevent decision disparities.

Keywords: breach of contract, compensation, judge's consideration, appropriateness, evidence.

Introduction

Agreements are the primary foundation of civil relations, governing the rights and obligations of the parties involved. Once an agreement is validly formed, it binds the parties as though it were law, obliging each to fulfill the performance they have agreed upon. Such agreements are typically structured as formal contracts intended to secure the parties' commercial commitments in business practice (Da Silva et al., 2022). The effectiveness of a well-drafted contractual instrument in preventing disputes before they arise has also been noted as a key factor in maintaining stability within business relationships (Wibowo et al., 2021). However, in socio-economic reality, the fulfillment of performance does not always proceed according to the original agreement. One of the most common problems that arises is breach of contract, a condition in which one party fails to carry out its obligations as agreed (Syahmita, 2025). Breach of contract may take the form of delayed performance, performance that does not conform to the terms of the agreement, or complete non-fulfillment of obligations. This phenomenon causes losses to the party entitled to receive performance and disrupts the stability of legal relations in society. Judicial data show that breach-of-contract cases dominate civil lawsuits filed in district courts, making this an issue requiring serious attention within the judicial system.

Compensation is the primary legal consequence arising from breach of contract within a contractual relationship. The obligation to pay compensation arises once a debtor fails to fulfill its obligation after being declared in default or after the agreed performance period has lapsed. Anticipating such losses before they escalate into full disputes resembles the risk mitigation applied in modern lending arrangements, where potential harm is addressed at an early stage (Sahid et al., 2023). A properly designed compensation arrangement is generally intended to align the behavior of the parties involved with the objectives originally agreed upon, so that any deviation carries a clear and proportionate consequence (Hariani et al., 2014). Under civil law, compensation is categorized into two types: material compensation, covering tangible losses that can be calculated in monetary terms, and immaterial compensation, relating to suffering or non-material loss (Salzabilla & Priayana, 2023). In judicial practice, however, determining the form and amount of compensation is often complex, since no uniform standard exists, particularly for immaterial compensation. The determination of compensation becomes even more complicated when a breach of contract is found to involve elements of fraud within a business cooperation agreement (Santoso et al., 2024). The way compensation is structured also plays a broader role in sustaining a fair and lasting relationship between the parties bound by an obligation (Mardikaningsih & Darmawan, 2013). As a result, disparities in court rulings occur even in cases with similar legal facts, a condition that creates legal uncertainty and may erode public trust in the judicial system.

Disputes over breach of contract can be resolved through civil litigation in court. The litigation process begins with the filing of a lawsuit and ends with a judge's ruling that acquires permanent legal force. Within this process, judges hold a central role, as it is the judge who evaluates the evidence, determines whether a breach of contract has occurred, and decides the form and amount of compensation to be paid. Litigation, however, is frequently criticized for being lengthy and formalistic, which is seen as inconsistent with the principles of simple, swift, and low-cost justice (Asmara et al., 2025). This drawback also explains why many business actors prefer to avoid establishing formal legal entities altogether, since doing so reduces their exposure to lengthy and formal legal processes (Hardyansah et al., 2024). Meaningful recognition of a party's rights within an agreement matters just as much as the form the remedy ultimately takes, since the substance of what is owed carries weight beyond its nominal value (Hariani & Mardikaningsih, 2016). Delays in dispute resolution can worsen the position of the aggrieved party and increase the costs it must bear. Arbitration and mediation have accordingly developed as alternative avenues for resolving business disputes within the national legal framework (Junaidi et al., 2024). A competitive and well-considered approach to fulfilling obligations, in a broader sense, also tends to preserve the relationship between the parties involved even after a dispute is resolved (Rojak & Darmawan, 2015). Even so, litigation remains the primary choice in many breach-of-contract cases, as court rulings carry executory force.

