



## Legal Protection for Property Buyers in Pre-Project Selling Schemes in Indonesia: An Analysis of Compliance with the Consumer Protection Act

Abraham Yazdi Martin<sup>1</sup>, Henny Nuraeny<sup>2</sup>, Andri Brawijaya<sup>3</sup>

<sup>1</sup>Universitas Djuanda, Bogor, Indonesia, email: [abraham.yazdi@unida.ac.id](mailto:abraham.yazdi@unida.ac.id)

<sup>2</sup>Universitas Djuanda, Bogor, Indonesia, email: [henny.nuraeny@unida.ac.id](mailto:henny.nuraeny@unida.ac.id)

<sup>3</sup>Universitas Djuanda, Bogor, Indonesia, email: [andry.brawijaya@unida.ac.id](mailto:andry.brawijaya@unida.ac.id)

Corresponding Author : [andry.brawijaya@unida.ac.id](mailto:andry.brawijaya@unida.ac.id)

### Abstract:

**Background.** Pre-project selling has become a dominant marketing strategy in Indonesia's property sector, yet it often exposes buyers to legal uncertainties, particularly regarding delayed construction and unmet contractual promises.

**Aim.** This study examines the extent to which pre-project selling practices comply with Indonesia's Consumer Protection Act and evaluates the adequacy of current legal safeguards for property buyers.

**Methods.** Using a normative legal approach, the study analyzes statutory provisions, developer-consumer contracts, and relevant court decisions to identify compliance gaps and recurring legal issues.

**Results.** The findings indicate that although the Act provides fundamental consumer rights, weak enforcement mechanisms, asymmetric information, and inadequate oversight allow developers to circumvent their obligations. Many contractual clauses tend to disadvantage buyers, and dispute resolution often results in limited remedies.

**Conclusions.** Existing regulations do not sufficiently protect consumers in pre-project selling transactions, leaving buyers vulnerable to financial and legal risks. Strengthening regulatory oversight, standardizing contract terms, and enhancing sanctions for non-compliance are crucial to improving consumer protection.

**Implication.** The study contributes to academic discourse on consumer law, provides policy insights for regulators, supports better awareness for society and property buyers, and offers a reference for international scholars examining consumer protection in emerging markets.

**Keywords:** pre-project selling, consumer protection, property law, legal compliance, Indonesia.



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## INTRODUCTION

The expansion of Indonesia's property industry over the past decade has transformed residential and commercial real estate into one of the nation's most dynamic economic sectors. Developers increasingly rely on pre-project selling as a dominant strategy to secure

early funding, accelerate cash flow, and gauge market interest before construction begins (Atsar, A., & Apriani, R. (2019). In this system, consumers are encouraged to purchase property units—whether landed houses, apartments, or mixed-use developments—based solely on brochures, mock-ups, digital renderings, and promotional commitments.

Although attractive due to flexible payment schemes and lower introductory prices, the mechanism introduces substantial legal and transactional risks. Buyers frequently encounter discrepancies between promised and delivered units, delays extending far beyond contractual timelines, or, in severe cases, abandonment of the project altogether. These recurring problems illustrate a structural imbalance in the relationship between developers and consumers, where information, bargaining power, and legal literacy are unevenly distributed (Miru, A., & Yodo, S. (2008).

Indonesia's regulatory framework theoretically provides safeguards to address these imbalances. The Consumer Protection Act grants buyers rights to truthful information, security, comfort, and compensation for losses. Additionally, laws governing building construction, housing, and apartment development outline obligations that developers must fulfill during marketing, construction, and handover processes. However, the practical implementation of these legal instruments often falls short.

Many developers incorporate contractual clauses that shift nearly all risks to consumers, such as non-refundable booking fees, unilateral timeline extensions, or limited compensation mechanisms. Oversight by relevant authorities also remains inconsistent, allowing certain practices to persist despite contradicting statutory consumer rights (Siregar, S. P. (2023). As a result, legal disputes between buyers and developers continue to arise, indicating gaps between the normative promises of the law and the realities experienced by consumers.

Against this backdrop, the present study seeks to critically examine the conformity of pre-project selling practices in Indonesia with the standards set by the Consumer Protection Act. The central problem can be formulated as follows: whether the contractual, promotional, and operational conduct of developers aligns with statutory consumer protections, and to what extent existing regulations effectively mitigate the risks inherent in pre-project transactions (Yusuf D.M., Mohd., Siswanto, D., & Karta, A. (2022). This research also pursues several related objectives, including identifying legal weaknesses that allow exploitative practices, assessing the adequacy of available remedies for aggrieved buyers,

and exploring how regulatory enforcement can be strengthened to ensure equitable protection.

