Implementation Of Legal Protection Of Online Loans To The Community

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Abstract. Online loans have become an alternative solution for people who need to borrow money quickly and easily. As many as eighteen million Indonesians have debts with online loans. The method in this research is qualitative methods with depth interviews. The interview was conducted with the Investment Alert Task Force Division of the Financial Services Authority (OJK). The results of this study indicate that the implementation of legal protection carried out by the Financial Services Authority has been carried out by issuing consumer protection regulations, supervising and prosecuting providers who violate the provisions, as well as conducting socialization and education as a preventive measure. In addition, OJK also works with stakeholders and technology companies in Indonesia to spread awareness to the public so as not to be trapped by illegal online loans. Until now, the Financial Services Authority (OJK) is still working to improve the implementation of legal protection for the community so that people feel safe in becoming online loan customers.

Keywords: Online Loan, OJK, Regulation, Legal Protection

1. Introduction

The financial sector is one of the main pillars that support the strength of a country's economy. Today, the financial sector has an increasingly crucial role in driving economic growth through the process of capital accumulation and the application of technological innovation. With the industrial revolution 4.0, this sector is responding to changes by presenting various alternative products that offer convenience and speed in the transaction process. This phenomenon is known as financial technology or Fintech.

Fintech is a dynamic and fast-moving industry where there are different business models. In addition, there are those who reveal that fintech is a new financial service model developed with information technology innovation [1]. Historically, fintech first emerged as P2P in the UK in 2005. The first company to deploy the activity was Zopa. The founder of Zopa said that he saw an opportunity to bring the best experience in financial services by providing easy access and reasonable interest rates and promising investments.

Technology, especially information technology, has had a huge impact on human life. Its rapid development enables efficiency and profit in various activities. One of the growing forms of Fintech in Indonesia is Peer to Peer Lending, especially in the form of online loans. This phenomenon is driven by the high public interest in the convenience of the services offered by Peer to Peer Lending [2]

Online lending is a financial facility that allows the process of borrowing money to be done entirely digitally [3]. Starting from the application, and approval, to the disbursement of funds, everything is done online or through SMS and/or telephone confirmation [3]. Many companies today offer online loan services to fulfill various needs, such as education costs, home purchases, or personal vehicles. This development is inseparable from the rapid penetration of information technology, especially the Internet [4].

Online loans have also become a popular choice in Indonesia due to their flexibility. Unlike conventional banks or lending institutions, online loans offer a term that can be tailored to the borrower's needs [5]. In addition, the process is relatively quick and does not require any collateral, making it a more practical alternative to borrowing money from relatives or friends who often have time and amount limitations [5].

However, behind these conveniences, online lending also carries a high risk. Ignorance or lack of understanding of the rules applied by service providers often leads to serious problems. One of the main risks is the interest rate that continues to increase without the borrower realizing it so the installment burden is getting

Y. Kardiman et al. (eds.), *Proceedings of the 5th Annual Civic Education Conference (5th ACEC 2024)*, Advances in Social Science, Education and Humanities Research 909,
https://doi.org/10.2991/978-2-38476-372-6_20

bigger. This often causes borrowers to fail to repay their loans, leading to asset seizures or forced collection actions. Such violations often occur with online loan providers that are illegal and not under the supervision of the Financial Services Authority (OJK) [6].

Furthermore, online loans also pose a risk to personal data security. There are many cases where user data has been stolen by irresponsible parties, posing an additional threat to borrowers. Therefore, while online lending offers various benefits, it is important for the public to have an in-depth understanding of the terms and conditions in order to avoid greater potential losses [7].

In Indonesia, fintech has only been recognized for about 5 years. The emergence of fintech in Indonesia actually began in 2015 through the Indonesian Fintech Association (AFI) which aims to provide business partners for certain parties. The development of fintech since 2015 to date has resulted in approximately 97 platforms registered and licensed by the Financial Services Authority (OJK). Although the existence of fintech makes it easier for people to carry out financial activities, it also has several disadvantages, such as relatively high interest rates to the risk of being trapped by illegal online loans.

