

A Comparative Legal Study of Consumer Credit Payment Defaults: Insights from Islamic and Positive Law

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ABSTRACT

Background: In today's globalized society, the demand for electronic goods has significantly increased. However, not all consumers can afford to purchase these goods outright, leading many to rely on credit-based purchasing systems offered by companies such as PT. Columbus in Bandar Lampung.

Aims: This study investigates the legal remedies available for handling consumer defaults in credit payments, analyzed from both Islamic and positive law perspectives. The primary aim is to explore the settlement mechanisms adopted by PT. Columbus and assess their alignment with Islamic jurisprudence and Indonesian civil law.

Methods: Employing a qualitative descriptive method, data collected through field research involving observations, interviews, and documentation.

Results: The findings reveal that PT. Columbus addresses consumer payment delays through two approaches: litigation via court proceedings and non-litigation methods such as preventive collection efforts, rescheduling, reconditioning, restructuring, and providing payment relaxations. Additional measures include imposing penalties and repossessing goods when necessary. From the Islamic law perspective, the imposition of fines is permissible only when the consumer is financially capable but intentionally defaults, and the collected penalties must be allocated for social purposes. Repossession is permitted only if accompanied by the return of the original payment. Under positive law, these measures are acceptable if conducted in accordance with relevant provisions of the Indonesian Civil Code (KUHPerdata) and Criminal Code (KUHP).

Conclusion: Overall, while PT. Columbus's legal remedies largely align with both Islamic and positive legal frameworks, certain practices require adjustments to fully uphold the principles of fairness and social justice promoted by Islamic teachings.

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INTRODUCTION

Technological progress and the growing accessibility of modern electronic devices have profoundly reshaped the way people meet their daily needs. Items such as smartphones, televisions, and laptops have transitioned from luxury goods to essential commodities in contemporary households (Briggs et al., 2025; Kumar, 2022). However, not all consumers possess the financial means to purchase these products through upfront payments. To address this gap, numerous companies, including PT. Columbus in Bandar Lampung, offer installment-based purchasing systems that enable gradual repayment. This method has become particularly attractive to low- and middle-income groups who rely on credit to access necessary technologies (Dela Cruz et al., 2023; Savage et al., 2021). Nevertheless, deferred payment systems are vulnerable to delays, often triggered by economic instability, unforeseen financial burdens, or deliberate defaults. Such payment defaults introduce legal and ethical dilemmas regarding how creditors should respond—whether through renegotiation, imposition of fines, or repossession of goods. Given Indonesia's dual legal environment—where Islamic and statutory laws operate concurrently—the need to analyze default resolution from both legal traditions becomes increasingly important.

Following the background context, it becomes evident that although credit schemes broaden consumer access to goods, unresolved defaults frequently generate legal ambiguities and social tensions. Financial institutions face the pressing challenge of securing debt recovery while maintaining ethical standards toward borrowers (Chiu et al., 2022; Graafland & Van De Ven,

2011). In Indonesia, the issue is further complicated by the intersection of Sharia principles “which prohibit riba and advocate equitable dealings” and the positive law system that permits formal enforcement through penalties and asset recovery. Islamic jurisprudence demands fairness and compassionate treatment, contrasting with the more rigid procedures established under the national legal framework (Eggum, 2024; Qureshi & Baker, 2023). Meanwhile, Indonesia’s Civil Code outlines creditors’ rights and enforcement mechanisms in cases of contractual breaches. These overlapping systems create a legal dynamic that complicates default management, requiring sensitivity to both religious obligations and statutory regulations. Therefore, understanding how businesses navigate these dual legal demands is essential to developing more balanced credit practices. This study is driven by the necessity to critically examine these operational intersections and promote ethically grounded financial services.

