



THE CITY TOWER
Level 12, Unit 1-5
Jl. M.H. Thamrin No. 81, Menteng
Jakarta Pusat 10310
+62 858 6003 7557
info@drpattorneyatlaw.com

DISPUTE INSIGHT | COMMERCIAL CONTRACTS | 2 AUGUST 2026

Contract Termination and Material Breach

Building a defensible termination record before taking irreversible action

EXECUTIVE SUMMARY

Termination can protect a party from continuing harm, but an invalid or poorly documented termination may create counterclaims. The decision should be based on the contract, applicable law, breach evidence, cure process, proportionality, and the commercial consequences of ending performance.

1. Background, Scope, and Strategic Significance

Dispute strategy should be built from verified facts, contemporaneous documents, procedural requirements, and a realistic assessment of legal and commercial exposure. Early preservation and disciplined communications can materially improve decision quality without predicting an outcome.

Contract Termination and Material Breach should be approached as a connected legal, factual, and decision-making problem. In the commercial contracts context, the quality of the final position depends on whether the governing instruments, authority records, chronology, correspondence, operational facts, and available remedies are reviewed together. A conclusion reached from one document or one legal provision may overlook qualifications, implementing rules, later conduct, or evidence that changes the practical assessment.

This publication therefore focuses on the sequence of analysis rather than offering a universal answer. The first task is to define the relevant person, company, asset, permit, transaction, or government action. The second is to identify the legal source and the institution or contractual actor with authority. The third is to test the position against contemporaneous records and the procedure that governs any filing, objection, response, negotiation, investigation, or claim.

For disputes, early choices affect later options. A notice may reserve rights or waive them; an internal email may clarify chronology or create ambiguity; a regulatory response may later become evidence in a different forum. The legal team should preserve relevant material, control communications, identify procedural deadlines, and separate verified facts from allegations. Strategy should account for claims, defences, counterarguments, interim protection, settlement options, enforcement, and business continuity without assuming that any particular outcome will follow.

The analysis is current as at 2 August 2026. The application of any law, regulation, court decision, administrative practice, or contractual provision depends on the specific facts and may change after publication.

2. Legal and Regulatory Framework

The principal authorities identified for this topic are listed below. They should be read together with any implementing measures, sector-specific instruments, later amendments, binding court decisions, official guidance, contractual provisions, corporate instruments, and transitional rules applicable to the matter. The legal hierarchy and the date on which an instrument became effective may be decisive.

- Indonesian Civil Code, contract and obligations principles

Before relying on an authority, confirm that it applies to the relevant person, entity, activity, asset, transaction, location, procedural stage, and period. Where an official system or institution maintains the operative record, the record should be verified rather than inferred from an earlier submission. The scope of any discretion, appeal, objection, cure, or review mechanism should also be mapped.

3. Detailed Analysis of the Core Issues

3.1 Counsel should distinguish breach

This issue defines the legal scope of the assessment. Counsel should identify who holds the relevant right, duty, power, or exposure; the instrument from which it arises; and any limits on authority. The review should distinguish legal form from actual conduct and should record inconsistencies rather than silently choosing one version. Authority can depend on legislation, implementing rules, constitutional documents, delegations, contracts, licences, resolutions, or an institution's procedural mandate.

For Contract Termination and Material Breach, this point should be mapped to the chronology, burden of proof, likely forum, available remedies, and the opponent's probable position. The team should identify what can be established now, what requires further evidence, and which steps preserve options without creating unnecessary admissions or procedural risk.

3.2 Notice form

The point must be tested against contemporaneous evidence. Useful material may include executed documents, official records, system data, correspondence, meeting minutes, reports, financial entries, technical records, witness knowledge, and proof of delivery or submission. The legal team should identify the source, custodian, date, completeness, and reliability of each record. Missing records and later-created summaries should be labelled so that decision-makers understand the evidentiary limits.

For Contract Termination and Material Breach, this point should be mapped to the chronology, burden of proof, likely forum, available remedies, and the opponent's probable position. The team should identify what can be established now, what requires further evidence, and which steps preserve options without creating unnecessary admissions or procedural risk.

3.3 The terminating party's own performance and mitigation conduct will often be scrutinised

Procedure and timing are central. The applicable framework may prescribe a form, authorised signatory, service method, supporting document, cure opportunity, objection route, hearing sequence, or deadline. A substantively reasonable position may still be weakened by using the wrong forum or failing to preserve a procedural step. A calendar should distinguish statutory deadlines, contractual deadlines, internal approval dates, and practical milestones for collecting evidence and preparing submissions.

For Contract Termination and Material Breach, this point should be mapped to the chronology, burden of proof, likely forum, available remedies, and the opponent's probable position. The team should identify what can be established now, what requires further evidence, and which steps preserve options without creating unnecessary admissions or procedural risk.

3.4 Consequences may include payment

The operational consequences should be assessed before a position is implemented. Legal exposure can affect cash flow, licences, financing, contractual performance, insurance, governance, personnel, public statements, and relationships with authorities or counterparties. Scenario analysis should compare immediate action, conditional action, negotiated adjustment, and preservation of the status quo. Each scenario should state its assumptions, dependencies, reversible steps, and indicators that would require escalation.

For Contract Termination and Material Breach, this point should be mapped to the chronology, burden of proof, likely forum, available remedies, and the opponent's probable position. The team should identify what can be established now, what requires further evidence, and which steps preserve options without creating unnecessary admissions or procedural risk.