In order to avoid problems and protect the public as fintech consumers, the Financial Services Authority released a number of regulations. Some of these regulations are Law Number 1 of 2024 concerning the Second Amendment to Law Number 11 of 2008 concerning Electronic Information and Transactions (ITE). Law Number 1 of 2024 concerning the Second Amendment to Law Number 11 of 2008 concerning Electronic Information and Transactions (ITE). OJK RI Regulation No. 3 Year 2024 on the Implementation of Innovation OJK RI Regulation No. 3 Year 2024 on the Implementation of Financial Technology Technology Innovation. Sector OJK RI Regulation No. 10/POJK.05/2022 on Information Technology-Based Joint Funding Services. Finance. OJK RI Regulation No. 10/POJK.05/2022 on Information Technology Based Joint Funding Services. OJK RI Regulation No. 22 of 2023 on Consumer and Community Protection in the Financial Services Sector, covering Article 102, Article 103, and Article 104.

Through stricter regulations and preventive measures such as socialization and financial education, the Financial Services Authority (OJK) is working with other institutions to ensure safe and scalable fintech operations. However, public financial literacy is a major challenge that needs to be improved so that the utilization of fintech can be done wisely and safely. Fintech has revolutionized the global financial industry by providing more effective tools to improve the financial well-being of Indonesians.

2. Methods

The research method applied in this study was in-depth interviews. This technique was chosen to elicit detailed information from relevant sources, thus enabling a more comprehensive understanding of the phenomenon studied. This approach provides flexibility for the researcher to explore the views of the interviewees and explore aspects that have not been covered in previous literature [8].

Interviews were conducted to obtain primary data by involving the Investment Alert Task Force Division of the Financial Services Authority (OJK) as the main informant. The selection of these informants was based on relevance to the research topic, given OJK's role in supervising and handling illegal investments. Thus, the data obtained is expected to provide an in-depth perspective on the strategies, challenges, and policy implementation related to online lending.

During the interview process, several questions were asked regarding the phenomenon of online lending, both legal and illegal, and the legal protection measures that have been taken to protect people who are trapped by illegal online loans. The interview was conducted online through the Zoom Meeting platform with representatives from the Investment Alert Task Force Division of the Financial Services Authority (OJK) on June 9, 2024.

Secondary data was collected from various relevant sources, including scientific literature, research reports, and legislation related to online lending. The use of secondary data aims to provide a theoretical basis and complement the findings from primary data, to enrich the analysis in this study [9].

3. Results and Discussion

Based on research that has been obtained through in-depth interviews with the Pasti Task Force Team, and the Financial Services Authority (OJK) the implementation of legal protection for users of this service continues to be carried out. Article 1 point 3 of the Financial Services Authority Regulation Number 3 / Year 2024 concerning the Implementation of Financial Sector Technology Innovation explains the definition of fintech as Financial Sector Technology Innovation (ITSK) with the definition of technology-based innovation that has an impact on products, activities, services, and business models in the digital financial ecosystem[10]. Financial Sector Technology Innovation, hereinafter abbreviated as ITSK, is a technology-based innovation that impacts products, activities, services, and business models in the digital financial ecosystem. One type of ITSK circulating in the community is fintech lending organized by a limited liability company. The parties involved in fintech lending activities include lenders (fund providers), borrowers (fund recipients), and electronic system providers (peer-to-peer lending providers).

In the implementation of fintech lending circulating in the community, there are two types of operations, namely legal and illegal. Legal online loans are financial services provided by fintech institutions or platforms that have been registered and regulated by the Financial Services Authority (OJK) in Indonesia. With the rapid development of technology, online loans have become one of the solutions to meet people's financial needs quickly and easily, especially for those who do not have access to traditional banking. One of the key features of legal online lending is transparency. Lenders are required to provide clear and open information regarding interest rates, administration fees, and loan terms before the borrower signs the agreement. This allows borrowers to fully understand the obligations they will be taking on and avoid the pitfalls of hidden fees. In addition, legal online lending platforms are also required to safeguard the protection of borrowers' personal data. They are prohibited from misusing such information for purposes outside the agreement. In the digital age, where personal data is highly vulnerable to misuse, this aspect is very important. Thus, borrowers can feel more secure when applying for a loan through a registered platform.

