

LEGAL PROTECTION FOR USERS OF PEER-TO-PEER LENDING SERVICES IN THE FINTECH ECOSYSTEM IN INDONESIA

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Abstract

The evolution of financial technology (fintech) has spurred numerous innovations in digital financial services, notably Peer-to-Peer (P2P) Lending platforms. These platforms facilitate straightforward funding access for individuals by linking lenders and borrowers via online interfaces. Yet, P2P lending expansion has engendered several legal issues, including the proliferation of unlicensed fintech entities, improper handling of personal information, and collection methods contravening statutory norms. This investigation examines the regulatory framework for P2P lending in Indonesia, the nature of safeguards for platform users, and the obstacles alongside strategies for enhancing protections within the fintech landscape. Employing normative legal inquiry with statute-based and conceptual methodologies, the findings indicate that P2P lending governance in Indonesia draws from diverse instruments, encompassing the Financial Services Authority statute, Financial Services Authority rules on IT-enabled crowdfunding, and provisions for consumer rights and data privacy. User protections in fintech are delivered via preemptive and corrective measures. Nevertheless, enforcement encounters persistent hurdles, underscoring the imperative for regulatory fortification, intensified oversight, and elevated public financial awareness.

Keywords: Fintech, Peer-to-Peer Lending, Legal Protection.

A. INTRODUCTION

Advancements in information technology have propelled a profound shift in the worldwide financial landscape, fostering a more streamlined and accessible digital finance ecosystem. Among the key innovations, Financial Technology (fintech) enables broader reach to financial offerings via digital means. In Indonesia, peer-to-peer (P2P) lending platforms have emerged as a rapidly expanding fintech variant, functioning as online marketplaces that directly connect funders and seekers, bypassing traditional banking intermediaries. This approach is valued for promoting financial inclusion by extending credit opportunities to segments historically underserved by conventional banks. Nonetheless, this accessibility has precipitated diverse legal concerns, particularly regarding user safeguards in transaction integrity, informational openness, and personal data security.

Under Indonesia's domestic legal framework, P2P lending fintech has secured formal recognition through an array of statutes, notably Law Number 21 of 2011 on the Financial Services Authority, Law Number 8 of 1999 on Consumer Protection, and Financial Services

Authority Regulation (POJK) Number 77/POJK.01/2016 on IT-Based Lending Services, subsequently revised by POJK Number 10/POJK.05/2022. These instruments fundamentally seek to ensure juridical predictability and safeguards for all stakeholders in the fintech domain. Viewed through the lens of consumer protection legislation, they mandate platform operators to uphold tenets of transparency, equitable conduct, technological dependability, and the safeguarding of user data alongside privacy rights.¹

Nevertheless, the operational landscape of P2P lending in Indonesia reveals multifaceted legal complexities. The Financial Services Authority (OJK) has documented numerous consumer grievances concerning unethical debt recovery tactics, unauthorized use of personal information, opaque interest calculations, and the emergence of illicit online lending outfits. These developments highlight that fintech proliferation frequently outpaces the preparedness of supporting legal infrastructures. Often, service users find themselves disadvantaged by informational asymmetries and the platform providers' overriding influence over service terms and conditions.²

From a normative standpoint, Indonesia's legal framework has established diverse consumer protection tenets applicable to digital economic endeavors. The Consumer Protection Law stipulates that individuals hold rights to comfort, security, and safety when consuming goods and/or services. Yet, practical enforcement within the fintech sphere encounters substantial impediments, notably in oversight, regulatory compliance, and adjudication of disputes between users and operators. This fosters a divergence between prescriptive ideals (*das sollen*) and empirical realities of fintech deployment (*das sein*).

Such disparities manifest across multiple dimensions. Primarily, despite mandates for operators to secure user data confidentiality, practical instances persist of data exploitation by providers and external entities. Secondly, stipulations demanding clear disclosure of interest rates, fees, and risks are frequently inadequately conveyed to consumers. Thirdly, mechanisms for resolving user-operator conflicts remain inefficient, often hindering access to equitable remedies. These shortcomings underscore deficiencies in regulatory architecture and supervisory execution within Indonesia's fintech sector.³

¹ Arner, Douglas W. and Barberis, Janos Nathan and Buckley, Ross P., "The Evolution of Fintech: A New Post-Crisis Paradigm?" University of Hong Kong Faculty of Law Research Paper No. 2015/047, (2015) : 62.