The evidentiary process in breach-of-contract cases is a crucial stage, since a judge's ruling depends heavily on the evidence presented by the parties. In civil procedural law, recognized forms of evidence include written documents, witness testimony, presumption, admission, and oath (Lexmana et al., 2025). The validity and evidentiary strength of electronic contracts have become increasingly relevant given how much digital transactions now rely on such instruments for legal protection (Sulaiman et al., 2023). The burden of proof lies with the party asserting a right or event, meaning the plaintiff must prove the existence of a valid agreement, the occurrence of a breach, and the loss resulting from that breach. The way a business relationship is structured whether through personal ownership or a separate legal entity also shapes the liability risks a party may bear and the extent of protection available for its assets once a dispute arises (Akbar et al., 2024). In practice, plaintiffs often struggle to prove the losses they have suffered, particularly immaterial losses that cannot be measured precisely in monetary terms. This evidentiary difficulty is one factor behind the frequent rejection of breach-of-contract claims by judges. The question of validity becomes even more complex when an agreement is formed with the involvement of automated or artificial intelligence-based systems, an issue that has begun to draw closer legal scrutiny (Maulani et al., 2023). A thorough understanding of evidentiary mechanisms is therefore necessary to help parties better prepare for judicial proceedings.

In determining the amount of compensation, a judge does not automatically grant the plaintiff's claim. The judge conducts a thorough assessment of various factors that emerge during the trial, including the form and degree of the breach committed, the actual loss suffered by the plaintiff, and the causal link between the breach and that loss. The terms set out in the agreement also serve as an important reference, since a validly formed agreement binds the parties (Hafiz & Sukirno, 2024). Where the defaulting party is a corporate entity, this assessment often extends to the legal responsibility borne by its directors in managing the entity's obligations (Nugroho et al., 2024). The judge further considers the principles of legal certainty, propriety, and fairness in reaching a decision that achieves justice for the parties. These considerations show that a judge's ruling is not purely mechanical but involves a complex evaluation of both legal and non-legal factors.

The assessment of material compensation in breach-of-contract cases rests on concrete evidence of loss that can be calculated in economic terms. The plaintiff must prove material loss through valid evidence such as receipts, contracts, transfer records, or accountant's reports. Financial evidence of this kind increasingly includes records generated through digital credit transactions, which are now subject to specific regulation within business law (Yuristiawan et al., 2024). A judge grants only losses that have genuinely occurred, can be calculated with certainty, and bear a direct link to the breach committed. Material compensation covers costs already incurred, losses suffered, and profit that should have been obtained (Agastya, 2025). Determining the profit a party should reasonably have obtained also relates to ethical principles in corporate financial management concerning investment and risk (Putra & Arifin, 2023). If the plaintiff cannot convincingly prove such loss, the claim for material compensation will be rejected by the judge, consistent with the legal principle that whoever files a claim bears the burden of proving it. Even so, differences of opinion persist among judges regarding the proper method for calculating loss, particularly in determining the amount of profit that should have been obtained.

Unlike material compensation, immaterial compensation has no standardized method of calculation under statutory law. Immaterial compensation is awarded to remedy non-material harm such as pain, anxiety, or the loss of life's enjoyment experienced by the victim. In assessing immaterial compensation, judges consider the existence of a legally protected interest, the degree of fault of the offending party, the parties' socio-economic standing, and the long-term impact of the suffering endured. Because no provision explicitly governs the conversion of mental suffering into monetary value, the amount of immaterial compensation is determined based on the principles of propriety and justice (Suryoutomo et al., 2022). This condition creates legal uncertainty, since the amount of immaterial compensation depends heavily on a judge's subjective assessment, which may vary from one court to another. As a result, significant disparities in rulings occur even in cases with similar facts.

The application of the principles of appropriateness and fairness in judges' decisions poses its own challenges in judicial practice. Although these principles grant freedom to judges to assess substantive justice, such freedom can lead to legal uncertainty if not applied consistently. Judges have the authority to evaluate whether the amount of compensation requested by the plaintiff is appropriate or not, and can determine an amount different from the claim submitted. However, there are still no clear guidelines regarding the limits of the application of the principles of appropriateness and fairness in breach of contract cases. This ambiguity has the potential to cause differences in interpretation among judges, which may result in inconsistent decisions. Based on this description of the problem, this study aims to analyze the factors that serve as the basis for judges' considerations in determining the form and amount of compensation resulting from breach of contract in civil cases, and to examine judges' assessments of material and immaterial compensation in judicial practice.

