

## Legal Protection Efforts and Islamic Business Ethics Analysis of Hidden Defect Products in Online Transactions

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### Abstract

A hidden defective product in an online buying and selling transaction is selling a product whose condition is not in accordance with the original purpose of making the product. The product does not meet the proper product standards and has decreased function due to damage caused by the negligence of business actors, whether intentional or not. The most widely used platform in online buying and selling is personal media or social media, where there are only two parties to the trade agreement, namely business actors and consumers, so legal protection for consumers in this phenomenon is absolute and very much needed. The existence of a form of consumer loss from the case of hidden defective products certainly violates what is the provision of muamalah in sharia. Therefore, this research aims to analyze the application of Islamic business ethics to hidden defective products in online trade transactions and legal protection efforts that can be provided to consumers who suffer losses due to hidden defective products. This research uses the normative juridical analysis method to see the extent of legal protection efforts against consumers and how Islamic business ethics view the phenomenon. This study concludes that business actors who deliberately sell hidden products in online buying and selling clearly violate Islamic business ethics which prohibit hiding defective goods, unlike business actors who do not know the defects in the product, but business actors still have an absolute obligation to be responsible to consumers. The form of legal protection efforts for consumers of hidden defective products has been regulated in such a way in Law Number 8 of 1999 concerning Consumer Protection and the Civil Code.

*[Produk cacat tersembunyi dalam transaksi jual beli online adalah menjual produk yang kondisinya tidak sesuai dengan tujuan awal pembuatan produk. Produk tersebut tidak memenuhi standar produk yang semestinya dan mengalami penurunan fungsi akibat kerusakan yang disebabkan oleh kelalaian pelaku usaha, baik disengaja maupun tidak. Platform yang paling banyak digunakan dalam jual beli online adalah media personal atau sosial media, yang mana hanya terdapat dua pihak yang melakukan perjanjian perdagangan yaitu pelaku usaha dan konsumen, maka perlindungan hukum terhadap konsumen dalam fenomena ini bersifat mutlak dan sangat dibutuhkan. Adanya bentuk kerugian konsumen dari kasus produk cacat tersembunyi tentu saja melanggar apa yang menjadi ketentuan bermuamalah dalam syariat. Oleh karena itu, penelitian ini bertujuan untuk melakukan analisis terhadap penerapan etika bisnis Islam terhadap produk cacat tersembunyi dalam transaksi perdagangan secara online dan upaya perlindungan*

*bukum yang dapat diberikan kepada konsumen yang mengalami kerugian akibat produk cacat tersembunyi. Penelitian ini menggunakan metode analisis yuridis normatif untuk melihat sejauh mana upaya perlindungan hukum terhadap konsumen dan bagaimana pandangan etika bisnis Islam terhadap fenomena tersebut. Penelitian ini menyimpulkan bahwa pelaku usaha yang sengaja menjual produk tersembunyi dalam jual beli online jelas melanggar etika bisnis Islam yang melarang untuk menyembunyikan barang cacat, berbeda halnya dengan pelaku usaha yang tidak mengetahui adanya cacat pada produk tersebut, namun pelaku usaha tetap memikul kewajiban mutlak untuk bertanggungjawab kepada konsumen. Adapun bentuk upaya perlindungan hukum bagi konsumen atas produk cacat tersembunyi telah diatur sedemikian rupa dalam Undang-Undang Nomor 8 Tahun 1999 tentang Perlindungan Konsumen dan Kitab Undang-Undang Hukum Perdata.]*

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## INTRODUCTION

The advancement of technology and information has brought substantial changes to various aspects of life. Society has increasingly come to rely on digital platforms, which are now perceived as essential in daily activities. Trade is one of the economic sectors undergoing significant transformation. Transactions that were once conducted directly between sellers and buyers have shifted to an online system, widely known as e-commerce.