² Disemadi, Hari & Yusro, Mochammad & Balqis, Wizna. "The Problems of Consumer Protection in Fintech Peer To Peer Lending Business Activities in Indonesia". *Sociological Jurisprudence Journal* 3, (2020) : 91-97.

³ Siti Yuniarti dan Abdul Rasyid, "Consumer Protection in Lending Fintech Transaction in Indonesia: Opportunities and Challenges," *Journal of Physics: Conference Series* 1477 (2020): 5–6, <https://doi.org/10.1088/1742-6596/1477/5/052016>

Prior scholarship has explored multiple facets of legal safeguards in P2P lending platforms. Budiharto, Lestari, and Hartanto underscored the pivotal role of OJK regulations in safeguarding transaction participants, particularly lenders, within P2P lending arrangements. Disemadi, Yusro, and Balqis highlighted diverse consumer protection deficiencies in fintech operations, attributing them to inadequate oversight of digital platform conduct.⁴ Meanwhile, Yuniarti and Rasyid highlighted that existing regulations are still not fully able to answer the challenge of consumer protection in fintech transactions that are cross-platform and based on digital technology.⁵

That said, extant research predominantly addresses broad consumer safeguards or lender protections, with comparatively scant attention to targeted analyses of legal defenses for P2P lending users embedded in the fintech milieu. Moreover, prior works often provide descriptive overviews of pertinent regulations, eschewing rigorous normative evaluations of the protective framework's efficacy as constructed through Indonesia's fintech statutes. Hence, dedicated inquiry is warranted to dissect the architecture of user protections for P2P lending services from a normative legal vantage, assessing alignment between governing norms and on-the-ground fintech practices.

In light of this context, the present research endeavors to dissect the configuration of legal safeguards for peer-to-peer lending users within Indonesia's fintech landscape and to appraise the congruence between regulatory standards for fintech and their societal application. Additionally, it seeks to pinpoint regulatory shortcomings and articulate strategies for augmenting user protections in P2P lending, thereby advancing a balanced, open, and impartial digital finance paradigm for every stakeholder in Indonesia's fintech domain.

B. RESEARCH METHODS

This article employs a normative juridical methodology, a research paradigm centered on scrutinizing legal norms embedded in statutes, doctrinal expositions, and judicial rulings pertinent to the issue under investigation. Normative legal inquiry conceptualizes law as an interconnected normative edifice designed to deliver predictability, equity, and societal utility. The analytical lenses adopted herein comprise a statutory approach and a conceptual approach. The former involves dissecting an array of regulations pertinent to peer-to-peer lending within

⁴ Disemadi, Hari & Yusro, Mochammad & Balqis, Wizna, *Op.Cit* , 95.

⁵ Siti Yuniarti and Abdul Rasyid, *Op.cit.*

Indonesia's fintech sphere, including Law Number 21 of 2011 on the Financial Services Authority, Law Number 8 of 1999 on Consumer Protection, Law Number 27 of 2022 on Personal Data Protection, and Financial Services Authority Regulation Number 10/POJK.05/2022 on IT-Based Joint Funding Services. The latter probes juridical constructs concerning consumer safeguards, liabilities of digital platform providers, and protective principles in tech-facilitated financial dealings, thereby elucidating the normative architecture and its pertinence to fintech practices in Indonesia.

Data sources encompass primary, secondary, and tertiary legal materials. Primary sources include statutes and rules governing fintech and consumer rights; secondary sources comprise monographs, peer-reviewed journal articles, antecedent studies, and expert commentaries aligned with the inquiry's focus. Tertiary sources consist of legal lexicons, encyclopedias, and ancillary references aiding comprehension of juridical terminology and ideas. Data accrual proceeds via library research, entailing systematic review of legal texts, policy instruments, and scholarly outputs on fintech and P2P lending user protections.

C. RESULTS AND DISCUSSION

1. Legal Regulation of Peer-to-Peer Lending Services in Indonesia

a. Concepts and Characteristics of Peer-to-Peer Lending in Fintech

Financial Technology (fintech) constitutes an advancement in financial services that leverages digital tools to enhance operational efficiency, broaden access, and elevate service standards. A swiftly expanding fintech variant in Indonesia is Peer-to-Peer (P2P) Lending, defined as an IT-driven lending mechanism connecting funders and debtors via online platforms, circumventing traditional financial intermediaries.⁶

Under Indonesian jurisprudence, P2P lending refers to financial services facilitating direct connections between lenders and borrowers for loan agreements via internet-enabled electronic systems. This paradigm offers a swifter and more straightforward financing pathway, particularly benefiting micro, small, and medium enterprises (MSMEs), which commonly encounter barriers to credit from established banks.