Considering these complexities, prior research has investigated aspects of consumer credit, Islamic finance, and the management of payment defaults. Fayyad (2014) assessed how the principle of good faith is integrated into consumer protection laws across Europe and Islamic jurisdictions. Çokgezen (2022) analyzed the evolution of Islamic credit cards in Turkey, reflecting the dynamic between religious compliance and consumer preferences. Mohd Dali (2014) evaluated customer satisfaction among Islamic credit card users, highlighting the significance of perceived adherence to Shariah standards. Ifraq (2024) compared legal protections in Islamic and conventional finance, with a focus on transaction security and default management. Calder (2020) scrutinized the technical complexities of installment contracts in Islamic finance, questioning their ethical transparency. Todorof (2020) presented challenges in enforcing default contracts within Shariah frameworks. Haleem explored comparative risks associated with default in automobile leasing under Islamic and conventional systems. Sriekaningsih et al. (2025) discussed the ethical considerations surrounding asset seizure practices in Islamic law. Alhaidary (2012) analyzed compensation mechanisms for credit reporting damage across Islamic, Saudi, and American legal traditions, while Rona-Tas and Guseva (2013) provided a broader sociological analysis of global consumer credit systems. Despite offering valuable perspectives, these studies have not directly addressed how consumer defaults are legally managed through a combined Islamic and statutory lens within a practical institutional context, such as PT. Columbus in Indonesia.

Although the reviewed literature enriches the discourse on consumer credit and Islamic financial systems, much of it treats Islamic and positive legal traditions separately. Few studies have ventured into how these systems interact practically when resolving consumer defaults within organizational settings. Moreover, the operational strategies adopted by companies in managing overdue payments, fines, and repossessions under dual legal standards remain underexplored. Consequently, there is a critical need for case-based research that investigates the real-world application of Islamic and statutory frameworks in managing credit defaults, especially in Indonesia’s complex legal environment. This study aims to bridge this scholarly gap by providing an integrated legal analysis drawn from institutional practices.

To address this identified gap, the present study aims to explore and evaluate the settlement procedures employed for consumers who default on credit payments at PT. Columbus Cabang Bandar Lampung. It also seeks to determine the extent to which these procedures conform to both Islamic jurisprudence and Indonesia’s positive legal framework. It is posited that while current practices demonstrate significant compliance with legal standards, aspects such as the enforcement of penalties and asset repossession mechanisms may require refinements to fully align with Islamic ethical principles. Additionally, the study aspires to offer recommendations that promote fairer, more transparent, and ethically sound consumer credit practices within Indonesia’s unique legal setting.

METHOD

Research Design

This research adopts a qualitative descriptive design aimed at thoroughly examining the procedures used in addressing consumer credit payment defaults at PT. Columbus Cabang Bandar Lampung. The qualitative approach was selected to capture detailed and nuanced realities of institutional practices and the application of Islamic and positive law principles in everyday operations. Unlike quantitative methods that emphasize numerical analysis, qualitative description focuses on providing rich, contextualized accounts of real-world phenomena. Field-based inquiry served as the foundation of this study, involving direct observation and interaction with key stakeholders within the institution. The descriptive nature of this research enabled the documentation of standard practices, identification of inconsistencies, and uncovering of legal and ethical challenges faced in credit settlement processes. Through this approach, the study sought to present an integrated and realistic picture of how dual legal systems function within a corporate credit environment.

Participants

Participants were selected through purposive sampling, prioritizing individuals who possess firsthand experience in managing consumer credit and handling defaults. The primary participants included administrative staff, legal officers, and debt collectors at PT. Columbus Cabang Bandar Lampung. Their insights were critical to understanding the internal mechanisms and decision-making processes employed in the settlement of overdue accounts. Additionally, several consumers who had defaulted on their installment payments were involved to provide a broader perspective. Gathering data from both institutional actors and consumers ensured a more comprehensive view of the credit settlement ecosystem. Ethical research practices, such as ensuring voluntary participation and maintaining confidentiality, were strictly upheld during the data collection process.

