INTERNATIONAL JOURNAL OF MULTIDISCIPLINARY RESEARCH AND ANALYSIS

ISSN(print): 2643-9840, ISSN(online): 2643-9875

Volume 09 Issue 08 August 2026

DOI: 10.47191/ijmra/v9-i8-16, Impact Factor: 8.685

Page No. 4982-4986

The Regulation of Cryptocurrency as a Means of Payment in Contracts Based on the Principle of Freedom of Contract in Indonesia

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ABSTRACT: This study aims to examine and analyze the validity of agreements that use cryptocurrency as a means of payment, as well as the legality of asset ownership arising from transactions involving cryptocurrency-based payments in Indonesia. This research employs a normative legal research method using statutory and conceptual approaches. The results demonstrate that agreements utilizing cryptocurrency as a means of payment are null and void *ab initio* because they fail to satisfy the objective requirement of a lawful cause, as stipulated in Article 21 of Law Number 7 of 2011 on Currency, which mandates the use of the Indonesian Rupiah for all payment transactions conducted within the territory of the Republic of Indonesia. Furthermore, the legal status of assets transferred under agreements that use cryptocurrency as a means of payment is not recognized under the prevailing legal framework. Consequently, such assets do not receive legal protection, and in the event of a dispute, ownership rights over the object of the agreement shall revert to the original lawful owner.

KEYWORDS: Agreement, Cryptocurrency

I. INTRODUCTION

Contract law is an important branch of civil law that governs the legal relationship between two or more parties, giving rise to rights and obligations. In everyday social life, contracts serve as the primary instrument used to accommodate the interests of both individuals and legal entities, whether in the economic, social or service sectors[1]. Contracts in Indonesia are governed by the Civil Code; under Article 1313, a contract is defined as an act by which one or more persons bind themselves to one or more other persons. A contract gives rise to an obligation, namely a legal relationship that creates a right for one party (the creditor) and an obligation for the other party (the debtor) to fulfil a performance (to give something, to do something, or to refrain from doing something).

For a contract between two or more parties to be valid and legally binding on the parties, it must fulfil the four conditions of validity set out in Article 1320 of the Civil Code, which, amongst other things, govern both objective and subjective requirements.

Objective conditions in a contract which, if breached, render the contract voidable. These conditions include, amongst others, the existence of mutual consent between the parties or the absence of duress (dwang), mistake (dwaling) or fraud (bedrog) in the contract. Furthermore, there must be the capacity to enter into a contract, in that the parties must be of legal age under civil law and not under guardianship (curatele).

Objective conditions in a contract relate to the subject matter of the contract; if these conditions are breached, the contract is null and void by operation of law. The objective requirements of a contract are as follows: there must be a specific subject matter, and the object of the contract must be clear and its type and quantity must be determinable. Furthermore, there must be a lawful cause (causa), whereby the content or purpose of the contract must not conflict with the law, public morality or public order[2].

The principle of freedom of contract (party autonomy) is a fundamental principle in civil contract law. The primary legal basis for this principle is set out in Article 1338(1) of the Civil Code, which states: "All contracts validly entered into shall be binding as law upon the parties who have entered into them. This provision adopts an 'open system', which grants the public the widest

[1]Putra, Aria Roby, dkk. 2026, "Hukum Perjanjian". (Serang: PT Sada Kurnia Pustaka), h. 26

[2]Subekti, Hukum Perjanjian, Cet. 26 (Jakarta: PT Intermasa, 2014), h. 17-20; Kitab Undang-Undang Hukum Perdata (KUHPerdata), Pasal 1335 dan 1337

possible freedom to enter into contracts on any matter, provided they do not contravene mandatory legal provisions, public morality, or public order.

Indonesia, as a tourist destination championing the 'Golden Indonesia 2045' vision, is beginning to attract foreign tourists to visit or invest in the country. Indonesia—and particularly Bali, as the island with the highest number of tourists—attracts significant interest from foreign nationals, both for tourism and investment, across a variety of visitation forms. One such form is business investment or simply the purchase of property in Indonesia. Real estate is a business sector focused on the acquisition, development, completion, management, purchase and sale of land and the physical structures situated upon it. Many foreign nationals are interested in purchasing real estate or investing in Indonesia, and one form of such investment involves entering into partnerships or engaging in the sale and purchase of existing real estate in Indonesia.