Method

This study is classified as normative legal research that focuses on the study of written legal norms related to breach of contract and compensation in civil cases. The data source used is secondary data obtained through literature searches, including laws and regulations, court decisions, legal literature, and other legal documents relevant to the subject matter. The primary legal materials that serve as the main reference in this study are provisions in the Civil Code, particularly articles governing engagements, breach of contract, and compensation, as well as other related laws and regulations. Secondary legal materials in the form of scientific writings, opinions of scholars, and previous research results are utilized to enrich the analysis and provide an in-depth theoretical perspective (Johansson, 2025). Tertiary legal materials such as legal dictionaries and encyclopedias are used to help interpret technical terms in the field of civil law.

Data collection is carried out by searching, inventorying, and cataloging various relevant legal documents, sourced from both physical libraries and online legal databases available digitally (Buller, 2025). Court decisions related to breach of contract cases are collected as material to analyze the practice of law application by judges in determining compensation. After all data is collected, a qualitative analysis is conducted using an interpretive approach, where the researcher interprets the meaning of existing legal norms and connects them with judicial practices revealed through court decisions. The analysis is carried out systematically by organizing data based on the formulated core problems, and then conclusions are drawn through deductive reasoning starting from general provisions leading to concrete cases. The results of the analysis are arranged in the form of a narrative description that fully and comprehensively depicts the basis of judges' considerations in determining compensation due to breach of contract as well as the assessment of material and immaterial compensation in judicial practice.

Result and Discussion

The Concept of Compensation and Breach of Contract in Civil Law

Compensation is a legal obligation that arises as a consequence of the non-fulfillment of an obligation, whereby the debtor must indemnify the loss suffered by the creditor. Provisions on compensation are set out in the Indonesian Civil Code (KUHPerdata), particularly Article 1243, which contains the general provisions on the obligation to pay costs, damages, and interest. Article 1248 KUHPerdata, meanwhile, specifically limits compensation to direct and immediate losses. These articles state that the obligation to pay costs, damages, and interest arises once the debtor has been declared in default but fails to perform the obligation, or once the performance that should have been rendered within a specific period has exceeded that period (Hafiz & Sukirno, 2024). Such reciprocal obligations are commonly reinforced through protective clauses designed to anticipate potential disputes between contracting parties (Syariffudin et al., 2025). The fairness of a contractual arrangement has also been discussed as a key determinant of balanced rights and obligations between the parties involved (Rizky & Darmawan, 2024).

In civil law, compensation may arise from two causes. The first is breach of contract, which occurs when a person fails to keep a promise made in an agreement, and the second is a tortious act (*perbuatan melawan hukum*/PMH), which occurs when a person commits a fault that harms another party even without any agreement between them. Compensation arising from breach of contract is governed by Articles 1243 through 1252 KUHPerdata, while compensation arising from a tortious act is governed by Article 1365 KUHPerdata. In more complex financial relationships, unresolved obligations may even escalate into formal insolvency proceedings governed by separate statutory mechanisms (Dirgantara et al., 2025). Corporate accountability in a broader sense has likewise been examined as part of maintaining trust within legal and financial systems (Setyastomo et al., 2024).

The fundamental distinction between compensation for breach of contract and compensation for a tortious act lies in the source of the legal obligation. Compensation for breach of contract arises from an agreement that binds the parties, whereas compensation for a tortious act arises from a fault that harms another party without being based on any agreement. In cases of breach of contract, the creditor is entitled to claim compensation from the debtor, which may cover losses actually incurred, such as costs already spent, as well as profit that should have been obtained had the agreement been properly performed (Al-Hameed et al., 2025). This principle also underlies public awareness of contractual obligations in digitally based agreements, where consumer protection becomes a central concern (Hardyansah et al., 2022). The validity of an agreement has likewise become an increasingly relevant issue now that contracts may also be formed through electronic or automated means (Maulani et al., 2023). Such compensation, however, can only be claimed if the loss is a direct result of the breach and could have been foreseen from the outset of the agreement.

