



Business liability for product mislabeling in Indonesia's cosmetics industry: A consumer protection law perspective

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Abstract

Indonesia's rapidly growing cosmetics industry, marked by increased production and export performance, faces pressing legal challenges regarding product labeling. Mislabeling defined as the inclusion of false, misleading, or incomplete information on cosmetic packaging undermines consumer rights to safety, accurate information, and informed choice, as guaranteed by Law No. 8 of 1999 on Consumer Protection (UUPK). This article aims to analyze mislabeling not as a mere administrative oversight but as a legal violation with civil and criminal consequences. Utilizing a statute and conceptual approach, the study examines the regulatory framework governing business actors' responsibilities and the legal safeguards afforded to consumers. Findings reveal that mislabeling may constitute fraudulent misrepresentation under Article 1321 of the Indonesian Civil Code, rendering consumer consent legally defective and contracts voidable. Furthermore, business actors may be held strictly liable under Article 19 of the UUPK, with obligations to compensate affected consumers. The research underscores the role of product labels as legal declarations, not just promotional tools, and highlights the need for stronger enforcement to uphold fair, transparent, and accountable market practices. Ultimately, the study calls for the recognition of labeling as a central mechanism of consumer protection law, emphasizing the duty of businesses to ensure accuracy and honesty in every aspect of product information.

Keywords: Mislabeling, cosmetic products, consumer protection, product liability, Indonesian law

Introduction

The national cosmetics industry has emerged as a strategic and rapidly expanding sector within the last decade. According to data from the Ministry of Industry of the Republic of Indonesia, the number of cosmetic companies increased from 913 in 2022 to 1,010 by mid-2023. Concurrently, Indonesia's export value of cosmetics, fragrances, and essential oils reached USD 770.8 million between January and November 2023, reflecting the global competitiveness of domestic products. This upward trajectory is further evidenced by 2021 market distribution data, which recorded 55.57% of circulating cosmetics as locally produced, surpassing imported products (34.11%) and contract-manufactured goods (10.32%).

Despite these promising developments, significant regulatory gaps persist. The circulation of illegal cosmetics, misuse of distribution permits, and misleading labeling practices highlight serious weaknesses in monitoring and law enforcement mechanisms. Between September 2022 and October 2023, the Indonesian Food and Drug Authority (BPOM) identified 181 illegal cosmetic products containing hazardous substances, totaling approximately 1.2 million items with an estimated market value exceeding IDR 39 billion. Moreover, inspections of 731 beauty clinics revealed that 33% did not comply with the prevailing labeling and distribution regulations.

Among the most pressing issues directly affecting consumer safety is the practice of mislabeling, which refers to the inclusion of inaccurate, misleading, or incomplete information on cosmetic packaging. Common manifestations include exaggerated claims unsupported by scientific evidence, inaccurate ingredient disclosures, unauthorized use of certification logos (e.g., halal or cruelty-free), and the absence of mandatory Indonesian translations

for imported goods. Such conduct infringes upon the constitutional rights of consumers as enshrined in Article 4 of Law No. 8 of 1999 on Consumer Protection (UUPK), particularly the rights to safety, accurate information, and freedom of choice.

Mislabeling should not be treated as a mere administrative error, but rather as a legal violation with potential civil and criminal consequences. From a civil law perspective, deceptive labeling constitutes a defect in consent (*wilsgebreken*) under Article 1321 of the Indonesian Civil Code ("Civil Code"), as it involves fraudulent misrepresentation (*bedrog*). Contracts formed on the basis of such misrepresentation are legally voidable (*vernietigbaar*) as described on Article 1328 Civil Code. In the realm of criminal law, Article 62(1) of the UUPK imposes penalties on business actors who disseminate false or misleading information, with sanctions including imprisonment of up to five years or a fine of up to IDR 2 billion.

Product labeling plays a critical role within the framework of consumer protection law. It functions not merely as a marketing tool but as a legal declaration of the producer's responsibility concerning product quality, safety, and utility. Any deviation in labeling not only causes material and immaterial harm to consumers but also undermines the legal order that supports fairness in market transactions^[7]. Under modern legal principles, business actors are obligated to provide accurate, transparent, and honest information, as stipulated in Article 7(b)-(c) and Article 8(1)(f)-(g) of the UUPK. Mislabeling, therefore, constitutes a dual violation: of the contractual principles of valid consent under civil law and of the consumer's statutory rights to information and product assurance under consumer protection law.