E-commerce enables business actors and consumers to engage without physical interaction. Products can be marketed to a broader audience through digital media. However, this convenience comes with potential issues that cannot be overlooked. One recurring concern is the presence of hidden defects in purchased products, which remain unidentified at the time of the transaction. From the perspective of Islamic economic law, such a condition may involve elements of *gharar*—a form of uncertainty or ambiguity that is prohibited in contractual dealings (*mu'amalat*).

The responsibility of business actors and e-commerce platform providers is therefore critical to maintaining consumer trust. Product information must be conveyed transparently and honestly to prevent harm to buyers. The sustainability of the digital trade ecosystem depends heavily on honesty, integrity, and adherence to *shariah* principles that emphasize justice and the protection of all parties involved (Gao & Wu, 2010).

The Indonesian Consumers Foundation (*Yayasan Lembaga Konsumen Indonesia*—YLKI) recorded a total of 124 consumer complaints related to issues in electronic commerce throughout 2023. This figure accounted for 13.1% of the 943 complaints received by YLKI during the same year (Rachmawati 2024). The highest number of complaints concerned product returns or refunds, comprising 23.4% of total e-commerce-related grievances. Fraud and account breaches followed, with a share of 14.8%. The remaining complaints pertained to problems with product delivery and insufficient product information.

Products with hidden defects represent one of the recurring issues in electronic commerce or online trading practices. This condition refers to situations where a product fails to serve its intended purpose, does not meet expected quality standards, or suffers

functional degradation due to damage or deficiencies resulting from the negligence of the business operator (Nugraheni & Suraji, 2024). The absence of face-to-face interaction between sellers and consumers in online transactions means that consumers are deprived of the opportunity to physically inspect the product before purchase. Trust is entirely placed in the descriptions and images presented by the seller through digital platforms.

According to data from Statistics Indonesia (*Badan Pusat Statistik*), from 2022 to 2023, approximately 95.17% of product sales were conducted via instant messaging applications such as Telegram, WhatsApp, and Line. Social media platforms—such as Instagram, Facebook, and Twitter—ranked second, with 41.30%, followed by digital marketplaces or e-commerce platforms at 19.75% (Badan Pusat Statistik, 2023). This trend of utilizing personal communication channels in commercial transactions typically involves only two parties—the business operator and the consumer—without intermediaries or third-party guarantees. This condition underscores the urgency of legal protection for consumers, as a means of ensuring legal certainty and preventing harm caused by exploitative online trading practices, including the circulation of defective products (Lengkong, Situmeang, & Indraswari, 2024).

Legal protection serves both preventive and repressive functions. Preventively, it aims to deter fraudulent actions by business actors, including any attempts to evade legal responsibility. Repressively, it provides a legal foundation for consumers to assert their rights in cases of transactional violations. The enforcement of the principle of *strict liability* is essential in upholding justice for consumers within the ever-evolving e-commerce ecosystem.

Consumer losses resulting from hidden product defects constitute a violation of the fundamental principles of *mu'amalah* in Islamic law. In Islamic teachings, a business actor who deliberately conceals defects in merchandise from the buyer is considered to be engaging in *tadlis*. The concept of *tadlis* refers to a non-transparent transactional practice in which one party withholds negative information that the other party is entitled to know (Karim, 2018). Such an imbalance of information creates injustice in the transaction and contradicts the Islamic principles of transparency and complete disclosure.

All parties involved in a transaction are required to have equal access to relevant information, ensuring that no party is misled or disadvantaged due to asymmetrical knowledge (Fauzi, 2017). The presence of hidden defects in online trading practices demonstrates that transactions are not being conducted with honesty and openness. Business operators often exploit their dominant position by leveraging greater knowledge of the product's actual condition before shipment, while failing to fully disclose this information to consumers.

This imbalance leads to tangible losses for consumers, who ultimately receive products in a condition that deviates from prior descriptions. Such discrepancies may involve quantity, quality, price, or even the timing of product delivery, all of which may fall short of the agreed terms (Sutjipto & Cahyono, 2020). This situation not only undermines the principle of justice in commercial transactions but also violates the ethical values of Islamic business conduct, which emphasize honesty, accountability, and the protection of the rights of vulnerable parties.