These transactions take place between Indonesian citizens and foreign nationals and are set out in a contract; in many such contracts, the method of payment is stipulated as the use of cryptocurrency as the transaction currency. Cryptocurrency (or crypto assets) is a digital or virtual currency secured using cryptography (encryption technology), making it extremely difficult to counterfeit or manipulate. Unlike conventional currencies (such as the Rupiah or the Dollar), which are issued and regulated by central banks, the majority of cryptocurrencies operate on decentralised networks based on blockchain technology. Some well-known types of cryptocurrency include Bitcoin, Ethereum and Tether.

Cryptocurrencies are widely used by people around the world, and quite a few countries permit their use as a means of transaction within their borders. However, in Indonesia, the use of cryptocurrencies as a means of payment (or transaction) for any purpose is strictly prohibited; they are, however, legally permitted to be traded as investment assets. Consequently, any use of cryptocurrencies in transactions within Indonesia is prohibited and constitutes a criminal offence.

Based on the discussion of the background outlined by the author, the author has chosen the title and structured this thesis as follows: 'The Regulation of Cryptocurrency as a Means of Payment in Contracts Based on the Principle of Freedom of Contract in Indonesia'. Based on this title and background, the author has formulated the research questions for this thesis as follows: What is the validity of contracts that use cryptocurrency as a means of payment? And what is the legal status of asset ownership in transactions under contracts involving cryptocurrency payments?

The purpose of this article is to examine and analyse the validity of agreements entered into by Indonesian citizens and foreign nationals regarding the sale and purchase of assets with payment made using cryptocurrency, and to analyse the impact of ownership of the assets that have been sold, purchased or leased on transactions under agreements involving payment via cryptocurrency.

The state-of-the-art research (previous studies) used as a reference in this paper was conducted by Hani Diaz Valentian and Adhitya Widya Kartika, entitled 'A Legal Review of Cryptocurrency as the Subject Matter of Investment Agreements', which was published in the *Pro Hukum Journal: Journal of Legal Research, University of Gresik* in 2022[3], which discusses, from a legal perspective, investment agreements with cryptocurrency as their subject matter, analyses the legal remedies available to creditors to claim damages in the event of a breach of an investment agreement using cryptocurrency as its subject matter, and also analyses the forms of damages that may be claimed by creditors due to a breach of an investment agreement using cryptocurrency as its subject matter.

II. METHOD

The research method employed by the author in this study is the Normative Legal Research Method. This method involves studying, recording and analysing legislation, journals, documents, books, legal doctrines and online sources, as well as conducting legal research using reference materials that can serve as a theoretical foundation in the form of scholarly opinions or writings, thereby enabling the author to obtain official and formal information from competent authorities in the field under investigation. The approaches used in this study are the statutory and conceptual approaches.

III. RESEARCH RESULTS AND DISCUSSION

3.1 What is the legal validity of a sale and purchase agreement that uses cryptocurrency as a means of payment?

Cryptocurrency was first conceived as a decentralised electronic money system that enables the direct (peer-to-peer) transfer of value without involving intermediary institutions such as banks. The idea of decentralised digital money had, in fact,

[3]Valentian, Hani Diaz, dan Adhitya Widya Kartika. " Tinjauan Yuridis Cryptocurrency Sebagai Objek Perjanjian Investasi." Jurnal Pro Hukum: Jurnal Penelitian Bidang Hukum Universitas Gresik, vol.11, no. 4, 2022

been discussed since the late 20th century through experiments by the cypherpunk movement, but such systems had not yet been able to resolve the double-spending problem without a centralised intermediary. A major breakthrough occurred in 2008 when an anonymous figure named Satoshi Nakamoto published a white paper entitled 'Bitcoin: A Peer-to-Peer Electronic Cash System', which utilised a combination of cryptographic algorithms and a blockchain data structure based on proof-of-work[4]. The first transaction in history took place on 12 January 2009 when Nakamoto sent 10 Bitcoin to Hal Finney, and the first recorded use of cryptocurrency as a means of payment for real goods occurred on 22 May 2010 when Laszlo Hanyecz bought two slices of pizza for 10,000 Bitcoin.

