



Obstacles in the Implementation of Online Loans in Indonesia (Based on Protection Law Consumer)

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ABSTRACT

Online loans are platforms that allow individuals or businesses to apply for and obtain loans over the internet. Online loans offer convenience and accessibility. However, there are also illegal online loans that are harmful to their users. This is the background for the emergence of two problem formulations, namely how legal regulations governing the practice of online loans and how consumer legal protection in online loans. The research method used is normative juridical. The results found that Financial Services Authority (Otoritas Jasa Keuangan/OJK) as the responsible authority has issued Financial Services Authority Regulations (Peraturan Otoritas Jasa Keuangan/POJK) No. 77/POJK.01/2016 on Information Technology-Based Money Lending and Borrowing Services. However, the implementation and effectiveness of this regulation is still a big challenge. Many online lending platforms operate without a license and ignore the applicable regulations, thus posing a high risk to consumers. Recipients of online loans can be said to be consumers because they are users of a service. In this case, online loan services, consumer protection has been regulated in Law No. 8 of 1999 of Consumer Protection, and regarding consumer protection in online loans has also been regulated in POJK No. 77/POJK.01/2016 and Bank Indonesia Regulation No. 3 of 2023 on Bank Indonesia Consumer Protection, although there are already regulations governing online loan consumers, online loan consumer protection is still a problem because many illegal online loans are always looking for loopholes and circumvent existing regulations.

A. INTRODUCTION

In recent years, the development of digital technology has brought significant changes in various sectors, including the financial sector. One of the innovations that emerged from this development is online loan services or what is often known as fintech (financial technology) lending, basic forms of fintech include payments (digital wallets, P2P payments), investment (equity crowdfunding, peer to peers lending), financing (crowdfunding, microloans, credit facilities), insurance (risk management), cross process (big data analysis, predictive modeling), infrastructure (security) (Iman, 2016).

Online loans offer easy access and speed in the process of applying and disbursing funds, which makes them increasingly popular among Indonesian people. Online Loans



are a platform that allows individuals or businesses to apply for and get loans via the internet, and the process is fast and without many requirements compared to traditional banks, Online loans suit the market in Indonesia because ownership and use of mobile phones are very high (Arifin, 2018).

Online loans can be accessed via devices connected to the internet, such as smartphones, tablets, or computers, and only require filling out a form digitally, this allows borrowers to apply for loans anytime and anywhere without geographical restrictions. Online loans in Indonesia have been very rapid in the last few years. Reports from the Financial Services Authority (*Otoritas Jasa Keuangan/OJK*) show an increase in the number of fintech companies lending and the volume of loans disbursed.

Online loan service providers operate without official permission from the OJK. These illegal loans often involve exorbitant interest rates, hidden fees, and unethical billing practices, which harm consumers. This fraud not only undermines public trust in fintech services but also endangers the stability of the financial sector as a whole (Fisabilillah & Hanifa, 2021).

One of the biggest challenges is ensuring consumer protection from unfair and exploitative practices. Many consumers do not understand the terms and conditions of loans, including interest rates and additional fees. This can cause consumers to become trapped in a cycle of debt that is difficult to overcome. Therefore, strict regulations are needed to protect consumer rights and ensure information transparency (Listiyono et al., 2023).

Online loans offer convenience and accessibility but also have several dangers and risks. Many online loan platforms are illegal ones that charge very high interest rates, far exceeding the interest rates charged by traditional financial institutions, this can make loans very expensive and difficult to repay. And also uses aggressive and intimidating collection methods, including threats, harassment, and psychological pressure on borrowers.

Social impacts are also felt by victims, such as worsening relationships with family and friends due to debt pressure. and aggressive billing. It also often happens that personal data provided to online loan platforms is misused or sold to third parties without permission.

For this reason, there is a need for regulations regarding online loans. Until this research is made, regulations regarding online loans are still developing, OJK as the responsible authority has issued various regulations to regulate and supervise fintech activities lending, including Financial Services Authority Regulations (*Peraturan Otoritas Jasa Keuangan/POJK*) No. 77/POJK.01/2016 on Information Technology-Based Money Lending and Borrowing Services.

However, the implementation and effectiveness of these regulations remains a major challenge. Many online loan platforms operate without permits and ignore applicable regulations, thereby posing high risks for consumers.