The main characteristics of P2P lending include:

⁶ Ryan Randy Suryono, Indra Budi, Betty Purwandari, "Detection of fintech P2P lending issues in Indonesia", *Heliyon*, Vol.7, No. 4, (2021.): 2

- 1) Digital platforms as intermediaries that bring together lenders and borrowers.
- 2) Transaction processes based on information technology such as applications or websites.
- 3) Funding comes from individuals or non-bank institutions.
- 4) The credit process uses digital data analysis (technology-based credit scoring).⁷

Yet, the sector's swift proliferation has triggered numerous legal challenges, including personal data exploitation, non-compliant debt collection methods, and the emergence of unregistered platforms outside Financial Services Authority (OJK) oversight. Thus, robust legal frameworks are essential to guarantee juridical stability and safeguards for all involved parties.

b. Legal Basis of Peer-to-Peer Lending Arrangements

- 1) Law Number 21 of 2011 concerning the Financial Services Authority

The regulatory foundation for overseeing the fintech domain, encompassing P2P lending, derives from Law Number 21 of 2011 on the Financial Services Authority (OJK). This statute empowers the OJK to govern and monitor every facet of financial services, incorporating fintech advancements. Exercising this mandate, the OJK serves as both regulator and watchdog, safeguarding financial stability and advancing consumer welfare.

- 2) Financial Services Authority Regulation Number 10/POJK.05/2022 of 2022 concerning Information Technology-Based Joint Funding Services

The main regulation that specifically regulates P2P lending, this regulation regulates various important aspects, including:

- a) Requirements for establishing a P2P lending provider
- b) Fintech company licensing and registration
- c) Rights and obligations of the parties (lenders, borrowers, and organizers)
- d) Restrictions on foreign share ownership
- e) Risk management and consumer protection.

According to these provisions, the organizer must be in the form of a legal entity of a Limited Liability Company (PT) or cooperative and must be registered and

⁷ Budiharto, S. N. Lestari, and G. Hartanto, *Op.Cit* : 278.

obtain a permit from the OJK before carrying out its operational activities. In addition, this regulation tightens various provisions such as:

- a) minimum capital increase of the Company
- b) strengthening risk management,
- c) consumer protection arrangements,
- d) and increased transparency of information to users.⁸

This step was taken to address various problems that arise in the practice of P2P lending, including the high level of bad loans and the rise of illegal operators.

3) Consumer Protection Regulation

In addition to fintech-specific regulations, legal protection for users of P2P lending services is also supported by several other regulations, including:

- a) Law Number 8 of 1999 concerning Consumer Protection
- b) POJK Number 6/POJK.07/2022 concerning Consumer and Community Protection in the Financial Services Sector
- c) Law Number 27 of 2022 concerning Personal Data Protection.

The three regulations provide a legal basis to protect the rights of fintech users, especially related to information transparency, personal data security, and dispute resolution mechanisms.

2. Forms of Legal Protection for P2P Lending Service Users

a. Legal Protection Concept Related to Fintech Services

Innovations in financial technology (fintech) have reshaped the financial services arena, prominently featuring P2P Lending. This framework enables swift funding acquisition via digital interfaces linking lenders directly with borrowers. While affording convenient credit access, P2P lending introduces legal vulnerabilities for participants, including unauthorized personal data handling, improper collection tactics, and ambiguous operator accountabilities amid conflicts.⁹

Legally construed, protection entails measures safeguarding legal subjects' entitlements against detrimental conduct. Satjipto Rahardjo defines it as endeavors to shield individuals' stakes by empowering them to safeguard their prerogatives. Within

⁸ Paramita Prananingtyas, Moh. Asadullah Hasan Al Asy'arie, Moh. Asadullah Hasan Al Asy'arie, "Model and Regulatory Framework for Sharia Fintech Peer to Peer Lending in Indonesia," *Russian Law Journal* 12, no. 2, (2024): 213-219.

⁹ Ryan Randy Suryono, Indra Budi, Betty Purwandari, *Op.Cit* : 3.

