

Bank's Legal Liability toward Customers in Cases of Transaction Restrictions under LPS Special Surveillance

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Abstract

This article analyzes the legal liability of banks toward customers arising from transaction restrictions imposed during the Indonesia Deposit Insurance Corporation's (LPS) Special Surveillance period. The study aims to determine whether such regulatory restrictions limit or extinguish banks' contractual, statutory, and tort-based obligations to customers. This research employs normative legal research with statutory and conceptual approaches. The findings demonstrate that compliance with mandatory regulatory directives does not automatically absolve banks from legal liability. While transaction restrictions may justify temporary non-performance of contractual obligations, they cannot be categorically classified as force majeure, because the restrictions arise from regulatory intervention linked to the bank's financial condition rather than from unforeseeable external events beyond the parties' control. Banks therefore remain liable where restrictions are inadequately disclosed, applied arbitrarily, or attributable to prior mismanagement that precipitated the bank's financial deterioration. The study further finds that regulatory intervention does not result in a full transfer of liability from banks to the state or LPS, as LPS's mandate as a public legal entity is confined to supervisory and resolution functions rather than assuming private law responsibilities toward customers. Consequently, customers retain access to legal remedies through civil claims, administrative complaints, and judicial review of regulatory actions. This article concludes that clearer statutory allocation of liability, enforceable disclosure standards, and transparent procedures during Special Surveillance are essential to ensuring legal certainty and balancing financial system stability with effective customer protection.

Keywords: Bank Liability; Transaction Restrictions; LPS Special Surveillance; Contractual Rights

INTRODUCTION

The increasing complexity of the Indonesian financial system has elevated the importance of effective supervisory and resolution mechanisms to maintain stability, protect depositors, and prevent systemic contagion. One of the most critical tools

introduced under the evolving financial safety-net framework is the placement of a troubled bank under Special Surveillance by the Indonesia Deposit Insurance Corporation (LPS) (Latifa & Omar, 2017; Widijowati & Denysenko, 2023). Special Surveillance represents an intensified supervisory regime designed to monitor and control banks that exhibit signs of severe financial stress, declining liquidity, impaired asset quality, or weaknesses in governance and risk management. Within this framework, regulatory authorities, including the Financial Services Authority (OJK) and LPS, may impose transaction restrictions to prevent excessive withdrawals, safeguard remaining assets, and stabilize the bank's operational integrity (Naimon et al., 2015; Starnini et al., 2021).

Transaction restrictions may take various forms, such as withdrawal limits, caps on fund transfers, delayed processing of payments, suspension of certain banking services, or other temporary limitations on customers' ability to access their funds (Van Loo, 2020). These measures are primarily intended to prevent a rapid depletion of liquidity or a bank run that could threaten not only the troubled institution but also broader financial stability. From a prudential perspective, unrestricted transactions during periods of distress may accelerate insolvency, undermine interbank confidence, and trigger spillover effects across the financial sector (Hughes, 2020). Nevertheless, while these restrictions serve important systemic objectives, they also impose significant burdens on customers. Transaction limitations directly affect customers' practical and legal ability to access their deposits assets that, in principle, belong to customers and are held by banks in a fiduciary capacity. Customers depend on these funds for daily living expenses, debt servicing, business operations, and other essential financial activities. Restricted access may therefore result in financial losses, reputational damage, operational disruptions, and substantial inconvenience. In more severe cases, prolonged restrictions may hinder payroll obligations or disrupt corporate liquidity, thereby creating broader economic consequences beyond the immediate bank-customer relationship (Sorour et al., 2021; Valvi, 2023).

This condition gives rise to a fundamental legal tension between public regulatory interests and private contractual rights. On the one hand, regulatory intervention is exercised under statutory authority and justified by the public interest in maintaining financial stability (Trautman & Ormerod, 2016). On the other hand, customers possess contractual rights derived from the bank-customer relationship, including the right to withdraw deposits on demand, conduct transactions, and utilize banking services without unreasonable obstruction (Kusnan, 2025). The imposition of transaction restrictions therefore raises complex legal questions regarding whether banks are in breach of their contractual obligations or whether such obligations are temporarily modified or suspended as a consequence of mandatory regulatory directives. This tension becomes increasingly acute when restrictions are imposed for

extended periods or result in identifiable and measurable losses to customers (Chu et al., 2022).

Within this context, several key legal issues emerge. A central question concerns the extent of a bank's legal liability during the imposition of transaction restrictions. Although banks may argue that compliance with orders issued by OJK or LPS absolves them of responsibility, customers may assert claims based on breach of contract, negligent management, or inadequate disclosure (Guseva & Rona-Tas, 2001). Another issue relates to the legitimacy of limiting customers' rights through regulatory intervention, particularly whether statutory powers under the LPS Law and the Financial Sector Development and Strengthening Law (P2SK) lawfully override individual contractual entitlements and whether such limitations comply with principles of legality, proportionality, procedural fairness, and good governance. Furthermore, Special Surveillance raises questions regarding the allocation of liability between banks and regulators. As LPS exercises supervisory and quasi-resolution authority during Special Surveillance, determining whether customer losses arise from prior bank mismanagement or from regulatory measures themselves becomes legally significant and potentially contentious (Harkácsi & Szegfű, 2021).

