

Legal Responsibility of the Auction House to Auction Objects that Result In Losses to Auction Winners

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Abstract

Both held by state auction houses and private auction houses, vehicle auctions themselves have become one of the important tools in motor property transactions in this country. Based on the records of the Financial Services Authority (OJK), vehicle auction transactions have shown an average annual growth trend of 15% since 2019, with a projected cumulative value of Rp7.2 trillion in 2023. This study is a normative study that studies the purpose of law, the values of justice, the validity of the rule of law, legal concepts, and legal norms. Normative legal research can also be said as a process to find the rule of law, legal principles, and legal doctrines in order to answer the legal issues faced. It can also be said that legal research is carried out to produce arguments, theories, or concepts as prescriptions or answers to the problems faced. The auction house has absolute responsibility for the accuracy of the information of the auction object, including verification of technical quality and disclosure of hidden defects. This obligation is based on: - PMK No. 113 / PMK.06/2019 (Article 12 letters c and d) which requires accurate physical, Administrative Verification and assessment of the condition of the object. - Act No. 8/1999 on Consumer Protection (Article 7 letter g and Article 8) which prohibits the provision of misleading information. - Article 1365 of the Civil Code on tort (PMH), in which the omission of verification (for example, not performing a test drive to detect transmission damage) meets the elements of PMH. In the case study, PT JBA Indonesia was considered negligent because it only relied on visual inspection without technical function tests, thus failing to reveal hidden defects in the vehicle's transmission.

Keywords: Legal Responsibility, Auction, Auction Object

INTRODUCTION

Auction is a sales mechanism in public spaces where an item is offered to many potential buyers. The price of such goods is dynamic and increases progressively based on the highest bid submitted by the participant. (H. S. Salim, 2011) According to Ailsa A. Roell, auction is a transaction in which the seller (either individually or through intermediaries) invites other parties to compete to obtain goods until the closing of the opportunity. This process is essentially voluntary, except when it is carried out on the basis of a court determination. (Soemitro, 1987)

Auction is one form of government implementation based on law. Auction is a legal instrument that is based on legal regulations and is used in various aspects of state asset management, including procurement of goods and services, settlement of financial obligations, and utilization of government assets. The auction process must be conducted in accordance with the principles of transparency, accountability, and efficiency to ensure that government assets are used effectively.

The practice of auctions in Indonesia has long historical roots. Regulations governing it, especially *Vendu Reglement* (Staatsblad 1908 No. 189) which was enacted on April 1, 1908, although it originated in the colonial era of the Dutch East Indies, is still the basis of law although it has undergone various adjustments. The government always strives to evaluate and simplify regulations in the auction field in order to answer the demands of the community, encourage economic growth, and advance the legal system. (H. S. Salim, 2023)

According to Article 1 Paragraph (1) PMK No. 122 of 2023, the auction is defined as the sale of goods to the public via the submission of bids in person and orally, in writing, or electronically (via the internet), which must be preceded by the announcement phase under the provisions of the legislation. Operationally, juridically, auctions can be categorized into two main

categories of Juridical classification of auctions based on the nature of their implementation consisting of executorial auctions (execution auctions), and non-executorial auctions (voluntary auctions). This classification is rooted in the legal basis and nature of auction needs, reflecting the adaptability of the system in meeting a variety of legal and financial demands. The selection of the right category is crucial to ensure compliance with regulations and the realization of the principle of transparency and accountability in the auction process. All implementation must be led by auction officials. Thus, the core essence of the auction lies in the public sale of property by competitive methods in the presence of an audience under the leadership of a state apparatus specially authorized to conduct auctions, based on the oral submission of bids within the framework of an open auction, with a system of increasing or decreasing prices, preceded by a written and closed announcement of the auction. (S. Mantayborbir dan Iman Jauhari, 2003)

Directorate General of state assets (DJKN), as echelon I work unit under the Ministry of Finance, acts as the sole organizer of all auction activities in Indonesia. DJKN has the main responsibility in the formulation and implementation of policies concerning state property or (BMN), (KND), others, asset assessment, public debt management, as well as the holding of auctions, all carried out based on Written legal norms. In the institutional structure, KPKNL has operational capabilities to organize all auction categories. The scope of this comprehensive authority is directly related to the mandate of the government in providing access to auction services for communities throughout Indonesia that are the responsibility of KPKNL. This is especially crucial for auctions that are mandatory under the provisions of the law or based on court decisions. Accordingly, based on the regulation of the Minister of Finance No. 113 / PMK.06/2019, the auction house has legal legitimacy to carry out business activities, including pre-auction services, Auction Services, and services related to holding auctions.

