



IMPLEMENTATION OF THE PRINCIPLE OF “KNOWING THE CUSTOMER” IN GRANTING HOME OWNERSHIP LOANS AT BANK BTN CABANG SURABAYA

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Submitted	Accepted	Published
29 th of April 2023	25 th of October 2023	2 nd of December 2023

ABSTRACT

This research discusses the implementation of Know Your Customer Principles in granting home ownership loans at BTN Bank Surabaya Branch. This research uses a type of empirical juridical method that is data analysis and starting from primary data. Sources of data obtained through interviews with the Loan Officer / Consumer Lending Unit Staff at Bank BTN Cabang Surabaya, legislation, dictionaries, books that are still valid. Data collection methods using interviews and literature studies. The data analysis method uses a qualitative approach. The results and discussion of the research can be concluded that the implementation of the principle of knowing the customer in granting home ownership loans at Bank BTN Cabang Surabaya is basically in accordance with the basic provisions of Bank Indonesia Regulation 5/21 / PBI / 2003 on Amendments to Bank Indonesia Regulation 3 / PBI / 2001 concerning Implementation of the Know Your Customer Principle, but on the other hand there are still frequent defaults in granting home ownership loans caused by customers who was not trustworthy, based on data in 2018, 2019, 2020, 2021 and 2022 as many as 519 customers have defaulted. Thus, if defaults continue to occur in the health of the bank decreases and suffers losses, therefore things can be done with 2 (two) legal protections, namely preventive law and repressive law. This

How to Cite: M.T.V.M., S., & Laksono, P. (2023). IMPLEMENTATION OF THE PRINCIPLE OF “KNOWING THE CUSTOMER” IN GRANTING HOME OWNERSHIP LOANS AT BANK BTN CABANG SURABAYA. Jurnal Al-Dustur, 6(2). doi:<https://doi.org/10.30863/aldustur.v6i2.4188>

settlement is carried out by non-litigation and litigation channels that seek to resolve problem loans so that the bank continues to run its business without being constrained and the bank can open its newest products.

Keywords: *Knowing the Customer Principles; Ownership Loans; Regulation; Indonesian Bank*

INTRODUCTION

Banks as institutions that work based on public trust, have a very strategic role and position in national development. As a financial intermediary, banks become an intermediary medium for parties who have excess funds (surplus of funds) with parties who lack or need funds (lack of funds). According to Law of the Republic of Indonesia Number 10 of 1998 concerning banking, what is meant by a bank is a business entity that collects funds from the public in the form of deposits and distributes them to the public in the form of credit and or other forms in order to improve people's lives.¹

Bank Tabungan Negara (BTN), one of the State-Owned Enterprises (SOEs) nationally, is a commercial bank that focuses only on housing finance, by providing services such as Home Ownership Loans (KPR) for all people in Indonesia, BTN bank also provides types of products for KPR, namely subsidized and non-subsidized KPR.

Providing credit by banks to customers certainly also contains business risks for banks. The risk of the possible inability of the customer to pay installments or pay off the credit due to certain undesirable things, the longer the period or grace period given for credit repayment, the greater the risk for the bank. Non-performing loans occur when the bank or creditor has difficulty in requesting these installments from the customer for some reason. Uncollectible non-

¹ Zainal Asikin, *Pengantar Hukum Perbankan Indonesia*, Jakarta: Rajawali Pers, 2015, p. 25



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performing loans or loans that have substandard, doubtful criteria because they have difficulty in repayment due to certain factors.²

Non-performing loans occur when the bank or creditor has difficulty requesting these installments from the customer for some reason. Uncollectible non-performing loans or loans that have substandard, doubtful criteria because they have difficulty in repayment due to certain factors. Non-performing loans are caused by internal and external factors from the debtor himself, the internal factors that cause non-performing loans are expansive credit policies, deviations in lending, bad faith from customers, while the external factors that cause non-performing loans are the business failure of the debtor or customer and the utilization of an unfair banking competition climate by the debtor, as well as the decline in economic activity and high credit interest rates.³

In article 2 of Law Number 10 of 1998 concerning Amendments to Law Number 7 of 1992 concerning Banking that banking in Indonesia every conducts its business transaction activities banks are obliged and apply using the principle of prudence, and in banking law known as 4 (four) banking principles, among others, namely, the principle of trust (Fiduciary Principles), the principle of prudence (Prudential Principles), the principle of confidentiality (Confidential Principles), and the principle of knowing the customer (Know Your Customer Principles).⁴

The implementation of the principle of knowing the customer or more commonly known as Know Your Customer Principles is expected to reduce the risk or obstacles to the ability to carry out operational activities at the bank and also avoid non-performing loans in granting mortgage loans. Where this risk makes the health of the bank decrease

² Hermansyah, *Hukum Perbankan Nasional Indonesia*, Jakarta: Kencana, 2011, p. 60.