The legal relationship between banks and customers has long been examined within the framework of contractual obligations and fiduciary duties. In classical banking law doctrine, the bank-customer relationship is primarily contractual, arising from deposit agreements that impose an obligation on banks to safeguard and repay customer funds upon demand. Several studies emphasize that this relationship also carries fiduciary characteristics, requiring banks to act in good faith, with due care, and in the best interests of their customers. Consequently, any restriction on customers' access to their funds potentially constitutes a breach of contractual or fiduciary obligations, unless justified by valid legal grounds. In Indonesia, customer protection in the banking sector is closely linked to the establishment of the Indonesia Deposit Insurance Corporation (Lembaga Penjamin Simpanan/LPS). Prior studies highlight LPS's role as a key component of the financial safety net, tasked with guaranteeing customer deposits up to a statutory limit and participating in the resolution of failing banks. The literature generally frames LPS as a public legal entity whose mandate is oriented toward systemic stability rather than the fulfillment of private law obligations toward individual customers. As a result, most analyses conclude that the existence of deposit insurance does not extinguish the civil liability of banks toward customers, particularly for deposits exceeding the guaranteed threshold. (Kembuan, 2018)

A significant body of research focuses on bank failure resolution mechanisms and the legal authority of LPS in handling distressed banks. These studies examine various resolution tools, including bank restructuring, transfer of assets and liabilities, and liquidation. Scholars note that regulatory intervention often intensifies when a

bank's financial condition deteriorates, leading to stricter supervisory measures. However, much of this literature concentrates on the institutional powers of LPS and the macroprudential objectives of financial stability, rather than on the micro-level legal consequences for customers whose transactional rights are restricted during supervisory intervention.

Another strand of literature examines banking supervision regimes, particularly the classification of supervisory statuses such as normal supervision, intensive supervision, and special surveillance. These studies explain that special surveillance allows regulators to impose extraordinary measures, including transaction restrictions, to prevent systemic contagion. While these measures are widely recognized as legitimate tools of prudential regulation, scholars also acknowledge that they create legal tension by interfering with customers' contractual rights. Nevertheless, existing works tend to discuss these restrictions from a regulatory compliance perspective, with limited attention to their implications for civil liability under private law. (Napitupulu, 2022)

Comparative and international studies on deposit insurance systems further enrich this discussion by highlighting the inherent trade-off between financial stability and customer protection. Research on moral hazard suggests that deposit insurance and regulatory intervention may reduce market discipline, potentially encouraging risky behavior by banks. From a legal perspective, these studies imply that banks should not be entirely shielded from liability merely because regulatory authorities intervene. However, most international literature addresses these issues at a theoretical or policy level, without offering a detailed legal analysis of liability allocation when transaction restrictions are imposed by supervisory authorities. (Ashari & Nugrahanti, 2018)

Despite extensive scholarship on deposit insurance, bank resolution, and prudential supervision, there remains a notable lack of focused legal analysis on banks' liability toward customers arising specifically from transaction restrictions imposed during the Indonesia Deposit Insurance Corporation's (LPS) Special Surveillance period. Existing studies predominantly emphasize institutional authority, systemic stability, or guaranteed deposit mechanisms, while insufficiently addressing the intersection between mandatory regulatory measures and private law obligations toward bank customers. In particular, the allocation of contractual, statutory, and tort-based liability between banks and LPS during Special Surveillance remains unclear and undertheorized.

This gap becomes increasingly significant in light of Law No. 4 of 2023 concerning the Development and Strengthening of the Financial Sector (UU PPSK), which reinforces the principle of consumer protection in financial services as a fundamental element of financial regulation in Indonesia. The law emphasizes transparency, fairness, accountability, and the protection of customers' rights within

the financial system. However, in practice, the imposition of transaction restrictions during the LPS Special Surveillance period may create tensions with these principles, particularly when customers experience limitations in accessing their funds or obtaining clear information regarding the status of their accounts. Against this backdrop, this research seeks to fill the existing gap by providing a structured legal liability analysis of transaction restrictions under LPS Special Surveillance. The study examines how the regulatory framework governing bank resolution interacts with the consumer protection principles established under UU PPSK, particularly in determining the boundaries of bank responsibility, the extent to which regulatory directives may serve as a legal defense, and the availability of legal remedies for affected customers within Indonesia's contemporary financial regulatory regime. Based on the issues described above, this study aims to analyze the legal responsibility of banks towards their customers during the enforcement of transaction restrictions within the framework of Special Supervision by the Deposit Insurance Corporation (LPS), with an emphasis on contractual responsibility, responsibility based on statutory provisions, and civil liability. This study also examines the extent to which regulatory intervention can be a valid and proportionate legal basis for restricting customer rights, and whether the application of these restrictions is in line with the principles of fairness, reasonableness, and good governance. In addition, this study evaluates the division of legal responsibility between banks and supervisory authorities when customers suffer losses due to transaction restrictions. Ultimately, this study assesses the adequacy of the legal and regulatory framework in Indonesia in balancing the objectives of financial system stability and customer protection, while proposing the need for clearer standards regarding the allocation of responsibility and increased transparency in supervisory intervention during times of crisis.

