

LEGAL PROTECTION FOR ONLINE-BASED LENDING CONSUMERS

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Abstract - The legal protection of online lending consumers is crucial in the era of digitalization, given the challenges faced such as fraud, inappropriate collection practices, and unauthorized dissemination of personal data. This study analyzes the effectiveness of existing regulations, such as the Consumer Protection Law and OJK regulations, and evaluates their impact on consumers. While the regulations provide a good legal framework, enforcement and implementation remain ineffective. Key challenges include lack of consumer understanding of loan terms, low transparency of fees, and intimidating collection practices. To improve protection, consumer education, increased transparency by service providers, and stricter enforcement are recommended. Coordination between the government and the financial industry is also needed to ensure consumer rights are comprehensively protected. With these measures, a safer and more reliable online lending environment for consumers is expected.

Keywords: Consumer protection, online lending, regulation, transparency, consumer education, unfair billing.

INTRODUCTION

In the era of digitalization and globalization, online lending has become one of the popular alternatives for people to obtain credit and achieve financial goals. However, the increasing popularity of online lending also increases risks for consumers, such as the possibility of fraud, data manipulation, and the absence of effective legal protection. Several examples of online loan fraud cases that have occurred in the past have raised awareness of the importance of legal protection for online loan consumers.

At the beginning of its emergence, the innovative use of information technology in the financial system was considered a new innovation that could make it easier for people to access financial services digitally (Issalillah et al., 2021; Kemarauwana, 2020). The existence of this technology is expected to bring benefits to the community in terms of efficiency and convenience. However, with the emergence of online loan applications that offer convenience in the loan application process with only a KTP and the speed of disbursement of funds, causing people to flock to become consumers and use online loan applications. People are tempted by the convenience and speed offered without considering the risks that may occur. Due to the large number of people using online loan applications, various problems began to arise. There are various types of legal problems that occur due to the existence of online loan applications that cause harm to consumers. This is a warning that although information technology brings many benefits, it must still be balanced with understanding and awareness of the risks involved.

Problems that arise include extremely high interest rates, implementation of interest-bearing rates, inappropriate collection practices, billing to emergency contacts, family, or at the consumer's office location, high administrative fees, application name changes and removal from the application system, use of ID cards to borrow on other platforms, and dissemination of consumer personal data used. Therefore, with the problems mentioned above, it is important to consider and examine the urgency of legal protection provided by the state to consumers who use online loan services.

Many consumers do not understand the terms of online loans and have difficulty repaying them. In addition, the existence of additional fees and unclear interest is also one of the factors that cause consumers to become victims of fraud. However, the problem of legal protection for online loan consumers is not only limited to fraud. The existence of uncertainty and non-transparency in the terms of online loans is also one of the factors that cause consumers to become victims. Therefore, legal protection of online loan consumers is very important to ensure the safety and rights of consumers.

In this case, it is important to see and examine the urgency of legal protection provided by the state for consumers who use online loan applications. Adequate legal protection can help protect consumers from arbitrary billing practices and provide a guarantee of fairness in financial transactions. In this regard, there is a need for clear regulations and effective law enforcement to protect consumer rights and prevent inappropriate collection practices.

Demands for a more effective role for the government and financial industry in overseeing the online lending industry. The government needs to enforce comprehensive and strong laws to penalize lenders who violate consumer rights. Meanwhile, the financial industry needs to raise awareness about the risks associated with online lending and develop strategies to protect consumer rights.

The two objectives of the study are to analyze the effectiveness of legal protection for online lending consumers in preventing fraud, inappropriate collection practices, and the dissemination of consumers' personal data. This study will involve analyzing the existing regulations, law enforcement, and the impact felt by consumers in terms of the legal

protection provided. The objective of the review is to evaluate the effectiveness of existing legal protections and identify any deficiencies or weaknesses in the system that need improvement.

It also discusses the challenges and problems faced by online lending consumers in understanding loan terms, unclear additional fees, and unfair collection actions. The purpose of this review is to understand the consumer perspective, identify the most common problems faced, and propose solutions or recommendations to improve consumer understanding and protect their rights in online lending transactions.

With the review conducted, it is hoped that there will be a better understanding of the legal protections afforded to online lending consumers as well as steps that can be taken to improve protection and fairness in the industry.