Previous studies have shown that various forms of negligence by business actors in online trading practices, which result in consumer harm, constitute violations of Islamic business ethics. A study conducted by Nabila A'yun revealed that such negligence often stems from a lack of understanding of Islamic business ethical values among both marketplace providers and users. This condition raises concerns about the consistency of *shariah* principles in the implementation of online commercial transactions (A'yun et al.,

2021). This view aligns with the findings of Kurniaty, who emphasized the importance of Islamic business ethics in encouraging business actors to act responsibly, respect their transactional partners, and ensure the protection of consumer rights (Kurniaty, 2019).

From a legal protection standpoint, Wahyudi and his team highlighted the weak oversight and insufficient accuracy of regulatory institutions, which allow products with hidden defects to remain in circulation until they reach the consumer (Wahyudi, Budiarta, & Ujianti, 2022). Meanwhile, Ariyanto and his colleagues asserted that all forms of business negligence should be met with appropriate sanctions and accountability in accordance with applicable laws, such as Law No. 8 of 1999 on Consumer Protection and the Indonesian Civil Code (*Kitab Undang-Undang Hukum Perdata*) (Ariyanto, Purwadi, & Latifah, 2021).

The development of this academic discourse underscores the necessity for all parties to comply with both ethical and legal standards in online transactions. The primary aim is to prevent negligence that could potentially result in consumer losses.

Most existing studies have focused on the general application of Islamic business ethics and legal protection in online commerce. However, specific discussions on how Islamic business ethics addresses online transactions involving products with hidden defects remain limited. Therefore, this study seeks to fill that gap by analyzing the application of Islamic business ethics in the context of hidden product defects and exploring the forms of legal protection available to harmed consumers.

## **RESEARCH METHODS**

This study employs a library research approach using a normative juridical method. The primary objective of this approach is to examine the phenomenon of online transactions involving products with hidden defects from the perspective of Islamic business ethics and relevant legal regulations (Muhaimin, 2020). A qualitative method is adopted, focusing on the observation and interpretation of case studies without statistical computation, emphasizing the legal aspects underlying the emergence of the phenomenon (Ashofa, 2003).

The normative juridical approach is applied to analyze cases of online sales transactions involving hidden defects through two main lenses. First, Islamic business ethics serves as a religious normative foundation that evaluates the moral conduct and responsibilities of business actors. Second, a statutory approach is utilized to examine the legal framework governing consumer protection in online trading practices, including the provisions found in various positive legal instruments (Muhaimin, 2020).

Data were collected through documentation techniques by identifying and compiling relevant written sources, including books, academic articles, statutory regulations, and legal codes (Arikunto, 2006). Primary sources include the Compilation of Sharia Economic Law (*Kompilasi Hukum Ekonomi Syariah*), Law No. 8 of 1999 on Consumer Protection, and the Indonesian Civil Code (*Kitab Undang-Undang Hukum Perdata*). These are supplemented by secondary sources, such as the Qur'an, academic journals, national news reports, and other relevant literature.

All data were analyzed using a descriptive analysis method. This method was employed to systematically describe, interpret, and organize the findings in order to provide a comprehensive understanding of the research problem.

## **RESULTS AND DISCUSSION**

### **Hidden Defects in Online Sales**

Electronic commerce, or online trading, represents a transactional model that fundamentally differs from conventional face-to-face market transactions. This network-

based system holds significant economic potential and has experienced rapid growth, thereby intensifying competition among business actors (Rodríguez, Castillo-Palacios, & Villanueva-Butrón, 2025). Another widely used term for electronic commerce is *e-commerce*, referring to commercial transactions between sellers and buyers conducted via electronic or digital media, without the need for physical interaction between the parties. This platform operates through public networks, making it broadly accessible to the general public (Asnawi, 2004).

The scope of online trading is transboundary and not confined to local jurisdictions. Consequently, its implementation is governed by national legislation, particularly Law No. 82 of 2012 on the Implementation of Electronic Systems and Transactions. This law serves as a legal foundation to ensure certainty and protection in digital commercial activities.