Before they can operate, each online lender must register and obtain a license from OJK. This process involves evaluating the company's business model, operational policies, and managerial capabilities. OJK acts as a watchdog, ensuring that all online lenders meet set standards and operate in accordance with applicable laws. Through this oversight, OJK can prevent practices that harm the public, such as aggressive collection or charging unreasonable interest rates. Based on peer-to-peer (P2P) lending data and statistics, the total number of P2P lending or fintech lending companies licensed with the Financial Services Authority as of July 12, 2024, is 98 (ninety-eight) companies. One of the main advantages of legal online lending is the legal protection for borrowers. If a borrower feels aggrieved by a lender, they can report the matter to OJK. A complaint mechanism is provided by OJK that allows borrowers to get help in resolving the issues they face. This includes issues related to fee transparency, unethical billing, or other problems. Regulations aimed at protecting consumers and ensuring fair practices in the industry are contained in POJK No. 77/POJK.01/2016. This is the main regulation governing information technology-based money lending services. People who are trapped in legal online loans have the certainty of legal protection through POJK No. 22 of 2023 on Consumer and Community Protection in the Financial Services Sector. This regulation was drafted to ensure that consumer rights are maintained and obligations as consumers are fulfilled [11].

Illegal online loans are money lending services offered by platforms or individuals that are not registered and regulated by the Financial Services Authority (OJK) in Indonesia. Despite offering easy access to funds, illegal online loans often carry significant risks for borrowers, both financially and legally. A key feature of illegal online loans is the high interest rates charged. These platforms typically charge much higher interest rates than legal loans, and borrowers are often not given clear information about the additional fees or interest rates to be paid at the outset. This creates a debt trap that is difficult to avoid, where borrowers are trapped in a cycle of ever-increasing interest payments.

In addition, illegal lending platforms often use unethical and aggressive collection practices. These collection methods can include threats, intimidation, and even harassment, both against borrowers and their family members. In many cases, collection is done through social media or personal communication, creating a deep sense of fear for borrowers. A serious problem associated with illegal online lending is the misuse of personal data. Lenders often access borrowers' personal information without permission, such as cell phone contacts, to scare them during collection. In some cases, such personal information may also be disseminated to third parties, which may pose further risks to borrowers. Through data from the Definitive Task Force on illegal investment, illegal pinjol and pinpri in the period November 2023, 337 illegal online loans on a number of websites and applications have been blocked and 288 contents related to personal loans (pinpri) have been found that potentially violate the provisions of personal data confidentiality. Data from the OJK Consumer Protection Portal Application (APPK) for the period January 1, 2024 to September 13, 2024 reported a total of 71,915 (seventy-one thousand nine hundred and fifteen) consumers and/or the public who submitted information/complaints, asked questions and complained to the OJK regarding online loans. Not only that, the collection system in illegal online loans also uses debt collectors who are not equipped with certain regulations or licenses. So the collection of consumers is not done properly. This then becomes the beginning of the problem of online loans circulating in the community.

Not being registered with OJK means that borrowers from illegal lending platforms have no legal protection. In case of problems, such as aggressive collection or discrepancies in the agreement, borrowers find it difficult to get legal recourse. The enforcement process against illegal lenders can also be very slow, and borrowers often feel trapped without any channels to resolve their problems. However, the public can still report the contact numbers of debt collectors or illegal online lending websites to the Definitive Task Force Team to recommend blocking these illegal accounts. If the collection has criminal elements, such as threats, terror, or intimidation, the victim can file a report with the police on the basis of unpleasant actions. Generally, the public can report illegal online lending actions on the basis of Law No. 11/2008 on Electronic Information and Transactions (ITE) and POJK No. 77/POJK.01/2016 on Information Technology-Based Lending and Borrowing Services [12].

Based on interviews with the Pasti Task Force Team, it was found that as of August 2024, there were 9,000 illegal online loans that had been blocked by OJK together with Kominfo. This figure is inversely proportional to the number of legal online loans which only reached 98 (ninety-eight). The existence of illegal online lending platforms is still quite common. They often operate clandestinely, utilizing applications or websites that are difficult to trace.