RESEARCH METHODS

In this study, we used the literature study method by studying various sources on the legal protection of online loan consumers. These sources include books, journals, and news related to this theme. This study also refers to relevant legal regulations, such as those related to the protection of online loan consumers, including Law Number 8 of 1999 concerning Consumer Protection. This law regulates the principles, objectives, rights, obligations, prohibited acts, responsibilities of business actors, national consumer protection agencies, non-governmental consumer protection organizations, dispute resolution, consumer dispute resolution bodies, investigations, and sanctions related to consumer protection. In addition, it is also important to pay attention to regulations issued by the Financial Services Authority (OJK) related to online loan services. These regulations include provisions that aim to protect the interests of consumers and balance consumer protection with the interests of businesses. In the context of online lending consumer protection, these regulations serve as an important legal foundation to ensure consumer safety and rights in digital financial transactions.

RESULTS AND DISCUSSIONS

Evaluation of the Effectiveness of Legal Protection for Online Loan Consumers

In the growing digital era, online lending has become a quick and practical solution for many individuals who need funds instantly. While providing convenience, this phenomenon also brings various legal issues, such as fraud, inappropriate collection practices, and the dissemination of consumers' personal data. Legal protection of online loan consumers is becoming increasingly important to address these challenges and ensure that consumer rights are protected (Negara & Darmawan, 2023). This study aims to analyze the effectiveness of existing legal protections in preventing various negative practices associated with online lending.

The regulations governing online lending in Indonesia cover several important aspects, including licensing, supervision, and sanctions against online lending service providers that violate the provisions. The Financial Services Authority (OJK) as the authorized institution has issued several regulations aimed at protecting consumers. One of the main regulations is OJK Regulation No. 77/POJK.01/2016 on Information Technology-Based Money Lending and Borrowing Services, which regulates various operational aspects of online loan service providers.

In addition, Law No. 8/1999 on Consumer Protection also provides a legal basis for the protection of consumer rights in online lending transactions. This regulation covers the obligation of service providers to provide clear and honest information, protect consumers' personal data, and provide an effective complaint mechanism. While this regulation provides a fairly comprehensive legal framework, the effectiveness of its implementation still needs to be evaluated.

Enforcement against online lenders that violate regulations is a crucial aspect of ensuring consumer protection. OJK has a central role in supervising and taking action against service providers that do not comply with regulations. However, in practice, law enforcement often faces various challenges. One of the main challenges is the number of illegal online loan service providers that continue to emerge. Although OJK routinely blocks illegal online lending sites and applications, many of them continue to operate under new names and identities.

In addition, law enforcement against inappropriate collection practices is also a serious concern. There have been many reported cases where service providers have been intimidating and threatening consumers. Enforcement in this case is often difficult due to lack of evidence and complexity in the reporting process. Efforts to improve law enforcement in this regard need to be supported by easier reporting mechanisms and protection for whistleblowers.

One of the biggest problems in online lending transactions is the unauthorized sharing of consumers' personal data. Many consumers have reported that their personal data was disseminated by online loan service providers as a form of pressure to pay the loan immediately. This dissemination of personal data not only violates consumers' privacy rights, but can also cause significant material and immaterial losses.

Regulations related to personal data protection in Indonesia are still under development. The Personal Data Protection Law, which is expected to provide stronger protection for consumers' personal data, is still being discussed in the House of Representatives. Currently, the protection of personal data of online lending consumers is regulated in

various separate regulations, such as the Minister of Communication and Informatics Regulation No. 20/2016 on Personal Data Protection in Electronic Systems. However, the implementation and enforcement of these regulations still need to be improved to provide effective protection.

The impact of existing legal protections on online loan consumers can be seen from several perspectives. First, in terms of reducing fraud cases, existing legal protections have helped reduce the number of illegal online loan service providers operating in Indonesia. Nonetheless, there are still many consumers who fall victim to fraud due to a lack of education and awareness about safe online lending.

Second, in terms of improper billing, legal protections have provided a basis for consumers to report cases of abusive billing. However, the effectiveness of this protection is still limited by obstacles in the reporting and enforcement process. Consumers are often afraid to report cases of inappropriate billing for fear of greater negative repercussions.

