

LEGAL PROTECTION OF PARTIES IN INFORMATION TECHNOLOGY-BASED MONEY LENDING AND BORROWING SERVICE CONTRACTS OR PEER-TO-PEER LENDING

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Abstract

Legal Protection for Parties in Information Technology-Based Money Lending and Borrowing Service (LPMUBTI) or Peer-to-Peer (P2P) Lending Contracts in Indonesia. P2P Lending is a financial technology innovation that enables lenders and borrowers to transact directly without the intermediation of traditional financial institutions. Despite providing ease of access to financing, P2P Lending also presents various legal risks, such as imbalances in rights and obligations within contracts, misuse of personal data, and the proliferation of illegal platforms. This research employs a normative legal research method with a statutory approach and analyzes the regulations of the Financial Services Authority (OJK), particularly POJK Number 77/POJK.01/2016. The research findings indicate that although P2P Lending regulations are quite comprehensive, their implementation still faces various challenges, including low financial literacy among the public and weak supervision of illegal platforms. To create a fair, safe, and sustainable P2P Lending ecosystem, it is necessary to strengthen regulations, increase financial literacy, and provide more effective legal protection for lenders and borrowers. The recommendations provided include stricter law enforcement against illegal platforms, contract transparency, and education for the public regarding their rights as users of P2P Lending services.

Keywords : Legal Protection, P2P Lending, Financial Services Authority (OJK), Contract, Fintech

INTRODUCTION

The rapid advancement of digital technology has significantly impacted various sectors, particularly finance, with the emergence of Peer-to-Peer (P2P) Lending. P2P Lending is a financial technology platform that directly connects lenders and borrowers, bypassing traditional financial institutions like banks. Offering convenient access to quick financing with more flexible terms, P2P Lending has become an increasingly popular alternative, especially for individuals and businesses underserved by conventional banking (Aristoteles, 2020). However, this phenomenon also presents several critical issues that warrant serious attention.

1. This phenomenon not only highlights the substantial potential for enhancing financial inclusion but also unveils new challenges. On one hand, P2P Lending provides solutions for Micro, Small, and Medium Enterprises (MSMEs) facing difficulties in accessing bank credit. According to data from the Financial Services Authority (OJK) in 2023, the total loan disbursement through P2P Lending reached IDR 300 trillion with over 20 million users (Aristoteles, 2020). Conversely, numerous reported cases, such as borrowers receiving bills for loans they did not take out, substantial administrative deductions, and loan interest equivalent to the principal amount, indicate systemic problems within the service's operational practices. Lenders also frequently encounter difficulties in withdrawing their funds, while the criteria for assessing a company's financial health tend to overlook the inherent high-risk mitigation necessary in the P2P Lending business, mistakenly equating it with standard banking services (Hartono, 2021).
2. Despite P2P Lending aligning with financial inclusion objectives, low financial literacy among the population contributes to high non-performing loan rates, which reached 7.2% by the end of 2023. This raises a crucial question: does P2P Lending genuinely benefit the community, or does it impose a greater burden with increased risks? The apparent imbalance between lenders and borrowers, evident in high interest rates and unfair charges, coupled with inadequate legal protection for lenders facing non-performing loan risks, further exacerbates this situation (Rahardjo, 2020).
3. Another primary challenge is the existence of illegal platforms operating without proper oversight. These platforms often offer exorbitant interest rates and employ intimidating collection methods, creating uncertainty and financial losses for users. Although regulations such as the Financial Services Authority Regulation (POJK) No. 77/POJK.01/2016 have been implemented to foster a healthy ecosystem, many issues persist, particularly concerning the imbalance of rights and obligations between lenders and borrowers (Suhartoyo, 2020). This can erode public trust in P2P Lending services and potentially threaten the stability of the entire financial sector.

Economically, while P2P Lending offers positive micro-level impacts, such as assisting MSMEs and individuals in obtaining financing, the risks of non-performing loans and illegal platforms can pose systemic threats that disrupt financial sector stability. Therefore, a thorough study is essential to evaluate existing regulations and identify solutions to address the various emerging problems, ensuring that P2P Lending can function as a safer and more effective financial solution (Tambunan, 2019).

Based on the preceding discussion, the core research questions to be examined in this paper are as follows: (1) What is the legal protection for parties involved in information technology-based money lending and borrowing service (P2P Lending) contracts in Indonesia? (2) What are the solutions to establish a fair, safe, and sustainable P2P Lending ecosystem in Indonesia?