Fundamentally, the Civil Code provides that compensation is granted in the form of money, although in judicial practice, loss is not limited to that which can be assessed monetarily. Regarding the calculation of monetary compensation arising from delayed performance (moratory interest), the Supreme Court, through Jurisprudence No. 700 K/Pdt/2013 and State Gazette (*Staatsblad*) 1848 No. 22, set the legal interest rate at 6% per year unless otherwise agreed by the parties. Corporate legal responsibility for bearing the consequences of loss has similarly been highlighted in cases involving breaches of legal obligation beyond purely contractual settings (Dirgantara et al., 2025). Consistency in legal enforcement remains essential to ensure that such standardized provisions are applied effectively across cases (Zulkarnain et al., 2024).

Loss under civil law is divided into two types: material loss and immaterial loss. Material loss is loss that can be calculated in monetary terms, such as costs incurred and lost profit, while immaterial loss cannot be directly assessed in monetary terms and consists of suffering, pain, and mental distress experienced by the aggrieved party. This distinction carries important implications for the evidentiary process in court, since each type of loss requires different evidence and methods of assessment. Material loss requires written evidence demonstrating a precise amount, while immaterial loss relies more heavily on a judge's assessment based on the principles of propriety and justice (Agastya, 2025). Fairness in bearing the consequences of a business relationship has also been discussed as part of ensuring justice for parties bound by mutual obligations (Wibowo et al., 2024). This distinction reflects a broader principle that legal and ethical responsibility must remain proportionate to the harm actually caused (Darmawan, 2022).

Provisions on material compensation are set out in Article 1246 KUHPerdata, which states that the costs, compensation, and interest a creditor may claim consist of losses actually suffered and profit that should have been obtained. Meanwhile, claims for immaterial loss in breach-of-contract suits have been narrowed through Supreme Court Jurisprudence No. 650 K/Sip/1974, which affirms that immaterial compensation cannot be granted in a pure breach-of-contract dispute unless the breach is proven to involve serious bad faith or elements of a tortious act. Economic loss experienced by parties with limited access to formal financial support has also drawn scholarly attention as a matter requiring legal clarity (Darmawan et al., 2022). The value gained or lost within a business relationship, in a wider sense, has also been associated with broader competitive and operational considerations affecting the parties involved (Darmawan & Grenier, 2021).

Breach of contract is a condition in which an agreement is not performed as agreed by the parties. It may take the form of untimely performance of an obligation, performance that does not conform to the agreement, or complete non-performance of the obligation (Iwanti & Taun, 2022). Breach of contract occurs when a debtor fails to fulfill or perform an obligation set out in an agreement, whether the obligation originates from the agreement itself or is directly determined by statute. It may occur either intentionally or unintentionally, where unintentional breach is caused by the debtor's inability to perform or by certain circumstances that force the debtor to be unable to carry out the obligation. Provisions on force majeure (*overmacht*) are expressly set out in Articles 1244 and 1245 KUHPerdata, which release the debtor from the obligation to pay compensation if the failure to perform is caused by an unforeseen event beyond the debtor's control. A party's capacity to fulfill its obligations is not solely determined by external circumstances but may also be shaped by internal organizational conditions (Darmawan & Mardikaningsih, 2022). The ability of an organization to adapt to unexpected changes has similarly been noted as a factor influencing how obligations are ultimately carried out (Darmawan & Mardikaningsih, 2023). If the debtor fails to perform its obligation and this is not caused by force majeure, the debtor may be held liable to pay compensation to the aggrieved party.

An agreement, under Article 1313 KUHPerdata, is a legal act by which one or more persons bind themselves to another. For an agreement to be valid and to have binding legal force as law for the parties, it must fulfill the four conditions of validity set out in Article 1320 KUHPerdata: consent, capacity, a certain subject matter, and a lawful cause. If the obligation arising from the agreement is not fulfilled, the act may be classified as a breach of contract (Syafiuddin & Alladuniah, 2025). The elements of breach of contract include the existence of a valid agreement, fault on the part of the debtor whether through intent or negligence, resulting loss to the other party, and the legal consequences that follow. The fulfillment of expectations formed at the outset of a relationship has also been examined in other service-based contexts, reinforcing the importance of clarity from the start (Darmawan et al., 2022). Expectations shaped before a formal commitment is made can likewise influence how the resulting relationship is later perceived and evaluated (Darmawan et al., 2019).