METHODS

This study uses normative legal research, which positions law as a normative system that establishes rights, obligations, and legal consequences for banks, regulators, and customers during periods of enhanced supervisory intervention. The normative focus of this study lies in analyzing the legal construction of bank liability arising from transaction restrictions imposed within the framework of Special Supervision of the Deposit Insurance Corporation (LPS), particularly at the intersection between prudential regulation and private legal obligations. (Ariawan, 2013)

This study applies several complementary approaches. First, a statutory approach is used to analyze the structure, coherence, and substance of legal instruments governing banking supervision and liability. These include the laws that form the legal basis for this research, namely Law No. 24 of 2004 concerning the Deposit Insurance Corporation, as last amended by Law No. 4 of 2023 concerning the

Development and Strengthening of the Financial Sector, Law -Law Number 4 of 2023 concerning Development and Strengthening of the Financial Sector, as well as various Financial Services Authority Regulations (POJK) and Financial Services Authority Circular Letters (SEOJK) that regulate banking supervision, handling of problem banks, consumer protection in the financial services sector, and the implementation of supervisory authority and coordination between the OJK and the Deposit Insurance Corporation. This approach allows for an assessment of the legal authority underlying Special Supervision and the allocation of legal responsibilities between banks and supervisory institutions.(Widiarty, 2024)

Second, a conceptual approach is used to analyze the legal doctrines and principles underlying the bank-customer relationship. This includes an analysis of contractual rights and obligations, the legal nature of bank deposits, fiduciary and prudential obligations that banks must fulfill towards customers, and the legal implications of mandatory regulatory compliance during supervisory intervention. Through this approach, this study explains how transaction restrictions affect customer rights and the scope of bank liability. The analysis was conducted using qualitative normative analysis, which involved interpretation, systematization, and legal reasoning to evaluate the consistency between regulatory objectives, legislative mandates, and private law principles. Through this method, the study assessed the adequacy of Indonesia's legal framework in allocating responsibilities and balancing financial stability with consumer protection during the Special Supervision period.

DISCUSSION AND RESULT

Analytical Framework: Legal Liability Theory

This study employs Legal Liability Theory as the analytical framework to evaluate the scope of banks' obligations toward customers when transaction restrictions are imposed during the LPS Special Surveillance period. In the Indonesian banking system, the relationship between banks and customers is not merely contractual but also regulated through statutory obligations and prudential standards designed to protect depositors and maintain financial system stability. Consequently, the analysis of bank liability must consider several interconnected dimensions of legal responsibility.(Pedro et al., 2025)

First, contractual liability arises from the legal relationship between banks and customers established through deposit agreements and banking service contracts. Under Indonesian private law principles, banks are obliged to provide access to customer funds and ensure the proper execution of financial transactions. When transaction restrictions are imposed during Special Surveillance, the central legal question becomes whether such restrictions constitute a legitimate suspension of contractual obligations or whether they amount to a breach of contract when customers' rights are disproportionately affected.

Second, statutory liability is derived from the regulatory framework governing banking supervision and consumer protection. In Indonesia, banks operate within a complex system of financial regulation established by Law No. 24 of 2004 concerning the Indonesia Deposit Insurance Corporation, as amended by Law No. 4 of 2023 concerning the Development and Strengthening of the Financial Sector (UU P2SK), as well as regulations issued by the Financial Services Authority (OJK). These regulations authorize supervisory intervention, including the imposition of restrictions during periods of financial distress. However, statutory compliance does not automatically eliminate the bank's responsibility toward customers, particularly when the implementation of regulatory directives results in limitations on customers' access to their deposits.

Third, the analysis also considers tort-based liability and fiduciary principles that shape the bank-customer relationship. Indonesian banking law recognizes that banks hold customer funds in a position of trust and are therefore subject to prudential obligations and duties of care. If transaction restrictions are implemented in a manner that is arbitrary, inadequately disclosed, or linked to prior managerial negligence, banks may still bear responsibility under the doctrine of unlawful acts (*perbuatan melawan hukum*) despite the presence of regulatory intervention.

By applying this framework within the context of Indonesia's regulatory regime, the study evaluates how the interaction between prudential supervision, financial stability objectives, and consumer protection principles influences the allocation of legal liability during the LPS Special Surveillance period.

Regulatory Basis of LPS Special Surveillance

The regulatory framework governing LPS Special Surveillance forms a crucial part of Indonesia's financial stability architecture. Special Surveillance represents an intensified supervisory mechanism applied to banks experiencing significant financial deterioration, governance weaknesses, or liquidity pressures that may threaten their operational continuity. Within this framework, supervisory authorities may impose a range of regulatory measures, including restrictions on certain banking transactions, as part of efforts to stabilize the institution and prevent broader systemic risks. (Indradewi et al., 2026)

The legal basis for these measures is primarily derived from Law No. 24 of 2004 concerning the Indonesia Deposit Insurance Corporation, which establishes LPS's mandate in bank resolution and depositor protection, and Law No. 4 of 2023 (UU P2SK), which strengthens coordination among financial sector authorities and enhances the regulatory framework for handling troubled banks. Complementary provisions are further elaborated in various regulations issued by the Financial Services Authority (OJK), which govern supervisory actions, early intervention mechanisms, and consumer protection obligations within the financial services

sector.(Tuch, 2019) However, the implementation of transaction restrictions during Special Surveillance raises important legal questions regarding the balance between prudential regulation and customer protection. While such measures are designed to safeguard financial stability and prevent bank failure, they may simultaneously affect customers' contractual rights to access their funds. Therefore, examining the regulatory foundation of Special Surveillance is essential to determine whether these restrictions operate merely as supervisory instruments or whether they also generate legal consequences that reshape the scope of bank liability toward customers.

