

Juridical Analysis of National Arbitration Awards and Efforts to Annul Them in the District Court

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Abstract

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In principle, national arbitration awards are final and binding, as stipulated in Law Number 30 of 1999 concerning Arbitration and Alternative Dispute Resolution. However, in practice, many parties continue to file requests with the District Court to annul arbitration awards based on various legal grounds or reasons. This study aims to analyze the legal standing of national arbitration awards, the scope of the District Court's authority in examining annulment requests, and the legal parameters that can be used as a basis for annulment, as stipulated in Article 70 of the Arbitration Law. This study applies a normative legal approach by analyzing various laws and regulations, court decisions, and legal doctrines. The results indicate that annulment efforts can only be carried out to a limited extent, specifically when false evidence is discovered, documents are concealed, or the decision is based on deception by one of the parties. However, in a number of cases, District Courts often broaden their interpretation of the grounds for annulment, thereby creating legal uncertainty and potentially weakening the principle of finality of arbitration. This study emphasizes the need for consistent application of norms by District Courts to maintain the effectiveness of arbitration as a mechanism.

1. Introduction

Arbitration is a popular out-of-court dispute resolution mechanism and a primary choice for business owners, as it is considered most suited to the needs of the business world. Many consider arbitration to be an independent “businessman’s court” capable of resolving disputes in accordance with the wishes and interests of the parties involved. The term arbitration has various origins, namely *arbitrare* in Latin, *arbitrage* in Dutch and French, *arbitration* (English), and *schiedspruch* (German), which essentially refer to the authority to resolve a case based on discretion or through peaceful means by an arbitrator. The arbitrator, as a neutral party acting as a mediator, carries out his duties by issuing decisions on disputes submitted to him. In carrying out this function, the arbitrator must be objective and impartial or neutral towards any of the parties involved in the dispute. Furthermore, a very important element is the independence of the arbitrator in carrying out his duties and authority. This means that the resulting decision can provide a sense of justice and certainty quickly for the disputing parties. According to the Big Indonesian Dictionary, arbitration is defined as an effort made by an intermediary to help resolve a dispute.¹

In Indonesia, the most well-known institution for administering arbitration is BANI (Indonesian National Arbitration Board), an institution that handles various disputes through arbitration mechanisms and other alternative dispute resolution methods. BANI was established as a step in law enforcement, specifically to handle

¹ Mosgan Situmorang. “Pembatalan Putusan Arbitrase.” *Jurnal Penelitian Hukum De Jure* 20, no. 4 (2020): 573.

disputes in various fields of trade, industry, and finance through arbitration mechanisms and various other alternative dispute resolution methods. This institution handles cases in various fields, such as the corporate sector, insurance, financial institutions, manufacturing industry, intellectual property rights, permits and licenses, franchises, construction, shipping and maritime, environmental protection, and remote sensing, as long as they comply with applicable laws and regulations and international practices. In carrying out its functions, BANI operates independently and independently, thus being able to carry out its role in law enforcement and justice without external interference.²

Dispute resolution through the Indonesian National Arbitration Board (BANI) is an alternative mechanism outside the District Court, demonstrating that the parties have complete freedom to determine the dispute resolution forum based on the arbitration agreement. This choice reflects the parties' desire for a faster, more efficient process that aligns with the nature of their legal relationship. One of the most common types of cases filed with BANI is disputes related to the implementation of agreements, particularly when one party fails to fulfill or neglects its obligations as stipulated in the contract. This non-compliance can take the form of failure to fulfill the obligations at all, exceeding the specified deadline, or even failing to meet or exceeding the agreed-upon results. These circumstances often

² Rahmat Kurnia and Yasarman Yasarman. "Kekuatan Hukum Putusan Badan Arbitrase Nasional Indonesia (Bani) Dan Sistem Arbitrase Di Masa Depan." *IBLAM Law Review* 4, no. 3 (2024): 303-315.