One of the advantages of the auction system lies in ensuring security, considering that the process takes place under supervision and is led by a public official specially appointed by the government as an auction official. The principle of justice in this context is interpreted as objectivity and transparency. In the auction mechanism, several key entities are involved: sellers, buyers, auction officials, as well as auction monitors. (Departemen Keuangan RI, 2005)

While the auction official guarantees the validity of the auction process through an authentic deed, the Auction Hall as a legal entity of the auction organizer is responsible for the verification of the auction object. The auction house's negligence in technical verification may result in losses for the auction winner. According to Sudikno Mertokusumo, the term public official refers to individuals who are authorized to form a deed with full legal force based on the mandate of the law, including notaries, auction officials, and land deed making officials (PPAT). (Sudikno Mertokusumo, 2010) in accordance with this, article 1868 (KUHPdata) confirms that authorized officials function to ensure that the documents they make or confirm are valid as binding formal evidence in the judicial process. (R. Subekti dan R. Tjitrosudibio, 1976)

Referring to Article 1 of the preamble to the regulation of the Minister of Finance 113 of 2019 concerning auction halls, it mandates the legal definition of auction halls as, auction halls are defined as business entities with legal entities in the form of PT which are specially configured to carry out auction operations. Furthermore, the presence of a Class II auction officer in the organizational structure of the Auction Hall/office is a legal prerequisite for organizing a mandatory auction.

Operational responsibility for the implementation of the auction is charged to the Auction Hall based on the mandate of PMK No. 113 / PMK.06/2019, including verifying the quality of auction objects. However, the complexity of auction transactions often causes problems. This is especially true for hidden defects or hidden defects in vehicles that are not disclosed to auction participants. This phenomenon shows that the limits of legal responsibility of auction houses and consumer protection in Indonesia are being tested.

Both held by state auction houses and private auction houses, vehicle auctions themselves have become one of the important tools in motor property transactions in this country. Based on the records of the Financial Services Authority (OJK), vehicle auction transactions have shown an average annual growth trend of 15% since 2019, with a projected cumulative value of Rp7.2 trillion in 2023. (OJK, 2013) public perception that auctions offer more competitive prices than conventional markets drives its popularity. However, the auction process also harbors complex risks, especially related to hidden defects in auction items that are not visible during the initial inspection process. Hidden defects, such as damage to engine modifications or accidents that were not disclosed in advance, often become known to the buyer only after the transaction is completed, causing material losses and legal conflicts. (Gunawan Widjaja, 2021).

RESEARCH METHODS

This study is a normative study that studies the purpose of law, the values of justice, the validity of the rule of law, legal concepts, and legal norms. Normative legal research can also be said as a process to find the rule of law, legal principles, and legal doctrines in order to answer the legal issues faced. It can also be said that legal research is carried out to produce arguments, theories, or concepts as prescriptions or answers to the problems faced. (Peter M. Marzuki, 2023)

RESULT AND DISCUSSION

Auction hall is an institution or legal entity operating in the auction system in Indonesia, in the form of a limited liability company (PT), which is specifically established to conduct auction activities in accordance with regulations. Based on the No. 113 / PMK.06/2019, the auction house acts as the party responsible for managing the auction series, starting from the preparation stage, implementation, to handing over the auction object to the winner. Its main role is as a liaison between the seller (owner of the goods) and the buyer, by ensuring transactions run transparently, fairly, and in accordance with applicable legal principles.

The auction house has an obligation to verify the validity and quality of the object to be auctioned, including physical and administrative checks, and to provide accurate information to potential bidders. This activity should be carried out under the supervision of auction officials, who are tasked with ensuring compliance with auction principles such as openness, accountability, and efficiency. In the context of consumer protection, the auction house is also obliged to guarantee that the description of the auction object corresponds to real conditions, including revealing hidden defects that may not be detected in the initial inspection.

The existence of the Auction Hall is arranged to support the management of state assets, BUMN/D, or private in a professional manner, as well as being a means of collecting state revenue through auction duties. However, as the party who controls the auction process, the Auction Hall can be held legally liable if it is proven to be negligent in carrying out the verification obligation or providing inaccurate information to the detriment of the auction participants or bidders as stipulated in law no. 8/1999 concerning consumer protection and (Civil Code). Thus, the Auction Hall not only acts as a facilitator of transactions, but also as a guarantor of integrity and legal certainty in the Indonesian auction order. In practice, auction houses in some cases find problems related to legal liability, especially when the auction object that has been won by the buyer turns out to have hidden defects.

In practice, auction houses have encountered legal liability issues in several cases, particularly when auction items won by buyers turn out to have hidden defects. This was revealed in case study No. 526/Pdt.G/2023/PN.Jkt.Brt, where the problem stemmed from the discrepancy

between the condition of the auctioned vehicle and the description provided in the auction catalog. The vehicle, which was graded C—meaning it was in fair condition and roadworthy according to vehicle assessment standards—turned out to have severe transmission damage after it was purchased by the auction winner, Ricky Sulistio. As a result, the winner suffered material losses amounting to IDR 77,043,990.