Third, in terms of personal data protection, existing regulations have provided a fairly good legal framework, but implementation still needs to be improved. Online loan service providers that do not comply with personal data protection provisions are still prevalent, and cases of dissemination of consumers' personal data are still common. Stronger protection of consumers' personal data will help reduce the risk of data misuse and provide a sense of security for consumers.

Although there are various regulations governing online lending and consumer protection, there are still some shortcomings that need to be addressed to improve the effectiveness of legal protection. First, there needs to be improved coordination between various authorized institutions, such as OJK, MOCI, and law enforcement agencies, to ensure more effective and integrated law enforcement (Mardikaningsih & Darmawan, 2023).

Second, education and socialization about safe online lending needs to be improved. Many consumers still do not understand the risks and their rights in online loan transactions. A more intensive education campaign will help increase consumer awareness and reduce the number of fraud victims.

Third, there needs to be a reporting and complaint mechanism that is more accessible and protected. Consumers should feel safe to report cases of inappropriate billing and personal data breaches without fear of repercussions. Anonymous reporting service providers and whistleblower protection can be a solution to this problem.

Fourth, regulations related to personal data protection need to be passed and implemented effectively. Stronger protection of personal data will help prevent unauthorized data sharing and provide a sense of security for consumers in online transactions (Indaryanti et al., 2023).

The legal protection of online lending consumers in Indonesia has provided a good basis for preventing fraud, inappropriate collection practices, and the dissemination of consumers' personal data. However, the effectiveness of these legal protections still needs to be improved through enhanced law enforcement, consumer education, and more comprehensive regulations. With more coordinated efforts and stronger protections, it is hoped that online lending consumers can feel safer and more protected in transacting in the digital world. Identifying shortcomings and improving existing systems are important steps towards creating a safer and more reliable online lending environment

Challenges and Issues in Online Loan Consumer Protection: Perspectives, Identification, and Recommendations

Online lending has provided many benefits but also poses various challenges and problems for consumers. Among the main issues are consumers' inability to understand the loan terms properly, additional fees that are often not clearly explained, and unfair and intimidating collection actions. This study aims to explore these issues from a consumer perspective, identify the most common challenges faced, and propose solutions or recommendations to improve consumer understanding and protect their rights in online lending transactions.

One of the biggest problems faced by online lending consumers is the difficulty in understanding the loan terms set by the service provider. These terms are often presented in complex legal language that is not easily understandable to the average consumer. In addition, important information such as interest rates, loan terms, and consequences of late payments are often hidden in lengthy and confusing documents.

Consumers are often rushed through the loan application process and do not have enough time or knowledge to read and understand all the terms. As a result, many consumers end up trapped in loans with terms they do not fully understand, which in turn can lead to serious financial problems.

In addition to difficulties in understanding the loan terms, many consumers also face problems with additional fees that are not clearly explained at the start of the loan process. These fees may include administration fees, service fees, late fees, and others. Online loan providers are often not transparent in explaining these fees to consumers, so consumers only realize the additional costs after they have already taken out a loan.

This lack of transparency can cause consumers to be surprised by the amount they have to pay and worsen their financial situation (Issalillah & Khayru, 2023). For example, high late fees may cause the loan amount to be much larger than expected, putting consumers further into debt.

Unfair and intimidating collection practices are another serious problem often faced by online loan consumers. Some servicers use aggressive and unethical collection methods, such as excessively contacting consumers, threatening

with legal action, or even disseminating consumers' personal information to third parties as a form of pressure for consumers to pay their loans immediately (Hasibuan, 2019).

These actions not only violate consumers' rights, but can also cause significant emotional and psychological stress. Many consumers feel intimidated and afraid to report these unfair collection practices, so they are forced to pay despite their difficult financial circumstances (Lestari, 2018).

From a consumer perspective, the challenges faced in online lending transactions reflect a lack of adequate protection and support. Consumers often feel that they do not have enough information or tools to make informed decisions about the loans they take. They also feel that their rights are not respected by service providers, especially in terms of transparency of fees and billing practices. Some of the most common key issues faced by online loan consumers include:

- a. Inability to Understand Loan Terms: Many consumers are unable to understand complex and confusing loan terms.
- b. Low Transparency of Fees: Consumers are often not given clear information on the additional costs associated with the loan.
- c. Unfair Collection Practices: Aggressive and intimidating collection methods are often used by servicers, leaving consumers feeling pressured and unprotected.
- d. Lack of Education and Awareness: Many consumers are not knowledgeable about online lending and their rights as consumers.