To formally declare a debtor in default under procedural law, the creditor must first issue a summons or official warning as required by Article 1238 KUHPerdata, unless the agreement stipulates that the mere lapse of a deadline is sufficient proof of default. In certain circumstances, breach of contract may also be caused by force majeure, a condition beyond the debtor's control that prevents the obligation from being carried out. If the breach is not caused by force majeure, the debtor may be held legally liable. Breach of contract may take several forms: the debtor fails to perform the obligation at all, performs it imperfectly or inconsistently with the agreement, performs it after the agreed deadline has passed, or engages in an act expressly prohibited under the agreement (Siregar & Siregar, 2025).

The legal consequences of breach of contract may include the obligation to pay compensation, cancellation of the agreement, transfer of risk, and the obligation to bear litigation costs if the dispute is resolved through court. The transfer of risk in a unilateral obligation is governed by Article 1237 KUHPerdata, which states that once the debtor is in default in delivering goods, the risk over those goods shifts to the debtor. Breach of contract thus occurs when a party fails to perform its obligation in accordance with the agreement, provided this is not caused by force majeure. The aggrieved party may claim performance alone, performance together with compensation, compensation alone, cancellation of the agreement, or cancellation together with compensation, as optionally provided for the creditor under Article 1267 KUHPerdata. Failure to meet expectations within a relationship often triggers a formal response from the aggrieved party, a pattern also observed in other consumer-based interactions (Essardi et al., 2022). Such responses reflect a broader tendency for parties to seek redress once expectations established at the outset of a relationship are not honored (Gardi & Darmawan, 2022). Such compensation covers costs already incurred, loss due to diminished assets, and profit that should have been obtained but was not. In its development, material and immaterial compensation have come to be recognized, each with distinct characteristics and methods of proof.

Litigation Mechanism and the Evidentiary System in Breach-of-Contract Cases

The resolution of breach-of-contract disputes through litigation has been formally regulated under the Civil Code as well as the Herziene Inlandsch Reglement (HIR) or Rechtreglement voor de Buitengewesten (RBg), and reinforced by evolving jurisprudential practice. Litigation, however, is frequently criticized for being lengthy and formalistic, which is seen as inconsistent with the principles of simple, swift, and low-cost justice. Indonesia's judicial system adheres to this principle, yet in practice, trial proceedings often take considerable time. Business actors facing prolonged uncertainty of this kind often need to adopt sustainability strategies that account for regulatory unpredictability and managerial pressure while a dispute is still unresolved (Mardikaningsih & Darmawan, 2021). As a result, out-of-court dispute resolution mechanisms have developed, known as Alternative Dispute Resolution (ADR), such as negotiation, mediation, and arbitration as accommodated under Law No. 30 of 1999. In breach-of-contract cases, resolution can be pursued through two channels—out of court and through court—where the non-litigation route is generally recommended first for being faster and less costly.

If resolution through the non-litigation route fails, the aggrieved party may file a breach-of-contract claim with the District Court. The claim is submitted in writing by the aggrieved party as plaintiff to the competent court, typically at the defendant's place of residence (*actor sequitur forum rei*) or in accordance with the forum-selection clause (choice of domicile) stated in the contract. Clarity in drafting such contractual clauses matters greatly, much as the clarity of licensing requirements has been shown to affect a business actor's confidence in pursuing formal registration (Mardikaningsih & Arifin, 2021). Once the claim is registered, the trial process is required to go through a mediation stage first, pursuant to Supreme Court Regulation (Perma) No. 1 of 2016 on Mediation Procedures in Courts, before proceeding to examination of the merits. If mediation fails, the trial continues with the reading of the claim, the defendant's response, the plaintiff's reply, the defendant's rejoinder, the presentation of evidence, and the submission of conclusions before the judge renders a ruling. If the judge finds the defendant proven to have breached the contract, the judge may order the defendant to perform the agreement, pay compensation, cancel the agreement, or a combination of the three, in accordance with the options under Article 1267 KUHPerdata. A party dissatisfied with the District Court's ruling may pursue an appeal, cassation, or, under certain conditions, a judicial review (Sasmitha, 2025). Once a civil ruling attains permanent legal force, the same matter may no longer be relitigated between the same parties, a safeguard that has also been examined as a means of protecting individual rights within the civil adjudication process (Simanjuntak et al., 2026).