Legal Framework

a. Indonesian Deposit Insurance Law (LPS Law)

The LPS Law forms the cornerstone of Indonesia's deposit insurance and bank resolution framework. It establishes LPS as a public legal entity tasked with insuring deposits and ensuring the orderly resolution of failed banks. Under this law, LPS holds the authority to intervene in banks that threaten financial stability, including through early involvement during pre-resolution stages such as Special Surveillance. The LPS Law empowers the institution to coordinate with OJK in identifying banks that exhibit declining financial soundness. In this context, the law contemplates LPS's role not merely as an insurer, but as an active stabilizing authority with powers to recommend or implement measures designed to preserve bank liquidity and protect depositor interests. Although the law does not explicitly enumerate all forms of transaction restrictions, its broad supervisory mandate authorizes LPS to support supervisory actions designed to prevent a bank run and mitigate systemic risks.

b. Financial Sector Development and Strengthening Law (P2SK)

The P2SK Law significantly strengthens the legal basis for Special Surveillance by harmonizing authorities across the financial safety net institutions-OJK, LPS, Bank Indonesia, and the Ministry of Finance. The law expands LPS's role in crisis prevention, granting it earlier access to information, enhanced oversight powers, and the authority to recommend corrective actions during deteriorating bank conditions. Under the P2SK Law, Special Surveillance becomes an integrated supervisory tool situated between regular supervision and full resolution. It formalizes the conditions under which heightened restrictions may be imposed and clarifies the legal standing of LPS directives. Importantly, the law reinforces the legitimacy of temporary limitations on customer transactions by recognizing such measures as necessary instruments of prudential regulation.

c. OJK Regulations on Bank Supervision and Resolution

OJK regulations operationalize the statutory mandates of both the LPS Law and the P2SK Law. These regulations outline supervisory categories, early intervention measures, triggers for intensified oversight, and corrective actions applicable to banks with declining health. In the context of Special Surveillance, OJK regulations: define criteria indicating financial distress (e.g., liquidity shortages, significant non-performing loans, governance failures), authorize OJK to direct banks to adjust operations, restrict certain transactions, or limit product offerings, and establish communication and coordination channels with LPS. The regulations make clear that transaction restrictions fall within OJK's supervisory authority but may be jointly implemented or supervised with LPS, particularly once the bank enters Special Surveillance.

Procedure for Placing a Bank Under Special Surveillance

The procedure for placing a bank under Special Surveillance involves several sequential steps grounded in statutory and regulatory mandates (Romanosky & Acquisti, 2009):

1. Identification of Distress: OJK conducts continuous supervision and detects signs of financial deterioration, such as declining liquidity ratios, risk management weaknesses, or governance lapses.
2. Assessment and Classification: The bank is evaluated under OJK's supervisory risk matrix. If it enters a category indicating heightened risk, OJK may initiate Special Surveillance procedures.
3. Notification and Coordination with LPS: OJK formally notifies LPS of the bank's deteriorating condition. The P2SK Law ensures LPS receives early warning information, enabling coordinated assessment.
4. Decision to Place Bank Under Special Surveillance: OJK, with LPS involvement, issues a formal designation of Special Surveillance. This designation legally authorizes intensified monitoring and the imposition of restrictions.
5. Issuance of Corrective or Restrictive Measures: OJK may mandate capital strengthening, liquidity recovery plans, asset quality improvement programs, or temporary operational limitations. LPS may support these measures to prevent insolvency and protect depositors.
6. Monitoring and Periodic Review: The bank remains under close review. Failure to show improvement may trigger transition to resolution, with LPS assuming greater authority.

Scope of LPS and OJK Authority, Including Transaction Restrictions

Under the integrated financial safety-net framework, the Financial Services Authority (OJK) and the Indonesia Deposit Insurance Corporation (LPS) share

supervisory responsibility during the Special Surveillance phase, although each institution operates under distinct legal mandates. OJK functions as the primary supervisory authority with broad regulatory powers aimed at preventing further deterioration of a distressed bank. These powers include restricting withdrawals and fund transfers to avoid liquidity depletion, limiting the issuance of new loans or financial products, freezing accounts linked to suspicious transactions, imposing capital restoration requirements, and restricting payments to insiders or related parties. Through these measures, OJK seeks to stabilize the bank's condition while mitigating the risk of systemic contagion.

LPS's authority is activated in accordance with the severity and characteristics of the bank's financial distress. Its role extends beyond monitoring compliance with prudential measures to ensuring preparedness for the fulfillment of deposit insurance obligations in the event of bank failure. Under certain legal conditions, LPS may also provide temporary liquidity support, recommend operational and governance corrections, and oversee the implementation of transaction restrictions from the standpoint of depositor protection. Importantly, LPS operates under a dual mandate encompassing both financial system stability and depositor protection. This mandate introduces a public interest dimension into the Special Surveillance regime, thereby reinforcing the legal legitimacy and proportionality of restrictive supervisory measures (Anugrah et al., 2020).

Transaction restrictions constitute an area of shared authority between OJK and LPS. While OJK is responsible for imposing and enforcing such restrictions, LPS evaluates their implications for depositor interests and overall financial stability. This complementary oversight mechanism ensures that transaction restrictions remain proportionate, legally justified, and aligned with broader objectives of the financial safety-net framework.

Legal Consequences for Bank Operations and Customer Access

The imposition of Special Surveillance and related transaction restrictions generates significant legal consequences for both bank operations and customer rights. For banks, Special Surveillance results in substantially reduced operational autonomy. Decision-making authority, particularly in areas such as liquidity management, lending activities, and asset disposition, becomes subject to heightened regulatory approval. Banks are required to implement corrective action plans, submit frequent reports to supervisory authorities, and often suspend new business initiatives. These constraints are designed to conserve remaining financial resources and prevent further deterioration of the bank's condition. Non-compliance with supervisory directives may trigger more severe interventions, including intensified restrictions or formal placement into resolution mechanisms.

For customers, transaction restrictions lead to delayed or limited access to deposited funds and banking services. Although such restrictions are grounded in statutory authority, they may cause financial hardship, disrupt commercial activities, and heighten concerns regarding the bank's solvency. From a legal perspective, these measures alter the immediate enforceability of customers' contractual rights. While depositors retain legal ownership of their funds, their ability to exercise withdrawal or transactional rights may be lawfully suspended or constrained. This situation reflects a temporary recalibration of private rights in favor of public interest considerations, particularly financial stability and depositor protection. Nevertheless, such restrictions may also give rise to legal disputes, especially where customers contend that the measures were disproportionate, insufficiently disclosed, or improperly implemented (Yuspin et al., 2024).