RESEARCH METHODS

This research employs normative-empirical legal research. Normative-empirical research is a method that integrates elements of normative law, which are subsequently

supported by the addition of empirical data or elements. This method aims to analyze the legal framework and principles of justice within the Peer-to-Peer (P2P) Lending system in Indonesia.

The approach used in this research is the statute approach. This approach involves studying the legal basis, ontology, philosophy, and *ratio legis* of regulations pertaining to P2P Lending.

The type of data used in this research is secondary data, obtained through literature review.

The data analysis technique utilizes a qualitative analysis method. This process includes:

- a. Data Classification: Sorting the collected data based on its relevance to the research.
- b. Descriptive Analysis: Describing the legal facts identified in a systematic manner.
- c. Deductive Analysis: Drawing specific conclusions from general data, based on positive legal norms, legal principles, and relevant theories.

RESULT AND DISCUSSION

Consumer Protection in P2P Lending

Consumer protection in Peer-to-Peer (P2P) Lending in Indonesia has become crucial given the rapid growth of the fintech industry, which brings various challenges and risks for service users. In this context, consumer protection encompasses various aspects, ranging from information transparency and personal data security to dispute resolution mechanisms. The Financial Services Authority (OJK) has issued several regulations to protect consumers; however, many challenges still need to be addressed to ensure that consumer rights are adequately protected.

One of the initial steps in consumer protection is the existence of clear regulations from the OJK. OJK Regulation Number 1/POJK.07/2013 concerning Consumer Protection in the Financial Services Sector regulates the basic principles of user protection, including the obligation of providers to provide accurate and non-misleading information. Information transparency is a key element in building trust between providers and users.

Another very important aspect of consumer protection is the security of personal data. With the increasing use of digital technology in financial transactions, the risk of personal data breaches also increases. P2P Lending providers are required to maintain the confidentiality of user data and not share it with third parties without permission. The importance of personal data protection in the P2P Lending scope cannot be overstated. Although there are regulations governing this, law enforcement against violations still needs to be strengthened so that consumers feel secure.

Dispute resolution mechanisms are also an integral part of consumer protection in P2P Lending. If problems arise between lenders and borrowers, it is important for the parties to have access to fast and efficient dispute resolution mechanisms. According to Article 38 of POJK No. 1/POJK.07/2013, providers are obligated to conduct internal examinations of complaints competently and objectively. Accessibility to dispute resolution mechanisms can increase the sense of security for P2P Lending service users. Although the OJK has established various regulations to protect consumers, challenges in law enforcement persist. Many MSME actors do not fully understand their rights as consumers in P2P Lending. A lack of understanding of consumer rights can lead to undetected violations and reduce the effectiveness of legal protection.

To enhance consumer protection in P2P Lending, several recommendations can be implemented. First, there needs to be socialization and education to the public regarding their rights as users of P2P Lending services. Second, the OJK needs to strengthen its supervision of P2P Lending providers to ensure that all regulations are properly complied with. Third, providers must increase information transparency regarding their products and services so that consumers can make more informed decisions.

Overall, the analysis of consumer protection in P2P Lending shows that although there are regulations from the OJK to protect user rights, many challenges still need to be overcome to ensure that this protection is effective. By increasing information transparency, personal data security, and accessibility to dispute resolution mechanisms, it is hoped that the P2P Lending ecosystem can develop healthily and provide maximum benefits to the community while supporting local economic growth through financial inclusion for MSMEs. Education on consumer rights also needs to be improved so that all parties can transact safely and comfortably within the P2P Lending ecosystem.

The Influence of Banking Law on P2P Lending Regulation

The influence of banking law on the regulation of Peer-to-Peer (P2P) Lending in Indonesia is a crucial aspect in understanding how this industry operates and develops. Banking law provides a fundamental framework that affects P2P Lending regulations, particularly in terms of consumer protection, transparency, and supervision. Since the issuance of the Financial Services Authority (OJK) Regulation Number 77/POJK.01/2016 concerning Information Technology-Based Money Lending and Borrowing Services, this regulation has adopted principles existing in banking law to create a safe ecosystem for all parties involved.

