Dualism of Non Litigation Dispute Settlement in Sharia Economics at Basyarnas and Alternatif Dispute Resolution Agencies

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Abstract: The legal norms governing the resolution of sharia economic disputes in Basyarnas and LAPS OJK have created the legal dualism. It can be analyzed based on the choice of law, the choice of forum, and nature of the decision. This research uses normative legal methods to analyze problems qualitatively. It can be concluded that first, the dualism of resolving sharia economic disputes in Basyarnas and LAPS OJK can be seen from four aspects, namely legal sources, legal subjects, legal structures and legal facts. secondly, the POJK clause which requires the financial industry to become members of LAPS has violated the principles of choice of law and choice of forum of the parties. Third, Basyarnas' competence in resolving disputes by means of arbitration has had a legal relationship with the court to exercise executor authority, while the OJK LAPS has not. Apart from that, the OJK in this case seems very strong because apart from being a regulator, it is also an operator and even interferes with the duties and functions of the judicial power. The author suggests that legal unification is needed to create legal certainty.

Introduction

Arbitration and Alternative Despute Resolution (ADR) are methods of resolving disputes outside of jurisdiction or known as non-litigation. In principle, the method of resolving disputes between the parties by means of non-litigation is the right of the parties. So, they are free to choose and agree on the method of arbitration and ADR to be used.

When the Bank Muamalat Indonesia was established in 1991, apart from there being no specific rules governing sharia banking operations, there were also no rules governing the methods and places for resolving disputes if they occurred between the Islamic banks and customers and the others. The Indonesian Ulema Council has established a tahkim institution known as the Indonesian Ulema Council Arbitration Board (BAMUI) on October 21, 1993 based on the Law Number 30 of 1999 on Arbitration and Alternative Dispute Resolution. Subsequently, based on the Decree of the MUI
Leadership Council Number Kep-09/MUI/XII/2003 dated December 24, 2003. Subsequently, BAMUI was renamed the National Sharia Arbitration Board (Basyarnas) which is authorized to resolve Sharia economic disputes based on Law Number 30 of 1999 (Rachman dkk., 2022).

The Islamic finance industry, which has been growing and developing rapidly in Indonesia, is not as fast as the development of the laws which govern the operations of the industry, especially in resolving disputes that occur. The Basyarnas, which was initially authorized to examine sharia banking disputes, developed into the non-bank Islamic financial institutions such as the sharia insurance, the sharia financing, the sharia pawning, sharia microfinance institutions and others. Even the presence of the Law Number 3 of 2006 which has amended the Law Number 7 of 1989 of 1986 on Religious Courts has expanded the competence of religious courts to examine Sharia economic disputes and is even confirmed by Article 55 Paragraph (1) of the Law Number 21 of 2008 on Sharia Banking. However, this law had not reduced the role of Basyarnas in examining sharia economic disputes in a non-litigation manner. Even the Article 55 Paragraph 2 of the Law on Sharia Banking provides a choice of law for the parties in the contract to agree on the method and place of settlement in a non-litigation manner.

When the authority of financial institutions and industry in Indonesia has moved to become one roof in the Financial Services Authority (OJK) based on Law Number 21 of 2011 concerning the Financial Services Authority, then to carry out its functions and roles to regulate the financial institutions and industries, OJK issues and stipulates POJK No. 1/POJK.07/2014 on the Alternative Dispute Resolution Institutions (LAPS). It has required the financial service institutions including Islamic financial institutions to become members of LAPS (Ishak, 2016).

This has implications for its obligation to settle the disputes outside the court, namely in LAPS. In addition, it also refers to the Law Number 30 of 1999 on the Arbitration and Alternative Dispute Resolution. On the one hand, the Sharia Economic Actors are recommended to settle the disputes at Basyarnas and on the other hand are required to go to LAPS. It has given rise first, to legal dualism for the parties to sharia economic transactions in resolving disputes. Second, what about the principles of choice of law and choice of forum for the parties to determine the method and place to resolve their disputes outside of the court. Third, what is the binding force of the arbitration agreement when the parties choose a place to resolve the dispute. These three issues are the main points in writing this article.