serve as the basis for a request for arbitration to obtain a more objective and professional resolution consistent with the parties' initial agreement.³

The increasing use of national arbitration as a dispute resolution mechanism in Indonesia indicates a shift in the parties' preference for alternative forums, which offer shorter, more efficient, and final processes. However, the final and binding nature of arbitral awards does not preclude the possibility of annulment in the District Court, as stipulated in Law Number 30 of 1999 concerning Arbitration and Alternative Dispute Resolution. This issue is important because the annulment of arbitral awards, in practice, creates tension between the principle of finality of arbitral awards and the court's authority to exercise judicial control. This tension not only impacts legal certainty but also impacts investor confidence and the effectiveness of arbitration mechanisms in Indonesia.⁴

Legal experts offer varying views on the position of annulment of arbitral awards within national legal systems. Some experts emphasize that the scope for annulment must be strictly limited to avoid disrupting the final and binding principle that is the main characteristic of arbitration, such as the views of Yahya Harahap and Sudargo Gautama, who emphasize the importance of the independence of the arbitral forum. On the other hand, others emphasize that court oversight is still necessary to ensure there are no fundamental violations, such as fraud or substantial procedural irregularities. These differing views demonstrate that there are still

³ Muspardi Muspardi, Anis Rifai, and Suartini Suartini. "Tinjauan Yuridis Terkait Upaya Pemohon dan Termohon Atas Putusan Arbitrase Menurut Perundang-undangan di Indonesia." *Jurnal Bedah Hukum* 8, no. 1 (2024): 108-123.

⁴ Muhammad Ihsan, Muhammad Zailani Al Husaini, Syafiq Aljani Siagian, Herry Yansah Nst, and Annisa Nurhasana. "Penyelesaian Sengketa Dalam Hukum Arbitrase Yang Ditinjau Dari Undang-Undang No. 30 Tahun 1999." *Jurnal Cendikia Ilmu Su* 1, no. 2 (2024): 106-116.

differences of opinion among academics regarding the extent to which courts can and should intervene in arbitral awards.

This study's contribution lies in its juridical analysis, which focuses on the synchronization between the norms governing the annulment of arbitral awards and court practices in deciding annulment requests. By examining the legal basis, jurisprudence, and expert opinions, this study seeks to provide a more comprehensive argument regarding the limits of judicial control over arbitral awards. Furthermore, this study seeks to establish standards for interpreting the grounds for annulment as stipulated in Article 70 of the Arbitration Law, thereby enriching the discourse on how to maintain a balance between arbitral autonomy and the integrity of the legal process. To strengthen the analysis, this study applies a concise normative legal approach by examining relevant statutory provisions, expert opinions, and District Court decisions. This approach is used because it provides a systematic basis for comparing norms with practice, thus obtaining a more objective picture of the consistency of legal application.

2. Methods

This research applies the normative juridical method, namely research that focuses on the study of applicable legal norms, legal principles, and expert opinions. This method is used because the issue being studied relates to the legal basis regarding the status of national arbitration awards and the limitations of their annulment by the District Court as regulated in Law No. 30 of 1999 concerning Arbitration and Alternative Dispute Resolution. The normative approach allows

researchers to evaluate the conformity between the practice of annulment of arbitration awards with applicable legal regulations and the principle of finality and binding in the arbitration system. This research employs several approaches. First, the statute approach, which systematically examines the provisions of laws and regulations such as Law No. 30 of 1999, the Judicial Power Law, and other related regulations.

Second, the conceptual approach is used to understand the basic concepts of arbitration, the principle of freedom of contract, finality and binding, and the theory of annulment of arbitral awards. Third, the case approach, which examines several District Court and Supreme Court decisions related to the annulment of arbitral awards to identify patterns of legal application, judges' considerations, and their consistency with normative provisions.