Banking law in Indonesia, governed by Law Number 10 of 1998 concerning Banking, provides the legal basis for financial institutions to conduct their operations. Within the scope of P2P Lending, although these platforms do not function as traditional banking institutions, many principles from banking law are adopted to protect consumers and ensure transparency. The influence of banking law in P2P Lending regulation provides a sense of security for service users.

One important aspect of the influence of banking law is consumer protection. The OJK requires P2P Lending providers to provide clear and transparent information regarding interest rates, fees, and risks associated with loans. This is in line with the principles in banking law that emphasize customer protection. Compliance with consumer protection principles from banking law is key to increasing public trust in P2P Lending.

Transparency is another crucial element influenced by banking law. In the banking industry, transparency is considered a way to build trust between financial institutions and customers. Therefore, the OJK applies the principle of transparency in P2P Lending regulations to ensure that all information regarding products and services is clearly conveyed to users. Many users hope that P2P Lending providers will implement high transparency standards similar to those applied in the banking sector.

Supervision of P2P Lending providers is also influenced by the banking legal framework. The OJK has the authority to conduct audits and supervision of providers to ensure that they comply with existing regulations. This creates accountability for P2P Lending providers in carrying out their operations. Strict supervision is essential to protect consumer rights. Despite the positive influence of banking law on P2P Lending regulation, challenges remain in its implementation. Many MSME actors still do not fully understand their rights as consumers in P2P Lending. This lack of understanding can reduce the effectiveness of consumer protection and increase risks for service users.

Overall, the influence of banking law on P2P Lending regulation in Indonesia is significant in creating a safe and transparent financial ecosystem. By adopting principles from banking law such as consumer protection, transparency, and supervision, the OJK strives to ensure that all parties can transact safely within the P2P Lending industry. However, challenges remain in terms of public understanding of their rights as consumers and the need for further education so that all parties can utilize these services optimally without facing unwanted legal risks. With these steps, it is hoped that the P2P Lending ecosystem can develop healthily and provide maximum benefits to the community while supporting local economic growth through

financial inclusion for MSMEs.

Evaluating the Conformity of P2P Lending Regulations with Civil Law

Evaluating the conformity of Peer-to-Peer (P2P) Lending regulations with civil law in Indonesia is crucial for understanding how these regulations can protect consumer rights and ensure fairness in financial transactions. Civil law, which governs relationships between individuals and entities, provides the fundamental framework for contracts formed in P2P Lending. In this context, the Financial Services Authority (OJK) has issued various regulations, including OJK Regulation Number 10/2022, aimed at creating a safe and transparent P2P Lending ecosystem.

P2P Lending regulations established by the OJK must conform to the principles of civil law, especially concerning contracts. According to Article 1338 of the Indonesian Civil Code (*Kitab Undang-Undang Hukum Perdata – KUHPerdata*), every agreement made legitimately serves as law for those who create it. In the context of P2P Lending, providers and service users must understand their rights and obligations based on the agreed-upon terms. Legal certainty in contracts is key to building trust between providers and users.

One of the primary focuses of P2P Lending regulations is consumer protection. The OJK requires providers to offer clear information regarding interest rates, fees, and risks associated with loans. This aligns with civil law principles that emphasize transparency and fairness in contractual relationships. Adherence to these consumer protection principles from civil law is vital for enhancing public trust in P2P Lending.

P2P Lending regulations also include dispute resolution mechanisms that must comply with civil law provisions. In the event of a dispute between lenders and borrowers, it's essential for parties to have access to efficient dispute resolution mechanisms. Article 38 of OJK Regulation No. 1/POJK.07/2013 states that providers must conduct competent and objective internal investigations of complaints. Accessibility to dispute resolution mechanisms can increase a sense of security for P2P Lending service users. Although regulations are in place, implementation challenges persist. Many MSME actors do not fully grasp their rights as consumers in P2P Lending. This lack of understanding of consumer rights can lead to undetected violations and reduce the effectiveness of legal protection.

To improve the conformity of P2P Lending regulations with civil law, several steps can be implemented. First, there needs to be increased socialization and education for the public regarding their rights as users of P2P Lending services. Second, the OJK needs to strengthen its oversight of P2P Lending providers to ensure full compliance with all regulations. Third, providers must enhance information transparency regarding their products and services so consumers can make more informed decisions.