Material and Methods

This study employs two principal approaches: the statute approach and the conceptual approach. The statute approach involves a systematic examination of statutory laws and regulatory frameworks relevant to the legal issues under investigation. This method is particularly appropriate as it enables a comprehensive analytical assessment of the coherence, consistency, or potential contradictions between statutory regulations and the Constitution, as well as among different levels of legislation. Furthermore, this approach facilitates the identification of any philosophical or normative conflicts between the existing legal norms and the legal issue in question.

The second method, the conceptual approach, is employed to explore legal concepts through doctrinal interpretations and scholarly perspectives within the field of law^[11]. Through this approach, the study seeks to identify and elaborate on key legal doctrines and principles pertinent to the issue of business actors' liability and consumer protection in the context of mislabeling in the cosmetics industry. The integration of the statute and conceptual approaches is deemed methodologically sound and contextually relevant, as the research primarily aims to examine both the regulatory basis of business accountability and the legal safeguards afforded to consumers under prevailing consumer protection law.

Results and Discussion

The Urgency of Labels in the Cosmetic Industry

In the cosmetics industry, product labels are no longer merely formalities or regulatory requirements, they have become essential instruments of legal protection. Labels serve multiple functions: they offer reliable information, protect consumer health, and uphold the consumer's freedom to make informed contractual decisions. According to Indonesian law, particularly Articles 7 and 8 of UUPK, a label reflects a business actor's duty to be honest, transparent, and responsible. Despite this, labels are often undervalued in legal practice. They are not consistently treated as legally binding elements of a transaction, even though, from a modern contract law perspective, any pre-contractual information given by the seller should be considered legally significant^[12]. In consumer transactions, where power and knowledge are imbalanced, this pre-sale information holds the same legal weight as formal written terms because it shapes the consumer's consent.

As such, labels play a key role in establishing the agreement element in Article 1320 of the Civil Code. If the label's content differs from the actual product condition, then consent may be flawed due to mistake or fraud. This makes the label not just morally significant, but legally enforceable, potentially leading to contract cancellation or claims for damages. The role of labels becomes even more crucial when viewed through the lens of constitutional consumer rights. Therefore, labels are not simply branding tools, they are instruments through which consumers exercise fundamental rights.

From a legal standpoint, labeling also ties directly into the doctrine of product liability. Businesses are responsible for ensuring the accuracy and clarity of all information attached to their products, including labels. This responsibility is recognized globally, including in the landmark U.S. case *MacPherson v. Buick Motor Co.* (1916), which held manufacturers accountable for misleading product

information. Although Indonesia lacks specific case law in the cosmetic sector, Articles 19-22 of the UUPK affirm the responsibility of businesses for damages caused by inaccurate or misleading labeling. Importantly, label regulation is not the sole domain of BPOM. In advanced legal systems such as the EU and Japan, label oversight includes verifying the truthfulness of marketing claims. Indonesia has yet to adopt such mechanisms, resulting in a regulatory gap that allows unverified and potentially deceptive claims to appear on product packaging.

Mislabeling as a Violation of Consumer Rights

The practice of mislabeling cosmetic products constitutes a clear infringement of the fundamental consumer rights as stipulated in Indonesia's Consumer Protection Law (UUPK). Within the legal framework of consumer protection, labeling is not a mere marketing tool but an essential component of the consumer's legal entitlement to truthful, accurate, and transparent information regarding a product's nature and guarantees. Article 4 of the UUPK explicitly affirms the consumer's right to such information. When a label fails to reflect the actual condition of a product, this directly undermines the normative right to informed consumption.

Mislabeling, in this context, distorts facts in a manner that creates an imbalance in the bargaining power between businesses and consumers. Such practice violates the foundational principles of fairness and contractual equity embedded in consumer protection law. Beyond its legal implications, mislabeling reveals a failure of ethical business conduct and contributes to a mismatch between consumer expectations and product realities, which potentially resulting in both functional and material harm^[18]. For instance, a consumer who chooses a product labeled "alcohol-free" due to sensitive skin may experience irritation from hidden ethanol content. This not only deceives but endangers the consumer's well-being, which is precisely the kind of harm the UUPK aims to prevent under Article 4(a).