The research data is sourced from primary, secondary, and tertiary legal materials. Primary legal materials include laws and regulations and court decisions. Secondary legal materials consist of scientific journal articles, books discussing arbitration, and expert opinions. Meanwhile, tertiary legal materials include legal dictionaries and bibliographic indexes used to clarify the concepts studied. The analysis of legal materials is reviewed qualitatively through the interpretation of legal norms, linking them to judicial doctrine and practice, and assessing the appropriateness of their implementation. Reasoning is conducted deductively, moving from general rules to analysis of specific cases. With this method, the research is expected to provide a comprehensive picture of the practice of annulling

arbitral awards and its relationship to the principle of finality and binding in the national arbitration legal system.

4. Results and Discussion

4.1. The Position and Binding Power of National Arbitration Decisions Based on the Provisions of Law Number 30 of 1999 Concerning Arbitration and Alternative Dispute Resolution

National arbitration awards are recognized in Indonesian positive law as final decisions outside the general judicial system and have a special status. Arbitration decisions are the result of dispute resolution based on an arbitration agreement, so they cannot be pursued through ordinary legal remedies, such as appeals, cassation, or judicial review, as is customary for District Court decisions. The primary legal basis is as regulated in Article 60 of Law Number 30 of 1999, which stipulates that arbitration awards are final and have binding and permanent legal force. Normatively, an arbitration decision has binding power for the parties (final and binding) and can be executed like a civil decision that has permanent legal force after receiving an execution order from the Head of the District Court in accordance with Article 64 of Law No. 30 of 1999. Therefore, in legal practice, an arbitration decision has binding execution power, which can be carried out voluntarily or through an execution process at the District Court.⁵

⁵ M. Sifa Fauzi Yulianis, Abdul Qudussalam, Haniyah Haniyah, Samuji Samuji, and Ali Sodikin. "Perjanjian Arbitrase Sebagai Pilihan Penyelesaian Sengketa Perdata (Perspektif Undang-undang Nomor 30 Tahun 1999)." *Jurnal Legisla* 16, no. 2 (2024): 18-34.

Arbitration decisions at the national level, as regulated in Law Number 30 of 1999 concerning Arbitration and Alternative Dispute Resolution (AAPS Law), hold an arbitration award equal to a court decision that has obtained permanent legal force, where arbitration is chosen by the parties to resolve civil disputes in a final and binding manner. This status is determined based on the location where the decision was rendered, so that national arbitration applies to disputes within the territory of Indonesia and is recognized by national law. The decision is executory in nature, meaning that the decision can be enforced after obtaining a decision from the Head of the District Court if the parties do not comply voluntarily.⁶

Article 60 of the AAPS Law affirms that an arbitration award is final, legally binding, and binding on the parties, precluding the possibility of further legal action, including appeals, cassation, or judicial review. This binding force guarantees legal certainty and the effectiveness of dispute resolution outside the judicial system, with execution being pursued through a petition filed by one of the parties to the District Court. However, Article 70 opens the possibility of limited annulment for legitimate reasons such as fraud or procedural violations, which are submitted to the District Court.⁷

Although Law No. 30 of 1999 stipulates that arbitration awards are final and binding, the law still provides room for parties to file for annulment under very limited circumstances through the District Court as stated in Article 70. The reasons

⁶ Rahmat Kurnia and Yasarman Yasarman. "Kekuatan Hukum Putusan Badan Arbitrase Nasional Indonesia (Bani) Dan Sistem Arbitrase Di Masa Depan." *IBLAM Law Review* 4, no. 3 (2024): 303-315.