Overall, the evaluation of P2P Lending regulations' conformity with civil law indicates that despite existing OJK regulations to protect user rights, many challenges remain to ensure their effectiveness. By improving information transparency, accessibility to dispute resolution mechanisms, and public understanding of their consumer rights, it is hoped that the P2P Lending ecosystem can develop healthily, provide maximum benefits to the community, and support local economic growth through financial inclusion for MSMEs. This approach will help create a safe and productive investment environment for the future.

Case Studies and Best Practices in P2P Lending Legal Protection

1. Case Studies of Disputes in P2P Lending and Their Resolution

Case studies of disputes in Peer-to-Peer (P2P) Lending in Indonesia provide crucial insights into the challenges and solutions faced by participants, both lenders and borrowers. Disputes often arise due to inconsistencies between agreed-upon contracts and actual implementation, as well as a lack of understanding regarding each party's rights and

obligations. In this context, the Financial Services Authority (OJK) has established regulations aimed at protecting consumers and ensuring that all parties can resolve disputes fairly and efficiently.

One example of a dispute in P2P Lending is a case where a borrower claims to have made installment payments, but the provider continues to demand the debt. In such situations, it's essential for both parties to have clear evidence of the transactions that have taken place.

When facing such disputes, the OJK encourages the use of non-litigation dispute resolution mechanisms as a first step. This process is generally faster and less costly compared to court litigation. The OJK plays a vital role in providing a complaint channel for consumers experiencing issues with P2P Lending providers. If internal resolution fails, consumers can file a complaint with the OJK for further assistance.

Awareness of regulatory bodies like the OJK provides a sense of security for MSME actors using P2P Lending services. Although established dispute resolution mechanisms exist, challenges remain in their implementation. Many MSME actors do not fully understand the complaint procedures or hesitate to report their problems. To enhance the effectiveness of dispute resolution in P2P Lending, several recommendations can be implemented. First, there needs to be increased socialization and education for the public regarding their rights as P2P Lending users and the available complaint procedures. Second, the OJK must strengthen its oversight of P2P Lending providers to ensure they comply with regulations and handle complaints fairly. Third, providers need to enhance information transparency regarding their products and services so that consumers can make more informed decisions.

Overall, case studies of disputes in P2P Lending demonstrate that despite OJK regulations to protect user rights, many challenges still need to be addressed to ensure effective protection. By improving public understanding of their consumer rights and increasing accessibility to dispute resolution mechanisms, it is hoped that the P2P Lending ecosystem can develop healthily and provide maximum benefits to the community while supporting local economic growth through financial inclusion for MSMEs. This approach will help create a safe and productive investment environment for the future.

2. Analysis of Best Practices in P2P Lending Legal Protection

An analysis of best practices in Peer-to-Peer (P2P) Lending legal protection in Indonesia highlights the importance of implementing strong and transparent legal principles to protect consumers and ensure the industry's sustainability. The regulations issued by the Financial Services Authority (OJK) serve as the primary reference for P2P Lending providers to operate effectively. Best practices in legal protection encompass various aspects, such as information transparency, risk management, and effective dispute resolution mechanisms.

One key element of best practice in legal protection is information transparency. P2P Lending service providers are required to provide clear and accurate information regarding interest rates, fees, and risks associated with loans. This aligns with civil law principles that emphasize fairness and clarity in contractual relationships. Information transparency not only provides a sense of security but also helps users make better decisions.

Another best practice is sound risk management by P2P Lending providers. Providers must conduct comprehensive risk analysis of borrowers before granting loans. This includes identity verification, credit analysis, and repayment capacity assessment. By implementing good risk management, providers can protect the interests of all parties involved in the transaction.

Dispute resolution mechanisms are also an essential part of best practice in P2P Lending legal protection. The OJK encourages providers to offer easily accessible

complaint channels for consumers in case of issues. This process must be effective and efficient so that consumers feel protected. Accessibility to dispute resolution mechanisms can increase the sense of security for P2P Lending service users.

Compliance with OJK regulations is also a key best practice in legal protection. P2P Lending service providers must be registered and licensed by the OJK before operating. This builds trust among users that the platform has met certain standards. Compliance with regulations not only protects consumers but also strengthens the overall integrity of the industry.

To enhance legal protection in P2P Lending, several recommendations can be implemented. First, there needs to be increased socialization and education for the public regarding their rights as P2P Lending users and the available complaint procedures. Second, the OJK needs to strengthen its oversight of P2P Lending providers to ensure that all regulations are properly complied with. Third, providers must enhance information transparency regarding their products and services so that consumers can make more informed decisions.