In Indonesia, cryptocurrency is widely used as a means of transaction, such as for investment or buying and selling. Many foreign nationals and Indonesian citizens conduct transactions in Indonesia using Bitcoin or other types of cryptocurrency. These transactions include, amongst others, the buying and selling of real estate such as residential houses, villas or flats. Such transactions are based on a contractual agreement.

The use of cryptocurrency in Indonesia is governed by a very strict and specific legal framework, under which cryptocurrency is strictly prohibited from being used as a means of payment (transaction medium), but is legal to trade as an investment commodity. In Indonesia, Article 1(2) in conjunction with Article 21(1) of Law No. 7 of 2011 on Currency stipulates that the Rupiah is the sole legal tender within the territory of the Unitary State of the Republic of Indonesia. Any payment transaction or obligation that must be fulfilled with money must be made in Rupiah.

The validity of a contract involving cryptocurrency under Indonesian civil law is determined by compliance with the conditions for a valid contract as set out in Article 1320 of the Civil Code (KUHPerdata), specifically the objective requirement concerning a lawful cause (geoorloofde oorzaak)[5]. In contract law, a cause is deemed unlawful if it contravenes the law, public morality or public order, as stipulated in Article 1337 of the Civil Code. Pursuant to Law No. 7 of 2011 on Currency, the Rupiah is designated as the sole lawful means of payment within the territory of the Unitary State of the Republic of Indonesia; consequently, any agreement that directly designates cryptocurrency as a means of payment or an instrument for settling transaction obligations for goods and services is categorised as a breach of mandatory legal provisions (dwingend recht). The legal consequence of failing to meet these objective requirements is that the agreement is null and void, meaning the contract is deemed never to have existed from the outset. What, then, if such an agreement is entered into by an Indonesian citizen (WNI) and a foreign national (WNA), and payment in cryptocurrency is made by the foreign national who is not physically present in Indonesia? In such cases, the legal status of the agreement will be determined by the law of private international law.

The legal status of a contract between an Indonesian national (WNI) and a foreign national (WNA), involving a cryptocurrency payment scheme via a foreign country for the acquisition of assets within Indonesian territory, is determined by the principle of international private law (HPI) known as 'lex rei sitae', which stipulates that the status and transfer of rights to immovable property are subject to the law of the place where the property is situated[6]. Although the parties may invoke the principle of freedom of contract (pacta sunt servanda) or opt for a foreign choice of law in their international agreements, such freedom is limited by the doctrine of public policy (ordre public). Pursuant to Article 21 in conjunction with Article 33 of Law No. 7 of 2011 on Currency, the use of instruments other than the Rupiah for payment transactions within the territory of the Republic of Indonesia constitutes a breach of mandatory law (dwingend recht). Consequently, courts in Indonesia may disregard the choice of foreign law and declare such foreign cryptocurrency payment clauses null and void as they contravene the objective requirement of a 'lawful cause' as set out in Article 1320 in conjunction with Article 1337 of the Civil Code.

In practical terms, a Deed of Sale (AJB) or the transfer of rights to assets in Indonesia cannot be authenticated by a Notary Public or a Public Notary (PPAT), and a foreign court judgement validating such a transaction cannot be enforced (non-executable) within the jurisdiction of Indonesia. In addition to civil law risks, this cross-border digital asset transfer scheme also has the potential to trigger strict scrutiny regarding money laundering offences and tax compliance under the Law on the Ratification of the United Nations Convention against Money Laundering and the Law on the Development and Strengthening of the Financial Sector.