In this case, legal protection of online loan consumers can be done by regulating clear and transparent loan terms, and guaranteeing consumers' rights to have fair access to information and consultation. This should be based on good etiquette from service providers (Busro, 2013). They should simplify and clarify the terms of their loans. Important information such as interest rates, loan terms, and consequences of late payment should be presented clearly and understandably to consumers. Online lenders should provide clear and accurate information about online loan products to consumers. Precautions should be taken so that online loan consumers should have proper access to correct and accurate information about online loan products. Service providers should be more transparent in explaining all additional costs associated with the loan. These costs should be explained in detail at the start of the loan process so that consumers can make informed decisions. Conversely, consumer awareness of their rights as customers can increase their legal protection (Nugroho, 2020). More intensive educational campaigns should be conducted to raise consumer awareness about online lending. Consumers should be provided with sufficient knowledge about the risks and their rights in online lending transactions.

The government also needs to enforce comprehensive and strong laws to penalize lenders who violate consumer rights. The government and relevant authorities should implement stricter regulations on collection practices. Service providers who violate the provisions should be subject to strict sanctions to protect consumer rights (Dewi, 2015). There should be an easily accessible and protected grievance mechanism for consumers who experience problems with online loan service providers. Consumers should feel safe to report violations without fear of negative repercussions.

In addition, legal protection of online loan consumers can also be done by developing better human capabilities. This can be done by providing training and education to workers in the financial industry on the principles of good credit and consumer protection. In this regard, it is also important to raise public awareness about the risks associated with online lending and the importance of legal protection of consumers.

In addition, legal protection of online loan consumers can also be done by developing better information technology. This can be done by using technologies like artificial intelligence and machine learning to detect and prevent fraud. In this regard, it is also important to enhance cooperation between the government, financial industry, and the public to share information and coordinate efforts.

Coordination between the government and the financial industry can enhance the legal protection of consumers. In order to improve the legal protection of online loan consumers, the government also needs to play a more active role in supervising the financial industry and taking strict action against lenders who violate consumer rights. In addition, it is also important to raise public awareness about the importance of legal protection of online lending consumers and how to protect themselves from the risks associated with online lending.

Online lending provides easy access to finance for many people, but it also brings various challenges and problems for consumers. Difficulty in understanding loan terms, unclear surcharges, and unfair collection practices are some of the key issues faced by consumers. To improve consumer protection, simplification of loan terms, transparency of fees, strict collection regulations, and better education and awareness among consumers are needed. With these measures in place, it is hoped that consumers can better understand their rights and feel more protected in online lending transactions.

As such, legal protection of online lending consumers is essential to ensure consumer safety and rights. Therefore, the government, financial industry, and the public need to work together to raise public awareness about the risks associated with online lending and how to protect themselves from these risks

CONCLUSIONS

Legal protection for online loan consumers is essential to ensure consumer safety and rights. However, this legal protection is still limited and ineffective. Therefore, efforts need to be made to improve the legal protection of online loan consumers, such as increasing consumer awareness, increasing transparency, and improving coordination between the government and the financial industry. Thus, consumers can enjoy credit safely and comfortably without fear of being cheated or criminalized.

In an effort to enhance consumer protection, it is important to raise consumer awareness about their rights and responsibilities as borrowers. This can be done by educating consumers on how to recognize and report fraudulent activities. In addition, there is a need to increase transparency by lenders by providing clear and accurate information on loan terms, including interest rates, fees, and repayment terms.

The government also needs to establish an effective grievance mechanism for consumers to report problems or concerns with lenders. In this regard, the government also needs to enforce a code of conduct for lenders that regulates their responsibilities and obligations towards consumers. In addition, there needs to be closer cooperation between the government and the financial industry to share information, coordinate efforts, and address issues related to online lending.

The government also needs to establish a terms of reference for resolving disputes between consumers and lenders, including mediation and arbitration processes. In this regard, it is also important to provide training to lenders on consumer protection law and good credit principles. In addition, the government needs to conduct regular audits of online lending platforms to ensure that they operate in accordance with consumer protection laws. By implementing such measures, we can improve consumer protection in online lending and reduce the risk of crime and financial exposure for consumers.

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