In online loans regulations regarding consumer protection are very important. The

presence of consumer protection regulations can limit interest rates and additional fees charged by loan providers, thereby preventing the exploitation of consumers through unfair practices such as very high interest rates consumer protection provides a legal basis that is clear regarding consumer rights, such as the right to obtain information, the right to file a complaint, and the right to obtain protection from unfair business practices.

With consumer protection, it certainly makes consumers feel safer when using online loan services. This can increase consumer participation in the digital financial sector and encourage more inclusive economic growth. When disputes arise between consumers and online loan providers, consumer protection ensures that there is a fair and efficient dispute resolution mechanism.

Currently, online loan consumer protection is generally regulated by the Law No. 8 of 1999 on Consumer Protection in Indonesia which mandates that consumers have the right to obtain comfort, security, and safety in consuming goods and/or services. Apart from that, consumers also have the right to correct, clear, and honest information regarding the condition and guarantee of the goods and/or services they consume. The existing reality shows that many online loan services do not fully comply with these principles.

Online loan growth illegality in Indonesia is very fast due to the high demand for fast and accessible loans, and also because registration for legal online loan providers is of course quite time-consuming and goes through several processes, so online loans emerge. Illegal who does not register a company and immediately operate without any legal restrictions and violate legal regulations.

Even though there are already legal regulations, in fact, legal action against violations by online loan service providers also faces various obstacles. Complexity in law enforcement related to fintech, limited resources, and the need for coordination between various related institutions are factors that hinder the effectiveness of enforcement.

Therefore, an in-depth study is needed to understand the challenges of legal regulations in cracking down on online loans from the perspective of consumer protection law. Consumer protection in online loan services is the key to creating a fair, safe, and transparent financial environment for all parties involved.

Based on this background, this research aims to identify and analyze legal regulatory challenges regarding online loan enforcement with a focus on consumer protection aspects. It is hoped that this research can provide policy recommendations that can strengthen consumer protection and increase the effectiveness of legal action against online loan service providers who do not comply with regulations.

B. METHOD

Research this use method studies law juridical-normative, according to Soerjono Soekanto (Soekanto & Mamudji, 2012) approach juridical normative study of the law is carried out with method research material references or secondary data as base for researched with method stage search to regulations and related literature with the

problems studied.

Study this uses secondary data techniques on materials like document laws, books, and articles, the approach used is approach laws that apply to various constitution protection consumers like constitution in Law No. 8 of 1999 on Consumer Protection, regulation financial services authority about protection consumers and online lending, and regulations related other.

C. RESULTS AND DISCUSSION

Obstacles in the Implementation of Online Loans in Indonesia

Legal regulations are a series of rules or regulations created and enforced by competent authorities, such as the government or legislative bodies, to regulate the behavior of individuals, organizations, and other entities in society, legal regulations function to create a just, orderly, and sustainable social order, and ensure that the rights and interests of all parties involved are protected.

Legal regulations play an important role in online lending, legal regulations play a role in regulating provisions regarding transparency, maximum interest rates, consumer rights, and personal data protection, effective and comprehensive legal regulations are the key to creating a safe and sustainable environment for all parties involved in online loan ecosystem.

Online loans are included in the realm of civil law because they are a form of binding agreement between the parties involved, with terms and protection mechanisms that are by civil law principles. Online loans involve an agreement or agreement between the lender (usually an online loan platform) and the borrower (an individual or corporation borrowing money). Civil law regulates agreements of this kind that involve agreements between two or more parties.

Online loans in civil law it is regulated in Article 1754 of the Civil Code which reads (Tjitrosudibio, 2017):

“A loan is an agreement in which one party gives another party several consumer goods, with the condition that the party receiving the goods will return similar goods in the same quantity and quality. In the case of money loans, this means that the lender gives a certain amount of money to the recipient of the loan with the condition that the recipient will return the same amount of money at the agreed time.”

Overall, the main differences between regular loans and online loans lie in the application process, requirements, convenience, regulations, costs, and data security, online loans offer greater convenience and accessibility, but can also have higher risks and costs, and online loans are a form of providing financial technology.

