

# Commercial Debt Recovery in Indonesia: Practical Legal Options, Procedures, and Timelines

Indonesia's economy remains attractive to domestic and foreign investors across a wide range of industries, as it demonstrates strong growth supported by Q1 2026 GDP of IDR 6,187.2 trillion and year-on-year growth of 5.61% coupled with positive long-term economic prospects. On the other hand, doing business also carries commercial risks, including the frequent challenge of recovering unpaid invoices and overdue commercial debts.

Outstanding receivables can place considerable pressure on cash flow, disrupt business operations, and, in severe cases, threaten a company's financial stability that at-worst may even leads to bankruptcy. Fortunately, Indonesian law provides several legal mechanisms for recovering commercial debts, ranging from amicable settlement negotiations to litigation, restructuring proceedings, bankruptcy, and arbitration.

The most appropriate recovery strategy depends on various factors, including whether the debt is disputed, the existence of supporting documentation, the debtor's financial condition, and the availability of assets for enforcement.

This article provides a practical overview of the principal debt recovery options available under Indonesian law, together with their procedures, timelines, and key considerations.

## 1. Amicable Settlement

For the most cost-effective and time-efficient debt recovery, the first step should always be pursuing an amicable resolution to avoid the expense, complexity and delays of formal legal action.

Under the Indonesian Civil Code, a debtor is generally considered to be in default (*wanprestasi*) after receiving a formal demand or warning letter, commonly known as a *somasi*. Creditors typically issue one to three demand letters, either directly or through legal counsel, requesting payment and/or fulfilment of obligation within a specified period, usually between 7 and 14 days.

During this stage, parties often negotiate:

- Revised payment schedules;
- Debt restructuring arrangements;
- Instalment plans;
- Partial settlements;
- Debt acknowledgement agreements; or
- Other commercially acceptable solutions.

An amicable settlement, with an estimated timeline of 2–6 weeks, offers several advantages. It is relatively inexpensive, preserves commercial relationships, and often produces faster

results than formal legal proceedings. This procedure requires skilled negotiation and thorough understanding of the debt.

Nonetheless, this would depend on the parties' willingness and good faith for negotiation. Where the debtor ignores demands or refuses to engage meaningfully, creditors should consider escalating the matter through formal legal channels.

## **2. Civil Litigation for Breach of Contract**

Where the debt is disputed or involves complex contractual issues, creditors may commence a civil lawsuit before the relevant District Court (*Pengadilan Negeri*). This option is commonly used when disputes involve contract interpretation; alleged non-performance; defective goods or services; counterclaims; or dispute regarding the amount of debt. A successful claimant of a civil lawsuit may recover principal debt, contractual interest; penalties, damages; and in certain circumstances, legal costs.

Common Procedure of civil proceeding consists of:

1. Filing of the lawsuit;
2. Mandatory court-annexed mediation;
3. Exchange of pleadings;
4. Submission of documentary evidence;
5. Witness and expert testimony (if required); and
6. Judgment.

Following the judgment, the losing and/or dissatisfied party may subsequently file an appeal to the High Court and, thereafter, a cassation appeal to the Supreme Court.

Although litigation allows a comprehensive examination of the dispute, it is often lengthy and resource-intensive with an estimated timeline of 12–36 months, including appeals. Furthermore, obtaining a favourable judgment does not automatically result in payment. If the debtor refuses to comply voluntarily, separate enforcement proceedings must be initiated.

## **3. Commercial Court Proceedings: PKPU and Bankruptcy**

For relatively straightforward and undisputed debts, proceedings before the Commercial Court (*Pengadilan Niaga*) often provide a faster and more effective remedy for recovery.

### **Penundaan Kewajiban Pembayaran Utang/PKPU (Suspension of Debt Payment Obligations)**

PKPU is Indonesia's court-supervised debt restructuring mechanism. It provides debtors with temporary protection from creditor actions while allowing time to negotiate a restructuring plan with a statutory maximum timeline of 270 days.

To file a PKPU petition, the applicant generally needs to demonstrate the existence of (at least) two creditors; and (at least) one due and payable debt. The evidentiary threshold in

filing PKPU is relatively low, making PKPU an attractive option for creditors seeking leverage in settlement negotiations.

The process generally involves:

- Granting of temporary PKPU status by the court;
- Appointment of court-supervised administrators;
- Registration and verification of creditor claims;
- Negotiation of a restructuring proposal; and
- Voting by creditors.

If approved by the required statutory majority and ratified by the court, the restructuring plan becomes binding on all creditors.

One important consideration is that if no restructuring plan is approved within the statutory period, the debtor may ultimately be declared bankrupt.