The standardization of products traded through e-commerce platforms is overseen by the Ministry of Trade through the Center for the Development of Functional Trade Positions (*Pusat Pembinaan Jabatan Fungsional Perdagangan* or Pusbin JFP). Every business actor is required to display Indonesian-language labeling on offered products and ensure their conformity with the Indonesian National Standard (SNI) (Ariyanto, Purwadi, & Latifah, 2021). This policy is designed to provide optimal consumer protection and strengthen state oversight of online trading practices, both in terms of regulatory enforcement and public participation as users of electronic commerce services.

In online trading transactions, business actors bear strict liability to provide honest and detailed information regarding their products. Every item offered must be accompanied by a comprehensive description, including specifications, functions, and the actual condition of the goods. It is the responsibility of the seller to verify product quality, including conducting regular inspections using sensory evaluation to ensure that the goods are in proper condition—free from damage and hidden defects. Deliberately concealing known defects constitutes a violation of the principles of transparency and fair commercial ethics (Ariyanto, Purwadi, & Latifah, 2021).

Consumer protection against misleading product information is clearly articulated in Article 9, paragraph (1), point (f) of Law No. 8 of 1999 on Consumer Protection. The article states:

“(1) Business actors are prohibited from offering, promoting, or advertising goods and/or services in a misleading manner, or in such a way as to suggest that: (f) the goods do not contain hidden defects.”

This provision underscores the role of the state in safeguarding the consumer’s right to accurate and complete information. Providing false or misleading information—particularly regarding hidden product defects—can deceive consumers and create an imbalance in the legal relationship between the parties. Such practices not only violate statutory regulations but also contradict the core values of honesty and justice as emphasized in Islamic business ethics.

A hidden defect refers to a condition in which a product fails to meet the expected quality standards and does not fulfill its intended purpose (Harum Tri Nugraheni & Suraji, 2024). The degradation in the product's function typically results from damage or defects arising due to the negligence of the seller or manufacturer. Under positive law, the liability of business actors for hidden defects is regulated in Article 1504 of the Indonesian Civil Code (*Kitab Undang-Undang Hukum Perdata*), which states:

“The seller must be held liable for hidden defects in the goods, such that the goods cannot be used for their intended purpose; had the buyer known of the defect, he would not have purchased the item, or would only have done so at a lower price.”



This provision reflects both the moral and legal obligations of the seller to ensure that the goods sold are free from defects that may harm the buyer. Hidden defects in products can arise from several factors (Ariyanto, Purwadi, & Latifah, 2021):

- a. Manufacturing defects, which occur when a product's quality deteriorates due to flaws in the production process, potentially causing harm or posing risks to consumer safety and property.
- b. Design defects, where the shape or structural design of the product deviates from its intended standard, posing potential harm or functional inadequacy.
- c. Warning or information defects, which involve the absence of adequate instructions, warnings, or usage guidelines, leading to misuse or unsafe handling of the product by the consumer.

Each type of defect entails specific legal consequences and demands accountability from business actors, both normatively under positive law and ethically in accordance with *mu'amalah* principles in Islam.

The criteria and specifications of products categorized as containing hidden defects—and which give rise to strict liability for business actors—can be classified as follows (Ariyanto, Purwadi, & Latifah, 2021):

- a. The business actor is aware that the marketed product contains a manufacturing defect, design defect, or industrial defect, yet proceeds to promote and sell the product to consumers while intentionally concealing the damage or defect.
- b. The business actor lacks prior knowledge of the presence of manufacturing, design, or industrial defects in the product being sold but nonetheless proceeds with promotion and sales without conducting adequate verification of the product's condition.