The understanding of financial technology is contained in Bank Indonesia Regulation No. 19/12/PBI/2017 ([Bank Indonesia Regulation Number 19/12/PBI/2017](#)), concerning the Implementation of Financial Technology (further referred to as ‘PBI Financial Technology’), which in essence means the meaning of financial technology is the use of technology in the financial system that produces products, services technology, and/or

new business models.

In civil law, every legal claim must have a basis, namely something that gives rise to an obligation to be responsible. Legal responsibility in online loans arises when the loan agreement is agreed upon and signed by both parties. This marks the beginning of a binding legal obligation to comply with agreed terms, including loan repayment, interest, and other fees. With this agreement, both the lender and the borrower are bound by the agreement by applicable legal provisions.

Loan legal online is regulated by law and if an error or negligence occurs then you must be legally responsible because you are a loan provider in your business (Sidabalok, 2014), legal responsibility in civil law aims to provide protection and compensation for losses to the injured party (Komariah, 2002).

Online loan providers face various serious legal consequences, ranging from criminal and civil sanctions to reputational losses and business closure. Financial authorities and law enforcement work together to ensure that online lending practices are carried out in accordance with existing regulations to protect consumers and maintain the integrity of the financial system.

OJK issued No. 77/POJK.01/2016 regulating information technology-based money lending and borrowing services (peer-to-peer lending) (Arfi, 2023), which includes online loans. This regulation explains that only the OJK has the authority to issue business permits for fintech service providers lending that meet the established requirements, and establishes obligations for fintech service providers lending, including the obligation to convey information to the OJK, implement good governance, provide protection to consumers, and carry out business activities in accordance with applicable regulations.

OJK Regulation No. 77/POJK.01/2016 aims to regulate consumer protection, including conveying clear and transparent information to consumers, handling consumer complaints, as well as organizers obligations to protect consumer personal data and create a healthy and orderly business environment in the fintech industry lending, including online loans.

Online loan providers/organizers who commit negligence or errors that cause losses to debtors can be sued civilly using Article 37 POJK Fintech P2P (Candra & Turingsih, 2016), and Article 1365 of the Civil Code, or if the debtor experiences personal data being accessed without the debtor's knowledge and then misused by the online loan provider, then the online loan provider can be punished by Law No. 11 of 2008 on Information and Electronic Transactions Article 26 paragraph (1) and (2) (Law Number 11 of 2008).

Based on Article 1 No. 8 POJK No. 77/POJK.01/2016 (Financial Services Authority Regulation Number 77/POJK.01/2016). Organizer Service Online Loan is an Indonesian legal entity that provides, manages, and operates Service Borrow Borrowing Based Money Technology based on POJK No. 77/POJK.01/2016. Article 1 No. 6 referred to as recipient loan is a person or legal entity that has debt due to an information technology based money lending and borrowing service agreement (Akbar, 2021),

And also based on POJK No. 77/POJK.01/2016 Article 1 No. 7 Giver Loan is a legal

entity that provides, manages, and operates information technology-based money lending and borrowing services and must be a legal entity established based on Indonesian law.

Even though there are already regulations governing online loans, there are still challenges that must be faced. There are often legal loopholes that can be exploited by irresponsible service providers. Existing regulations must be able to anticipate various scenarios and modus operandi used by illegal business actors.

Unfortunately, supervisory authorities such as the OJK have limited resources in monitoring thousands of online loan providers spread throughout Indonesia, and also the factor that many consumers in Indonesia do not have a sufficient understanding of the risks and obligations associated with online loans. As a result, they are vulnerable to fraud and unfair practices from irresponsible loan providers.

The government needs to improve regulations, law enforcement, consumer protection, and financial literacy, in the hope that this can create an online lending ecosystem that is safer, fairer, and more responsible. These efforts must continue to be made to ensure that online loan services can provide maximum benefits for the Indonesian people without sacrificing security and fairness.

Legal Protection of Online Loan Consumer

Consumer protection arrangements in online lending face various challenges that need to be overcome to create a safe and fair environment for consumers. The large number of online lending platforms Illegals who operate without permission or supervision from the competent authority make regulation and law enforcement difficult. Therefore, there is a need for legal protection for online loan consumers.