P2P lending operations, such safeguards seek to assure users—whether lenders or borrowers of juridical predictability, transactional integrity, and equitable handling by platform providers.

b. Preventive Protection for P2P Lending Service Users

Preventive legal protection is protection provided before a violation of the law or loss to service users occurs. This form of protection aims to prevent disputes between users and platform operators.

1) Licensing and Supervision Obligations by OJK

A key preventive safeguard mandates P2P lending operators to register and secure OJK approval prior to commencing operations. This licensing regimen aims to verify that platforms possess robust operational frameworks, risk mitigation protocols, and sound governance structures. Via ongoing oversight, the OJK monitors operator conduct and intervenes upon detection of regulatory infractions.

2) Transparency of Information to Users

P2P lending providers are required to provide complete and clear information to users regarding various aspects of services, such as:

- a) Loan Interest Rate
- b) Administration Fees
- c) Risk of default
- d) Payment Mechanism and Late Fines

This transparency obligation aims to ensure that users fully understand the risks arising from borrowing and borrowing transactions through fintech platforms.

3) Personal Data Protection

Digital technology deployment in P2P lending grants platform operators extensive access to user personal information, rendering data protection a critical component of fintech user safeguards. Law Number 27 of 2022 on Personal Data Protection compels electronic system managers to uphold the confidentiality, security, and wholeness of such data. Breaches of these mandates may incur administrative or penal consequences.¹⁰

¹⁰ Grandson Eva is served by Antari, and the Lord of the Rings is more of a triumvirate. "Legal Protection Of Consumer Personal Data Peer To Peer Lending Through Financial Technology In Indonesia: An Approached Of Comparative Study". *Journal of Legal Communication (JKH)*, Vol. 10, no.2, (2024): 93–115.

c. Repressive Protection for P2P Lending Service Users

In addition to preventive protection, the law also provides a repressive protection mechanism that aims to resolve disputes in the event of violations or losses to service users.

1) OJK Complaint Mechanism

Aggrieved users of P2P lending platforms may lodge complaints with the OJK via its Consumer Services unit (LJK). The OJK subsequently investigates the submission and acts if violations are substantiated. This procedure exemplifies legal recourse enabling administrative resolution of disputes for the public, circumventing protracted court proceedings.

2) Dispute Resolution Through Administrative Efforts

Beyond OJK channels, conflicts between fintech users and operators may be adjudicated via the Financial Services Sector Alternative Dispute Resolution Agency (LAPS-SJK). This body offers resolution pathways encompassing mediation, adjudication, or arbitration. Its purpose is to deliver expedited, straightforward, and cost-effective alternatives to conventional litigation.

3) Civil Lawsuits and Sanctions

If a user suffers losses due to a violation of the law by a fintech operator, the user can also file a civil lawsuit based on the provisions of the Civil Code regarding default or unlawful acts. In addition, organizers who violate the provisions of laws and regulations can also be subject to administrative sanctions by the OJK, such as:

- a) Written Warning
- b) Restrictions on Business Activities
- c) revocation of business licenses.

3. Challenges and Efforts to Strengthen Legal Protection in the Fintech Ecosystem

a. Legal Protection Challenges in the Fintech Ecosystem

The development of fintech presents a number of challenges that need to be overcome through proper regulations and policies. Some of the main challenges in legal protection in the fintech ecosystem include the following:

- 1) The rise of illegal Fintech

A primary hurdle in Indonesia's fintech landscape is the prevalence of unlicensed platforms evading OJK authorization. Such rogue entities proffer loans with streamlined approvals yet impose exorbitant rates and ruthless collection tactics. Scholarly analyses indicate that these operators exploit societal gaps in financial acumen and formal credit availability, rendering individuals susceptible to predatory exploitation. Compounding this, illicit platforms typically lack robust data safeguards, heightening perils of personal information abuse.¹¹

2) Abuse and Leakage of Personal Data

At its core, fintech hinges on big data and digital infrastructures for credit evaluations and transaction oversight. Absent commensurate security protocols, this data utilization harbors grave hazards. Indonesian incidents reveal operator misuse of user personal details, such as infiltrating phone contacts to coerce repayments. Such conduct infringes privacy entitlements and contravenes personal data protection statutes.