In practice, PKPU has become one of the commonly used debt recovery tools in Indonesia because it places substantial pressure on debtors to engage in serious negotiations under court supervision. As a result, numerous commercial disputes in Indonesia have been resolved through PKPU-approved restructuring agreements or out-of-court settlement following the PKPU filing.

### **Bankruptcy Proceedings**

Where restructuring is no longer viable, creditors may seek a bankruptcy declaration against the debtor.

Indonesian bankruptcy law applies a relatively simple evidentiary standard. The creditor generally needs to evidence the existence of at least two creditors; and at least one due and payable debt that remains unpaid. The Commercial Court is required to render its decision within approximately 60 days from the filing of the petition.

Once a bankruptcy declaration is issued:

- The debtor loses control over its assets;
- A court-appointed receiver (*Kurator*) administers the bankruptcy estate; and
- Assets are registered, collected, liquidated, and distributed to creditors in accordance with statutory priority rules.

Although bankruptcy can be an effective recovery mechanism, actual recovery for the creditors ultimately depends on the value and availability of the debtor's assets and the existence of competing creditors.

## **4. Arbitration**

Many commercial agreements, particularly those involving foreign investors, contain arbitration clauses requiring disputes to be resolved outside and alternatively to the court system.

In Indonesia, domestic disputes are commonly referred to the Indonesian National Arbitration Board (BANI), while international contracts frequently designate institutions such as the Singapore International Arbitration Centre (SIAC). Where a valid arbitration agreement exists, Indonesian courts will generally decline jurisdiction over the dispute.

Advantages of arbitration include:

- Confidential proceedings;
- Greater procedural flexibility;
- Industry-specialized (parties appointed) arbitrators;
- Final and binding awards; and
- Easier international enforcement under the New York Convention.

In practice, the estimated timeline for the arbitration proceedings reaching its final and binding award is 6–12 months, depending on complexity of the case.

## **5. Enforcement: The Critical Stage**

This would be the critical stage of the debt recovery where many creditors underestimate the significant importance of enforcement.

Obtaining a judgment or arbitral award does not guarantee payment. If the debtor fails to comply voluntarily, creditors must pursue enforcement against the debtor's assets.

Available enforcement measures against debtor may include:

- Freezing and seizure of bank accounts;
- Attachment and auction of real property;
- Seizure of vehicles, machinery, and inventory;
- Garnishment of receivables; and
- Other court-approved enforcement actions.

For this reason, experienced creditors often conduct asset tracing and due diligence prior to commencing legal proceedings. A favourable judgment has limited value if the debtor lacks recoverable assets.

## **Choosing the Appropriate Recovery Strategy**

There is no universal solution for commercial debt recovery in Indonesia. The most suitable strategy depends on the nature of the dispute, the debtor's financial condition, available evidence, and the creditor's commercial objectives.

As a general guideline:

- Amicable settlement is usually the fastest and most cost-efficient starting point.
- Civil litigation is appropriate where liability, nature, or the amount of debt is genuinely disputed.
- PKPU is often an effective tool for encouraging structured repayment negotiations under court supervision.
- Bankruptcy proceedings may be suitable where restructuring is no longer realistic and asset liquidation is necessary.

- Arbitration may be required where the parties have contractually agreed to resolve disputes outside the courts.

Ultimately, regardless of the legal avenue pursued, a successful debt recovery depends on several practical factors, including the strength of the evidence, the debtor's solvency, the existence of competing creditors, and the availability of assets for enforcement.

Accordingly, creditors should seek legal advice at an early stage. A carefully planned and tailored recovery strategy can significantly improve recovery prospects while reducing unnecessary costs, delays, and enforcement risks. In many cases, prompt and decisive action is one of the most important factors in maximising recovery and protecting commercial interests in Indonesia.

### How We Can Assist

Commercial debt recovery requires more than obtaining a favourable judgment or award. Success ultimately depends on opting the appropriate strategy from the outset, preserving leverage, and identifying realistic avenues for enforcement.

Our team advises domestic and international clients on all stages of debt recovery in Indonesia. This includes pre-dispute negotiations, demand letters, debt restructuring, civil litigation, PKPU proceedings, bankruptcy petitions, arbitration, and enforcement actions. We collaborate with clients to develop practical solutions that align with their business objectives and maximize recovery prospects.

Whether your matter involves a disputed contractual claim, an undisputed commercial debt, a financially distressed counterparty, or cross-border enforcement, early legal assessment can significantly improve negotiating leverage and reduce the time and cost of recovery.

For further information regarding debt recovery, insolvency, restructuring, or commercial dispute resolution in Indonesia, please contact our team.

### Note on the article:

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