

Exoneration Clauses and Contractual Justice in Hospitality Service Agreements

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ABSTRACT

The increasing use of standardized service agreements in the hospitality industry has intensified reliance on exoneration clauses as mechanisms for allocating legal risks and limiting liability. While such clauses are generally justified under the principle of freedom of contract, their application may undermine contractual justice when bargaining positions are unequal. This study examines the legal regulation, characteristics, and implementation of exoneration clauses in hospitality service agreements under Indonesian contract law and evaluates their compatibility with the principles of balance, good faith, and fairness. Using normative legal research with statutory, conceptual, and case approaches, legal materials were analyzed through systematic, grammatical, and teleological interpretation. The findings indicate that exoneration clauses are legally permissible provided they do not excessively exclude liability or disrupt contractual equilibrium. However, the examined service agreement demonstrates that limitation of liability and indemnification provisions predominantly transfer legal risks to the local service provider, reflecting a significant bargaining imbalance. The novelty of this study lies in its analysis of contractual justice within business-to-business relationships in the international hospitality sector. The study concludes that freedom of contract must be exercised proportionately to preserve fairness. Future research should undertake comparative studies across jurisdictions and hospitality business models to develop more balanced risk-allocation standards.

Keywords: Contractual Justice, Exoneration Clauses, Hospitality Industry, Risk Allocation, Service Agreements.

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INTRODUCTION

As a constitutional state founded on the principles of *rechtsstaat* and the rule of law, Indonesia requires that all legal relationships, including private contractual arrangements, conform to legal certainty, justice, and the protection of rights (Muabezi, 2017). The constitutional recognition of Indonesia as a state governed by law under Article 1(3) of the 1945 Constitution places legal norms as the primary framework for

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regulating social and economic interactions. Within this framework, contractual relationships are not merely instruments of private autonomy but also mechanisms through which legal justice and the balance of rights and obligations are realized.

The rapid growth of the hospitality industry has significantly increased the use of standardized service agreements between hotel operators and external service providers. Standard contracts are widely adopted to promote operational efficiency, service consistency, and legal predictability across hospitality networks (Sujatno, 2011). However, these agreements frequently contain exoneration clauses, including limitation of liability and indemnification provisions, which allocate legal risks between contracting parties (Badrulzaman, 2016). Although such clauses are generally justified under the principle of freedom of contract, their implementation often raises concerns regarding fairness when contractual risks are disproportionately distributed.

In international hospitality practice, contractual risk-allocation mechanisms are commonly designed by multinational hotel operators who possess stronger economic resources, greater bargaining power, and established contractual standards. Consequently, local service providers are frequently required to accept pre-drafted contractual terms with limited opportunities for negotiation. This creates a bargaining imbalance that may undermine the principles of contractual equilibrium, proportionality, and good faith recognized under Indonesian contract law (Sjahdeini, 2009). This issue becomes particularly significant when exoneration clauses effectively transfer legal responsibility and financial exposure from hotel operators to local contractors through extensive limitations of liability and indemnification provisions.

Theoretically, the freedom of contract remains a fundamental principle of private law. Nevertheless, contractual freedom is not absolute and must operate within the boundaries of public order, morality, good faith, and fairness (Patrik, 2005). From the perspective of contractual justice, legal arrangements should preserve a reasonable balance between rights and obligations. Rawls' theory of justice emphasizes fairness as a condition of equitable distribution, while Aristotle's conception of distributive and corrective justice requires that legal arrangements provide each party with what is properly due. Similarly, Radbruch argued that legal certainty and justice must coexist within a functioning legal system. These theoretical perspectives suggest that the validity of exoneration clauses cannot be assessed solely through contractual consent and must also consider substantive fairness and proportionality.

Previous studies have primarily examined exoneration clauses in the context of consumer protection and standard-form contracts. Research by Pratama (2021) focused on the validity of exoneration clauses under consumer protection law, while Ariadi (2021) analyzed their legal consequences in standard agreements. Other studies have explored contractual balance in the tourism and hospitality sectors, emphasizing consumer interests and business liability. Despite these contributions, existing scholarship has paid limited attention to exoneration clauses in business-to-business (B2B) relationships within the international hospitality industry, particularly regarding the interaction between contractual justice, bargaining power disparities, and contractual risk allocation. This omission constitutes a significant research gap because B2B service agreements increasingly govern complex hospitality operations and involve substantial legal and financial risks.