3) Position Imbalance between Users and Platforms

Practically, interactions between fintech users and operators exhibit pronounced power imbalances. This stems from users' frequent lack of expertise or comprehension regarding platform-drafted contract stipulations. Fintech agreements predominantly employ boilerplate forms impervious to user negotiations on specific provisions. Consequently, exploitative or onerous terms risk prejudicing users.¹²

4) Cybercrime Risk

The fintech environment critically depends on electronic infrastructures and internet connectivity, rendering it susceptible to cyber threats including hacking, data breaches, and online scams. Such assaults imperil not only individual users but also systemic financial equilibrium. Hence, bolstering information system resilience constitutes a vital element in fortifying legal safeguards across the fintech sector.¹³

b. Efforts to Strengthen Legal Protection

¹¹ Disemadi, Hari & Yusro, Mochammad & Balqis, Wizna, *Op.Cit.*

¹² Shidarta, *Hukum Perlindungan Konsumen Indonesia* (Jakarta: Grasindo, 2014) : 91.

¹³ Ross P. Buckley et al., "Building FinTech Ecosystems: Regulatory Sandboxes, Innovation Hubs and Beyond," *Washington University Journal of Law & Policy*, Vol. 61, (2019) : 60.

To overcome these challenges, governments and regulators have made various efforts to strengthen legal protection in the fintech ecosystem.

1) Strengthening Fintech Regulations

A pivotal measure for enhancing legal protections involves enacting more thorough regulatory frameworks. In Indonesia, the cornerstone for P2P lending fintech is Financial Services Authority Regulation Number 10/POJK.05/2022 on IT-Based Joint Funding Services. This instrument imposes stricter standards on licensing, oversight, and user safeguards. Notably, it mandates operators to maintain prescribed capital thresholds, deploy sound risk controls, and furnish accessible grievance channels for consumers.

2) Strengthening OJK Supervision

The OJK plays a crucial role in upholding fintech ecosystem integrity via its regulatory and enforcement capacities. Lately, it has vigorously combated illicit fintech through interagency partnerships, including with the Ministry of Communication and Information. Initiatives encompass disabling rogue platforms, levying administrative penalties on noncompliant operators, and intensifying monitoring of licensed entities.

3) Improved Personal Data Protection

Fortifying personal data safeguards is essential for cultivating a reliable and secure fintech environment. Indonesia's government enacted Law Number 27 of 2022 on Personal Data Protection, establishing firmer juridical foundations for digital service user privacy. The legislation delineates duties for electronic system operators, encompassing fintech providers, such as ensuring data integrity, securing explicit user approval prior to processing, and disclosing breaches promptly.

4) Sandbox Regulation Development

To adapt to rapidly evolving technological advancements, the OJK employs a regulatory sandbox framework, enabling controlled trials of fintech products or services prior to full market deployment. This process allows evaluators to assess innovation risks and confirm adherence to security and consumer protection benchmarks before broad public rollout.

5) Improving Financial Literacy and Inclusion

Beyond regulatory and oversight measures, elevating public financial literacy emerges as a cornerstone for robust fintech protections. Numerous issues in fintech operations arise from societal unfamiliarity with digital finance hazards. Accordingly, governmental bodies and financial entities persist in delivering awareness campaigns on prudent fintech utilization and the primacy of patronizing OJK-vetted and monitored services.

D. CONCLUSION

The fintech landscape presents substantial prospects for advancing financial inclusion and broadening public access to monetary services. Nevertheless, its progression introduces legal hurdles, encompassing unlicensed operators, personal data exploitation perils, user-platform power disparities, and cyber threats.

Countering these demands bolstering safeguards via exhaustive regulatory frameworks, heightened OJK oversight, reinforced data privacy measures, regulatory sandboxes, and enhanced financial education initiatives. Such actions are poised to foster a sustainable Indonesian fintech ecosystem with comprehensive protections for every user.

E. RECOMMENDATIONS

Governmental authorities must persist in refining statutes governing the fintech domain, particularly P2P modalities. Fintech's accelerated evolution frequently surpasses commensurate regulatory refinements, fostering exploitable juridical gaps for malfeasant actors. Consequently, harmonization of fintech-related legislation spanning financial services, consumer safeguards, and data privacy is imperative.

As the designated overseer of financial services, the OJK should intensify monitoring of fintech entities, with emphasis on P2P lending. This vigilance ought to extend beyond initial licensing to encompass continuous scrutiny of operational conduct. Moreover, platform operators bear responsibility for upgrading cybersecurity infrastructures to shield user data against breaches or abuse. They must further guarantee ethical debt recovery practices that respect user entitlements.

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