[4] Franco, Pedro. Understanding Bitcoin: Cryptography, Engineering and Economics (Wiley, 2015), h. 15

[5] Subekti, op. cit, h. 17–19

[6] Hardjowahono, Bayu Seto. Dasar-Dasar Hukum Perdata Internasional, Buku Kesatu, Cet. 5 (Bandung: Citra Aditya Bakti, 2013), h. 182–185.

3.2 What is the legal status of asset ownership in relation to transactions under agreements involving payment in cryptocurrency?

The form and status of ownership of assets arising from sales and purchase transactions, leases, or similar agreements involving payment in cryptocurrency are categorised as illegitimate ownership or defective title under the Indonesian law of property.

Under civil law doctrine, the transfer of title to an asset (levering) requires two cumulative main conditions, namely the existence of a valid legal basis and the transfer being carried out by a person authorised to transfer such title. When the underlying contract uses cryptocurrency as a means of payment within the territory of the Republic of Indonesia, the legal basis for the transaction becomes null and void as it contravenes the mandatory provisions (dwingend recht) of the Currency Act[7]. As a result of the invalidity of this legal basis, the transfer of ownership is deemed never to have taken place in law (geen eigendomsoverdracht); consequently, from a legal perspective, ownership of the asset (such as land, buildings or vehicles) remains with the original owner (zakenrechtelijke werking).

In the context of a tenancy or right-of-use agreement, a party paying in cryptocurrency does not have the legal status of a legitimate tenant, but is merely a physical holder/possessor without title (bezitter te kwader trouw or a holder acting in bad faith). The practical implication is that such ownership or tenancy rights cannot be registered with official public bodies such as the Land Office for Certificates of Ownership or Building Use Rights, or the Samsat for the processing of Motor Vehicle Ownership Certificates or Vehicle Registration Certificates, due to the unavailability of proof of financial transactions denominated in Rupiah as required by tax regulations and rights registration procedures. In the event of a dispute, the party in possession of the asset under an agreement involving payment in cryptocurrency does not receive legal protection from the courts in Indonesia; indeed, they risk facing a claim for unlawful acts (PMH) under Article 1365 of the Civil Code for the vacating or return of the asset to the legally registered owner.

Agreements entered into by Indonesian nationals and foreign nationals that are already in force and involve payment in cryptocurrency are the subject of controversy, even though the parties have agreed to them and there are no objections in this regard. Civil law operates on the principle of consensus (consensualism); if both parties mutually agree, neither feels aggrieved, and no third party brings a claim, the transaction may proceed in practice (factual position). However, from a legal perspective, the condition that no party objects does not remove or remedy any legal defects in the agreement. Consequently, should a dispute arise between the parties, the party using cryptocurrency as payment will suffer a loss, and the subject matter of the agreement will revert to the Owner or Seller, as the agreement was legally defective from the outset; it is therefore null and void due to a breach of the objective requirement of a 'lawful cause'.

IV. CONCLUSIONS

Any agreement using cryptocurrency as a means of payment in a transaction is declared null and void. This provision is based on the failure to fulfil the objective requirement of a 'lawful cause' as set out in Article 1320 in conjunction with Article 1337 of the Civil Code, as it contravenes the mandatory provisions (dwingend recht) of Article 21 of Law No. 7 of 2011 on Currency, which mandates the use of the Rupiah within the territory of the Republic of Indonesia. Based on the principles of International Private Law (lex rei sitae) and the doctrine of public policy (public policy), neither the choice of foreign law clause nor the principle of freedom of contract (pacta sunt servanda) can override the national law of the jurisdiction where the assets are situated.

The legality of ownership or control of assets arising from cryptocurrency transactions is categorised as defective title and null and void because it violates the objective requirement of a 'lawful cause'. Although transactions may take place in fact on the basis of the parties' mutual consent, such an agreement does not remedy the legal defect; consequently, the transfer of ownership is deemed never to have taken place (geen eigendomsoverdracht). The implication is that the assets do not receive legal protection, and should a dispute arise, the rights to the subject matter of the agreement will revert to the original lawful owner.

ACKNOWLEDGMENT

We would like to express our gratitude to all those who have supported this research activity.

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