According to Hans Kelsen's theory of legal responsibility, "a person is legally responsible for a certain act or that he bears legal responsibility, subject means that he is responsible for a sanction in the event of a contrary act." "In addition, Hans Kelsen argued that: "an oversight is when a person does not exercise the caution required by law. (negligence); and errors are usually considered as other types of errors. (culpa), an error that occurs due to anticipating and expecting harmful consequences, with or without malicious intent. (H.S Salim ,2009)

According to the Indonesian dictionary, "responsibility" means a state of obligation to bear everything (if something happens, it can be prosecuted, blamed, prosecuted, and so on) or the function of receiving an imposition as a result of one's own actions or those of others. In the legal literature, the construction of liability is polarized on two key terms: liability (the state of being liable) and responsibility (the state or fact of being responsible). 85 the auction house as the organizer of the auction process not only acts as an intermediary, but also has an active responsibility in ensuring the accuracy of information on the objects being auctioned.

Based on Article 12 letters C and d PMK No.113 / PMK.06/2019, states that the auction house in the pre-auction process is obliged to compile complete information on the auction object, including technical conditions, provide the correct description according to the actual condition and determine the value based on the verification carried out by the auction house in this case is only visual and not carried out thoroughly such as a function test or road test (test drive). whereas transmission is a critical component that requires actual performance analysis. This failure violates the principle of due diligence. Furthermore, Article 8 of Law No. 8/1999 prohibits businesses from providing misleading information. The description of " Grade C "claiming" sufficient " condition (60-74%) does not correspond to the fact of systemic damage to the Mechatronic module. According to automotive industry standards, automatic transmission damage is classified as "severely damaged" (Grade D/ E), so the auction house is considered to have committed a material violation through a representation that shows the inaccuracy of the description with the actual auction object condition.

With no in-depth technical verification, the Auction Hall can be categorized as having committed legal negligence, which the judge in the court stated that it had sufficient elements (PMH) in Article 1365 of the Civil Code. The losses incurred by the winner of the auction due to hidden defects confirm that the auction house bears full legal responsibility for the inaccurate and non-transparent conduct of the auction. According to Purwahid Patrik, if a person fulfills the conditions of an unlawful act, then a person can be considered to have committed an unlawful act. These requirements are a) the existence of an act; b) the unlawful nature of the act; c) the existence of guilt (schuld); d) the causal relationship between the act and the harm; and; e) there is a loss arising.

Articles 1504 and 1507 (Civil Code) reinforce the principle of the seller's responsibility for hidden defects from the point of view of civil law the seller (including in this case the auction applicant and the auction house as the executor) is responsible if the goods sold have defects that prevent their proper use and the defects are not known to the buyer at the time.

The company has three forms of negligence: a. Inaccurate description: Grading " sufficient " contradicts the real condition of the transmission that has hidden defects (hidden defects) b. The lack of function test, the examination is limited to the visual aspect, ignoring the performance test of critical components. c. Violation of the principle of openness does not disclose the previous history of treatment or indication of damage, violating Article 7 Paragraph 2 of law no. 8/1999.

The auction winner is the buyer, whether an individual or a legal entity/business, whose bid is the highest and is officially approved by the auction official. This approval is stated in the auction minutes. As a legal action, an execution auction creates rights and obligations for the winner. As a legal buyer, the auction winner is required to pay the auction price along with taxes/official fees within the specified time limit. Legal protection for auction winners guarantees legal certainty regarding the ownership status of the goods and property rights to the objects obtained, as well as the right to utilize the objects in accordance with the characteristics listed in the auction description. This has been explained or established by the auction house because in the auction process there is a pre-auction process where the auction house is required to check the condition of the goods or auction objects in accordance with Article 12 letter c of PMK 113/PMK.06/2019 concerning Auction Houses. If there is a discrepancy or negligence in the inspection process of the auctioned object won that does not match the description of the auctioned item or object, the auction winner may file a lawsuit regarding such matter.

Philipus M Hadjon defines legal protection as a legal guarantee of moral integrity (dignity) and recognition of basic human rights, which are inherent to legal subjects based on legal regulations and the principle of anti-arbitrariness. In an operational context, it manifests as a normative system that prevents violations by one entity against another.