Evidence in breach-of-contract cases is a highly decisive stage, since a judge may only decide a case based on valid and relevant evidence. In civil law, provisions on evidence are set out in Article 1866 KUHPerdata, which states that evidence consists of written documents, witness testimony, presumption, admission, and oath. In the modern era, written evidence has been expanded by the Electronic Information and Transactions Law (UU ITE), which recognizes the legality of electronic documents as valid legal evidence (Utomo & Thukuse, 2025). This expansion is particularly relevant given how widely digital platforms are now used to conduct and promote business transactions, generating records that may later serve evidentiary purposes (Infante & Mardikaningsih, 2022). Written/conventional evidence is regarded as the primary form of evidence because, in civil relations such as sale and purchase, debt, and lease, the parties typically draft a written agreement to serve as evidence in the event of a dispute. Written evidence is divided into deeds and non-deeds, with deeds further divided into authentic deeds and private deeds. Witness testimony is used when written evidence is absent or insufficient to prove an event.

Presumption as a form of evidence is governed by Articles 1915 through 1922 KUHPerdata and may be used if based on statutory provisions or if the presumption is significant, precise, clear, and mutually consistent. Admission is governed by Articles 1923 through 1928 KUHPerdata and constitutes a unilateral statement by one party confirming all or part of the opposing party's allegations. An admission made before a judge, whether in writing or orally, may directly serve as a basis for the ruling without requiring further proof. Oath as a form of evidence is governed by Articles 1929 through 1945 KUHPerdata, recognizing three types: the decisive oath (*decisoire eed*), the supplementary oath (*supletore eed*), and the estimatory oath (*estimatoire eed*). Each piece of evidence must be examined by the judge for relevance, validity, and evidentiary weight in an objective and impartial manner.

The burden of proof in breach-of-contract cases lies with the party asserting a right or event, in accordance with the principle set out in Article 1865 KUHPerdata, meaning the plaintiff must prove the existence of a valid agreement, the occurrence of a breach, the loss suffered, and the causal link between the breach and that loss. Establishing this causal link often requires an assessment comparable to how risk and loss are evaluated in financial decision-making, where the party bearing the burden must demonstrate a clear connection between an action and its consequence (Mardikaningsih & Darmawan, 2023). If the plaintiff succeeds in proving these elements, the burden of proof shifts to the defendant to prove that the obligation has been fulfilled, that fulfillment was impossible due to force majeure, or that another ground exists releasing the defendant from liability. A party's capacity to adjust to such shifting demands during a dispute may parallel the adaptability required of individuals facing significant change in other institutional settings (Mardikaningsih & Darmawan, 2022). A summons plays an important role, as under Articles 1238 and 1243 KUHPerdata, it is a preliminary requirement for declaring a debtor in default in order to claim performance, compensation, or cancellation of the agreement before proceeding to litigation. A summons is not required if the agreement sets an absolute deadline (*fataal termijn*) or if the debtor expressly refuses to perform.

Factors of Judge's Consideration in Determining Breach of Contract Compensation

Judges play a central role in determining the form and amount of compensation that must be given to the injured party in a breach of contract dispute. Such determination is not solely based on the plaintiff's demands, but through the evaluation of various legal aspects and facts revealed during the trial. The first consideration typically examined by judges is the form and level of the breach committed by the debtor. Judges will look at the extent to which the violation impacts the injured party, where the seriousness of the violation is directly related to the appropriate amount of compensation to be granted. Judges often link this to the principle of pacta sunt servanda, so that the agreement agreed upon by the parties remains the primary basis in determining legal responsibility if a violation occurs.