³ Andi Nursyahriana, *Analisis Faktor Penyebab Terjadinya Kredit Macet*, Forum Ekonomi, Volume 19, No 1, p. 2.

⁴ Neni Sri Imaniyati, *Pengantar Hukum Perbankan Indonesia*, Bandung: PT Refika Aditama, 2010, p. 16.

and also bankruptcy to the bank, that the principle of knowing the customer is very important in the context of implementing prudential banking to protect banks or other financial services companies from various risks in dealing with customers. The purpose of the issuance of Bank Indonesia Regulation is to prevent banking institutions in Indonesia. According to the Bank Indonesia Regulation, the Know Your Customer principle, a principle that must be applied by the bank to know the identity of the customer.⁵

METHODS

This research uses empirical law or also called field research. This empirical legal research starts from primary or basic data, namely data obtained directly from the community as the first source through field research, which is carried out either through observation, interviews, or distributing questionnaires.⁶

Data processing in this empirical legal research, the researcher must re-examine the information obtained from respondents or informants and sources, especially the completeness of the answers received if the researcher uses a lot of energy in data collection.⁷

RESULTS AND DISCUSSION

Implementation of Know Your Customer Principles in Granting Home Ownership Loans at Bank BTN Surabaya Branch

Based on the results of interviews with Ms. Magdalena Butar Butar as Loan Officer / Consumer Lending Unit Staff of Bank BTN Surabaya branch, efforts to minimize defaults by implementing the

⁵ Adrian Sutedi, *Hukum Perbankan Suatu Tinjauan Pencucian Uang, Merger, Likuidasi, Dan Kepailitan*, Jakarta: Sinar Grafika, 2018, p. 72.

⁶ Jonaedi Efendi, Johny Ibrahim, *Metode Penelitian Hukum Normatif Dan Empiris Edisi Pertama*, Kencana, Jakarta, 2020, p. 149

⁷ Dr. Mukti Fajar Nur Dewata dan Yulianto Achmad, *Dualisme Penelitian Hukum Normatif & Empiris*, Yogyakarta: Pustaka Pelajar, 2013, p. 182

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principle of knowing the customer in granting home ownership loans at Bank BTN Surabaya branch in order to avoid defaults and non-performing loans. The requirements that must be met and through several stages in applying for credit⁸, as follows:

1. Stages of Credit Application Submission.

Submission of credit applications made to customers to the Surabaya branch of BTN Bank is done in writing in the form of a credit application form, the form contains the data needed to fulfill the credit application and the requirements of the credit application, namely the form contains:

- a. Personal identity of the customer in the form of an ID card consisting of full name, population identification number (NIK), residence address, postal code, place and date of birth.
- b. Taxpayer Identification Number (NPWP).
- c. Certificate of being married or not married.
- d. Employment data from the customer's side, which includes, work certificate, salary slip, bank account in the last 6 months and business certificate.

2. Fill out the Credit Form.

If prospective customers who have applied and meet the requirements of applying for a home ownership loan, then next, customers are required to fill out a credit application form.

3. Interview.

Furthermore, the staff of Bank BTN Surabaya Branch before approving the application for home ownership credit to the customer, the bank must conduct an interview to match the customer's identity face to face with the form that has been submitted by the customer and find out the purpose of the customer so that the Bank avoids losses caused by the customer, in this case where the interview is the Bank BTN Surabaya Branch using the 5C principle, namely:

- a. Character.

⁸ Magdalena Butar, interview by Pambudi Tri Laksono. (June Tuesday, 2023).



When BTN Bank Surabaya Branch wants to provide home loan ownership credit to its customers, the Bank is obliged to look at the character and see the character of the prospective customer first. The character of the prospective customer is very mandatory because the BTN Surabaya Branch Bank can find out the character of the customer and can also see the customer's obligation to pay credit, the truth of the prospective customer's character can be seen in terms of the truth of the form whether the customer is doing honest things. Thus, this interview can make the BTN Surabaya Branch Bank can make considerations in the approval of home ownership credit applications to customers.

b. Capacity.