Research Method

This research is purely legal research or known as the normative or doctrinal legal research with a qualitative method approach. It explains that law is often conceptualized as what is written in the statutory regulations or law in the book or conceptualized as the rules or norms which are guidelines for human behavior that are considered appropriate (Asikin, 2006). Furthermore, the legal issues in this article can be answered by finding legal rules, legal principles, and legal doctrines without looking at empirical evidence (Marzuki, 2007). Because the main problem in this article is legal
dualism in non-litigation dispute resolution and then analyzed using the theory of Coice of Law and choice of forum and the binding force of arbitration agreements, the data used is only statutory regulations related to the arbitration at Basyarnas and the Alternative Dispute Resolution Agencies of the Financial Service Authority.

Discussion and Results
Legal Dualism in BASYARNAS and the Alternative Dispute Resolution Agencies of the Financial Service Authority (LAPS OJK)

The dualism theory is related to the binding power of international law and national law which are separated from one another which originates from the will of the state. Between the international law and national law do not have a relationship of the superiority or subordination (Hasim, 2019) so that international law cannot force the states to obey them (D’Amato, 2010). The separation between international law and national law is due to the intrinsically different character between these two types of law (Latipulhayat, 2021) because it involves a number of domestic laws. The existence of the separate elements and the differences between two or more rules, the theory of legal dualism is often referred to as pluralistic theory.

If it is related to the differences in the two rules governing the settlement of disputes between Sharia Financial Institutions in a non-litigation way, namely between the National Sharia Arbitration Board (Basyarnas) and the Alternative Dispute Resolution Institution (LAPS), the dualism or pluralistic theory is meant by dualism or pluralism which sees the existence of two different rules that give the two institutions the right to carry out their functions and roles in resolving the Islamic economic disputes.

To see the binding power of the Basyarnas and LAPS rules, in the theory of legal dualism there are four reasons: 1. Source of law 2. Subject of law 3. Legal structure 4. Legal reality. First, from the aspect of legal sources, it can be noted that although Basyarnas and LAPS are based on Law number 30 of 1999 on to Arbitration and Alternative Dispute Resolution, but the establishment of the two institutions stems from different legal systems. The Decree of the MUI Leadership Council Number Kep-09/MUI/XII/2003 dated December 24, 2000 which changed the name of BAMUI to the National Sharia Arbitration Board (Basyarnas) shows that Basyarnas is an institution or institutions that are under the auspices of the Indonesian.

In the midst of a national legal vacuum related to the absence of an institution authorized to resolve disputes by non-litigation at that time, the National Sharia Council as an institution authorized by law to ensure sharia principles in the operations of Sharia Financial Institutions, formed Basyarnas as a hakam in the concept ishlah and tahkim in Islamic law as contained in Surat An-Nisaa Paragraph 35. In addition, the National Sharia Council includes a clause related to the authority of Basyarnas to resolve disputes if deliberation efforts are unsuccessful in almost every fatwa issued. It can be understood that the formation of the law on Basyarnas was constructed by the MUI which was sourced from Islamic law.

Meanwhile LAPS is regulated based on the Financial Services Authority Regulation Number 1/POJK .07/2014. It is determined by the
Financial Services Authority which is authorized by the state through the Law Number 21 of 2011 to foster, regulate and supervise the financial institutions, both conventional and sharia. There are the several legal considerations behind the Financial Services Authority issuing the Financial Services Authority Regulation Number 1 of 2014. First, the Law Number 8 of 1999 on the Consumer Protection encourages the Financial Services Authority to issue the Financial Services Authority Regulation Number 1/POJK.07/2013 on the Consumer Protection Financial Services Sector. The two Financial Services Authority Regulations Number 1 of 2013 as a form of legal protection for consumers have been the background for the birth of the Financial Services Authority Regulation Number 1/POJK.07/2014. The Article 3 requires Financial Services Institutions to become members of LAPS. This clause has implications for the obligation of the Financial Services Institutions including Sharia Financial Services Institutions to resolve non-litigation disputes in LAPS. It can be understood that the Financial Services Authority constructs the law on LAPS from non-Islamic law.

Second, the legal subject of positive law which in Islamic law is known as mahkum alaih, apart from a person, there is also a legal entity (rechperson). In Basyarnas, the legal subjects in question are parties, not only Financial Services Institutions. This is clearly regulated in Article 1 Paragraph (2) of the Law Number 30 of 1999 on Arbitration and Alternative Dispute Resolution. In addition, Article 55 Paragraph 2 of the Law number 21 of 2008 on Islamic Banking explains that the parties can agree on dispute resolution in the contract. This explanation of Article 55 Paragraph 2 has been canceled based on the Decision of the Constitutional Court Number 93/PUU-X/2012 2012. The elucidation of Article 55 Paragraph 2 no longer has permanent legal force even though Article 55 Paragraph (2) of the Law Number 21 Year 2008 has not been abolished.