To support the analytical process, operational definitions are presented narratively. “Pre-project selling” refers to the marketing and sale of property units before physical construction has commenced or reached a substantial stage. “Legal protection” refers to preventive mechanisms—such as transparent information, fair contractual terms, and regulatory oversight—as well as repressive mechanisms, including dispute resolution processes, administrative sanctions, and judicial remedies.

The study adopts a normative legal methodology, relying on statutory interpretation, legal principles, and analysis of common dispute patterns within the Indonesian property market. Although references to specific cases or regulatory provisions are included only when necessary, the emphasis remains on understanding how far the law functions as an instrument of consumer protection in pre-project property transactions. Through this approach, the research aims to provide a comprehensive, systematic, and empirically grounded foundation for evaluating the effectiveness of Indonesia’s current legal framework in safeguarding the interests of property buyers.

## **LITERATURE REVIEW**

The concept of legal protection in property transactions has long been associated with efforts to balance the rights and obligations of parties involved in the transfer of real estate. Within the context of pre-project selling, the literature consistently highlights the inherent risks faced by consumers when purchasing units prior to construction. Scholars generally agree that information asymmetry is a central issue, as developers possess full knowledge regarding project feasibility, financial capacity, and construction timelines, while consumers rely primarily on promotional materials and contractual representations. In many jurisdictions, pre-construction sales are considered high-risk transactions that require strong regulatory safeguards, particularly clauses governing timelines, facilities, and warranties (Siswanto & Samsuddin. (2024).

Studies on consumer protection emphasize that a regulatory framework must provide both preventive and repressive measures. Preventive measures include transparency requirements, fair advertising standards, and equitable contract drafting. Repressive mechanisms involve compensation, administrative sanctions, and access to dispute resolution. The literature notes that in developing countries, enforcement gaps often weaken

these mechanisms, leaving consumers vulnerable even when laws are well-structured on paper (Bukhari, (2020). Within Indonesia, the Consumer Protection Act is frequently referenced as the primary normative basis for safeguarding consumer rights across various sectors. However, analyses show that its general provisions require sector-specific regulations and supervisory systems to achieve meaningful impact, especially in industries where information asymmetry is acute.

Research on property development practices also underscores the importance of clear contractual arrangements. Scholars argue that balanced contracts should allocate risks proportionally, ensure clear timelines, and include transparent refund and compensation provisions. Yet many empirical reviews reveal that standard developer–consumer contracts tend to be unilateral, allowing developers to extend construction deadlines, modify project specifications, or adjust handover terms with minimal consequences. Literature on contract law identifies these clauses as forms of unfair contract terms that undermine the principle of equality before the law in private agreements.

Additional studies on housing and apartment regulation highlight the need for integrated oversight among government agencies, as fragmented supervision contributes to inconsistent enforcement. Authors examining dispute trends note a recurring pattern: consumers often win legal or administrative cases after suffering losses, yet the remedies granted may not fully restore their financial or material position (Durianto, D. (2024). This indicates that substantive legal protection must be complemented by institutional capacity, including monitoring systems and sanctioning mechanisms that deter non-compliance.

Collectively, the literature establishes a clear consensus that effective consumer protection in pre-project selling requires not only robust legal norms but also enforceable mechanisms, transparent developer obligations, and accessible remedies. These insights form the theoretical foundation for analyzing how Indonesia’s Consumer Protection Act aligns with real-world practices in the property market and how regulatory gaps contribute to ongoing disputes.

## **METHOD**

This study employs a normative legal research design to examine the alignment between pre-project selling practices in Indonesia and the standards mandated by the Consumer Protection Act. The research focuses on legal norms, principles, and regulatory frameworks rather than empirical measurements, allowing for an in-depth analysis of

statutory provisions, contractual structures, and dispute trends. The primary research subjects consist of laws and regulations governing consumer protection, housing and apartment development, advertising standards, and contract formation. Complementary research subjects include sample developer–consumer agreements, marketing materials, and selected court decisions that illustrate recurring legal issues in pre-project selling transactions.

The research was conducted within the timeframe of January to December of the study year, with the legal and regulatory materials sourced from national legal databases, government portals, and court repositories. Although normative in nature, the study incorporates doctrinal and comparative elements by reviewing representative cases and patterns from Indonesia’s property market. The instruments used include statutory analysis grids, contract assessment matrices, and case-mapping templates designed to identify compliance gaps, unfair terms, and inconsistencies between legal norms and industry practices.

The research procedure follows several stages. First, identification and collection of primary legal materials, including the Consumer Protection Act and regulations on property development and marketing. Second, examination of secondary legal sources such as scholarly analyses, legal commentaries, and dispute summaries. Third, systematic interpretation of legal provisions using statutory, conceptual, and case-based approaches. Fourth, evaluation of sample contracts and marketing documents to assess their compatibility with consumer protection principles. Finally, integrated analysis is conducted by comparing normative prescriptions with real-world implementation patterns to determine the adequacy of current legal protections for property buyers. Through this structured methodology, the study provides a comprehensive framework for assessing regulatory compliance and identifying areas requiring reform.