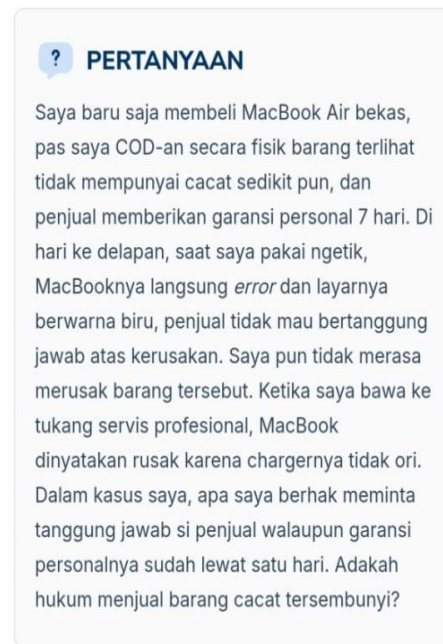
Both of these scenarios reflect negligence or a failure to fulfill strict liability obligations on the part of the business actor regarding the quality of the products offered. This form of liability remains in effect regardless of whether the business actor is aware of the defect, as the core principle of strict liability does not rely on intent, but rather on the consequences experienced by the consumer.

In online sales transactions, buyers or consumers are in a weaker position compared to business actors. This imbalance arises because consumers are unable to physically inspect the product using their senses before making a purchase decision (Nugraheni & Suraji, 2024). The available information is limited to images and written descriptions provided by the seller. In many cases, prospective buyers rely on reviews and ratings from previous consumers as a basis for evaluating the product.

However, positive reviews do not guarantee that the product will arrive in perfect condition. The possibility of hidden defects remains, and such defects can result in material loss, particularly when the seller is not transparent about the actual condition of the product.

Article 1504 of the Indonesian Civil Code (*Kitab Undang-Undang Hukum Perdata*) explicitly prohibits the sale of goods containing hidden defects. The provision also establishes a legal obligation for the seller to bear responsibility if such defects cause harm to the buyer.

Numerous reported cases of online sales involving hidden defects—drawn from journalistic sources and social media—serve as concrete evidence of the urgent need for effective legal protection in electronic commerce transactions.



Sumber: Hukumonline.com



Source: X App

Figure 1: Example of Online Buying and Selling Cases of Hidden Defective Products

## Islamic Business Ethics for Business Actors in the Practice of Buying and Selling Hidden Defective Products Online

The practice of online sales involving hidden product defects, as previously described, reflects a transactional behavior (*mu'amalah*) that fails to uphold the values of *shari'ah*. In conducting economic transactions, Allah SWT clearly outlines the principles desired in *shari'ah* through His words in Surah An-Nisa [4]: 29, which states:

"O you who believe! Do not consume one another's wealth unjustly, except through lawful trade by mutual consent. And do not kill yourselves [or one another]. Surely Allah is ever Merciful to you."

The *Compilation of Sharia Economic Law (Kompilasi Hukum Ekonomi Syariah)* serves as a normative reference for Muslim communities in conducting economic and financial transactions in accordance with *shariah*, including in the context of online commerce. Article 21 of the Compilation outlines the fundamental contractual principles that must be observed by all parties involved in a transaction. These principles include mutual consent, fulfillment of promises, prudence, irrevocability, mutual benefit, equality, transparency, capacity, ease, good faith, lawful cause, freedom of contract, and written agreements. Furthermore, Article 29 emphasizes that a valid contract must be free from *ghalath* (error), *ikrah* (coercion), *taghrir* (fraud or deception), and *ghubn* (exploitation or concealment) (Supreme Court of Indonesia & Directorate General of Religious Courts, 2013).

These provisions affirm the prohibition of all forms of deceit and fraud in trade transactions, whether conducted in person or via digital platforms. Abdul Halim Mahmud al-Ba'ly, as cited by Abdul Manan in his book *"Islamic Economic Law from the Perspective of Religious Court Jurisdiction"*, explains that fraud in commercial dealings includes attempts to conceal damage or defects in the object of a contract. Fraud also occurs when the description or visual representation of an item does not reflect its actual condition, thereby misleading the contracting party and potentially causing harm (Manan, 2012).

