



Legal Protection of Online Loan Customers

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Abstract. Online loan customers have increased every year. This increase was due to the ease of submitting a loan application process. However, not a few take advantage of the convenience of these online loan products unwisely. Therefore, this study aims to determine how is the legal protection for online loan customers. This study uses a juridical-normative approach as a legal research method. No specific regulation regulates legal protection for online loan customers until 2016. Therefore, Financial Services Authority (OJK) issued Financial Services Authority Regulation Number 77/POJK.01/2016 concerning Information Technology-Based Lending and Borrowing Services. These regulations serve as guidelines for protecting loan customers online.

Keywords: Customers · Legal Protection · Online Loans

1 Introduction

In the technology of digitalization, technological traits affect monetary growth [1]. Various factors of the economic system are presently taking gain of technological advances to perform their activities. One of the monetary sectors, which includes finance, is now beginning to be included with the digital system [2].

A rapidly developing electronic system in the era of financial technology is peer-to-peer (P2P) lending or information technology-based (online) lending services. Online loan services are loan application methods offered to individual borrowers and corporate lenders [3].

According to Indonesian fintech lending statistics released by the Financial Services Authority (OJK), the number of lending customers reached 15.5 million accounts and online lending outsourcing or outstanding loans reached Rp 45.7 trillion in July 2022 [4]. Compared to the previous year, online loan balances continue to grow. His online loan balance has doubled since January 2021. 24.2 trillion [5].

The continuous increase is due to the easy process of submitting a loan application with uncomplicated terms. However, not a few take advantage of the convenience of these online loan products unwisely [6]. According to the Jakarta Legal Aid Institute (LBH), there were several complaints of violations of the law, such as [7]:

- There is billing through humiliation, cursing, threats, slander, and sexual harassment;
- There is a collection of all contact numbers belonging to the borrower;
- High and unlimited loan interest;

- Retrieval of the borrower's personal data (contacts, SMS, calls, memory cards, etc.).
- There is no presence of confusion such as premature billing or ignorance of time and complaint number.
- Unclear addresses for online lenders.
- Online loan applications will have their name changed without notice to the borrower, but interest on the loan will continue during the name change process.

So the question in this paper is what are the legal protections for online lending customers. This research adopts a legal normative approach as a method of legal research.

2 Discussion

According to the Financial Services Authority Regulation Number 77/Pojk.01/2016 concerning Information Technology-Based Borrowing-Lending Services, online loans or peer-to-peer lending are financial services through direct meetings between lenders and loan customers who enter into lending and borrowing agreements in the currency of electronic-based rupiah currency using the internet network [8].

This online loan service is experiencing an increase for several reasons, such as the ease of terms and the process of applying for a loan, ease of payment, practicality, transactions that cannot be done anywhere, and time efficiency. However, with the benefits obtained, there are concerns about the responsibility of both parties, customers, and loan service providers [9, 10].

- Jakarta Legal Aid Institute (LBH) found 1330 complaints within a month, 48.48% of complainants used 1–5 online loan applications, up to 36–40 applications was discovered [11]. The existence of online lending has various negative effects, especially for consumers (customers) of these lending services. Here are the different impacts consumers get from online lending [12]:
- Very high interest.
- Billing a consumer-designated emergency contact.
- Fraud, defamation, sexual harassment or other threats.
- Distribution of Consumer Personal Data.
- Distribute the borrower's information along with the borrower's photo to contacts on the borrower's device.
- Remove all access to the borrower's device.
- Unclear office contact and online loan application provider locations.
- Unclear administrative costs.
- The applicant changed its name without notifying the borrower, but the interest expense continues to rise.
- Loans that have not been lost because the loan payments have not been entered into the system.
- Disappear applications that cannot be opened when the loan is due.
- Various people are taking out loans.
- Business actors applying for online credit use their identity data to apply for other credits.

Until 2016, there were no specific regulations providing legal protections for online credit customers. Accordingly, OJK has issued Financial Services Authority Regulation No. 77/POJK.01/2016 on Information Technology Based Loan and Credit Services [13].