Furthermore, regarding efforts to overcome online loan cases by the financial services authority, the Financial Services Authority issued consumer protection regulations. As through POJK Number 22 of 2023 concerning Consumer and Community Protection in the Financial Services Sector. Is one of the regulations issued by the Financial Services Authority (OJK) to provide stronger protection of consumer and community rights in activities in the financial services sector. This regulation comes as a response to the rapid development of the financial industry, especially in the digital era, which raises various new risks for consumers. Focusing on consumer protection, the POJK aims to prevent losses that can arise from illegal or irregular activities in the financial services sector, whether in banking, insurance, investment, or fintech. In addition, OJK aims to create fairness in financial services, where service providers and users alike must comply with applicable rules, to ensure consumer rights are protected and service providers do not abuse their position. POJK Number 22 of 2023 regulates several important aspects related to consumer protection in the financial services sector. One of the main aspects regulated is transparency and information disclosure, where financial service providers are required to provide clear, accurate and easy-to-understand information regarding their products and services, including the risks and costs that may arise. In addition, the protection of personal data is also an important focus in this regulation. Financial service providers are prohibited from misusing or sharing consumer data without clear consent. To resolve disputes, POJK 22/2023 sets out guidelines for a resolution mechanism that must be conducted in a fast, fair, and transparent manner between consumers and service providers. This regulation also requires every financial service provider to have an effective mechanism in handling consumer complaints, so that the problems faced can be resolved immediately. In addition, POJK 22/2023 prohibits practices that harm consumers, such as intimidating or coercive billing methods in product offerings.

OJK supervises the fintech provider company. This is regulated in Article 1 of POJK Number 22 of 2023 concerning Consumer and Community Protection in the Financial Services Sector, as follows: Article 1 Point 20, Supervision of PUJK Behavior (Market Conduct) is supervision of PUJK behavior in designing, providing, and conveying information, offering, preparing agreements, providing services for the use of products and/or services, as well as handling complaints and resolving disputes in an effort to realize consumer protection. In addition, related to Information Technology-Based Joint Funding Service Providers are regulated in the Financial Services Authority Regulation Number 10/POJK.05/2022 concerning Information Technology-Based Joint Funding Services [13]. The Task Force must have taken action in November 2023 to block 337 illegal online loans on a number of websites and applications and found 288 contents related to personal loans (pinpri) that have the potential to violate personal data confidentiality provisions.

OJK has the main task of supervising financial service providers, both in the banking, insurance, fintech, and other financial institutions sectors. This supervision aims to ensure that each provider complies with established regulations, such as POJK Number 22 of 2023. Regular supervision is carried out by OJK together with the Pasti Task Force Team and other stakeholders on the operations of financial service providers, ensuring that they continue to comply with existing rules regarding information transparency, personal data protection, and services to consumers. Not only administrative monitoring, OJK can also conduct direct checks on organizers' activities, either through internal audits or external checks, to ensure compliance. If a violation is found, OJK has the authority to take action against the organizers who violate the provisions. In the early stages of a violation, OJK will usually give a written warning to the offending organizer. The aim is to give the organizer the opportunity to correct existing mistakes or shortcomings. If the violation persists or is serious, OJK can impose administrative sanctions, such as fines, restrictions on business activities, or reduced rights to operate. For very serious violations, OJK has the authority to revoke the organizer's operational license, which means that the service can no longer operate legally. This is usually done if the organizer is proven to have committed serious violations, such as misuse of consumer data or fraudulent practices.

This supervision and enforcement aims at several important things. First, to protect consumers who are vulnerable to losses if financial service providers do not comply with existing rules. With strict supervision, OJK ensures that consumers are protected from unethical practices, fraud, and other potential losses. Second, maintaining financial sector stability. Organizer non-compliance can reduce public confidence in the financial system. Through strict enforcement, OJK seeks to ensure the stability and integrity of the financial sector is maintained. Third, encouraging organizer compliance. Enforcement carried out by OJK also aims to educate organizers so that they are more compliant with applicable regulations and carry out their operations in a better and regulated manner.