3.5 Commercial communications should not undermine reserved rights or create unintended waiver

The position should anticipate how an authority, court, counterparty, shareholder, complainant, or other stakeholder may respond. That includes testing the strongest counterargument, not only confirming the preferred interpretation. Communications should be accurate, proportionate, and consistent across legal submissions, corporate records, regulatory filings, and operational instructions. Where uncertainty remains, the decision record should explain the chosen risk tolerance and the safeguards applied.

For Contract Termination and Material Breach, this point should be mapped to the chronology, burden of proof, likely forum, available remedies, and the opponent's probable position. The team should identify what can be established now, what requires further evidence, and which steps preserve options without creating unnecessary admissions or procedural risk.

4. Risk and Evidence Matrix

The matrix is an initial organising tool. It should be replaced or supplemented by a matter-specific chronology, document index, authority map, issue list, and risk register once the relevant records have been reviewed.

ISSUE	KEY EVIDENCE	RISK IF UNMANAGED	IMMEDIATE CONTROL
Counsel should distinguish breach	Operative agreements, decisions, licences, and authority records	Pursuing a claim or defence on the wrong legal foundation	Confirm scope, authority, and controlling instruments.
Notice form	Chronology, communications, original files, and witness sources	Evidence loss, inconsistency, or inability to prove key facts	Issue preservation instructions and build an evidence index.
The terminating party's own performance and mitigation conduct will often be scrutinised	Notices, service, filings, hearing records, and deadline calendar	Procedural default or loss of an available remedy	Create a procedural map with verified dates and owners.
Consequences may include payment	Quantum, operational impact, mitigation, and continuity records	Escalating legal action without managing commercial consequences	Quantify scenarios and assign continuity safeguards.
Commercial communications should not undermine reserved rights or create unintended waiver	Opponent positions, settlement communications, and enforcement assets	A strategy that does not anticipate response or enforcement	Test counterarguments and approve a communication protocol.

5. Recommended Action Plan

5.1 Prepare a clause-by-clause termination and consequence matrix.

Begin by defining ownership of the task, the decision required, and the documents that must be available. Record any assumptions and gaps so that later reviewers can distinguish confirmed facts from matters still under investigation. The output should be a controlled work product with a clear approval path, not an informal collection of opinions.

5.2 Build a chronology linked to source evidence and quantified loss.

The work should reconcile legal requirements with the organisation's actual process and systems. Where records conflict, identify the source of truth, the person responsible for correction, and whether a notification, amendment, reservation of rights, or other protective step is required before the inconsistency becomes material.

5.3 Check authority and contractual notice requirements.

Timing should be planned backwards from the external deadline or business decision. Allow time for authority checks, document collection, technical or financial input, internal review, translation where relevant, authorised signature, submission, and proof of delivery. Contingency time is important where portals or third parties are involved.

5.4 Assess cure, suspension, negotiation, mitigation, and continuity options.

Implementation should be proportionate to the assessed exposure. Immediate measures should prevent further harm and preserve options; longer-term measures should address root cause, ownership, training, monitoring, and recurrence. Remediation should be accurate and should not overwrite the historical record needed for advice or proceedings.

5.5 Coordinate external communications, transition, and dispute-readiness plans.

The final position should be communicated only through approved channels. Management should know which developments require board, insurer, lender, regulator, counterparty, employee, or public disclosure. After the decision, the team should monitor new evidence and legal developments and adjust the plan when its assumptions no longer hold.

6. Decision Framework

IMMEDIATE CONTROL	Preserve the relevant record, identify the decision-maker and authority, confirm procedural deadlines, and prevent avoidable escalation while the facts are verified.
LEGAL ASSESSMENT	Map the verified facts and documents against the applicable legal framework, contractual position, regulatory expectations, and realistic exposure scenarios.
STRATEGIC EXECUTION	Select a proportionate course of action, define approval and communication protocols, document implementation, and revisit the strategy as new evidence or legal developments emerge.

6.1 Questions for Decision-Makers

- What precise decision, right, obligation, or exposure is being assessed in relation to contract termination and material breach?
- Which law, regulation, contract, licence, corporate instrument, or official decision controls the issue?
- Which facts are verified by contemporaneous evidence, and which remain assumptions or disputed allegations?
- What procedural step or deadline could determine whether a right, defence, approval, or remedy remains available?
- What operational, financial, governance, regulatory, and reputation consequences arise under each realistic scenario?
- Who is authorised to approve the strategy, communicate externally, implement controls, and monitor later developments?

7. DRP Perspective and Conclusion

Contract Termination and Material Breach should be managed through an integrated legal and evidence strategy. The team should identify the operative instrument or government action, preserve the record, map procedure and timing, test the opposing position, quantify exposure, and coordinate communications before taking steps that may be difficult to reverse.

A disciplined process does not guarantee a result, but it improves the quality of decisions and helps prevent avoidable procedural or evidentiary loss. Forum, remedy, settlement, interim protection, enforcement, and business continuity should be reviewed together and updated when new facts, documents, or legal developments emerge.

8. Key Authorities and Official Sources

- Indonesian Civil Code, contract and obligations principles: <https://peraturan.bpk.go.id/>

IMPORTANT NOTICE

This publication provides general information and does not constitute legal advice, a legal opinion, or a guarantee of any result. It does not create an advocate-client relationship. Specific advice should be obtained after review of the relevant facts, documents, authorities, deadlines, conflicts, and engagement terms.