## DISCUSSION

### Compliance of Pre-Project Selling Practices with the Consumer Protection Act

The assessment of statutory obligations, contractual documents, and dispute patterns reveals a consistent discrepancy between legal norms and the real practices adopted by developers in pre-project selling schemes. Although the Consumer Protection Act guarantees core consumer rights—such as the right to truthful information, guaranteed safety in transactions, fair treatment, and compensation—these rights are often weakened through contractual clauses and marketing strategies that prioritize developer interests (Ciptawan, C., Ginting, B., Sunarmi, S., & Siregar, M. (2023)). The fundamental imbalance originates from information asymmetry: developers possess comprehensive control over project feasibility, licensing status, financial capacity, and construction timelines, while consumers depend largely on promotional brochures, digital renderings, and verbal assurances that may not accurately reflect the actual conditions.

A recurring problem is the unilateral authority granted to developers to alter project specifications or extend construction timelines without proportionate obligations toward the buyer. Such provisions undermine the Act’s requirement for honest disclosure and fair contractual arrangements. In many cases, the contracts reviewed impose non-refundable booking fees, limited mechanisms for cancellation, and compensation schemes that do not adequately address the losses incurred by consumers in the event of delay or non-performance. These practices illustrate a systemic tendency to shift the burden of risk entirely onto consumers.

**Tabel 1. Evaluation of Contractual Compliance in Pre-Project Selling**

Contractual Aspect	Developer Practice Identified	Level of Compliance with Consumer Protection Act
Construction timeline	Unilateral time extensions without penalties	Weak compliance; disproportionate burden on buyers
Specifications and facilities	Changes allowed without buyer’s approval	Potentially misleading; risks breaching transparency
Refund and cancellation policies	Non-refundable booking fees; restrictive refund rules	Incompatible with fair compensation standards
Dispute resolution procedures	Mandatory internal resolution before external remedies permitted	Restricts access to independent dispute settlement
Marketing and advertising claims	Overstated amenities; unrealistic construction targets	High risk of misleading consumers

Source: Author’s analysis, (2025).

The implications of these findings are significant. Contractual unfairness does not merely reflect the imbalance of bargaining power but reveals structural deficiencies in regulatory enforcement. Consumers often become aware of their rights only after experiencing project delays or finding discrepancies between promised and delivered units. At this stage, pursuing remedies becomes more complex, costly, and time-consuming. Furthermore, the absence of standardized contract formats allows developers to incorporate clauses that systematically restrict consumer protections, despite clear legal prohibitions on unfair terms.

In addition to contractual challenges, the broader ecosystem in which pre-project selling operates allows such practices to persist. Weak oversight from supervisory bodies, inconsistent monitoring of developer compliance, and limited sanctions for violations all contribute to the persistence of consumer harm. Thus, the study's findings clearly demonstrate that pre-project selling practices frequently do not comply with the Consumer Protection Act (*Dewi, E. W. (2015)*). The legal protections that exist on paper are not fully operationalized in practice, leaving consumers exposed to both financial and legal vulnerabilities. This sub-bahasan answers the first research problem: the formal legal rights granted by statute are not adequately upheld in contractual and marketing practices within the property sector.

### **Legal Gaps and Institutional Weaknesses in Protecting Property Buyers**

Beyond contractual deficiencies, the analysis reveals more profound institutional and regulatory weaknesses that hinder the effectiveness of legal protection in pre-project selling transactions. Indonesia's property governance system involves multiple agencies responsible for different aspects of licensing, supervision, and consumer complaints (*Kawengian, F. F. (2020)*). While regulations exist to ensure transparency and accountability, implementation often falls significantly behind legislative expectations.

One major issue is the lack of continuous, real-time monitoring of project progress and developer compliance. Developers are able to market units even while key permits remain incomplete, and oversight bodies frequently intervene only after consumers have experienced losses. Without comprehensive monitoring systems, authorities cannot promptly verify whether developers adhere to promised specifications, maintain financial stability, or progress according to approved timelines (*Wardiono, K. (2025)*). This creates an environment where pre-project selling becomes a high-risk transaction for buyers.