Instruments

Data was collected through three main instruments: structured observations, semi-structured interviews, and document analysis. Structured observations were conducted using predesigned observation sheets to systematically record practices related to default management and customer handling procedures. This method enabled direct verification of institutional compliance with written policies. Semi-structured interviews allowed for both consistency and flexibility. An interview guide was prepared containing key themes related to credit settlement and legal compliance, yet it remained adaptable to accommodate emerging topics during the conversation. Interviews were recorded, with participant consent, to facilitate accurate transcription and analysis. In addition to field observations and interviews, document analysis was performed on key institutional records. These included credit agreements, penalty notices, consumer correspondences, and internal policy manuals. Document analysis played an essential role in triangulating the data collected through other means and validating the institution's adherence to both Islamic and positive legal frameworks.

Data Analysis

Thematic analysis was employed to interpret the qualitative data. Following transcription, data were coded using a hybrid approach that combined inductive and deductive strategies. Inductive coding allowed new patterns to emerge organically from the data, while deductive coding ensured the examination of predetermined themes related to Islamic and statutory legal principles. Triangulation was used to enhance the credibility and trustworthiness of the findings. Data from observations, interviews, and document reviews were cross-referenced to identify consistencies, contradictions, and underlying trends. Major themes were organized into categories such as preventive strategies, penalty enforcement, asset repossession, and ethical

compliance. This comprehensive analysis enabled the study to generate robust insights into the operationalization of dual legal systems in consumer credit management.

RESULTS AND DISCUSSION

Results

The study uncovered that PT. Columbus Cabang Bandar Lampung adopts three primary strategies to address consumer defaults on credit payments: the use of non-litigation efforts, the initiation of litigation processes, and the imposition of late payment penalties. These key findings are outlined in Table 1.

Table 1. Summary of Default Settlement Strategies and Legal Compatibility

Settlement Method	Strategy Used	Alignment with Islamic Law	Alignment with Positive Law
Non-litigation	Reminder calls, adjustment of repayment terms, renegotiation of schedules	Largely aligned (emphasis on fairness and harm prevention)	Fully compliant
Litigation	Formal warnings, court proceedings, asset repossession	Partially aligned (permissible under conditions of fairness)	Compliant with statutory law
Penalty Imposition	Charging financial penalties for delays	Partially aligned (ethical concerns on fund allocation)	Permissible under contract law

Non-litigation mechanisms are prioritized by the institution, aiming to resolve issues through preventive communication and negotiation rather than legal enforcement. Should these measures fail, litigation follows, including formal notices and the seizure of financed assets. While fines are employed to deter defaults, their alignment with Islamic principles remains partial, primarily due to concerns over their proper redistribution. The findings suggest that although PT. Columbus strives to operate within existing legal frameworks, the implementation of penalty practices requires further ethical adjustments to fully conform to Islamic jurisprudential standards.

Discussion

The preference for non-litigation strategies observed at PT. Columbus demonstrates the institution's inclination to uphold principles of fairness and social responsibility in managing consumer defaults. Efforts such as renegotiation and rescheduling reflect a commitment to minimizing consumer hardship, resonating with Islamic legal values that prohibit exploitation and emphasize equitable treatment. Globally, early-stage interventions in credit management are recognized as effective means to sustain client relationships and reduce the incidence of formal disputes. Nonetheless, when amicable resolutions are not achieved, the institution proceeds to legal action. Although repossession practices are permitted under Islamic and statutory laws, Shariah mandates that repossession be carried out with fairness and respect for the debtor's dignity. PT. Columbus's litigation practices, while legally justified, highlight an ongoing tension between operational pragmatism and adherence to Islamic ethical norms. This is consistent with concerns raised by Todorof (2020) regarding the complexities of applying contract enforcement within Islamic financial systems.