This means that if the parties want to resolve the dispute at Basyarnas based on an agreed contract, then the parties must comply with the dispute resolution at Basyarnas. The fatwas issued by the National Sharia Council had also stipulate that efforts to resolve the disputes in Basyarnas are carried out by the parties after the dispute cannot be resolved by means of deliberation and consensus. The principle of freedom of contract and the principle of Pacta Sun Servanda are seen as the basis for the formation of rules for Basyarnas.

While the legal subjects at LAPS are different. Article 10 Paragraph (1) the Financial Services Authority Regulation Number 1/POJK.07/2014 explains that Alternative Dispute Resolution Institutions are formed by the Financial Services Institutions coordinated by associations of each financial services sector. Paragraph 2 continues that Alternative Dispute Resolution Institutions for the banking, financing, guarantee, and pawnshop sectors must be established no later than 31 December 2015. The explanation of Article 10 Paragraph 1 of this Financial Services Authority Regulation gives an example that the establishment of the Alternative Dispute Resolution Institutions in the Banking sector is established by banks which be coordinated by associations in the banking sector, for example the National
Bank Association (Perbanas), the Association of State-Owned Banks (Himbara), the Association of Indonesian Rural Banks (Perbarindo), the Association of Regional Development Banks (Asbanda), the Association of Indonesian Sharia Banks (Asbisindo), and the Association of Indonesian Foreign Banks. This means that the source of the law in LAPS is dominated by the Financial Services Institutions without involving the other parties.

The Indonesian Banking Dispute Settlement Alternative Institution (LAPSPI) is one of the six LAPS institutions that have been operational since early January 2016. The five other institutions referred to are the Indonesian Insurance Mediation and Arbitration Board (BMAI), the Indonesian Capital Market Arbitration Board (BAPMI), the Pension Fund Mediation Board (BMDP), the Indonesian Pawnshop Financing and Mediation Agency (BMPPI), and the Guarantee Company Arbitration and Mediation Board. Indonesia (BAMPI) (Rezkiana Nisaputra, 2016). This institution was established by the Banking Association to provide dispute resolution services in the banking sector outside the Court. The presence of LAPSPI is expected to meet the community's need for the availability of out-of-court dispute resolution services in the field of financial services in the Commercial/Sharia Banking sector including Foreign Banks and Joint Ventures and Rural Banks or Sharia Rural Banks, which are fair, fast, cheap and efficient (Aji Prasetio, 2018). Since its establishment in 2015, LAPSPI has issued regulations related to dispute resolution procedures in banking, either through mediation, adjudication and arbitration. For the related to mediation, it is regulated in LAPSI Number 01/Lapspi-Per/2017.

It is understood that the legal subject of LAPS is the financial industry as a representation of the parties. The Industrial partners as other parties to any contracts are not given the freedom to choose the forum in resolving disputes that occur. The principle of dispute resolution at LAPS is contrary to Article 1 Paragraph 2 of Law Number 30 of 1999 and Article 55 Para. 2 of Law Number 21 of 2008. Whereas the issue of consumer protection with the several existing rules is a major consideration in constructing the Financial Services Authority Regulation Number 1/POJK .07/2014. The obligation of financial institutions to register as members of LAPS seems to reduce the rights of customers who fall into the consumer category to get their freedom in obtaining the law enforcement rights.

Third, from the aspect of the legal structure, Basyarnas as an arbitration institution, although it produces decisions that are final and binding but it does not have executive power. The Supreme Court as the holder of judicial power stipulates that the Basyarnas decision is executed by the District Court at the request of one of the disputing parties if the parties do not carry out the arbitration award voluntarily including the sharia arbitration, as explained in Article 59 Paragraph (3) of the Law Number 48 Year 2009 on to the Judicial Power. Previously, the execution was carried out in the Religious Courts as stipulated in the Circular Letter of the Supreme Court Number 8 of 2010 on to the Affirmation of the Non-Applicability of the Circular Letter of the Supreme Court Number 8 of 2008 on to the Execution of Decisions of the Sharia Arbitration Board.
Meanwhile, LAPS, apart from being an operator within the scope of the regulator, in this case the Financial Services Authority, also acts as an executor. As an institution that does not have the executorial rights, it can execute the decisions that have been made by LAPS. This can be seen in Article 3 Paragraph (3) which explains that the Financial Services Institutions are required to implement the decisions of the Alternative Dispute Resolution Institutions. Even in Article 8 Paragraph (4) the Alternative Dispute Resolution Institutions can supervise the implementation of decisions.