Furthermore, misleading or false labeling often serves as a tool to manipulate consumer perception regarding a product's quality, benefits, or legitimacy. Business actors may exploit marketing terms such as "organic", "natural", or "halal" without valid certification. Article 9(1)(k) of the UUPK strictly prohibits such unverifiable claims, recognizing that false labeling fosters unrealistic expectations and ultimately undermines the integrity of consumer transactions. Under the principle of *caveat venditor*, the modern legal doctrine that places responsibility on the seller businesses are obligated to ensure the accuracy of all information provided, including that on product labels. This reflects a shift away from the outdated notion of *caveat emptor* ("let the buyer beware") toward a model where accountability lies squarely with the producer. Mislabeling, therefore, is not only negligent but may reflect a willful disregard for transparency obligations, which contradicts the legal expectation of good faith, full responsibility, and openness on the part of businesses.

Doctrinally, inaccurate labeling constitutes a deviation from the legal standards outlined in Article 8(1)(f) and (g) of the UUPK, which prohibit the production or distribution of goods whose characteristics are inconsistent with those stated on their packaging, label, or promotional material. The right to accurate product information is particularly

vital in the cosmetics sector, as these products interact directly with the human body and health. Even minor inaccuracies may pose short- or long-term health risks. Therefore, accurate and verifiable labeling is not merely best practice but the legal embodiment of the consumer's right to safe and informed product use. In today's fast-evolving, digitally driven cosmetics market, labeling must be treated not as a formality, but as a normative safeguard and legal mechanism designed to protect consumers from information asymmetry and manipulation.

Legal Liability of Business Actors for Mislabeled Cosmetic Products

UUPK explicitly holds business actors accountable for consumer losses resulting from inaccurate or misleading product information, whether presented through labels or other media. This obligation is enshrined in Article 19(1) of the UUPK, which requires businesses to provide compensation for damage, contamination, or other consumer harm caused by the goods or services they produce or distribute. Mislabeled, whether intentional or due to negligence, squarely falls under the category of wrongful conduct as outlined in this article. Under the doctrine of strict liability within consumer protection law, the burden of proving fault is shifted away from the consumer and placed on the business operator. In cases where consumers suffer harm due to misleading information, the business is automatically deemed liable unless it can demonstrate specific exonerating conditions.

This legal responsibility is not merely theoretical; it requires concrete actions in the form of compensation. According to Article 19(2) of the UUPK, such remedies may include refunds, replacement of goods, healthcare services, or financial indemnities when both material and immaterial losses are sustained. Failure to comply may lead to legal proceedings, either through litigation or alternative dispute resolution. Importantly, legal accountability is not only reactive but also preventive. The UUPK establishes on Article 2, standards requiring businesses to act with due diligence, fairness, and adherence to both legal and ethical norms, particularly regarding product labeling. Thus, accountability for mislabeling serves as a tangible expression of preventive legal obligations, aiming to avert consumer harm by ensuring accuracy and transparency from the outset.

Although businesses may invoke a defense against consumer claims, the grounds for exemption are narrowly defined and stringently regulated. They may include instances where: (1) the product was not intended for distribution, (2) defects arose after expiration or misuse, (3) defects were caused by compliance with statutory standards, (4) the harm resulted from consumer negligence, or (5) claims exceeded the legally or contractually stipulated period as described on Article 27 UUPK. However, in practice, substantiating these defenses is challenging, and the burden remains on the business to demonstrate good faith and credible evidence.

If a business fails to address consumer claims for damages resulting from mislabeling, the consumer is entitled to pursue remedies through designated dispute resolution mechanisms under the UUPK. These include direct negotiation, proceedings before the Consumer Dispute Settlement Agency (BPSK) through mediation, conciliation, or arbitration, or through civil litigation initiated by the

consumer individually, via a consumer protection organization (LPKSM), or a class action as written on Article 46 UUPK.

All mechanisms are guided by the principles of justice, balance, transparency, efficiency, and participation, underscoring the critical role of consumer protection in addressing power imbalances within commercial transactions. Therefore, mislabeling constitutes a serious breach of legal responsibility, not only from a business ethics standpoint but also within the binding framework of Indonesian consumer protection law. Business actors must proactively ensure the accuracy and integrity of product information and be prepared to accept legal consequences for any violations thereof.

Conclusion

Labeling plays a vital role in the cosmetic industry as it provides consumers with essential information and forms the basis for informed decision-making. Mislabeled, whether by omission, manipulation, or false claims, not only misleads consumers but also violates their rights as protected under consumer protection laws in Indonesia. This practice constitutes an unlawful act that may lead to material or immaterial harm. Business actors are legally obligated to ensure that product labels are accurate, transparent, and comply with applicable regulations. When mislabeling occurs, they may be held liable and required to provide compensation. Therefore, legal accountability serves as a preventive mechanism to enforce business ethics and protect consumer interests in the cosmetic sector.

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