⁷ Berita. "Putusan Arbitrase Bersifat Eksekutorial." *Siplawfirm.id* 1, June 2, 2023. Retrieved in August 10, 2025 from <https://siplawfirm.id/putusan-arbitrase-bersifat-eksekutorial/?lang=id>.

for such annulment are determined privately, such as if it is proven that the documents used in the arbitration process are forged, the award was rendered due to elements of fraud or trickery, or the arbitrator ruled on the case outside his authority. The existence of this mechanism shows that the finality of the arbitration award is not absolute, because the court still has the authority to conduct certain examinations to ensure that the arbitration process is carried out fairly and in accordance with applicable provisions.⁸ Legal Basis, Limitations of the Authority of the District Court in Examining Applications for Annulment of National Arbitration Decisions

Arbitration is an alternative dispute resolution mechanism legally recognized in the Indonesian legal system. The primary advantage of arbitration lies in the final and binding nature of its decisions, as stipulated in Article 60 of Law No. 30 of 1999. However, to maintain legal certainty and prevent abuse of arbitration authority, the law still provides space for filing a request to annul an arbitration decision through the District Court. This mechanism is not a form of appeal or re-examination of the subject matter of the dispute, but rather limited judicial oversight of serious procedural flaws. Therefore, it is important to understand the legal basis, limitations of authority, and legal considerations of the District Court in examining a request for annulment.⁹

⁸ Adhitya Yulwansyah and Aria Adipura Nataatmadja. "Urgensi Amandemen Terhadap Pasal 70 Undang-Undang Nomor 30 Tahun 1999 tentang Arbitrase dan Alternatif Sebagai Salah Satu Variabel Penting dalam Pembangunan Ekonomi Indonesia." *BANI Arbitration and Law Journal* 1, no. 1 (2024): 43-57.

⁹ Christian Adam, Michael W. Bauer, Miriam Hartlapp, and Emmanuelle Mathieu. *Taking the EU to court: Annulment proceedings and multilevel judicial conflict*. Springer Nature, 2020.

The legal basis for district courts in accepting and examining the provisions regarding requests for annulment of arbitration awards in Indonesia is regulated in Law Number 30 of 1999 concerning Arbitration and Alternative Dispute Resolution (hereinafter Law No. 30/1999), specifically the provisions regarding efforts to annul arbitration awards (Articles 66 to 70, with Article 70 containing limited grounds for annulment). For international arbitration, national provisions must be read in accordance with the New York Convention (Convention on the Recognition and Enforcement of Foreign Arbitral Awards) when the place of arbitration or award is international.¹⁰

The primary legal basis for annulling a national arbitration award is contained in Law Number 30 of 1999 concerning Arbitration and Alternative Dispute Resolution, specifically Articles 70 to 72, which comprehensively regulate the grounds for annulment, the application procedure, and the deadline for such annulment. Article 70 stipulates that annulment may only be requested if the documents used in the arbitration hearing were declared to be fake, the decision is based on the deceit of one of the parties, or the arbitrator is not authorized to adjudicate the case.¹¹ Furthermore, Supreme Court Regulation (PERMA) No. 3 of 2023 provides technical guidance regarding the procedures for examining annulment requests, including the registration stages, summoning parties, and examining

¹⁰ Habib Hasan. "Penerapan Pembatalan Putusan Arbitrase Internasional Dalam Perspektif Hukum Di Indonesia (Studi Putusan Kasasi Nomor: 219B/Pdt. Sus. Artb/2016)." *"Dharmasisya" Jurnal Program Magister Hukum FHUI* 2, no. 1 (2022): 31.

¹¹ M. Sifa Fauzi Yulianis, Abdul Qudussalam, Haniyah Haniyah, Samuji Samuji, and Ali Sodikin. "Perjanjian Arbitrase Sebagai Pilihan Penyelesaian Sengketa Perdata (Perspektif Undang-undang Nomor 30 Tahun 1999)." *Jurnal Legisla* 16, no. 2 (2024): 18-34.

evidence. Supreme Court jurisprudence also plays a crucial role in guiding the interpretation of courts. Several Supreme Court decisions have emphasized that annulment requests may only be filed within very narrow limits and should not be used to reassess the substance or subject matter of a case.¹²