Based on Philipus M. Hadjon's theory of legal protection, the right of the auction winner to obtain the object as described is part of the recognition of dignity and integrity as a consumer. In the context of Preventive Protection through Auction Information Accuracy, this is translated through the obligation of the Auction House to ensure the accuracy of auction item information, as stipulated in Article 12 of PMK No. 113/PMK.06/2019. This obligation covers three main aspects: 1) Physical and Administrative Verification: Examination of document completeness (e.g., vehicle registration certificate, vehicle license) and physical condition of the goods. 2) Technical Function Test: In the case of vehicles, a test drive is mandatory to detect hidden defects such as transmission damage. 3) Transparent Description: The use of a grading system (Grade A-F) must be accompanied by detailed and accurate technical explanations, not just percentages.

In Decision No. 526/Pdt.G/2023, PT JBA was found to have failed to fulfill this obligation. Although the Volkswagen Tiguan car was labeled "Grade C" (condition 60-74%), fatal transmission damage was not detected because it relied solely on visual inspection without a road test. In fact, damage to the Mechatronic module (a critical component of the automatic transmission) should have been identified through standard industry inspection procedures. The West Jakarta District Court ruled in favor of repressive protection through compensation and sanctions. In this ruling, the West Jakarta District Court emphasized two main legal bases:

- a. Violation of Law No. 8/1999 on Consumer Protection (Article 8 paragraph 1 letter f and Article 7 letter g): PT JBA is considered to have provided misleading information by including the description "sufficient transmission" (Grade C) which is not factual, when in fact the damage was fatal and rendered the car unusable, thereby violating the business operator's obligation to provide accurate information. In this case, the judge ruled that the Auction House was liable for compensation.
- b. PMH (Article 1365 of the Civil Code): The auction house's negligence in technical verification is considered a breach of contract that caused material losses (repair costs of Rp77,043,990) and immaterial losses (loss of trust in the auction system).
- c. Final Decision (Judgment) The judge granted the Plaintiff's claim in its entirety, with the judgment that Defendant One pay compensation of Rp. 77,043,990 and Defendant Two pay court costs of Rp. 327,200.

The court also rejected the Defendant's objection arguing that the damage was only detected after remote use. The judge emphasized that the auction house's due diligence obligation included a thorough inspection prior to the auction, including potential defects that might arise during normal use.

By punishing the negligent Auction House, the court not only restored the Plaintiff's material losses, but also restored his dignity as a consumer who is entitled to honest information. This reinforces the principle of consumer sovereignty in auction transactions, where the credibility of the auction system depends on the accountability of the organizers.

In addition to Philipus M. Hadjon's theory of legal protection, it is also relevant to refer to the theory of consumer protection as a legal basis for guaranteeing the rights of auction winners. In Decision No. 526/Pdt.G/2023/PN.Jkt.Brt, where the auction house failed to disclose a hidden defect in the form of transmission damage to the car being auctioned, consumer protection became important to guarantee the legal position of the auction winner as the aggrieved party. Shidarta stated that the main objective of consumer protection is to guarantee consumers' rights to accurate and transparent information, in order to create an equal relationship between businesses and consumers.

The discrepancy in technical information regarding the condition of auctioned vehicles contradicts this principle. In J. Satrio's perspective, consumer rights consist of safety guarantees, adequate access to information, and restitution for losses arising from defective goods/services. As a business entity in this case, the auction house is responsible for any misinformation provided during the auction process. Furthermore, M. Yahya Harahap emphasizes that in auction practices, consumer protection needs to be implemented through information transparency and adequate technical verification, because such discrepancies can be categorized as a breach of contract that gives rise to the right to compensation.

Therefore, the court's decision to order the auction house to compensate the winning bidder is a concrete manifestation of the implementation of consumer protection principles within the framework of Indonesian positive law.

Thus, according to the author, the above explanations regarding Decision No. 526/Pdt.G/2023/PN.Jkt.Brt are an important milestone in the development of auction law and consumer protection in Indonesia. Through this decision, the court not only restored justice for the aggrieved auction winner, but also affirmed the absolute responsibility of the Auction House in ensuring the accuracy of information on auction items and that the legal protection of auction winners is essentially guaranteed by law.

CONCLUSION

The auction house has absolute responsibility for the accuracy of the information of the auction object, including verification of technical quality and disclosure of hidden defects. This obligation is based on: - PMK No. 113 / PMK.06/2019 (Article 12 letters c and d) which requires accurate physical, Administrative Verification and assessment of the condition of the object. - Act No. 8/1999 on Consumer Protection (Article 7 letter g and Article 8) which prohibits the provision of misleading information. - Article 1365 of the Civil Code on tort (PMH), in which the omission of verification (for example, not performing a test drive to detect transmission damage) meets the elements of PMH. In the case study, PT JBA Indonesia was considered negligent because it only relied on visual inspection without technical function tests, thus failing to reveal hidden defects in the vehicle's transmission.

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