Overall, the analysis of best practices in P2P Lending legal protection indicates that despite OJK regulations to protect user rights, many challenges still need to be addressed to ensure effective protection. By improving information transparency, sound risk management, and accessibility to dispute resolution mechanisms, it is hoped that the P2P Lending ecosystem can develop healthily and provide maximum benefits to the community while supporting local economic growth through financial inclusion for MSMEs. This approach will help create a safe and productive investment environment for the future.

Comparison of P2P Lending Regulations in Indonesia with Other Countries

A comparison of Peer-to-Peer (P2P) Lending regulations in Indonesia with other countries, such as the United States and the United Kingdom, provides valuable insights into the best practices and challenges faced by this industry. In Indonesia, the Financial Services Authority (OJK) has issued OJK Regulation Number 10/2022 as the legal framework for regulating P2P Lending. However, this regulation still faces various challenges, such as the proliferation of illegal platforms and a lack of clear collection mechanisms.

In the United States, P2P Lending regulations are much stricter compared to Indonesia. Every P2P Lending provider must comply with regulations from both federal and state supervisory bodies. This creates a more comprehensive oversight system to protect consumers. For instance, providers are required to obtain licenses from each state before they can operate. Additionally, there are specific regulatory bodies that oversee the industry as a whole. Research conducted by Agata Wanda Yunitha Purba mentions that risk mitigation in the US is quite high, making the P2P Lending industry safer for consumers.

In the United Kingdom, P2P Lending regulation is governed by the Financial Conduct Authority (FCA), which has a different approach compared to Indonesia. The FCA not only regulates at the macro level but also collaborates with the Peer-to-Peer Finance Association (P2PFA) to regulate the micro aspects of the industry. One interesting feature of UK regulation is the "regulatory sandbox," which allows new providers to operate in a controlled environment while still adhering to legal requirements. This enables innovation while maintaining consumer protection.

From this comparison, it is evident that Indonesia still has much work to do in terms of P2P Lending regulation. Although the OJK has taken steps to regulate this industry, there are still shortcomings in terms of supervision and consumer protection. These recommendations align with findings from comparative studies showing that Indonesia needs to adopt some best practices from other countries to enhance the effectiveness of its regulations. Some recommendations to improve P2P Lending regulations in Indonesia include:

- a. Strengthening Supervision: The OJK needs to strengthen its oversight of P2P Lending providers to ensure they comply with all existing regulations.
- b. Public Education: The public needs to be educated about their rights as consumers and how to choose safe P2P Lending platforms.
- c. Collection Mechanisms: Regulations should include fair and transparent debt collection procedures to avoid harming any party.
- d. Data Security: The protection of users' personal data must be a top priority in any new regulation.

Overall, the comparison of P2P Lending regulations in Indonesia with other countries like the United States and the United Kingdom indicates that while there has been progress in regulating this industry, many challenges still need to be overcome. By adopting best practices from other countries and strengthening regulations and supervision, it is hoped that the P2P Lending ecosystem in Indonesia can develop healthily and provide maximum benefits to the community while supporting local economic growth through financial inclusion for MSMEs. This approach will help create a safe and productive investment environment in the future.

Lessons from Successful and Problematic P2P Lending Cases

Comparing Peer-to-Peer (P2P) Lending regulations in Indonesia with those in other nations, such as the United States and the United Kingdom, offers valuable insights into the industry's best practices and ongoing challenges. In Indonesia, the Financial Services Authority (OJK) has established OJK Regulation Number 10/2022 as the legal framework for regulating P2P Lending. However, this regulation still faces hurdles, including the rise of illegal platforms and a lack of clear collection mechanisms.

In the United States, P2P Lending regulations are considerably stricter than in Indonesia. Every P2P Lending provider must adhere to rules set by both federal and state supervisory bodies, creating a more comprehensive oversight system to protect consumers. For instance, providers need to obtain licenses from each state to operate. Additionally, there are specific regulatory bodies that oversee the entire industry. Research by Agata Wanda Yunitha Purba highlights that the US employs high-level risk mitigation, making its P2P Lending industry safer for consumers.

In the United Kingdom, the Financial Conduct Authority (FCA) governs P2P Lending, taking a different approach from Indonesia. The FCA not only regulates at a macro level but also collaborates with the Peer-to-Peer Finance Association (P2PFA) to address micro-level industry aspects. A notable feature of UK regulation is its "regulatory sandbox," which allows new providers to operate in a controlled environment while meeting legal requirements. This fosters innovation while ensuring consumer protection.