Abdul Halim further identifies three types of fraudulent practices in commerce: First, deception through misrepresentation, wherein the product is advertised with characteristics that do not match its true condition. Second, misleading statements about the product's quality or usability intended to entice consumers into making a purchase. Third, the deliberate concealment of defects, despite the seller's prior knowledge of such flaws (Manan, 2012).

Islamic business ethics also strictly prohibit false oaths, misleading promises, and manipulation of weights and measures. Good faith (*husn al-niyyah*) is a central foundation of every business transaction (Kurniaty, 2019). According to Islamic law, moral principles in trade encompass honesty, product permissibility (*halal*), transparency regarding defects, prohibition of false swearing, generosity, fair competition, proper debt documentation, prohibition of *riba* (usury), and the obligation to pay *zakat* at 2.5% as a means of purifying wealth (Kurniaty, 2019). Islamic business ethics function as a normative instrument designed to ensure justice and proportional benefit for all parties involved in the transaction, including both business actors and consumers (Masykuroh, 2020).

An analysis of Islamic business ethics in the context of online sales involving hidden product defects highlights the importance of distinguishing between two common scenarios in electronic commerce practices. The first scenario involves a business actor who knowingly sells a defective product but proceeds to market and deliver it to the consumer without disclosing the true condition of the item. This conduct constitutes a form of fraud (*tadlis*) that directly violates core Islamic principles such as *good faith (itikad baik)* and *trustworthiness (amanah)*. Dishonesty in conveying product information and breaching the agreed terms between both parties represents a violation of both moral and legal values in *mu'amalah* transactions. A business actor who intentionally conceals product defects not only causes harm to the consumer but also undermines the integrity of a legally valid transaction under *shari'ah*.

The second scenario arises when the business actor is unaware of the defect at the time of the transaction. The defect only becomes apparent to the consumer after receiving and inspecting the product. In this case, there is no element of intentional concealment, and therefore, the business actor cannot be deemed to have violated the ethical principles of Islamic commerce. However, liability still rests with the seller, as Islamic transactional



principles uphold the seller's obligation to compensate for losses incurred by the buyer. Fulfilling such obligations reflects a commitment to *good faith* and the protection of consumer rights.

The application of Islamic business ethics in electronic trade seeks to establish an economic system founded on justice, transparency, and integrity. Key ethical values to be upheld by business actors include the prohibition of *tadlis* (fraud), which refers to knowingly concealing product defects. Practices such as *ghaban*, or selling products at a price disproportionate to their quality, are similarly prohibited as they violate the principle of balance in contractual agreements. Misleading information about a product's features—known as *taghir*—must also be avoided, as it creates informational asymmetry and results in unjust outcomes for one of the parties.

The principle of *good faith* must be manifested through concrete actions, including providing honest product descriptions, delivering items that match agreed specifications, and ensuring accurate delivery timelines and post-sale services. The availability of return policies and transaction cancellation mechanisms is a reflection of accountability and adherence to the Islamic principles of fairness and consumer protection. A consistent implementation of Islamic business ethics encourages responsible behavior among business actors and fosters a healthy and *shari'ah*-compliant environment for online transactions.

### **Legal Protection Efforts for Consumers in the Practice of Online Buying and Selling Hidden Defective Products**

The Indonesian Consumers Foundation (*Yayasan Lembaga Konsumen Indonesia*, YLKI), as a Community-Based Consumer Protection Organization (*Lembaga Perlindungan Konsumen Swadaya Masyarakat*, LPKSM), recorded 124 consumer complaints in 2023 related to losses suffered from electronic commerce or online sales transactions. This figure represents 13.1% of the total 943 complaints received by YLKI during the same year (Rachmawati, 2024). The breakdown of complaints indicates that 23.4% were related to product returns or refunds, 14.8% involved fraud or data breaches, while the remainder concerned delivery issues and inaccurate product information. A similar trend was reported by the National Consumer Protection Agency (*Badan Perlindungan Konsumen Nasional*, BPKN). According to Commissioner Anna Maria Tri Anggraini, total consumer losses between January and July 2021 reached IDR 1.06 trillion. Of that amount, the financial services sector accounted for the highest number of complaints (2,050 cases), followed by online sales transactions with 364 cases (Yozami, 2021).