Legal protection is an effort or mechanism provided by the legal system to protect the rights and interests of individuals or groups from actions or situations that are detrimental or unfair. Legal protection aims to ensure that everyone gets fairness and justice in various aspects of life, be it in social, economic, political, or personal relationships. Legal protection is provided to legal subjects in the form of legal instruments, both preventive (prevention of disputes) and repressive (settlement of disputes) or both written and unwritten ([Hadjon, 1997](#)).

Legal protection to consumer online loan users also needed to ensure that consumers are not exploited, their personal data is secure, and they are treated fairly and ethically. These protections also help maintain financial system stability, increase financial literacy, and prevent negative social and economic impacts that can arise from poorly regulated lending practices.

According to Satjipto Rahardjo, Protection law aims to give protection to basic Human Rights (HAM). is harmed by others and protection is given to society so that they can enjoy all rights granted by law ([Rahardjo, 2014](#)).

The government's role in protecting online loan consumers is essential to ensure that this service can be accessed safely, fairly, and transparently. By creating appropriate regulations, monitoring their implementation, providing education, and taking firm action

against violations, the government can protect consumers from risks and harmful practices, and ensure that the online lending industry develops in a sustainable way.

Consumer legal protection in online loans aims to ensure that consumers can use these services safely and fairly, as well as to maintain trust and stability in the online lending industry. With adequate protection in place, consumers can be protected from harmful practices, receive appropriate education, and have access to fair dispute resolution mechanisms and this ultimately supports the healthy and sustainable development of the online lending industry. Online loans are regulated by several regulations issued by the OJK as well as other regulations related to consumer protection in general.

The following are several gang regulations governing consumer protection in online loans:

POJK No. 77/POJK.01/2016 on Information Technology-Based Money Lending and Borrowing Services. This regulation regulates the implementation of information technology-based money lending and borrowing services, including licensing requirements, information transparency, consumer protection, and billing procedures. Bank Indonesia Regulation No. 3 of 2023 of Protection Bank Indonesia Consumers. Law No. 8 of 1999 of Consumer Protection: This law provides a broad legal basis for protecting consumers in various sectors, including financial services and online loans.

POJK No. 77/POJK.01/2016 aims to provide a clear and comprehensive framework to protect consumers in information technology-based lending and borrowing services, including online loans. By complying with the provisions in this POJK, it is hoped that service providers and consumers can interact in a fair, transparent, and sustainable environment, In the Bank Indonesia Regulation No. 3 of 2023 of Protection Bank Indonesia Consumers article 1 No. 3 ([Bank Indonesia Regulation Number 3 of 2023](#)), explained that protection consumer is all guaranteed effort exists certainty law for give protection to consumer.

In Law No. 8 of 1999 of Protection Consumers, Article 1 Paragraph 2 ([Law Number 8 of 1999](#)). The consumer is every user of goods and/or services available in society, fine for interest self yourself, family, other people, or creatures another life and no for traded, in online loans which are consumer is recipient lenders and givers loan is as perpetrator business will but between connection provider service and giver so-called loans, the consumer is giver loan.

OJK plays an important role in protecting online loan consumers in Indonesia. OJK is responsible for granting business permits to online loan service providers. Only providers who meet strict requirements can operate legally, with online loans illegal, Online loan providers, including closing applications or websites that operate without permission.

OJK also has the authority to submit defense law with a form giving the order to do something action to institution service finance for do completion to complain consumers and can submit lawsuit or report to perpetrator business or other parties who cause harm

to consumer (Suwandono, 2016).

When this OJK faces several challenges in protecting online loan consumers in Indonesia, such as technology in the fintech sector developing very quickly, often faster than existing regulations. This makes it difficult for the OJK to stay one step ahead in regulating and supervising new innovations and also many illegal loan providers operate from abroad, making cross-border law enforcement very difficult.

Some aspects of regulations may still be unclear or lacking in detail, giving rise to different interpretations in the field, and changing and updating regulations can be a long and complex process, while the need for rapid adaptation to changes in the field is urgent.

OJK needs to continue to increase its capacity and resources, strengthen cooperation with relevant agencies, expand consumer education programs, and proactively adapt regulations to technological developments and market needs.

OJK regularly carries out educational campaigns regarding online loans. Even though OJK has carried out educational campaigns, there are still many people who have not been reached and do not fully understand the risks of online loans and their rights as consumers. Many consumers do not understand the difference between legal and illegal loan providers., so they tend to be ensnared by illegal online loans.