The limitations of the District Court's authority when examining an application for cancellation are limited and functional.¹³ The court does not have the authority to re-adjudicate the main points of the dispute or replace the arbitration decision with new substantive considerations which are the object of the court's examination, namely the legal aspects of the process and the formal or constitutional elements of defects in the arbitration process, such as the absence of an arbitration agreement or its invalidity, the composition of the arbitral tribunal or the arbitration procedure not being implemented in accordance with the agreement of the parties, and the arbitration award being obtained through fraud or the use of forged documents. It is also considered when the arbitrator exceeded his or her authority, known as *ultra petita* or *dehors contract*, or when the content of the award is contrary to public order. Because these grounds for annulment are limited, the District Court generally only assesses the existence of procedural or formal validity failures as referred to in Article 70, rather than re-examining the main facts of the case.¹⁴

¹² Agie Meidina Mutia Sari. "Tinjauan Yuridis Permohonan Pembatalan Terhadap Putusan (Bapmi) Badan Arbitrase Pasar Modal Indonesia Pada Pengadilan Negeri (Studi Putusan Mahkamah Agung RI Nomor: 958 B/Pdt. Sus-Arbt/2018)." *Jurnal Hukum Al-Hikmah: Media Komunikasi dan Informasi Hukum dan Masyarakat* 4, no. 4 (2023): 913-923.

¹³ Mustating Daeng Maroa, and Arianti A. Ogotan. "Batas Persinggungan Kewenangan Mengadili Sengketa Hak Milik Antara Pengadilan Agama Dengan Pengadilan Negeri." *Jurnal Yustisiabel* 4, no. 2 (2020): 155-171.

¹⁴ Mosgan Situmorang. "Pembatalan Putusan Arbitrase." *Jurnal Penelitian Hukum De Jure* 20, no. 4 (2020): 573.

In judicial practice, there are also strict formal time requirements: annulment requests must be filed within a specified time period (preclusion), so applications made outside the time limit are rejected. District Court decisions in various domestic jurisdictions indicate that when evidence indicates elements such as document falsification or non-compliance with the principle of audi et alteram partem (the right to be heard/obligation to be present), the court can annul all or part of an arbitral award. Conversely, if the objection is solely to the substance of the award, the court will reject it and uphold the principle of the finality of the arbitral award. Therefore, the annulment arena in the court is more about assessing the validity of the process and not acting as a second-level court regarding the substance of the case.¹⁵

4. Conclusion

Based on a legal analysis of national arbitration decisions and their annulment mechanisms in the District Court, it can be concluded that arbitration has a strategic position as a final, binding, and independent dispute resolution forum. Law Number 30 of 1999 has provided full legitimacy to the final and binding nature of arbitration decisions, so that in principle it does not open up the possibility of further legal action as in litigation. However, to ensure that the arbitration process runs fairly and does not deviate from procedures, the law still provides room for annulment in a very limited scope through Article 70.

¹⁵ Hizkia Raymond. "Problematika Final dan Mengikat Putusan Arbitrase dalam Undang-Undang Nomor 30 Tahun 1999." *Sultan Jurisprudence: Jurnal Riset Ilmu Hukum* 1, no. 2 (2021).

The study results indicate that the District Court does not have the authority to re-evaluate the subject matter of the dispute, but rather only to assess procedural flaws or fraudulent acts such as the use of forged documents, deception, or actions by the arbitrator that exceed their authority. However, judicial practice demonstrates variations in interpretation by the District Court, sometimes opening up opportunities for substantive assessments that are inconsistent with the principle of arbitration finality. This inconsistency has the potential to create legal uncertainty and can undermine the parties' confidence in the effectiveness of arbitration as an efficient, expeditious, and professional dispute resolution mechanism.

Therefore, consistent application of norms and a thorough understanding by judges regarding the limitations of annulment of arbitral awards are required. This study also demonstrates the need for harmonization between normative provisions, jurisprudence, and doctrine to prevent the annulment mechanism from becoming a loophole for transforming arbitration into a pseudo-litigation process. Further research is recommended to examine more District Court and Supreme Court decisions to map patterns of jurisprudence and evaluate the effectiveness of the latest PERMA in standardizing the examination of annulment of arbitral awards.

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