Consumers continue to face risks of financial loss in online transactions, stemming from either negligence or fraudulent practices by business actors. This situation underscores the urgent need for effective and sustainable legal protection to ensure the fulfillment of consumer rights and to promote accountability among business operators. Article 3(e) of Law No. 8 of 1999 on Consumer Protection clearly states that one of the aims of consumer protection is to foster awareness among business actors regarding the importance of consumer protection, thereby encouraging honesty and responsibility in business practices.

Law No. 8 of 1999 on Consumer Protection, alongside the Indonesian Civil Code (*Kitab Undang-Undang Hukum Perdata*), normatively functions to define and regulate the rights and obligations of the parties involved in transactions, while also providing equitable and proportional legal protection in business-consumer relationships—including within the context of electronic commerce.

Article 4(c) of Law No. 8 of 1999 on Consumer Protection stipulates that every consumer has the right to obtain accurate, clear, and truthful information regarding the

condition and warranty of a product (Republic of Indonesia, 1999). If the information provided by the business actor does not reflect the actual condition of the product, the consumer is entitled to compensation, as outlined in the same article under point (h), which includes the right to redress in the form of reimbursement, replacement, or other forms of liability for the losses incurred. This provision is reinforced by Article 7(b) and (g), which impose a legal obligation on business actors to provide factual, clear, and accurate information and to take responsibility if the delivered product does not conform to the agreement or contains hidden defects.

Article 9(1)(f) further prohibits business actors from offering, promoting, or advertising goods and/or services in a manner that implies the absence of hidden defects. This legal standard explicitly restricts the circulation of goods that fail to meet quality standards, particularly those with concealed defects. A similar obligation is found in the Indonesian Civil Code (*Kitab Undang-Undang Hukum Perdata*), specifically in Articles 1504 and 1506. Article 1504 affirms that the seller is liable for hidden defects that render the item unfit for its intended use, and that had the buyer been aware of the defect from the outset, they likely would not have purchased the item—or would have done so only at a lower price. Article 1506 extends this liability by requiring a warranty for hidden defects even when the seller was unaware of their existence, unless explicitly stipulated otherwise in the contract.

These provisions, both under the Consumer Protection Law and the Civil Code, affirm that business actors bear strict liability (*tanggung jawab mutlak*) for hidden defects, regardless of whether the defect was deliberately concealed, caused by negligence, or unknown to the seller. This principle is intended to ensure fair and proportional legal protection for consumers, while simultaneously encouraging business actors to operate with honesty, transparency, and accountability.

The liability of business actors in commercial transactions is explicitly regulated under the Indonesian Civil Code (*Kitab Undang-Undang Hukum Perdata*), particularly in Chapter VI, Articles 19 to 28. All forms of consumer loss arising from product defects, misleading information, or delayed deliveries are subject to the principle of strict liability (*tanggung jawab mutlak*) borne by the business actors (Sujono, Mangesti, & Suhartono, 2022). While this liability framework recognizes the need for evidentiary support from both parties, Indonesia's consumer protection regime adheres to the principle of *presumption of liability*. This doctrine presumes that the business actor is responsible for the damage unless they can present legally valid and concrete evidence to the contrary.

Article 22 of Law No. 8 of 1999 on Consumer Protection affirms that the burden of proof lies with the business actor, particularly in criminal cases as stipulated in Articles 19(4), 20, and 21. This provision eliminates the burden of proof for the public prosecutor and instead mandates that business actors proactively demonstrate the absence of fault. If the business actor refuses to fulfill consumer demands or fails to provide compensation, Article 23 offers a legal foundation for consumers to pursue dispute resolution through either non-litigation channels such as the Consumer Dispute Settlement Agency (*Badan Penyelesaian Sengketa Konsumen*, BPSK) or through the district court located in the consumer's area of residence.