The novelty of this study lies in its examination of exoneration clauses through the lens of contractual justice within international hospitality service agreements. Unlike previous studies that predominantly focus on consumer protection perspectives, this study investigates contractual fairness in a B2B relationship between an international hotel operator and a local tourism service provider. It further integrates the principles of balance, proportionality, good faith, and contractual justice into the analysis of limitation of liability and indemnification clauses, thereby offering a broader legal framework for evaluating risk-allocation mechanisms in hospitality contracts.

Accordingly, this study addresses two principal questions: first, how are exoneration clauses regulated and characterized within hospitality service agreements under Indonesian contract law; and second, to what extent do such clauses reflect the principle of contractual justice in hospitality business relationships. Based on these questions, the study aims to analyze the legal framework governing exoneration clauses and to evaluate their compatibility with contractual justice principles in the context of hospitality service agreements. The findings are expected to contribute to the development of contract law scholarship and provide practical guidance for drafting balanced and equitable risk-allocation clauses within the hospitality industry.

METODE

This study employs a normative legal research design to examine the regulations, characteristics, and contractual implications of exoneration clauses in hospitality service agreements. The research focuses on legal norms governing limitation of liability and indemnification clauses within business-to-business contractual relationships in the hospitality sector. A statutory, conceptual, and case approach were adopted to analyze the compatibility of exoneration clauses with the principles of contractual justice under Indonesian contract law.

The primary legal materials consist of statutory regulations governing contractual relationships, particularly the provisions of the Indonesian Civil Code concerning agreements, contractual freedom, good faith, and legal responsibility. Secondary legal materials include scholarly books, peer-reviewed journal articles, legal commentaries, and previous studies on exoneration clauses, contractual justice, risk allocation and hospitality contracts. The case analysis is based on a hospitality service agreement between an international hotel operator and a local tourism service provider, which serves as the principal legal document examined in this study. Legal materials were collected through document-based research and a literature review. The collected materials were analyzed qualitatively using systematic, grammatical, and teleological interpretation methods to identify the legal characteristics of exoneration clauses and evaluate their conformity with the principles of proportionality, balance, and contractual fairness. The analytical framework was guided by theories of contractual justice, legal certainty, and freedom of contract to assess whether the allocation of rights, obligations, and legal risks within the examined agreement reflects a fair contractual relationship.

RESULTS AND DISCUSSION

The analysis reveals that exoneration clauses have evolved from conventional liability-limitation provisions into sophisticated risk-allocation mechanisms within hospitality service agreements. In contemporary hospitality operations, hotels increasingly rely on external service providers to support tourism activities, transportation, recreation, and guest experiences. As a consequence, contractual arrangements frequently incorporate limitation of liability and indemnification clauses designed to allocate legal exposure before disputes arise. Consistent with Indonesian contract law, the validity of such clauses is derived from the principle of freedom of contract, which allows parties to determine the content of their agreement provided that it does not conflict with mandatory legal norms, public order, morality, and good faith (Sjahdeini, 2009; Badrulzaman, 2016).

The examination of the hospitality service agreement demonstrates that exoneration clauses are primarily expressed through two contractual mechanisms. The first limits the scope of liability that may be imposed upon the hotel operator, while the second obliges the service provider to indemnify the hotel against claims, losses, and legal actions arising from the provision of services. From a commercial perspective, such provisions enhance predictability and reduce uncertainty in business transactions. However, contractual efficiency alone cannot be regarded as the sole measure of contractual legitimacy. The findings indicate that the cumulative effect of these clauses places a substantially broader range of legal risks upon the local service provider than upon the hotel operator, despite the reciprocal economic benefits generated by the contractual relationship.

This finding is particularly significant because it highlights the distinction between contractual validity and contractual justice. A contract may satisfy formal legal requirements while simultaneously producing an imbalance in the allocation of rights, obligations, and legal responsibilities. Such a distinction reflects the view that contractual relationships should not be evaluated solely through procedural consent but also through substantive fairness (Patrik, 2005). The contractual provisions examined in this study demonstrate that consent was formally established; nevertheless, the risk distribution structure reveals a disproportionate transfer of legal burdens to the service provider. Accordingly, the issue is not whether exoneration clauses are legally permissible, but whether their practical operation remains consistent with the principles of proportionality and fairness embedded in Indonesian contract law.