As a preventive effort, the Financial Services Authority (OJK) together with the Pasti Task Force Team continues to educate and socialize online loans to the public. Education and socialization regarding illegal online loans to the public are carried out through various channels, including social media, as a preventive measure. OJK regularly issues press releases related to information about illegal online lending platforms that have been blocked, in collaboration with the Ministry of Communication and Information Technology (Kominfo). In addition, OJK also provides the public with a list of registered and supervised legal online loans to provide clear guidance.

Socialization to the public is carried out in various forms, such as webinars, online socialization, and offline socialization activities. OJK also cooperates with various parties to expand the reach of information, as well as attending invitations as resource persons in various events related to the prevention of illegal online loans. These efforts aim to increase public awareness of the risks of illegal loans and provide accurate information on legitimate platforms.

The Pasti Task Force Team stated that it often collaborates with a number of parties in disseminating vigilance information related to peer-to-peer lending that is roaming the community. OJK and the Task Force Team have collaborated with various parties to eradicate illegal online loans. One of them is with Google, where OJK asks for help to verify applications that will be published on Playstore, using guidance from OJK to ensure that only legal and supervised loan applications can be accessed by the public.

The cooperation with Kominfo and telecommunication service providers such as Telkomsel and Indosat to distribute SMS blasts containing important information about online loans to users. OJK also established a partnership with the Ministry of Foreign Affairs (Kemenlu) to distribute information about legal online loans to Indonesian citizens abroad through the Indonesian Embassy.

Collaboration with various stakeholders was also carried out, such as with PT KAI, where warning videos about illegal online loans were installed on trains in almost all DAOPs. In addition, videotrons in various cities were also used to spread the message of being wary of illegal loans. There are also communication channels through WhatsApp and Instagram managed by the Pasti Task Force to make it easier for the public to get information and report illegal lending practices.

4. Conclusion

Based on research and interviews with the Financial Services Authority (OJK) Definitive Task Force Team, legal protection for fintech service users continues to be improved. OJK Regulation Number 3 Year 2024 defines fintech as Financial Sector Technology Innovation (ITSK), which includes technology-based innovations in products, activities, services, and business models. One common form of ITSK is fintech lending, which involves lenders, borrowers, and peer-to-peer lending providers. OJK has regulated licensing and supervision mechanisms to ensure that these services provide maximum protection for consumers.

Legal online lending is overseen by the OJK and is required to meet certain standards, including transparency of fees and protection of personal data. This provides a sense of security for consumers who access financial services through legal platforms. In contrast, illegal online loans often charge high interest rates, lack transparency, and use aggressive collection methods that harm borrowers. The misuse of personal data by illegal platforms is also a serious problem, which has led to the blocking of thousands of platforms by OJK and Kominfo.

Regulations such as POJK Number 22 of 2023 on Consumer and Community Protection in the Financial Services Sector are designed to strengthen consumer protection. This regulation regulates transparency, personal data security, and fair dispute resolution mechanisms. In addition, OJK and the Task Force Team must supervise fintech providers to ensure compliance with regulations. Actions against violations include giving warnings, fines, and revocation of operational licenses.

OJK's efforts also include educating and socializing the public about the dangers of illegal online loans. Socialization is conducted through various channels, including social media, webinars, and cooperation with related parties. The campaign aims to raise public awareness of the risks of illegal lending and provide guidance on choosing legal platforms that are supervised by OJK. Support from other parties, such as Kominfo, the Ministry of Foreign Affairs, and telecommunication service providers, expanded the reach of this information.

Cross-sector cooperation is also an important strategy in combating illegal online lending. OJK works with technology platforms, telecommunications operators, and the media to educate the public and block illegal platforms. This step shows OJK's strong commitment to protecting consumers and ensuring financial sector stability in the digital era. With continuous supervision, OJK seeks to create a safe and reliable digital financial ecosystem for the community.

Acknowledgments

The authors would like to thank the Financial Services Authority through the PASTI Task Force for being willing to help by becoming a resource person in the data collection process of this article. The authors also express their gratitude to all parties who directly or indirectly helped the completion of this article.

Disclosure of Interest

There is no conflict of interest in this research. This research is fully funded by the Faculty of Social Sciences and Law at Universitas Negeri Jakarta.

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