Fourth, the reality aspect is basically the validity and enforceability of the law. The Aspects of the legal validity of Basyarnas and LAPS because they come from the different legal sources, in the fact cannot be contradicted. This means that there is no conflict and inconsistency in the legal norms of these two institutions. Both have a strong legal basis, although this article cannot describe the weaknesses in the operationalization of both. This requires the further research.

Choice of Law and Choice of Forum in Sharia Economic Dispute Resolution

The disputes that occur between the parties to an agreement can be resolved outside the jurisdiction of the judiciary through arbitration or Alternative Dispute Resolution (ADR). It has been explained in Article 1 of Law Number 30 of 1999 on to the Arbitration and Alternative Dispute Resolution. The arbitration is a way of resolving the civil disputes outside the general court based on an arbitration agreement that be made by the disputing parties in writing. While Alternative Dispute Resolution is a dispute resolution through a procedure that be agreed upon by the parties by means of the consultation, the negotiation, the mediation, the consolidation, or the expert judgment as regulated in the law Article 1 Paragraph 10 of the Law Number 30 of 1999 on to the Arbitration and Alternative Dispute Resolution.

Like the other general agreements, the every contract in the sharia economic transactions may also contain the sharia arbitration agreements and ADR. Because it is related to a contract, the principle of freedom of contract (Partij autonomie) is a strong basis that the dispute resolution through arbitration and ADR is the right of the parties. they have the right to make a choice of law or a choice of forum (Keyes, 2008) as regulated in Article 1338 of the Criminal Code. This means that the parties in the every sharia economic transaction have the right to make the legal choices in terms of dispute resolution, which legal choice is more profitable for them. In this way, the parties already know exactly from the start, how and where they will resolve the dispute if it happens in the future.

The choice of law in the sense that the parties have the right to choose dispute resolution by litigation or non-litigation and the choice of forum in the sense that the parties have the right to determine which institution has been agreed to settle their dispute (Mullenix, 1988) by non-litigation method has been regulated in Article 4 Paragraph (3) Bank Indonesia Regulation No. 9/19/PBI/2007 on to the Implementation of Sharia Principles in the Fundraising and Distribution of Funds as well as Sharia Bank Services. This article explains that the settlement of sharia banking disputes can be carried
out through a sharia arbitration mechanism or through a judicial institution based on the applicable laws and regulations. In the technical context of contract law, the options like this are included in the agreement clause or the contract of the parties. If the clause of the agreement from the beginning explains that the dispute resolution is carried out by non-litigation, namely in Basyarnas, then based on the principle of pacta sunt servanda as stipulated in Article 1338 of the Criminal Code, the parties are obliged to submit to the agreement and if the parties agree to it in LAPS then, the parties are also obliged to comply with the agreement as been agreed in the contract.

In reality, the choice of law and the choice of forum in terms of the freedom of the parties to be lost when there are rules that require dispute resolution in certain institutions. Whereas the freedom of the parties can only be limited to a few provisions, namely: first, the choice of law must not conflict with the public policy. The second choice of law can only be exercised in the contract law. The third choice of law cannot be carried out in the law of employment contracts. Fourth, the choice of law must not conflict with the provisions of civil law which are public law which are intended by legislators to protect the rights and obligations of the parties. The fifth choice of law also cannot conflict with legal regulations concerning foreign exchange traffic, regulations regarding exports, regulations for controlling and restricting exports, and regulations regarding renting houses.

**Binding Strength of the Arbitration Agreement in Basyarnas and the Alternative Dispute Resolution Agencies of the Financial Service Authority (LAPS OJK)**

Basyarnas as an institution authorized to resolve sharia economic disputes in a non-litigation manner has a strong legal basis as explained previously. When the arbitration agreement has been agreed upon by the parties to the arbitration agreement, the principle of Pacta Sun Servanda applies. The judge no longer has the authority to examine the dispute in court when the arbitration agreement has been agreed upon by the parties (Soeikromo, 2016). Article 10 of Law Number 30 of 1999 explains that there is no cancellation of an arbitration agreement even if one of the parties dies, goes bankrupt, novation, insolvency, inheritance, the terms of the principal agreement are terminated, and the implementation of the agreement is transferred. Even article 10 letter (h) explains that an arbitration agreement is not void even though the main agreement is void (Junaedy Ganie, 2020).