This comparison reveals that Indonesia has significant work ahead in P2P Lending regulation. While the OJK has initiated steps to regulate the industry, there are still shortcomings in supervision and consumer protection. These observations align with findings from comparative studies, suggesting that Indonesia should adopt best practices from other countries to enhance its regulatory effectiveness.

Recommendations to improve P2P Lending regulations in Indonesia include:

- a. Strengthening Supervision: The OJK needs to enhance its oversight of P2P Lending providers to ensure full compliance with existing regulations.
- b. Public Education: The public requires more education about their consumer rights and how to select secure P2P Lending platforms.
- c. Collection Mechanisms: Regulations should establish fair and transparent debt collection procedures to prevent harm to any party.
- d. Data Security: Protecting users' personal data must be a top priority in all new regulations.

Overall, comparing P2P Lending regulations in Indonesia with those in countries like the United States and the United Kingdom indicates that while there has been progress in regulating this industry, many challenges persist. By adopting international best practices and reinforcing regulations and oversight, Indonesia's P2P Lending ecosystem can develop healthily, providing maximum benefits to the community and supporting local economic growth through financial inclusion for MSMEs. This approach will help create a secure and productive investment environment in the future.

Implications of Research Findings for P2P Lending Regulation Development

The implications of research findings for the development of Peer-to-Peer (P2P) Lending regulation in Indonesia are crucial to ensure that this industry can operate safely and effectively. The research indicates that while the Financial Services Authority (OJK) has issued various regulations to govern P2P Lending, significant challenges persist, such as the presence of illegal operators and a lack of public understanding regarding their rights as consumers.

The research findings highlight the necessity of strengthening regulations to address these issues. One of the primary recommendations is to tighten registration and licensing requirements for P2P Lending providers. Operators must meet specific standards concerning transparency, data security, and consumer protection before being permitted to operate.

Furthermore, the research findings also emphasize the importance of public education regarding P2P Lending. Many Micro, Small, and Medium Enterprise (MSME) actors do not fully grasp the risks and their rights as users of these services. Proper education can help the public make more informed decisions when using P2P Lending services, as well as increase awareness about the importance of choosing registered and legal providers.

The research also suggests that dispute resolution mechanisms must be strengthened to provide greater protection for consumers. Currently, many users feel confused about what steps to take if payment issues or other disputes arise. Clear and easily accessible dispute resolution mechanisms will help enhance user trust in the P2P Lending industry.

The research findings also indicate that cooperation among the OJK, P2P Lending providers, and fintech associations is essential for creating a healthy ecosystem. Through this collaboration, all parties can work together to develop best practices and overcome existing challenges. This collaboration will help create a safe and productive investment environment for all stakeholders.

Overall, the implications of the research findings for P2P Lending regulation development in Indonesia demonstrate that while progress has been made in regulating this industry, many challenges still need to be addressed to ensure effective legal protection for all involved parties. By strengthening regulations, enhancing public education, improving dispute resolution mechanisms, and encouraging cooperation among stakeholders, it is hoped that the P2P Lending ecosystem can develop healthily and provide maximum benefits to the community, supporting local economic growth through financial inclusion for MSMEs. This approach will help create a safe and productive investment environment in the future.

Discussion

A. Objective Discussion

1. To identify, understand, and examine legal protection for parties in information technology-based money lending and borrowing service (P2P Lending) contracts in Indonesia

P2P Lending service contracts in Indonesia are built upon a legal foundation that combines civil code provisions with specific fintech sector regulations. In practice, these contracts must meet four valid agreement conditions as per Article 1320 of the Civil Code: mutual consent, capacity to contract, a certain object, and a lawful cause. As electronic

agreements, these contracts are also subject to the provisions of Law No. 11 of 2008 on Electronic Information and Transactions (UU ITE), which recognizes the validity of electronic signatures and electronic documents as legitimate legal evidence.

Legal protection for lenders in P2P Lending contracts covers several important aspects. OJK Regulation No. 10/2022 mandates platform providers to conduct comprehensive credit assessments of potential borrowers, ensuring lenders receive transparent information about investment risks. The regulation also sets maximum funding limits for each borrower and requires a separate escrow account to protect investor funds from misuse by platform operators. Lenders are further protected through the obligation of providers to furnish effective dispute resolution mechanisms.