Analyzing the customer's ability is intended to determine the customer's ability to pay mortgage installments and also the ability to pay off or return credit installments that have been agreed upon together.

c. Capital.

Bank BTN Surabaya Branch must analyze the capital of prospective customers when applying for home ownership loans, this is so that customers are required to have their own capital because the capital is directly related to the customer's ability to repay the debt.

d. Condition of Economy.

The economic situation of the customer is very important to consider so that the BTN Surabaya Branch Bank does not experience losses or bad credit caused by the customer due to the customer's inability to pay off the debt, therefore the BTN Surabaya Branch Bank must know the condition of the prospective customer's economic capacity.

e. Collateral.

When a customer wants to apply for a home ownership loan, the customer is required to provide collateral to Bank BTN Surabaya Branch with the condition that the collateral must be of the same value as the credit that has been submitted, if when the customer cannot pay the credit installments in full,



the collateral is legally used by Bank BTN Surabaya Branch to pay off the customer's credit installments.

4. Checking in Sistem Layanan Informasi Keuangan Bank Indonesia (SLIK BI).

Furthermore, at this stage Bank BTN Surabaya Branch is obliged to check the results of the credit score owned by the customer in order to prevent the customer's credit health and the customer's ability to repay the monthly credit, in this case the score of the credit quality results in SLIK BI Checking is 5 (five), namely:

a) Collectability 1 (Fluent)

Collectability 1 or Kol-1 is included in the current category where the customer's credit health is no problem or Performing Loan (PL) marked by the payment of credit installments and customer interest is never late to pay off, based on the results of the author's interview with Bank BTN Surabaya Branch staff if the customer has collectability 1 then the customer already has good faith and reflects the 5c principle, namely character or character, namely the customer in making credit and interest payments is never late or unpaid.

b) Collectability 2 (In Special Attention)

Collectability 2 or Kol-2 is categorized with Special Attention, which is characterized by customers having delays in repaying credit and interest for 90 days or 3 months, but this collectability 2 is still classified as a Performing Loan but the BTN Bank Surabaya Branch has considered this credit collectability to be bad.

c) Collectability 3 (Not That Smooth)

Collectability 3 or Kol-3 is categorized as substandard, which is characterized by customers being late in paying credit and interest for 120 days or 3 to 4 months, then the bank is obliged to give the first Warning Letter (SP).

d) Collectability 4 (Doubtful)

Collectability 4 or Kol- 4 is categorized as Doubtful which is marked by the customer's delay in paying credit installments



for 180 days or 4 to 5 months, so the bank is obliged to give the 2nd Warning Letter (two).

e) Collectability 5 (Congested)

Collectability 5 or Kol - 5 is characterized by bad debt or Non Performing Loan (NPL) characterized by non-payment of installments and interest at all by customers for more than 180 days, collectability 5 is referred to as bad credit where the bank is obliged to give a warning letter 3 (times). Banks are obliged to carry out handling such as auctions that have been promised before and carry out restructuring, negotiation and settlement of bad debts.⁹

5. Document Filing.

The next stage when the Surabaya branch of Bank BTN has carried out the SLIK BI Checking stage for customers who want to apply for home ownership loans, then the Loan Officer Staff will file documents where the filing aims to collect personal data from the customer and a credit agreement letter is made to function as written evidence and regarding the rights and obligations carried out by the Bank and the customer.

6. Data Verification.

When you have completed the document filing stage, the Loan Officer staff then carries out the data verification stage which is carried out with the main director to adjust the data from the customer that has been given this goal in order to avoid dishonest customers in providing information related to credit applications and avoid non-performing loans.

7. Credit Analysis.

Before approving the customer's application for a home ownership loan, the Surabaya branch of Bank BTN submits a credit analysis submitted to the customer to the Surabaya branch of Bank BTN to determine the nominal home loan given to the customer, this stage aims to avoid the customer's inability to make monthly payments and also the interest.

⁹ Dadang Husen Sobana, *Hukum Perbankan Di Indonesia*, Bandung: CV. Pustaka Setia, 2016, p. 13.



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After all stages have been passed and if there are no problems, the BTN Surabaya branch approves and grants the credit that the customer has applied for.