Factors that make consumers vulnerable to online loans are that they are in an urgent situation and need funds quickly, often ignoring legality and security aspects, so they are vulnerable to being invited or persuaded to try online loans. illegal.

Another obstacle in online loan consumer protection is that not all online loan providers have the same commitment to complying with existing regulations. Some try to find loopholes to avoid certain requirements, which ultimately harms consumers.

D. CONCLUSION

Based on the explanation in the discussion, it can be concluded that online loans require legal regulations as a foundation for creating a safe, fair, and transparent ecosystem. By protecting consumers, maintaining data security, regulating competition, ensuring transparency and accountability, increasing public trust, and encouraging responsible innovation, legal regulations play a key role in optimizing the benefits of online lending services for society while minimizing risks and potential losses.

Online loans in Indonesia are regulated in the Financial Services Authority (*Otoritas Jasa Keuangan/OJK*) Regulation No. 77/POJK.01/2016, and because the basis of this online loan is a loan that occurs as a result of an agreement, online loans are included in the civil domain and are regulated in Civil Law with Article 1754 Civil Code.

OJK is the institution responsible for supervising online loan service providers and taking action against providers who operate without permits or violate regulations. OJK plays a key role in regulating and supervising online loan services through OJK Regulation No. 77/POJK.01/2016 on Information Technology-Based Money Lending and Borrowing Services. This regulation covers licensing requirements, organizer obligations, and consumer protection. Online loan service providers must obtain

permission from the OJK and comply with the stipulated conditions.

OJK also plays an important role in protecting online loan consumers in Indonesia, OJK is responsible for granting business permits to online loan service providers. Only providers who meet strict requirements can operate legally, with online loans illegal, OJK has the authority to take action against illegal online loan providers, including closing applications or websites that operate without permission. OJK has the authority to submit legal defense in the form of giving orders to take action to financial service institutions to resolve consumer complaints and can file lawsuits or reports against business actors or other parties who harm consumers.

Consumer protection in online loans in Indonesia has been well regulated through various regulations issued by the OJK and consumer protection laws. However, there are several challenges in protecting online loan consumers in Indonesia, such as technology in the fintech sector developing very quickly, often faster than existing regulations. This makes it difficult for the OJK to always be one step ahead in regulating and supervising new innovations and also many illegal loan providers operating from abroad, making cross-border law enforcement very difficult another obstacle in online loan consumer protection is that not all online loan providers have the same commitment to comply with existing regulations. Some try to find loopholes to avoid certain requirements, which ultimately harms consumers.

Legal protection for online loan consumers is fundamental to ensure that consumers are not exploited, their personal data is safe, and they are treated fairly and ethically. These protections also help maintain financial system stability, increase financial literacy, and prevent negative social and economic impacts that can arise from poorly regulated lending practices.

Consumer legal protection in online loans aims to ensure that consumers can use these services safely and fairly, as well as to maintain trust and stability in the online lending industry. With adequate protection in place, consumers can be protected from harmful practices, receive appropriate education, and have access to fair dispute resolution mechanisms. This ultimately supports the healthy and sustainable development of the online lending industry. OJK plays an important role in protecting online loan consumers in Indonesia, OJK is responsible for granting business permits to online loan service providers. Only providers who meet strict requirements can operate legally, with online loans illegal, OJK has the authority to take action against illegal online loan providers, including closing applications or websites that operate without permission

OJK also has the authority to submit legal defense in the form of giving orders to take action to financial service institutions to resolve consumer complaints and can file lawsuits or reports against business actors or other parties who harm consumers.

Even though there are regulations and responsible institutions, there are several challenges in protecting online loan consumers in Indonesia, such as technology in the fintech sector developing very quickly, often faster than existing regulations. This makes it difficult for the OJK to always be one step ahead in regulating and supervising new

innovations and also many illegal loan providers operating from abroad, making cross-border law enforcement very difficult another obstacle in online loan consumer protection is that not all online loan providers have the same commitment to comply with existing regulations. Some try to find loopholes to avoid certain requirements, which ultimately harms consumers and also there are still challenges that must be faced in implementing online loan legal regulations in Indonesia.

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