Further provisions concerning liability for hidden product defects are outlined in Articles 1507 to 1509 of the Civil Code. Article 1507 grants consumers the right to choose between returning the defective item and claiming a full refund or retaining the item while demanding a partial refund, as assessed by a judge based on expert testimony. Article 1508 provides that if the seller was aware of the defect, they must refund the purchase price in full and compensate for all associated costs, damages, and interest. Meanwhile, Article 1509

specifies that if the seller was unaware of the defect, their liability is limited to refunding the purchase price and reimbursing any provable transactional expenses incurred by the buyer.

The provisions stipulated in Indonesia's Consumer Protection Law (*Undang-Undang Perlindungan Konsumen*, UUPK) and the Civil Code (*Kitab Undang-Undang Hukum Perdata*, KUHPer) offer both legal certainty and protection for consumers who suffer losses, whether in general terms or due to specific issues such as hidden defects. In the context of electronic transactions, dispute resolution typically proceeds through several stages. The initial step for consumers discovering a hidden defect is to seek redress through deliberation and consensus (*musyawarah*), involving direct negotiation between the consumer and the business actor concerning liability and compensation. If this approach fails, consumers are entitled to pursue legal remedies through litigation in court or through non-litigation mechanisms, as stipulated in Article 45 of the UUPK.

Effective implementation of consumer protection law also requires the involvement of non-litigation bodies such as the Consumer Dispute Settlement Agency (*Badan Penyelesaian Sengketa Konsumen*, BPSK). However, public awareness of the existence and role of BPSK remains limited, and consumer legal literacy regarding applicable regulations is still relatively low (Arifin, Handayani, & Bayhaqi, 2024). As a result, many consumers refrain from seeking formal legal redress, even when harmed by negligent or irresponsible business practices. Regulations that have been legally established are unlikely to be effective unless supported by optimal legal engagement on the part of aggrieved consumers.

A comparison with dispute resolution systems in other jurisdictions reveals ongoing challenges in Indonesia. The United States, for instance, has developed a robust consumer protection framework through agencies such as the Federal Trade Commission (FTC), which is authorized to investigate, prosecute, and terminate business practices that harm consumers (Foohey, 2017). Non-governmental organizations like the Better Business Bureau (BBB) also play an active role in facilitating independent dispute resolution (Hidayat & Ihya, 2024).

Enhancing the effectiveness of consumer protection in Indonesia necessitates active collaboration between legal institutions—both litigative and non-litigative. Inter-agency synergy should focus on strengthening regulatory oversight, enforcing sanctions, and empowering consumers. The government bears a strategic responsibility to promote legal awareness and provide ongoing education so that consumers are equipped to assert their rights effectively and proportionally when faced with contractual breaches in commercial transactions.

## CONCLUSION

Products with hidden defects that cause consumer harm fall under the absolute liability of business actors. The criteria for such hidden defects fall into two distinct conditions. First, the business actor is aware of the existence of a manufacturing, design, or industrial defect but continues to promote and sell the product while concealing the damage. Second, the business actor is unaware of any defect—whether in manufacturing, design, or industrial aspects—yet proceeds with the transaction regardless.

From the perspective of Islamic business ethics, the first condition constitutes a clear violation of the principles of *hushn al-niyyah* (good faith) and *amanah* (trustworthiness). This conduct also contravenes the moral tenets of Islamic commerce, which strictly prohibit concealing defects in goods offered for sale. The second condition, while not amounting to a direct ethical breach, is considered a form of inadvertence. Nonetheless, the business actor still bears strict liability and is obliged to compensate for any harm caused to the consumer.

Legal protection for consumers in cases involving hidden defects is comprehensively regulated under Law No. 8 of 1999 on Consumer Protection and the Indonesian Civil Code (*Kitab Undang-Undang Hukum Perdata*). These legal instruments provide a solid foundation for upholding consumer rights and impose a legal obligation on business actors to fulfill their responsibilities fairly and proportionally—including providing compensation or replacement for product defects that were not identified at the time of the transaction.

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