Basically, the implementation of the principle of knowing the customer at BTN Bank Surabaya branch consists of 3 (three) policies in the implementation of the principle of knowing the customer in granting home ownership loans, namely, customer identification, customer account monitoring and customer account monitoring. The implementation of the principle of knowing the customer in granting home ownership credit expects the BTN bank Surabaya branch to be able to recognize the identity of the customer and the characteristics of the customer before providing home ownership credit.

Based on an interview with Ms. Magdalena Butar Butar, that the implementation of the principle of knowing the customer in granting home ownership loans has the most important points, namely, the name of the customer applying, the identity of the customer, the customer's job data, the customer's salary, the bank statement in the last 6 (six) months, the source of funds generated.

The implementation of the principle of knowing the customer in granting home ownership loans applied by the BTN bank Surabaya branch has basically implemented in accordance with applicable regulations as stipulated in Bank Indonesia Regulation Number 5/21/PBI/2003 of 2003 concerning the Second Amendment to Bank Indonesia Regulation Number 3/10/PBI/2001 concerning the Implementation of Know Your Customer principles. The implementation of the principle of knowing the customer in granting home ownership loans aims to prevent the bank from problem loans when customers experience problems with their credit.

The bank as the party that provides mortgage loans to customers will always face risks, namely the risk of non-performing loans or the non-return of money that has been borrowed by the customer. Given the risk that has such a big impact on the bank if the risk occurs continuously, the health of the bank will decrease, where



the bank cannot open its newest product and also the quality of bank credit will decrease.¹⁰

Therefore, every mortgage loan at Bank BTN Surabaya branch must implement the applicable laws, namely Bank Indonesia Regulation Number 3/10 / PBI / 2001 concerning the Implementation of Know Your Customer Principles. The purpose of this regulation is that the bank as a creditor who provides home ownership loans feels protected and avoids bad credit caused by customers to maintain the health of the bank.

This is done because the bank as a creditor is obliged to know the customer's identity in detail such as the customer's identity, the customer's complete address, the customer's business to the name of the customer's biological mother. If necessary, the bank can do this by meeting directly with the customer for an interview in order to obtain accurate evidence and gain confidence in the truth of the information.¹¹

Based on the results of the author's interview with Ms. Magdalena Butar Butar as Staff Loan Officer / Consumer Lending Unit at Bank BTN Surabaya branch, that not all customers understand the meaning of the principle of knowing the customer that the customer knows is how the level of Customer Service service in serving customers and the loan period to interest rates alone in making home ownership loans. Basically, the bank carries out the principle of knowing the customer aims to facilitate the customer so that there is no default or bad credit caused by the customer, therefore the implementation of the principle of knowing the customer in granting home ownership loans with the following procedures:

1. Submission of Documents

Here the bank is required to request original documents in the form of KTP, NPWP, Married or unmarried letter and also along with employment data in the form of job certificates, salary

¹⁰ Sentosa. S, *Hukum Perbankan Edisi Revisi*, Bandung: CV. Mandar Maju, 2012, p. 172.

¹¹ Muhammad, A. *Hukum Perjanjian*. Bandung: Cipta Aditya Bakti, 2014, p 70



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slips, business bank statements in the last 6 months, business certificates for customers who have a business.

2. Customer Identity

When the customer has submitted the documents requested by the bank or creditor, the bank must verify the documents provided by the customer, namely in the form of KTP, NPWP, Married Letter or Unmarried Letter and employment data from the documents that the customer has provided to match the customer's background and match the accuracy of the customer in providing information.

3. Residence Verification

The purpose of verifying the customer's residence is to collect accurate and necessary information based on the 5C principle, this goal is so that the customer can be analyzed properly so that the bank staff can make the best decision.

4. Verification of Financial Conditions

Thus, with the basic 5C principles referring to Condition Of Economy, the bank is obliged to verify the customer's financial economic condition so that the bank can provide the results of credit calculations and interest rates that will be given to customers until the customer is able to pay the monthly installments without problems.