The next factor that becomes the judge's consideration is the loss experienced by the plaintiff as well as the causal relationship between the breach of contract and such loss. Judges will evaluate various evidence submitted, such as agreements, payment proofs, or other documents demonstrating the loss that actually occurred. The relationship between the breach of contract and the resulting loss must be logically explained and supported by sufficient evidence. Judges also consider the provisions contained in the agreement regarding compensation, where if the contract has regulated the consequences if one of the parties fails to fulfill its obligations, then such provision becomes one of the references in the judge's consideration (Hellenia et al., 2025). This aligns with the principle of pacta sunt servanda in Article 1338 of the Civil Code, which states that legally made agreements serve as laws for the parties who make them.

Another factor of concern is legal certainty in the process of examining and deciding cases by judges. In adjudicating breach of contract cases, judges need to ensure that the elements of breach of contract are truly fulfilled and supported by sufficient evidence. This is important so that the resulting decision has a clear legal basis and is accountable, allowing the decision not only to resolve the dispute but also to provide legal certainty for the parties. Judges also consider the principles of appropriateness and fairness in handing down a decision, where decisions are viewed not only from the application of legal rules alone but also from justice for the parties. Judges often assess whether the requested amount of compensation remains within reasonable and proportional limits relative to the loss incurred (Nurfaida et al., 2025).

The judge's assessment of material compensation in breach of contract cases is based on tangible evidence of loss that can be calculated economically. Judges do not directly grant the plaintiff's demands because civil law adheres to the principle that whoever files a claim is obliged to prove their argument. The plaintiff is obliged to prove material losses through valid evidence such as receipts, contracts, transfer proofs, or accountant reports. Judges only grant losses that actually occur, can be calculated with certainty, and have a direct relationship with the breach of contract (Syahmita, 2025). Judges have the authority to subjectively assess the appropriateness of the compensation amount based on justice and fairness, ensuring that losses can be calculated with certainty and do not exceed the claims submitted. The calculated losses include actual losses suffered and profits that should have been obtained.

In judicial practice, judges carry out a systematic analysis stage in assessing material compensation. The first stage is to prove the existence of a breach of contract by assessing the existence of a valid agreement and performance obligation, whether such performance is fulfilled or not, and whether a formal warning has been issued. The second stage is to evaluate the causal relationship between the defendant's actions and the loss to establish legal responsibility. The third stage is to examine the evidence submitted, where judges heavily rely on evidence such as receipts, invoices, contracts, transfer proofs, and accountant reports. The fourth stage is to calculate the amount of compensation based on components of costs, losses, and interest. If the plaintiff fails to prove such losses, the claim for material compensation will be rejected by the judge.

Assessment of Immaterial Compensation and the Application of the Principle of Propriety

Immaterial compensation in breach-of-contract cases has no standardized method of calculation under statutory law. It is awarded to remedy non-material harm such as pain, anxiety, or the loss of life's enjoyment experienced by the victim. The award of immaterial compensation within the Indonesian civil law system fundamentally derives from Article 1365 KUHPerdata on tortious acts and is further reinforced by Articles 1370, 1371, and 1372 KUHPerdata, which specifically govern defamation, serious injury, or death. Unlike material loss, which can be calculated mathematically based on receipts or invoices, immaterial loss focuses on remedying the pain, fear, anxiety, and loss of life's enjoyment experienced by the victim. The pursuit of substantive justice in such matters has also been examined in the context of family-based dispute resolution, where public interest and internal deliberation shape outcomes within both Islamic and civil legal traditions (Darmawan & Fitroni, 2026).

The first criterion underlying a judge's assessment of immaterial compensation is the existence of a legally protected interest that has been violated. The plaintiff must be able to describe the form of suffering specifically so that the claim is not regarded as baseless. Difficulties in pursuing such claims are not uncommon, as parties whose protected interests are violated often face practical obstacles in bringing a civil suit before the court (Hardyansah et al., 2021). The judge assesses whether the defendant's conduct genuinely attacked a person's honor, dignity, or psychological integrity. Public awareness of interests protected by law, including those touching on fundamental rights, has also been shaped in part by the role information and media play in shaping such awareness (Hardyansah et al., 2022). In determining the nominal amount, the judge applies the principles of propriety and justice, since no standardized rule exists under statute for converting mental suffering into monetary value (Suryoutomo et al., 2022). This assessment considers both subjective and objective variables, such as the degree of fault of the offending party, the socio-economic standing of both parties, and the long-term impact of the suffering on the victim's social life. This compensation functions as a restoration of condition, not as an excessive punitive fine.