On the borrower's side, legal protection primarily concerns information transparency and personal data protection. P2P Lending providers are required to provide clear and complete information regarding loan terms and conditions, including interest rates, service fees, and consequences of late payments. OJK Regulation No. 10/2022 also prohibits intimidating collection practices and limits loan interest rates to prevent predatory lending. Borrowers also have the right to the security of their personal data in accordance with the provisions of the Personal Data Protection Law.

The OJK, as the main regulator of the fintech lending sector, plays a strategic role in enforcing this legal protection framework. The OJK conducts regular supervision of P2P Lending providers, ensuring compliance with regulations, and has the authority to impose administrative sanctions on non-compliant providers. Additionally, the OJK carries out consumer education functions and provides an integrated complaint system that allows P2P Lending service users to report detrimental or unlawful practices.

Challenges in P2P Lending legal protection in Indonesia still arise from the existence of illegal platforms operating without OJK permits. These illegal platforms often employ predatory lending practices with high interest rates and unethical collection methods that harm borrowers. To address this, stronger coordination is needed among the OJK, the Ministry of Communication and Informatics, and law enforcement agencies to detect and block illegal platforms. The government also needs to continue refining existing regulations to anticipate technological developments and new business models in the P2P Lending industry, so that legal protection for the parties can remain effective.

These regulations aim to ensure that all parties understand their rights and obligations before signing a contract. For instance, lenders have the right to complete information regarding the borrower's risk profile, while borrowers are entitled to receive funds in the agreed-upon amount without hidden fees.

- a. However, despite existing regulations, challenges in their implementation remain significant. Many users do not fully understand the contract contents or their rights as consumers. This is often due to a lack of education from P2P Lending providers or low financial literacy among the public. Therefore, legal protection depends not only on regulation but also on educational efforts by the government and providers (Kristian, 2022).
- b. Furthermore, legal risks such as default or breach of contract are also a major concern in P2P Lending legal protection. Providers must conduct strict risk analysis of potential borrowers to minimize the possibility of default. In cases of breach of contract, effective dispute resolution mechanisms must be available so that lenders can assert their rights without going through lengthy and expensive litigation processes (Sudiarti & Ali, 2023).

Thus, legal protection for parties in P2P Lending contracts encompasses various aspects, from information transparency to dispute resolution mechanisms. The current regulations are quite comprehensive, but their implementation still needs to be improved

through stricter supervision by the OJK and public education regarding their rights as P2P Lending service users.

2. To identify and analyze solutions for creating a fair, safe, and sustainable P2P Lending ecosystem in Indonesia
 - a. Creating a fair, safe, and sustainable P2P Lending ecosystem in Indonesia requires a holistic approach that includes strengthening regulations, increasing public financial literacy, and collaboration between regulators and service providers. Based on current understanding, one of the main challenges in the P2P Lending ecosystem is the presence of illegal platforms not registered with the OJK. These platforms often offer high interest rates without transparency of additional fees, thereby harming consumers. Therefore, strengthening oversight of providers is the first step that must be reinforced (Hutagalung, 2024).
 - b. One solution to address this problem is to tighten the registration process for P2P Lending providers. The OJK needs to ensure that every platform meets certain standards before being granted operational permits. Additionally, the establishment of a technology-based monitoring system to detect illegal platform activities in real-time is crucial. With this technology-based supervision, regulators can take faster action against illegal platforms (Kristian, 2022).

Besides strengthening regulations, public education is also key to creating a sustainable P2P Lending ecosystem. Many MSME actors who use this service do not fully understand the risks or their obligations as borrowers. Education can be carried out through financial literacy campaigns by the government and P2P Lending providers. These campaigns should include information on how to choose legal platforms, understand contract contents before signing agreements, and recognize the signs of illegal platforms.

Furthermore, dispute resolution mechanisms also need to be strengthened to provide a sense of security to consumers. Currently, many users are confused about what steps to take if payment issues or other disputes occur. Dewi and Purwaningsih (2022) recommend that every provider offer easily accessible complaint channels and collaborate with independent mediation institutions to resolve disputes quickly and efficiently.

Collaboration between regulators like the OJK and fintech associations is also an important element in creating a fair and sustainable ecosystem. Fintech associations can act as a bridge between regulators and providers to ensure that all parties comply with regulations and implement best practices in their operations (Tsani & Umam, 2024).