Analysis of Bank's Legal Liability Using Legal Liability Theory

Within the context of transaction restrictions imposed during the LPS Special Surveillance period, the bank-customer relationship must also be examined through the lens of undue influence or abuse of circumstances (*penyalahgunaan keadaan*). In banking practice, customers generally occupy a structurally weaker bargaining position compared to banks, particularly when supervisory intervention limits their ability to access funds or obtain clear information regarding the status of their accounts. This imbalance becomes more pronounced during periods of financial distress, where customers are often required to accept restrictive measures without meaningful negotiation or adequate disclosure. In such circumstances, the application of regulatory restrictions may raise questions as to whether the bank has exercised its authority in a manner consistent with the principles of fairness, transparency, and good faith that underpin contractual relationships in financial services.

From the perspective of Indonesian private law, this issue can also be assessed through Article 1365 of the Civil Code (BW) concerning unlawful acts (*perbuatan melawan hukum*). Even when transaction restrictions are introduced as part of regulatory intervention under the LPS supervisory framework, such measures do not automatically function as a complete legal defense for banks. If the restrictions are implemented in a manner that causes disproportionate harm to customers, lacks adequate disclosure, or results from prior managerial negligence that led to the bank's deteriorating financial condition, the bank may still be exposed to liability under the doctrine of unlawful acts. Therefore, the existence of regulatory directives must be carefully evaluated to determine whether they constitute a legitimate justification for restricting customer rights or whether they instead reflect a form of institutional power imbalance that places customers at an unfair disadvantage;

1. **Contractual Liability.** Contractual liability forms the core of the legal assessment regarding a bank's obligations toward customers during the imposition of

transaction restrictions under LPS Special Surveillance. The bank–customer relationship is traditionally characterized as a contractual arrangement in which the bank undertakes to hold deposits and make them available on demand, subject to agreed terms and regulatory requirements. This creates an enforceable obligation for the bank to honor withdrawal requests, execute transactions, and provide uninterrupted access to banking services. The imposition of transaction restrictions raises the question of whether the bank’s inability or refusal to honor customer instructions constitutes a breach of contract. Under normal circumstances, any undue limitation on access to deposits would indeed amount to breach.

However, most banking contracts include regulatory intervention clauses and broad compliance provisions that subordinate customer rights to mandatory supervisory measures. Additionally, certain banks incorporate force majeure-style clauses that excuse performance when legal or regulatory constraints render contractual obligations temporarily impossible. These clauses may shield banks from contractual liability during Special Surveillance, provided the restrictions are imposed pursuant to binding regulatory directives. Nevertheless, the bank’s immunity is not absolute. Legal Liability Theory highlights that contractual obligations also encompass duties of good faith, disclosure, and transparency. Even when restrictions are legally mandated, the bank must inform customers promptly, accurately, and comprehensively about the scope, duration, and rationale of the limitations. Failure to communicate effectively or to provide reasonable alternatives may constitute a breach of ancillary contractual duties. Thus, while regulatory intervention may justify temporary non-performance, inadequate disclosure or negligent communication may still expose the bank to contractual liability (Novyanti et al., 2024).

2. **Statutory Liability.** Statutory liability arises from the bank’s legally mandated duty to comply with binding orders issued by OJK and LPS during periods of financial distress, including when the bank is placed under Special Surveillance. These regulatory directives – such as instructions to limit withdrawals, suspend certain services, or impose transaction caps – carry compulsory legal force. Consequently, a bank that implements transaction restrictions pursuant to such orders is generally acting under statutory obligation rather than independent managerial discretion. This compliance is often invoked by banks as a defense against claims of breach or wrongful denial of service, asserting that non-compliance with regulatory directives would itself constitute a violation of law. However, the relationship between statutory compliance and customer protection statutes introduces a more nuanced legal analysis. Customer

protection norms in financial services require banks to uphold fairness, transparency, and the safeguarding of consumer rights.

While regulatory directives may lawfully restrict customers' immediate access to funds, statutory compliance does not extinguish a bank's duty to act proportionately and to ensure that customers receive adequate information regarding the nature, scope, and duration of the restrictions. If restrictions are implemented arbitrarily, without proper disclosure, or in a manner that unfairly disadvantages certain customers, statutory compliance may not shield the bank from liability. Whether statutory obligations limit or reinforce liability depends on the bank's execution of regulatory orders. When the bank faithfully follows regulatory mandates, statutory obligations tend to limit liability. Conversely, if the bank misapplies the directives, delays communication, or introduces additional restrictions beyond those required, statutory obligations can reinforce liability by framing non-compliance as both a regulatory breach and a violation of customer rights. In this sense, statutory liability operates as both a shield and a standard of accountability.

3. **Tort Liability.** Tort liability provides an additional avenue through which customers may challenge the legality of transaction restrictions imposed during LPS Special Surveillance. Although such restrictions are typically grounded in regulatory directives, it remains possible for customers to argue that the bank's actions – or the manner in which they are implemented – constitute an unlawful act. The classification of transaction restrictions as tortious conduct depends on whether the bank's behavior satisfies key elements of tort liability: violation of law, negligence, breach of prudence, and causation. A violation of law may occur when the bank imposes restrictions that exceed or contradict regulatory instructions, or when it fails to meet statutory disclosure and transparency obligations. Negligence may arise if the bank does not take reasonable steps to communicate restrictions promptly, manage liquidity responsibly prior to Special Surveillance, or mitigate foreseeable harm to customers. Breach of prudence is relevant when the bank's prior mismanagement or failure to maintain adequate governance contributes to the deterioration that necessitated Special Surveillance.