The findings further demonstrate that bargaining power constitutes a decisive factor in determining the practical consequences of exoneration clauses. International hotel operators generally possess stronger economic resources, established contractual templates, and greater negotiating leverage than their domestic counterparts. Local service providers, by contrast, frequently encounter standard-form agreements that offer limited opportunities to negotiate substantive contractual terms. Similar observations have been reported in studies examining standard contracts and exoneration clauses, which note that contractual freedom may become largely formal when one party possesses substantially greater bargaining strength than the other

(Pratama, 2021;Ariadi, 2021). Within such circumstances, the legitimacy of contractual risk allocation cannot be assessed solely by reference to party autonomy.

The results also reinforce the contemporary understandings of contractual justice. Rawls (1999) argues that justice requires a fair distribution of advantages and burdens among participants in social arrangements. When applied to commercial contracts, this principle suggests that legal risks should be allocated according to each party's ability to control, prevent, or manage those risks. The agreement examined in this study does not fully reflect such proportionality because the liability arising from operational activities is predominantly concentrated on the service provider. This finding supports broader scholarship emphasizing that contractual fairness depends not only on equal freedom to contract but also on the equitable allocation of contractual burdens (Taufik, 2013);(Collins, 2023).

A similar conclusion emerges when the findings are examined using Aristotle's concept of corrective justice. Corrective justice seeks to preserve the proportionality between legal rights and obligations and to prevent one party from obtaining an unjust advantage at the expense of another. Although hospitality service agreements require clear mechanisms for risk management, the allocation of legal responsibilities should remain proportionate to the parties respective roles. When liability limitations and indemnification obligations collectively insulate one party from substantial legal exposure while imposing extensive obligations on the other, maintaining contractual equilibrium becomes increasingly difficult (Utama, 2020).

Another important finding concerns the relationship between legal certainty and contract justice. Exoneration clauses undoubtedly contribute to legal certainty by clarifying the boundaries of responsibility before disputes occur. This function is consistent with the broader objective of contract law to promote predictability in commercial relationships(Radbruch, 2006). However, legal certainty cannot be pursued independently of justice. The findings indicate that excessive liability exclusions may generate contractual arrangements that are formally certain but substantively unfair. This observation is consistent with recent legal scholarship emphasizing that risk-allocation clauses should operate within the limits of reasonableness and good faith rather than function as instruments for transferring all potential liabilities to economically weaker parties (Morgan, 2021;DiMatteo, 2024).

The novelty of this study lies in its examination of exoneration clauses in business-to-business hospitality relationships. Previous studies have predominantly focused on consumer protection, unfair contract terms, or the validity of standard contracts in general (Pratama, 2021;Ariadi, 2021). In contrast, this study investigates how contractual justice operates within a commercial relationship involving an international hotel operator and a local tourism service provider. The findings demonstrate that concerns regarding fairness and bargaining imbalance persist even in commercial contracts involving professional business entities. This contribution extends existing scholarship by showing that contractual justice remains a relevant analytical framework beyond consumer law and should also guide the interpretation of risk-allocation mechanisms in hospitality service agreements.

Overall, the findings support the proposition that exoneration clauses are not inherently incompatible with Indonesian Contract Law. Their legitimacy depends on whether they preserve a reasonable balance between contractual freedom, legal

certainty, and substantive fairness. Therefore, hospitality service agreements require a more proportionate allocation of risks and responsibilities to ensure that contractual autonomy does not evolve into contractual domination. Such an approach would strengthen both legal certainty and contractual justice while preserving the commercial objectives that exoneration clauses are intended to achieve.

CONCLUSION

The study demonstrates that exoneration clauses are not inherently incompatible with Indonesian contract law; rather, their legitimacy depends on whether they maintain an equitable allocation of contractual risks and responsibilities. While hospitality service agreements require liability-limitation mechanisms to support operational certainty and commercial efficiency, the findings reveal that exoneration clauses may undermine contractual justice when they are drafted within unequal bargaining structures and disproportionately shift legal burdens to local service providers. Therefore, this research challenges a purely formal interpretation of freedom of contract by showing that contractual consent alone is insufficient to ensure fairness. Instead, contractual justice requires risk-allocation mechanisms to reflect proportionality, good faith, and a balanced distribution of obligations. The contribution of this study lies in demonstrating that concerns regarding contractual fairness extend beyond consumer protection and remain highly relevant in business-to-business hospitality relationships. Accordingly, hospitality service agreements should adopt more proportionate exoneration frameworks capable of safeguarding legal certainty without compromising substantive justice between contracting parties.

Conflict of Interest declaration

The authors declare that they have no affiliations with or involvement in any organization or entity with any financial interest in the subject matter or materials discussed in this manuscript.

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