Financial penalties present another area of ethical concern. Under Indonesian positive law, contractual fines are legitimate tools to enforce obligations; however, Islamic law stipulates strict conditions for their use. Fines must serve social welfare purposes rather than benefit the creditor directly. The lack of a clear system to allocate collected penalties for charitable use at PT. Columbus suggests only partial compliance with Shariah requirements, aligning with critiques posed by Alhusban and Massadeh (2021) regarding ethical ambiguities in Islamic financial contracts. Moreover, the study reveals broader systemic challenges similar to those discussed by Rona-Tas and Guseva (2013), particularly the integration difficulties faced by hybrid legal systems. PT. Columbus's efforts to comply with both Islamic ethics and statutory mandates

illustrate the intricate balancing act required in Indonesia's pluralistic legal framework. While the institution's approach demonstrates significant progress, operational limitations occasionally result in partial deviations from Islamic standards.

This case study also highlights the adaptability of financial institutions operating under overlapping legal regimes. The emphasis on non-litigation settlements is consistent with international trends favoring alternative dispute resolution and consumer-centered financial services. However, the institution's partial misalignment regarding penalty management indicates a need for stronger internal policies to align practice more closely with Islamic ethical guidelines. In summary, the findings contribute to ongoing discussions regarding the reconciliation of Islamic principles and statutory law in financial operations. PT. Columbus's approach represents a commendable effort toward ethical credit management in Indonesia's evolving financial landscape, although opportunities for further refinement remain, particularly in strengthening compliance with Shariah ethical imperatives.

Implications

The results of this study underline the importance for financial institutions in dual legal systems to design credit management practices that satisfy both Islamic ethical standards and statutory compliance. Institutions should implement transparent mechanisms ensuring that fines collected from delinquent accounts are utilized for community welfare, thereby adhering to Shariah mandates. Enhancing these ethical practices could strengthen institutional reputations and foster greater trust among Muslim consumers. From a regulatory perspective, the findings highlight the necessity for comprehensive legal frameworks that explicitly integrate Islamic legal obligations into statutory consumer protection laws, creating consistency and reinforcing ethical financial practices.

Limitations

The generalizability of this study's findings is restricted by its focus on a single financial institution within a specific Indonesian context. Consequently, institutional practices across different regions or sectors might vary significantly. Furthermore, as a qualitative study reliant on thematic interpretation, researcher bias, although minimized through triangulation, cannot be eliminated. Expanding future research to encompass multiple institutions or employing quantitative validation methods would provide broader and more robust insights.

Suggestions

It is recommended that future research extends to comparative case studies across diverse financial institutions to uncover cross-institutional patterns in default settlement practices. Long-term, longitudinal research could explore the sustainability and effectiveness of preventive and litigation strategies. In addition, interdisciplinary investigations combining legal analysis with consumer behavioral studies would offer a richer understanding of the motivations and responses of debtors within dual legal systems.

CONCLUSION

This research explored the mechanisms adopted by PT. Columbus Cabang Bandar Lampung in resolving defaults on consumer credit payments within the frameworks of Islamic and positive law. The results indicate that the institution predominantly applies non-litigation measures, such as renegotiating agreements, adjusting repayment terms, and rescheduling installments, which closely align with the ethical values emphasized in Shariah law. Litigation procedures, including asset repossession, are employed only after non-litigation efforts fail, reflecting operational compliance with statutory regulations. Nonetheless, the practice of imposing financial penalties without formal mechanisms for social redistribution reveals partial divergence from Islamic legal requirements. Through this investigation, the study contributes to ongoing discussions on

harmonizing Islamic ethics and national legal standards in the management of consumer credit. Although PT. Columbus demonstrates commendable efforts in bridging dual legal systems, continuous improvement is needed, especially in ensuring full ethical compliance in penalty administration. Future research is encouraged to examine credit management practices across broader institutional settings to develop a more comprehensive model for ethically grounded and legally compliant consumer credit systems.

AUTHOR CONTRIBUTIONS STATEMENT

All authors contributed significantly to the completion of this research. Adelia Pratiwi and Muhammad Zaki were responsible for conceptualizing the study and developing the research design. Khoiruddin led the data collection process through field observations, interviews, and document analysis.

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