The legal protection of consumers (customers) in fintech companies relates to the legal issues of consumer protection stipulated by Law No. 8 of 1999 on Consumer Protection. This is because the protection of consumer rights stems from regulatory regulations and government-created systems (OJK) related to fintech. Implementation of such protections should be based on Regulation No. 77/POJK.01/2016 of the Financial Services Authority (Regarding Information Technology Credit and Lending Services) [14].

Consumer protection in the financial services sector aims to create a credible consumer protection system, strengthen consumer self-determination, and raise awareness of the importance of consumer protection by financial services firms.

There are various consumer protection regulations issued by the Financial Services Authority (OJK) under regulation number. 13/POJK.02/2018 on digital financial innovation in the financial services sector.

- Chapter 30 Chapter10 Data Protection and Confidentiality states:
 - a. The Operator must maintain the confidentiality, integrity and availability of the personal, transactional and financial data under its control from the time the data is collected until the data is destroyed.
 - b. Provisions regarding the use of user data and information received from the Operator must meet the following requirements:
 - (1) obtain user consent;
 - (2) notify users of data and information usage restrictions;
 - (3) When the purpose of use of data and information is changed, notify the user of the change of purpose of use of data and information. When
 - (4) the media and methods used to obtain data and information ensure confidentiality, security and integrity;
- Chapter 31 Chapter11 Consumer Education and Protection

According to the article, his five basic principles of provider consumer protection are:

 - a. of transparency;
 - b. fair treatment;
 - c. reliability;
 - d. i.e. consumer data/information confidentiality and security
 - e. Handle complaints and resolve consumer disputes simply, quickly and affordably.
- Article 32 reads:
 - a. Providers must provide and/or keep financial services institutions and consumers up-to-date on digital financial services activities.

- b. The information in paragraph (1) will be set forth in documents or other means that can be used as evidence.

- Article 33 reads:

- a. Operators must notify consumers of the acceptance, postponement, or denial of applications for digital financial services.
- b. If the Business provides information regarding delay or refusal pursuant to Section 1, the Business must explain the reason for the delay or refusal.

Financial Services Authority (POJK) Regulation No. 77/POJK.01/2016 on Consumer Protection Part 2 Data Confidentiality Article 26 Operators must:

- Maintain the confidentiality, integrity and availability of the personal, transactional and financial data under our control from the time the data is collected until the data is destroyed.
- Ensure the availability of authentication, verification and validation processes that support refusal to access, process and perform personal, transactional and financial data under their control.
- Any collection, use, exploitation or disclosure of personal, transactional or financial data received by the Operator requires the consent of the owner of the personal data, transactional or financial data, unless otherwise required by law. We ensure compliance with regulations.
- To provide communication means other than electronic systems for information technology rentals and rental services to ensure continuity of customer service. This may take the form of email, call center, or other means of communication. When
- Notify the owner of personal, transactional and financial data in writing if personal, transactional and financial data held by the owner has not been kept confidential.

OJK protects a form of business suspension for online lenders when their actions are damaging and result in loss. In addition, OJK legally defends the public interest as consumers by filing a lawsuit in court against the party causing the loss and warning economic operators to rectify their deviations [13].

Article 45 of the ITE Act imposes criminal sanctions on online loan consumers for personal data breaches, including defamation. In addition to criminal sanctions, Article 47(1) of POJK No. 77/POJK.01/2016 provides sanctions in the form of warnings, fines, restrictions on business activities and withdrawal of permits, especially for online legal practitioners. Stipulates administrative sanctions in Lending business [15].

3 Conclusions

Until 2016, there were no specific regulations providing legal protections for online credit customers. Accordingly, OJK has issued Financial Services Authority Order No. 77/POJK.01/2016 on Information Technology Based Credit and Lending Services. These regulations serve as guidelines to protect lending customers online. Various other consumer protection regulations are issued by the Financial Services Authority (OJK) under

regulation number. 13/POJK.02/2018 On digital financial innovation in the financial services sector. Article 45 of the ITE Act imposes criminal sanctions on online loan consumers for personal data breaches, including defamation. In addition to criminal sanctions, Art. 47(1) POJK No. 77/POJK.01/2016 imposes administrative sanctions, particularly on online lending legal persons, in the form of warnings, fines, restrictions on business activities and withdrawal of permits. stipulates sanctions business.

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