The application of the principles of propriety and fairness in reaching a ruling serves as a bridge between written legal certainty and substantive justice. This principle grants the judge latitude to decide based on the sense of justice prevailing in society, particularly when the law is unclear or when its rigid application would itself produce injustice (Humairoh et al., 2024). This latitude has also been observed in normative analyses of how formal legal provisions are applied to newer forms of disputes, where courts must interpret written rules in light of substantive fairness (Darmawan & Negara, 2023). In the operative part of a ruling, this principle is evident when a judge grants only part of a claim or sets a compensation amount different from the amount requested by the plaintiff. The judge evaluates whether the claim submitted corresponds to the degree of fault committed, applying the principle of justice to ensure that the penalty imposed does not excessively harm the losing party or grant an undue advantage to the prevailing party.

The application of the principle of justice in rendering a ruling rests on several key legal bases. Article 178 paragraph (3) HIR and Article 189 paragraph (3) RBg state that a judge must receive and assess the entire content of a claim, while retaining the authority to evaluate whether the amount or form of liability requested is proper. Law No. 48 of 2009 on Judicial Power, Article 5 paragraph (1), states that a judge must seek, follow, and understand the legal values and sense of justice existing within society. Upholding this sense of justice depends heavily on the integrity of legal professionals involved in the process, a matter that has been examined as part of maintaining fairness within an adversarial system (Saktiawan et al., 2021). Supreme Court jurisprudence consistently holds that a judge is not bound to follow the compensation amount proposed by the plaintiff, since the judge has the discretion to determine an amount considered balanced based on the facts examined at trial. This discretion also relates to broader procedural principles applied by courts, including how overlapping claims filed in different forums are treated under the principle against duplicate adjudication (Setiawan et al., 2023). This is likewise consistent with Article 1339 KUHPerdata, which states that an agreement covers everything appropriate to its nature, as required by propriety, custom, or law.

In formulating the operative part of a ruling, the judge takes into account the balance of the parties' positions and public morality. Balance of position means ensuring that the burden placed on the defendant is proportionate to the loss suffered by the plaintiff, allowing the judge to reduce the penalty where certain conditions render the defendant unable to fulfill the obligation in full, provided such inability is not due to an absence of good faith (Al-Hameed et al., 2025). Sensitivity to local custom and communal norms in weighing such balance has similarly been noted in dispute settlement practices rooted in customary and pluralistic legal traditions (Futriyah et al., 2023). The decision rendered must accord with the customary norms and public order prevailing in the relevant locality. Technically, if the plaintiff includes a request for the fairest possible ruling, the judge has a valid legal basis to apply the principle of propriety in the ruling without violating the principle against *ultra petita*, that is, deciding a case beyond what was claimed. The application of the principles of propriety and fairness thus serves as a bridge between written legal certainty and substantive justice in breach-of-contract cases.

Conclusion

This study concludes that the determination of the form and amount of compensation resulting from a breach of contract in civil cases is based on several main factors, namely the form and level of the breach of contract, the losses suffered as well as the causal relationship, the provisions in the agreement, legal certainty, and the principles of appropriateness and fairness. In handing down a decision, judges do not merely rely on the plaintiff's demands, but assess all facts and evidence revealed during the trial. Material compensation requires proof of actual loss that can be calculated economically, whereas immaterial compensation is based on an assessment of appropriateness and justice because it lacks a standardized calculation formula.

The implication of this study is the need for a comprehensive understanding among parties and legal practitioners regarding the evidentiary mechanism and the factors considered by judges in breach of contract cases. Strengthening the capacity of judges to make proportional assessments of material and immaterial compensation is essential to realizing fair decisions. In addition, clearer legal certainty regarding valuation standards for immaterial compensation is needed to prevent significant decision disparities between courts. Dissemination on the importance of drafting clear and complete agreements also needs to be carried out to prevent future breach of contract disputes.

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