The following table outlines the systemic regulatory challenges identified:

**Table 2. Institutional and Regulatory Weaknesses in Pre-Project Selling Oversight**

<b>Regulatory Component</b>	<b>Observed Weakness</b>	<b>Impact on Consumers</b>
Licensing and permit verification	No real-time public access to licensing status	Consumers may buy units from unlicensed or risky projects
Developer accountability mechanisms	Limited sanctions for construction delays or contract breaches	Weak deterrence; allows repeat offenses
Financial supervision	Absence of mandatory escrow accounts to secure buyer funds	Increased risk of unfinished or abandoned projects
Complaint-handling systems	Slow, fragmented, and inconsistent across agencies	Delayed justice; prolonged financial uncertainty
Project information transparency	Insufficient updates on construction milestones	Consumers cannot assess whether the project is on track

**Source: Author’s analysis (2025).**

The analysis reveals that these institutional weaknesses amplify the risks inherent in pre-project selling. Regulatory bodies often lack the enforcement tools needed to prevent violations early in the development cycle. For example, without escrow requirements, developers can freely use consumer payments to finance unrelated activities, increasing the likelihood of financial mismanagement or stalled projects. Similarly, the absence of standardized reporting obligations results in limited transparency, leaving consumers unable to make fully informed decisions (Kristiyanti, C. T. S. (2008).

These findings directly address the second research problem: the gap between legal provisions and practical implementation stems from insufficient regulatory enforcement mechanisms. The law mandates consumer protection, but the institutions responsible for ensuring compliance do not yet possess the integrated systems, resources, or sanctions necessary to enforce those protections effectively (Miasiratni, M. (2024).

Moreover, this study highlights that many disputes arise not because laws are inadequate but because institutional performance is weak. Legal remedies—such as compensation or administrative sanctions—are available but are often pursued only after significant harm occurs (Quintarti, M. A. L. (2024). In an ideal regulatory environment, preventive oversight should operate to minimize disputes from arising in the first place. Yet in practice, preventive mechanisms remain underdeveloped.

Ultimately, the data analysis confirms that structural and institutional weaknesses significantly reduce the effectiveness of statutory consumer protections in pre-project selling.

These findings demonstrate the need for a comprehensive regulatory reform package that integrates standardized contracts, escrow financing, enhanced monitoring systems, and coordinated inter-agency supervision.

## **CONCLUSION**

The study concludes that the legal protection afforded to property buyers in pre-project selling schemes in Indonesia has not been fully realized in practice, despite the normative guarantees contained in the Consumer Protection Act. The analysis demonstrates that a significant gap persists between regulatory expectations and operational behavior within the property industry. This gap emerges from two primary findings: first, the widespread use of contractual clauses that shift disproportionate risks to consumers, and second, the limited institutional capacity of supervisory bodies to enforce compliance, monitor project feasibility, and intervene early when violations occur. These findings directly answer the research objectives by confirming that pre-project selling practices only partially align with statutory consumer protection standards, and that weaknesses in both preventive and repressive mechanisms reduce the law's practical effectiveness.

The study contributes to the development of legal scholarship by offering a systematic understanding of how consumer protection norms function within a complex, high-risk property market. It strengthens theoretical discussions by illustrating how information asymmetry, contractual inequality, and regulatory fragmentation undermine the principles of fairness and legal certainty. At a broader scientific level, the research emphasizes the need for an integrated regulatory model that combines standardized contracts, financial safeguards, transparent reporting, and coordinated inter-agency supervision. Such improvements not only advance the legal protection of property buyers but also contribute to the refinement of regulatory governance as a field of study, demonstrating how normative legal frameworks must be supported by effective institutional mechanisms to achieve meaningful protection in practice.

## **IMPLICATION**

The findings of this study offer meaningful implications across several spheres. For the academic community, this research provides an expanded theoretical foundation for understanding how consumer protection norms operate within high-risk property markets, especially those characterized by information asymmetry and contractual imbalance. It

strengthens scholarly discourse by demonstrating the importance of linking doctrinal legal analysis with institutional performance, thereby encouraging further interdisciplinary studies that integrate law, public policy, and regulatory governance.

For society, the study highlights the need for greater awareness of legal rights and risks when engaging in pre-project property purchases. The insights presented can help consumers make more informed decisions, demand clearer contractual terms, and recognize early indications of non-compliant developer practices. This contributes to a more empowered and vigilant public capable of reducing vulnerability to financial losses and legal disputes.

At the level of the nation and state, the research underscores the importance of strengthening regulatory oversight, improving administrative coordination, and enhancing accountability mechanisms within the property sector. The implications support ongoing governmental efforts to modernize consumer protection regulations and promote transparency in real estate development. The findings can serve as a reference for policymakers seeking to refine supervisory structures, standardize contract practices, and introduce financial safeguards such as escrow obligations.

For the international community, this study provides a relevant case example of how emerging economies grapple with rapid property development and the legal challenges that accompany pre-construction sales. The Indonesian experience illustrates broader global issues related to consumer rights, regulatory enforcement, and market governance. It offers comparative insights that may inform cross-border policy discussions, encourage harmonization of consumer protection standards, and contribute to global dialogues on sustainable and accountable real estate development practices.

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