In such cases, customers may claim that the harm suffered is partly attributable to the bank's imprudent conduct. Causation requires demonstrating a direct link between the bank's wrongful act and the losses experienced by customers. These losses may include financial harm, such as missed business opportunities, inability to fulfill contractual obligations, penalty fees, or liquidity shortages. Non-financial losses may involve reputational damage, emotional distress, or operational disruption for corporate clients. While regulatory intervention may shield banks from tort claims in certain circumstances, tort liability remains a

viable basis for customer claims when harm results from negligent execution, excessive restrictions, or imprudent conduct.

4. **Fiduciary Duty.** Fiduciary duty plays an important role in assessing a bank's legal conduct toward its customers, particularly when transaction restrictions are imposed under LPS Special Surveillance. Although Indonesian banking law does not explicitly classify banks as fiduciaries in the traditional sense, jurisprudence and regulatory norms recognize that banks owe a duty of prudence, loyalty, and proper management in safeguarding customer deposits. This duty requires the bank to manage liquidity responsibly, maintain sound governance, and ensure that customer funds remain protected and accessible under normal operational conditions.

When access to deposits is restricted as part of Special Surveillance, the critical legal question is whether such limitations constitute a breach of fiduciary duty. If restrictions are directly mandated by OJK or LPS and implemented within the scope of regulatory authority, they may be viewed as prudential safeguards designed to prevent bank runs, preserve asset value, and protect the broader financial system. In this context, restricted access does not necessarily imply violation of fiduciary obligations, because the bank acts under compulsory regulatory directives intended to protect depositors collectively. However, fiduciary concerns arise when the need for regulatory intervention stems from the bank's own mismanagement, imprudent risk-taking, or failure to meet prudential standards. In such cases, customers may argue that the bank breached its fiduciary duty long before the restrictions were imposed. The distinction lies in separating legitimate prudential safeguards from negligent conduct that contributed to financial instability. Ultimately, fiduciary liability depends not on the restrictions themselves, but on whether the bank exercised the prudence and diligence required to prevent foreseeable harm to depositors (Khan, 2018).

Influence of LPS Intervention on Bank Liability

The imposition of transaction restrictions under LPS Special Surveillance raises significant questions regarding how regulatory intervention affects the allocation and extent of a bank's legal liability toward its customers. Once a bank operates under intensified supervisory measures, the legal relationship between the bank, the supervisory authority, and customers becomes more complex. In this situation, the bank may be required to implement restrictions on withdrawals, transfers, or other transactions in compliance with directives issued within the supervisory framework. (Napitupulu, 2025) However, although such measures originate from regulatory authority, their immediate impact is experienced within the private legal relationship between the bank and its customers. As a result, the

implementation of supervisory instructions cannot be examined solely as an administrative measure, but must also be assessed in light of contractual obligations, consumer protection principles, and the bank's duty of care toward depositors.

A clearer distinction must therefore be drawn between the public regulatory mandate of the supervisory authority and the private legal consequences arising from its implementation. In its institutional capacity, the Indonesia Deposit Insurance Corporation (LPS) exercises a public-law function aimed at maintaining financial system stability and safeguarding depositor confidence through early intervention in distressed banks. Nevertheless, the operational execution of supervisory instructions remains the responsibility of the bank itself, which continues to be bound by its contractual obligations toward customers. Consequently, compliance with regulatory directives does not automatically eliminate the bank's liability if the implementation of such restrictions causes harm that exceeds what is necessary or proportionate within the supervisory framework.

This situation also raises a critical question regarding the potential for shared or concurrent liability when regulatory instructions produce adverse consequences for customers. If the bank merely executes legally binding directives issued under the statutory authority of LPS, the bank may argue that its actions constitute compliance with regulatory obligations. However, where supervisory instructions themselves generate disproportionate restrictions or are implemented without adequate safeguards for customer rights, it becomes necessary to examine whether the regulatory authority may also bear a degree of responsibility. (Gu et al., 2017) From a legal policy perspective, the possibility of such shared responsibility reflects the need to balance financial stability objectives with the protection of private legal rights, particularly when regulatory intervention directly alters the bank-customer relationship.

Legal Character of LPS Instructions and Their Effect on Bank Liability

LPS Special Surveillance is exercised under statutory authority derived from the Law on the Deposit Insurance Corporation and the Financial Sector Development and Strengthening Law (P2SK). Within this framework, the Indonesia Deposit Insurance Corporation (LPS) may issue supervisory instructions to banks experiencing financial deterioration, governance weaknesses, or liquidity pressures. These instructions may include measures related to liquidity management, asset preservation, and restrictions on certain customer transactions. From a legal perspective, the instructions may be distinguished into mandatory directives and discretionary supervisory guidance. Mandatory directives are binding orders grounded in explicit statutory authority and require immediate compliance from the bank. Non-compliance may constitute a violation of prudential regulation and potentially trigger administrative sanctions from the Financial Services Authority

(OJK). By contrast, discretionary guidance functions more as supervisory recommendations intended to guide corrective measures, leaving the bank with a degree of managerial judgment in determining the most appropriate implementation strategy. This distinction is significant because mandatory directives substantially limit the bank's operational autonomy, while discretionary measures still place responsibility on the bank to exercise professional judgment in their application (Sautunnida et al., 2025).