By integrating these solutions—strengthening regulations, public education, effective dispute resolution mechanisms, and inter-stakeholder collaboration—the P2P Lending ecosystem in Indonesia can develop healthily and provide maximum benefits to all involved parties. This will not only increase public trust in the industry but also support local economic growth through financial inclusion for MSMEs.

B. Subjective Discussion

To apply the theories learned during lectures and compare them with practices in the field. In applying the legal theories learned, the author can observe how P2P Lending regulations in Indonesia strive to integrate principles of contract law, consumer protection, and legal sociology into daily practice. For example, within the P2P Lending context, contract law theory emphasizes the importance of clear agreement between lenders and borrowers. This is reflected in OJK provisions that require providers to present transparent information regarding interest rates, fees, and risks associated with loans. This transparency is crucial for protecting consumers from fraudulent practices (Hutagalung, 2024).

Furthermore, the author also observes how legal sociology theory can be applied to understand the interactions between lenders and borrowers. Social aspects and trust play a

significant role in the success of P2P Lending transactions. By understanding these social dynamics, the author can recommend concrete steps to enhance user trust in P2P Lending services.

Through this analysis, the author can not only apply learned legal theories but also provide practical recommendations based on interview results and field observations. This demonstrates that theoretical understanding can contribute to the development of better practices in the real world.

C. To deepen knowledge in the field of civil law

1. Delving into aspects of civil law within the P2P Lending scope provides a more comprehensive understanding of legal protection for parties in contracts. This research highlights the importance of compliance with the valid agreement conditions according to the Civil Code and OJK regulations governing P2P Lending operations. The validity of agreements in P2P Lending heavily depends on fulfilling these conditions, including a clear object and a lawful cause (Fithri et al., 2024).
2. Knowledge of civil law also helps the author understand various risks associated with P2P Lending contracts. For instance, the risk of default or breach of contract is a major concern for lenders. Providers must conduct stricter risk analysis to minimize such possibilities (Sudiarti & Ali, 2023). By understanding these aspects, the author can provide recommendations to P2P Lending providers to improve their verification and credit analysis processes for borrowers.

Moreover, this research provides an opportunity for the author to explore how civil law can adapt to technological developments and new practices in the financial industry. With the increasing use of information technology in lending and borrowing transactions, it is crucial for civil law to continue evolving to remain relevant and effective in protecting consumer rights.

Overall, the subjective objective of this research is not only to deepen understanding of legal protection in P2P Lending but also to make a real contribution to the development of regulations and best practices in this industry. Through the application of relevant legal theories and learning from field practices, this research is expected to help create a fairer, safer, and more sustainable P2P Lending ecosystem in Indonesia.

Thus, this research aims to thoroughly examine legal protection for parties in P2P Lending contracts and identify solutions for creating a fair and sustainable ecosystem. Through the application of relevant legal theories and analysis of real cases, the author hopes to provide practical recommendations for regulators and P2P Lending service providers to ensure consumer rights are well protected. Additionally, this research also aims to increase public financial literacy so that they can make better decisions when using these technology-based financial services.

CONCLUSIONS

Legal protection for parties in P2P Lending service contracts in Indonesia is regulated by the ITE Law, the Personal Data Protection Law, and OJK Regulation Number 10/2022. These regulations provide legal certainty for lenders and borrowers. However, challenges persist, such as low financial literacy, the proliferation of illegal platforms, default risks, and suboptimal dispute resolution mechanisms.

Legal protection for lenders and borrowers in online loans (pinjol) is still imperfect and not always fair to all parties. Existing legal protection, especially for borrowers, remains weak and has not been effective in protecting them from illegal P2P Lending practices.

Law enforcement for cybercrime cases in Indonesia is handled solely by the Directorate of Cyber Reserves. In Indonesia, there are only eight Regional Police (Polda) units to handle

the increasing prevalence of cybercrime cases. This is certainly very ineffective in dealing with cybercrime, which is increasingly widespread, pervasive, and borderless.

To create a fair, safe, and sustainable P2P Lending ecosystem, there is a need to increase information transparency, strengthen platform supervision, enhance financial education for the public, and optimize risk mitigation and dispute resolution mechanisms. These steps will help build trust and protection for all parties within the P2P Lending industry.

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