5. EDD (Enhanced Due Diligence) Monitoring

Basically EDD (Enhanced Due Diligence) monitoring is the principle of monitoring customer accounts or maintaining customers which aims to make banks avoid unwanted risks, namely non-performing loans, where this implementation begins by monitoring customer accounts before binding an agreement letter. This implementation is an effort before approving all customer files and documents to avoid the risk of non-performing loans or defaults. When the Surabaya branch of



BTN bank has carried out this stage, then the bank then provides a form as a complement.¹²

6. Customer approval

At this stage when the customer has carried out all procedures in good faith and the bank has carried out the implementation of the principle of knowing the customer strictly and knows the customer well, then next, when in the implementation of the principle of knowing the customer and the application of 5c there are no constraints or risks that will make losses for the bank (Bank BTN Cabang Surabaya). Furthermore, the Surabaya branch of BTN bank provides convenience in processing home ownership loans.

Based on the description above, the implementation of the principle of knowing the customer in granting home ownership loans at the Surabaya branch of BTN bank applies it before agreeing and providing all agreements in home ownership loans, this is done so that the bank can trust the good faith of the customer so that one day the bank does not experience losses from non-performing loans and the Surabaya branch of BTN bank knows the next effort when the customer experiences non-performing loans.

According to an interview with Ms. Magdalena Butar Butar, the implementation of the Know Your Customer principle in granting home ownership loans is carried out so that the bank can find out the customer's identity in detail and completely for the purposes of managing customer data which aims to get a sense of security for customers and customers that the customer has good intentions in making home ownership loans, and risks can occur if the bank does not apply the Know Your Customer principle or is negligent one day if there is an incident that can harm the bank and the bank's operations, the bank has difficulty tracing the identity of problem customers.

¹² Kadek Adnan Dwi Cahya, *Penerapan Prinsip Customer Due Diligence Dan Enhanced Due Diligence Dalam Pencegahan Pencucian Uang Pada Bank Rakyat Indonesia*, Jurnal Kertha, volume 5 No 1, p. 5



Causes of Default in Home Ownership Loan Payment at BTN Bank Surabaya Branch

Every bank that provides home ownership loans to customers expects it to run smoothly without any obstacles, but banks must realize that the provision of home ownership loans has risks that will arise in its provision, namely the risk of loss caused by customers who cannot carry out their obligations to pay off credit installments that have been determined by both parties. So as to protect the bank's business from the risk of loss, the bank protects its business by using collateral agreed upon by the customer in the credit agreement.¹³

Based on the data obtained by the author at Bank BTN Surabaya branch, in the implementation of home ownership loans at BTN Surabaya branch there are no obstacles and it runs well and in accordance with the SOP and Bank Indonesia Regulation Number 5/21/PBI/2003 concerning the second amendment to Bank Indonesia Regulation Number 3/10/PBI/2001 concerning the Implementation of Know Your Customer Principles. The cause of default in the payment of home ownership loans at BTN Bank Surabaya branch is caused by the customer himself, where the customer does not have good faith in the bank to return the credit installments that must be paid.

1. The customer does not have good faith in applying for a home ownership loan.

Customers who want to apply for home ownership loans, these customers are not honest in providing identity and filling out KYC (Know Your Customer) forms. This happens when the customer is dishonest in applying for a home ownership loan, it makes it difficult for the BTN bank Surabaya branch to verify the credit application process and it is difficult to find the customer's billing address when the customer has problems paying monthly installments and interest rates from home ownership loans.

2. Customers do not have good faith in carrying out their obligations to pay off their credit installments.

Based on interviews with Loan Officer / Consumer Lending Unit staff of BTN bank Surabaya branch, when BTN bank Surabaya

¹³ Djoni S, R. U. *Hukum Perbankan*, Jakarta: Sinar Grafika, 2010, p . 44



branch provides home ownership loans to customers, BTN bank expects the customers to have good faith in carrying out their obligations, namely to pay off debts along with interest rates every month, but during implementation there are still many customers who do not have good faith where customers do not carry out their obligations to pay off the debt. This problem of non-performing loans caused the BTN bank Surabaya branch to experience large losses and a decrease in credit quality to the health of the bank.

3. Decreasing customer economic gain.

Based on the results of interviews with Ms. Magdalena Butar Butar as Loan Officer / Consumer Lending Unit at Bank BTN Surabaya branch, with the decline in the customer's economic gain, it causes non-performing loans and non-payment of arrears every month. The factor in the decline in the customer's economic gain is due to the customer experiencing layoffs (Termination of Employment) and the customer does not have a salary income anymore.