The legal characterization of these instructions is closely connected to the question of whether compliance with LPS directives affects the bank's liability toward customers. In principle, when a bank implements a mandatory regulatory order issued under statutory authority, the act may be considered legally justified because it is performed under a binding public-law obligation rather than independent managerial discretion. Within the framework of Legal Liability Theory, liability generally requires the presence of wrongful conduct, negligence, or breach of duty. Consequently, compliance with mandatory supervisory directives may mitigate or reduce the element of wrongfulness in actions such as the imposition of temporary transaction restrictions. Nevertheless, regulatory compliance does not automatically eliminate liability in all circumstances. The bank may still bear responsibility if it implements the directive improperly, exceeds the scope of the instruction, or applies the restrictions in a manner that is disproportionate to the regulatory objective (Suherman, 2011).

Liability may also persist when the underlying conditions that triggered Special Surveillance such as imprudent lending practices, weak risk management, or governance failures are attributable to the bank's own prior misconduct or negligence. Furthermore, banks remain bound by duties of transparency and good faith toward customers; therefore, failure to adequately inform customers about the legal basis and scope of transaction restrictions may itself constitute a breach of the bank's disclosure obligations. (Al-Amanah, 2023) In this sense, LPS directives may justify the restrictive measure as part of supervisory intervention, but they do not extinguish liability arising from earlier mismanagement or from the bank's failure to communicate regulatory restrictions responsibly to affected customers.

LPS Shared Liability and Customer Remedies in the Context of Regulatory Intervention

The possibility of shared liability becomes increasingly relevant when regulatory intervention directly affects the bank-customer relationship. Although the Indonesia Deposit Insurance Corporation (LPS) operates as a public legal entity exercising statutory authority to maintain financial stability, its supervisory actions may generate consequences within the private legal sphere. In circumstances where both the bank and the supervisory authority contribute to losses suffered by

customers, a framework of concurrent liability may arise. Such situations may occur when regulatory instructions are excessively broad, unclear, or disproportionate, thereby creating unnecessary restrictions on customer transactions, while the bank simultaneously misinterprets or improperly executes those instructions. Liability may also emerge when both institutions fail to provide adequate notice, transparency, or procedural safeguards during the implementation of restrictive measures. Although regulatory agencies generally enjoy a degree of institutional immunity when acting within their statutory mandate, this protection is not absolute. (Masrukhin, 2023) Administrative review before the courts may examine whether supervisory authorities exceeded their legal powers, violated procedural requirements, or imposed measures that were disproportionate to their regulatory objectives. In such circumstances, responsibility may be allocated between the bank and the supervisory authority according to their respective contributions to the harm suffered by customers.

When customers experience financial loss due to restricted access to their funds, several legal remedies may be available depending on the origin of the harm and the conduct of the bank and the regulator. If the bank's own conduct contributes to the loss, customers may pursue civil claims for breach of contract based on the bank's failure to provide agreed banking services, or tort claims based on negligent management and breach of the duty of care owed to depositors. Customers may also submit complaints through the consumer protection mechanisms administered by the Financial Services Authority (OJK), particularly when the bank fails to meet its obligations of transparency and disclosure regarding the legal basis of transaction restrictions. Conversely, when the harm arises primarily from regulatory intervention, affected customers may seek administrative remedies through judicial review before the administrative courts to challenge the legality, proportionality, or procedural fairness of directives issued by LPS. In more exceptional circumstances, constitutional review may also be pursued if regulatory restrictions are considered to interfere with fundamental rights such as property rights or access to justice. Nevertheless, courts generally exercise caution in granting such claims because regulatory restrictions are often justified as necessary measures to prevent broader financial instability.

Although Indonesian court precedents specifically addressing transaction restrictions under LPS Special Surveillance remain relatively limited, broader regulatory practice and comparative experiences offer useful insight into how such disputes may be approached. In Indonesia, several disputes have arisen from restricted access to deposits during periods of bank instability, particularly involving distressed regional or rural banks. While many of these disputes have been resolved through regulatory complaint mechanisms rather than formal court proceedings, recurring concerns have emerged regarding sudden withdrawal limits, delayed transfers, and limited access to savings accounts during periods of heightened

supervision. (Puspitasari et al., 2025) In these situations, customers often argue that the bank has breached its contractual obligations, whereas banks typically defend their actions by pointing to binding supervisory instructions intended to preserve liquidity. Even without extensive judicial precedent, regulatory decisions and complaint resolutions indicate an emerging principle: restrictions may be justified when implemented under lawful supervisory authority, but banks must still fulfill their obligations of transparency, prudence, and responsible communication with customers.

Comparative experience from other jurisdictions further illustrates how courts balance private rights and systemic stability during financial crises. In the United States, the resolution framework administered by the Federal Deposit Insurance Corporation (FDIC) permits temporary freezes on withdrawals or other transaction limitations when banks enter receivership. Courts generally uphold these measures as lawful exercises of statutory authority and grant the FDIC broad immunity, meaning that banks acting strictly under FDIC directives are usually shielded from liability unless independent misconduct is proven. A similar approach can be observed in South Korea under the Korean Deposit Insurance Corporation (KDIC), where courts recognize the legitimacy of temporary transaction suspensions when they are clearly grounded in statutory mandates. (Alvesalady, 2025) However, Korean jurisprudence also emphasizes that banks may still be liable if they fail to implement supervisory instructions properly or if internal mismanagement contributed to the bank's deterioration.