Apart from the Arbitration Law, the jurisprudence of the Supreme Court of the Republic of Indonesia has strengthened the absolute authority of arbitration forums by referring to Supreme Court Decision Number 2179K/Pdt/1984 which states that once the arbitration clause has been agreed, the district court has no authority to examine and try the lawsuit either by convention or reconvention. the Supreme Court Decision Number 225 k/Sip/1976 dated 30 September 1983 also stated that the existence of an arbitration clause agreement causes dispute resolution to fall under the absolute authority of arbitration even though the parties do not raise exceptions in the trial examination. (Junaedy Ganie, 2020)
Unification of Law on Sharia Economic Dispute Resolution

The legal dualism in Basyarnas and LAPS cannot be seen as the cause of the legal hierarchy in both of them and cannot be contradicted between one another. However, legal dualism can cause the legal confusion or ambiguity for the community so that in its enforcement it seems disharmony. Wasis Susetio explained that one of the main causes of disharmony in law enforcement in Indonesia is caused by the sectoral egos between institutions, whether state institutions or non-state institutions in planning the formation of laws and regulations (Susetio, 2013). Even Simon Butt criticized that one of the reasons why the formation of laws in Indonesia was not in accordance with the original objectives as in the National Legislation Program was because it was hindered by complicated processes and procedures including coordinating with related institutions. The bureaucratic interests and political interests always become trigger in the process of law formation (Butt & Lindsey, 2018).

Dualism Settlement of the sharia economic disputes at Basyarnas focuses on three issues, namely First, the agreement of the parties who are free to make choices, secondly the choice of law and choice of law and choice of forum and thirdly the rule of law. Based on the theory of the rule of law, the government derives its sovereign rights from the law, not from the authority of the king or from God, but from the law established by the ruler. Therefore, the law-making is part of creating reality for all elements of the legal system (Said, 2009).

Formally, the legal dualism in Basyarnas and LAPS OJK requires the legal transformation between one another so that national jurisdiction is enforced or more accurately called unification of law (Pound, 1934) in the regulation of the settlement of the Sharia Economic disputes between the both (Yimer dkk., 2011). The unification of law can prevent legal uncertainty and create the harmonious laws (Ancel, 1976). The government has established a dispute resolution law through the Financial Services Authority which should accommodate the implementation of laws that have been formed previously with the operation of Basyarnas.

Unification of law is one of the ten legal principles that underlie the formation of laws and regulations in Indonesia (Hartono, 2009). Umar Said said that unification is the unification of laws that apply nationally (Said, 2009) or the unification of the application of the laws nationally. To realize legal unification requires a transformational approach to the two institutions. There are two ways in the transformation process towards the unification of Basyarnas and LAPS: First, by allowing these two institutions to develop naturally without interference from any party, secondly, through evolutionary means in a planned and directed sense so that the transformation towards the unification of Basyarnas and LAPS occurs gradually and naturally (Said, 2009).

Conclusion

In the terms of legal norms and rules, dispute resolution, both litigation and non-litigation, is framed with the freedom of the parties in a contract in the event of a dispute. However, in the law enforcement, there are two institutions that have authority, namely Basyarnas and LAPS. The analysis
carried out using the dualism theory did not find a conflict of legal norms because the legal basis of the two institutions had the same power. Basyarnas sourced from the Islamic Law and LAPS based on the positive law.

The competence of Basyarnas and LAPS in resolving disputes non-litigation certainly has crept the ambiguity for the parties in a contract to choose an institution as a place for dispute resolution because the legal culture of the two institutions give a different impression that Basyarnas seems more lax for the parties to temporarily choose LAPS. there is a kind of LAPS intervention to oblige financial institutions including Islamic financial institutions to become members of LAPS.

To solve the doubts or ambiguity of the people who will be involved in the each contract, it is deemed necessary to carry out the legal unification through the legal transformation. it can be carried out in the following ways: First by allowing these two institutions to develop naturally without interference from any party, secondly, transformation through evolutionary means

Reference