4. The customer objected to the payment of installments and the interest rate he had given.

The next factor is where the customer objects to the installment, this is caused by 2 (two), the first is caused by customers who are not honest in filling out the KYC form when the customer first applies for a home ownership loan such as filling in the customer's monthly salary income, and the second thing that can happen is that the customer objects when the BTN bank Surabaya branch provides the results of the installment bill and the results of the previously set monthly interest rate.

the Bank BTN Cabang Surabaya still has obstacles - obstacles that occur when implementing the principle of knowing the customer in granting home ownership loans. These obstacles are caused by customers who do not have good faith in applying for home ownership loans to the BTN Surabaya branch, customers do not have good faith in paying off debt installments, customers experience internal problems in their families, customers experience economic decline due to layoffs



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and customers object to installments and monthly interest rates. These are the obstacles experienced by the BTN bank Surabaya branch related to the implementation of the principle of knowing the customer in granting home ownership loans, if this still often happens, it will reduce the quality of credit and the health of the bank will decrease and hamper the process of completing credit payments.

Based on the results of the description above, that the BTN bank Surabaya branch still has obstacles that occur when implementing the principle of knowing the customer in granting home ownership loans. These obstacles are caused by customers who do not have good intentions in applying for home ownership loans to the BTN Surabaya branch, customers do not have good intentions in paying off debt installments, customers experience internal problems in their families, customers experience economic decline due to layoffs and customers object to installments and monthly interest rates. These are the obstacles experienced by the BTN bank Surabaya branch related to the implementation of the principle of knowing the customer in granting home ownership loans, if this still often happens, it will reduce the quality of credit and the health of the bank will decrease and hamper the process of completing credit payments.

Based on the constraints of the factors that cause defaults from the implementation of the principle of knowing the customer in granting home ownership loans at the Surabaya branch of BTN bank, it is necessary to make efforts or solutions that can overcome the constraints of the problem factors of default or non-performing loans in granting home ownership loans at BTN Bank Surabaya branch, namely by way of:

1. When a customer wants to apply for a home ownership loan, the bank is obliged to ask the customer for a complete identity and other supporting document data which is intended for the verification process of the principle of knowing the customer and the 5c principle, this is done because so that the BTN bank Surabaya branch gets legal protection when the customer wants to default on his credit, Article 5 of Bank Indonesia Regulation Number 5/21/PBI/2003 concerning the Implementation of Know Your Customer Principles states that the bank is obliged to ask



the customer for supporting documents, which include the name, residential address of the customer, place and date of birth of the customer, specimen signature to information about the source of funds generated by the customer. Based on the results of research in the field, when the customer will make bad faith in applying for home ownership credit, the BTN bank Surabaya branch has the right to cancel the agreement and stop dealing with the customer concerned, but what makes the process of verifying the principle of knowing the customer and the 5c process difficult is when the customer does not have good faith in providing a salary slip and salary results in the last 6 months of bank statements, This is constrained when the BTN Surabaya branch bank has carried out the process of verifying the principle of knowing the customer and the 5c principle thoroughly, it's just that the difficulty occurs when dealing with customers who have a background in the work of customers who have small businesses. Once the BTN Surabaya branch bank monitored the customer's account and experienced this when it had given a home ownership loan and found out that the customer did not have good faith, the effort he made was to call the customer concerned to be interviewed again and charge all fines to the customer and when the customer still objected, the BTN Surabaya branch bank took over, namely the transfer of home ownership loans to other customers.

2. A relationship in a credit agreement cannot separate the relationship between the bank and the customer, which has been stated in the credit agreement. This credit agreement requires good faith towards the customer. Good faith is the basis of the customer and the bank in making an agreement and carrying out their obligations in the agreement that has been made together. This has been determined based on article 1338 paragraph 3 of the Civil Code which states that agreements or contracts must be carried out in good faith¹⁴. When in the

¹⁴ Muljadi, K., Perikatan Yang Lahir Dari Perjanjian, Jakarta: Raja Grafindo, 2010, p. 66