Within the European Union, the Bank Recovery and Resolution Directive (BRRD) allows authorities to impose temporary moratoria on payments and withdrawals during resolution proceedings. European case law places stronger emphasis on proportionality and procedural fairness, requiring regulators and banks to communicate clearly with affected customers and ensuring that resolution measures do not exceed what is necessary to achieve financial stability. These comparative patterns suggest that while regulatory intervention may justify certain restrictions on customer transactions, the protection of customer rights remains an important legal consideration, particularly where regulatory actions or bank conduct extend beyond what is reasonably required to address financial distress.

Assessment of Legal Adequacy

The legal framework governing transaction restrictions imposed during LPS Special Surveillance is intended to balance customer protection with the broader imperative of maintaining financial system stability. This framework, grounded in the LPS Law, the P2SK Law, and OJK's supervisory regulations, formally authorizes regulatory intervention when a bank exhibits deteriorating financial conditions. From a normative perspective, these laws enable timely action to prevent liquidity collapse

and systemic contagion. However, when assessed against practical realities such as regulatory capacity, bank governance quality, and the substantive rights of customers the adequacy of this framework reveals significant limitations. While customers retain legal ownership of their deposits and transaction restrictions do not extinguish contractual rights, the protections afforded are largely procedural rather than substantive. The regime does not explicitly provide compensatory mechanisms, clear procedural guarantees, or defined remedies for customers whose access to funds is restricted. Consequently, effective customer protection often depends on regulatory discretion and the internal compliance culture of the affected bank, rather than on enforceable legal entitlements.

In practice, transparency and accountability constitute major gaps within the existing regime. Customers are frequently informed of transaction restrictions only in broad terms, typically justified by unspecified "prudential reasons," without detailed explanations regarding the legal basis, scope, duration, or potential remedies. The absence of mandatory disclosure standards during Special Surveillance contributes to uncertainty and weakens public trust. Banks may deliberately limit information disclosure to avoid triggering panic, while regulators may prioritize confidentiality to safeguard systemic stability. At the same time, accountability mechanisms remain constrained. LPS, as a public legal entity, benefits from statutory immunity for actions taken within its mandate, making legal challenges by customers difficult unless illegality, disproportionality, or procedural violations can be clearly demonstrated. This high threshold significantly limits access to administrative or judicial review. For banks, compliance with regulatory directives often mitigates liability, leaving customers with few viable avenues for restitution unless negligence or misconduct can be proven. The absence of explicit statutory recognition of customer rights during surveillance such as rights to timely updates, transparent explanations, or limited access to essential funds further undermines the fairness and predictability of the regulatory response.

These structural weaknesses give rise to several potential risks. Moral hazard may emerge if banks become overly reliant on regulatory intervention, thereby weakening incentives for prudent internal risk management. The expectation that supervisors will impose transaction restrictions to stabilize liquidity could encourage excessive risk-taking without adequate preparation for adverse outcomes. Regulatory overreach also presents a concern, particularly where broad or prolonged restrictions are imposed without sufficient transparency, proportionality, or effective oversight, potentially infringing customer rights beyond what is strictly necessary to achieve stability objectives. Moreover, customers remain especially vulnerable during Special Surveillance due to information asymmetry, restricted access to funds, and legal uncertainty. This vulnerability is particularly acute for individuals and small businesses that depend on liquidity for daily operations. In the absence of clear

statutory safeguards and timely communication, customers may bear disproportionate financial and psychological burdens during periods of regulatory intervention, calling into question the overall legal adequacy of the current framework.

CONCLUSION

This study concludes that the imposition of transaction restrictions under LPS Special Surveillance represents a legally sanctioned form of regulatory intervention aimed at safeguarding financial system stability and depositor interests, yet it simultaneously reshapes the scope and allocation of a bank's legal liability toward its customers. Applying Legal Liability Theory demonstrates that such restrictions do not automatically constitute a contractual breach, tortious conduct, or fiduciary violation when imposed pursuant to binding statutory directives issued by the Financial Services Authority (OJK) and the Indonesia Deposit Insurance Corporation (LPS). Regulatory compliance may mitigate or limit bank liability, particularly with respect to statutory and contractual claims, insofar as the bank acts within the scope of mandatory instructions. However, liability is not entirely extinguished. Banks remain legally accountable for failures in disclosure, transparency, proportionality, and prudent management, as well as for misconduct or negligence that precedes or aggravates the financial deterioration necessitating Special Surveillance.

The analysis further reveals that the current legal framework anchored in the LPS Law, the Financial Sector Development and Strengthening Law (P2SK), and OJK regulations tends to prioritize systemic stability over substantive customer protection. Existing regulations primarily provide procedural safeguards but lack clearly defined remedies or compensatory mechanisms for customers affected by sudden restrictions on access to their funds. Consequently, while transaction restrictions may be legally justified as temporary public-interest measures, the absence of explicit statutory guarantees, disclosure standards, and accountability mechanisms may expose customers to heightened vulnerability and legal uncertainty.

In light of these findings, this study recommends the establishment of clearer regulatory disclosure standards governing the implementation of transaction restrictions during periods of Special Surveillance. OJK and LPS should develop binding guidelines requiring banks to provide timely, transparent, and accessible information to customers regarding the legal basis, scope, duration, and potential impact of any imposed restrictions. Such disclosure should include advance notification where feasible, standardized public announcements explaining the regulatory rationale, and clear communication channels through which customers may obtain clarification or submit complaints. By institutionalizing these disclosure standards, regulators can reduce uncertainty, prevent sudden disruption to customer access to funds, and strengthen public trust in the financial supervisory framework.

A more balanced regulatory design one that combines prudential stability with meaningful transparency and customer protection would ultimately enhance both legal certainty and the legitimacy of supervisory intervention during periods of banking distress.

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