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implementation of home ownership loans, not all customers have good faith in carrying out their obligations according to the contents of the agreement that has been agreed by both parties, this causes the emergence of non-performing loans to cause default in granting home ownership loans.¹⁵ Based on the results of interviews with Ms. Magdalena Butar Butar, when customers who have problems in paying their credit and late payments, the BTN Surabaya branch bank provides relief for 15 (fifteen) working days and notifies the customer to immediately pay off the installment via telephone. If when the customer does not show good faith in paying off the credit installments for consecutive days, the BTN Surabaya branch bank gives a warning 3 (three) times so that there is no response from the customer, then the next warning letter is given to the customer to the customer's address concerned, this warning letter contains credit installments that must be paid, penalties for delays in payment, interest and how many days the customer is late in paying the credit. The BTN Surabaya branch also conducts visits, namely visits to the customers concerned, this is done to discuss arrears in credit payments and provide other solutions in paying off credit installments. If the customer has problems with the credit, the customer is obliged to report back to the BTN Surabaya branch so that the bank knows the obstacles being faced by the customer, then the BTN Surabaya branch can provide solutions and solutions so that both parties feel safe from problematic credit arrears, if the customer does not do good things that have been agreed beforehand, the BTN Surabaya branch gives a warning letter 3 (three) times to the customer. The Surabaya branch of BTN bank can solve this problematic credit problem in a way that is familial, however, when this method cannot be done properly and does not provide a solution, the alternative solution is that the bank takes over,

¹⁵ Subekti, Hukum Perjanjian, Jakarta: Intermasa, 2005, p. 69



namely the auction of customer credit collateral to other customers.

3. When customers experience non-performing loans where customers experience an economic downturn, this is due to 2 (two) factors, namely, customers experiencing dismissal in their jobs and the second customer experiencing a decrease in salary results in their business. Based on the interview, the customer actually wants to occupy and live in the house, it's just that the customer has experienced a decrease in salary which makes the customer unable to pay his debt and monthly interest rate, ¹⁶so the solution provided by the Surabaya branch of BTN bank is to restructure, recondition, and reschedule. When the customer experiences this, the customer is obliged to report it to the bank so that there is good faith on the part of the customer to the bank, if the customer has reported it to the bank, the bank provides an alternative way, namely reducing the debt and reducing the monthly interest rate to provide relief for the yearly installment period, this is done so that the bank does not experience non-performing loans caused by the customer and so that the customer has good faith in paying off his debt.
4. When customers object to their debt installments and interest rates, this is caused by 2 (two) main factors, namely first, the customer does not have good faith when applying for a home ownership loan where the customer does not have good faith in filling out the KYC form in income, this causes non-performing loans where when both parties have legally stated the monthly installments and interest rates that have been determined and this happens when in the following year the customer has difficulty making payments in paying off his debt because the customer does not have good faith in filling in the customer's income salary. ¹⁷Second, customers object to paying their

¹⁶ Sentosa Sembiring, *Hukum Perbankan*, Bandung : CV. Mandar Maju, 2008, p. 3

¹⁷ Supramono, G., *Perbankan dan Masalah Kredit : Suatu Tinjauan di Bidang Yuridis*, Jakarta: PT Rineka Cipta, 2014, p. 92



monthly debts to the bank because the installments are too large,¹⁸ so the solution provided by the Surabaya branch of BTN bank is to restructure, recondition, and reschedule so that credit installment payments run again. If these efforts do not make a successful solution, based on the previous agreement between the customer and the bank, the customer is given the opportunity to pay off his debt for 15 working days to 1 month and if it is still not paid, the bank auctions the house to the public who wants to buy it, and the proceeds from the sale obtained are used in paying off the outstanding credit debt owned by the customer.

Based on the description above, that the solution provided by the BTN bank Surabaya branch, among others, in the provision of home ownership loans that are still experiencing defaults or non-performing loans, therefore the existence of repressive law is legal protection to the BTN bank Surabaya branch in order to solve the problem of defaults and non-performing loans it is done by imposing sanctions on customers and compensating all losses to the BTN bank Surabaya branch. The forms of repressive law that can be carried out by BTN Surabaya branch banks are through the settlement of non-performing loans by taking non-litigation and litigation channels.

Based on the results of the study, that the repressive legal efforts that can be made to the Surabaya branch of the BTN bank in granting home ownership loans can be done in a non-litigation manner first. This problematic credit rescue can be done by means of restructuring, reconditioning and rescheduling in this way the BTN bank can resolve problematic loans first in a non-litigation manner before the next stage, namely the litigation route, then the non-litigation stage includes:

1. Restructuring.

The form of implementation of restructuring basically depends on the parties, namely the bank and the customer in the previous agreement, and rearrange the agreement in the credit debt

¹⁸ Satrio, J., Hukum Jaminan, Hak Jaminan Kebendaan. Bandung: Citra Aditya Bakti, 2007, p. 102



payment agreement, this includes adding debt and making it a new debt.¹⁹

2. Reconditioning.

The form of reconditioning is the rescue of non-performing loans by changing part or all of the terms of the credit agreement by changing the interest rate reduction or partial elimination of interest and reduction of principal installments.²⁰

3. Reschedulling.

The action taken is by changing the terms of the credit only, changing the period of repayment of debt where Bank BTN Cabang Surabaya provides relief and leeway in credit installment payments to customers regarding the period of payment of credit installments so that customers can pay or return their debts to BTN Surabaya branch banks with a longer period of time.

The solution to saving non-performing loans is the first thing that must be done by the Surabaya branch of BTN bank when facing defaults or non-performing loans to customers by easing back credit installment payments and reducing interest rates, so that in this way the BTN Surabaya branch expects that customers can return and pay off their debts without constraints. This method can also minimize the emergence of non-performing loans caused by customers, saving non-performing loans is the first thing done by the Surabaya branch of BTN bank. However, when the credit rescue efforts made by the Surabaya branch of BTN bank cannot provide a solution in resolving the customer's problem credit, then the Surabaya branch of BTN bank takes another solution, namely the litigation route.

This problematic credit rescue is carried out when the customer is no longer able to return or pay off the credit so that the customer gets collectibility 5, which is called bad debt. This credit settlement can be started by means of when the customer has gotten kol - 5 then the Bank BTN Cabang Surabaya gives a warning letter 3 (three) times and

¹⁹ Sobana, D. H., *Hukum Perbankan Di Indonesia*, bandung: Pustaka Setia, 2016, p. 55

²⁰ Hasibuan, M., *Dasar Dasar Perbankan*, Jakarta: PT Bumi Aksara, 2011, p. 22



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makes a call to the customer by means of the bank meeting directly or by telephone this is a way out for problematic credit problems which will later become a joint decision to the BTN bank Surabaya branch with the customer.

Furthermore, the settlement of non-performing loans is by way of litigation which is where when the BTN Surabaya branch bank no longer finds the next effort in resolving its non-performing credit efforts from customers then this effort is the last effort that must be taken by the BTN Surabaya branch bank to return or pay off customer debt, in this case the BTN Surabaya branch bank does by way of confiscation and sale of collateral when the BTN Surabaya branch bank has succeeded in resolving non-performing loans by way of this litigation then the proceeds from the sale to pay off debts and compensate for losses from customers and if there is any remaining change will be returned to the customer.

Based on the description above, the form of repressive legal protection in this non-performing loan settlement solution effort that can be taken by the BTN Surabaya branch in resolving this non-performing loan settlement effort by non-litigation first, one of the efforts of the BTN Surabaya branch bank when facing default or non-performing loans, this is done by restructuring, reconditioning, and rescheduling first. However, if the first effort does not find a way out and a solution in returning the debt, then the next litigation route is carried out where the bank confiscates and sells the collateral to pay off the customer's debt and the losses that should be paid and if there is a remainder from the sale, the Surabaya branch of BTN bank returns the rest to the customer.

CONCLUSION

Based on the description of the discussion, it can be concluded:

1. Basically, the implementation of the principle of knowing the customer in granting home ownership loans at the Surabaya branch of BTN bank has implemented well and is in accordance with applicable regulations, starting from the procedure for granting credit, analyzing customer documents, procedures for applying for



home ownership loans and the bank creates a good relationship with its customers so that customers have good faith in providing their identity.

2. Non-performing loans occur due to customers who do not have good faith in the implementation of the principle of knowing the customer, because in Article 2 of Law No. 10 of 1998 concerning Banking does not regulate the principle of knowing the customer, it only regulates the principle of prudence. In addition, the principle of knowing the customer is regulated in Bank Indonesia Regulation Number 5/21/PBI/2003 of 2003 concerning the Second Amendment to Bank Indonesia Regulation Number 3/10/PBI/2001 concerning the Implementation of Know Your Customer principles. Basically, the Surabaya branch of BTN bank when carrying out the implementation of the principle of knowing the customer in granting home ownership loans has a problem, namely that the customer does not have good faith in listing the identity because the customer considers it private.

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