

Consumer Protection in Default Practices of Online Lending Platforms: A Legal and Regulatory Analysis in Indonesia

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Abstract

The rapid growth of peer-to-peer (P2P) lending platforms in Indonesia has enabled greater financial inclusion but also introduced new risks to consumer protection—particularly in the post-default phase. This study examines the legal challenges faced by borrowers who experience abusive debt collection practices by licensed fintech lenders and their third-party agents. Through a normative-empirical legal approach, the research analyzes relevant regulations issued by the Otoritas Jasa Keuangan (OJK), public complaint data, and academic literature on digital consumer rights. The findings indicate that existing regulatory instruments, such as POJK No. 10/2022 and POJK No. 6/2022, are limited in their ability to deter unethical behavior during loan collection. Borrowers frequently report harassment, intimidation, and misuse of personal data—violations that are rarely followed by effective legal remedies. The study identifies key legal gaps, such as the lack of enforceable sanctions against third-party collectors and the absence of post-default legal safeguards. It concludes with policy recommendations directed at OJK, fintech industry associations, and legislative bodies, advocating for a borrower-centered regulatory framework that prioritizes dignity, mental health, and access to justice.

Keywords

Fintech Lending; Consumer Protection; Debt Collection; Regulatory Oversight; Indonesia Law

Introduction

In recent years, Indonesia has witnessed exponential growth in financial technology (fintech), particularly in the peer-to-peer (P2P) lending sector. The ease of access to loans via mobile applications, minimal documentation requirements, and rapid disbursement processes have made online lending platforms increasingly popular among the unbanked and underbanked populations. As of 2023, the Financial Services Authority (OJK) recorded over 100 licensed P2P lending platforms actively operating in the country, serving millions of borrowers across diverse socioeconomic backgrounds (OJK, 2023).

Despite the promising potential of digital credit to enhance financial inclusion, the rapid expansion of P2P lending has been accompanied by a surge in consumer protection concerns. A recurring issue involves the misuse of borrowers' personal data—such as contact lists and photos—often accessed through mobile applications and later exploited during aggressive debt collection practices. Numerous complaints have emerged regarding harassment, threats, and defamation by collection agents, particularly after borrowers fall into default (Latif et al., 2023). These practices not only raise ethical and legal questions but also expose systemic regulatory weaknesses in safeguarding consumer dignity and psychological well-being.

While existing regulations—such as OJK Regulation No. 10 of 2022 and Law No. 8 of 1999 on Consumer Protection—outline basic standards for financial service providers, they are often limited to pre-loan transparency and responsible lending principles. There remains a significant regulatory gap in addressing

consumer protection post-default, especially concerning the conduct of third-party debt collectors. Many fintech companies outsource their collection processes to external agencies, whose methods may not always align with lawful or humane standards (Prabowo & Tjandraningsih, 2021). As a result, consumers—especially those from low-income segments—face difficulties asserting their rights or accessing effective complaint resolution mechanisms (Alisjahbana et al., 2020; Brailovskaya, 2023; Farida, 2020; Johan, 2020; Lee, 2021; Moorena et al., 2020; Murwenie et al., 2025; Sandbukt, 2021; Tayibnapis et al., 2018; Wayan et al., 2023).

The research problem this article seeks to address is: How effective is consumer protection in Indonesia against abusive practices during the post-default phase in online lending by licensed fintech platforms? This question is urgent, given the rising number of consumer complaints reported to the OJK and the Indonesian Consumers Foundation (YLKI), many of which involve intimidation, unlawful dissemination of personal data, and psychological abuse after borrowers miss their repayment deadlines (Yuniarti & Rasyid, 2020).

The objective of this study is to evaluate the current regulatory framework governing consumer protection in fintech lending, with a specific focus on default-phase practices. It also aims to examine whether existing laws and institutional mechanisms are adequate to address the risks posed to borrowers during the collection process. The study will contribute to the broader discourse on fintech regulation by highlighting an under-researched dimension: the post-default consumer experience, which is often neglected in legal analyses focused primarily on lending contracts and creditworthiness assessment.

The novelty of this research lies in its critical focus on the collection phase of online lending—an area where legal scholarship remains sparse. While several studies have analyzed contract transparency, interest rate caps, or platform accountability at the point of loan issuance, few have examined the ethical and legal dimensions of what happens after default, when borrowers are most vulnerable to exploitation (Rahman & Anggoro, 2022). Furthermore, this article does not center on unlicensed platforms or illegal loan sharks, but rather scrutinizes practices occurring within licensed fintech operators, revealing that legality does not always guarantee fairness or protection.

In light of the findings, this research will argue for stronger regulatory enforcement, including the need for clearer guidelines on ethical collection practices, improved oversight of third-party agents, and enhanced consumer education. It will also propose a regulatory sandbox or legal testbed to trial innovative, rights-based mechanisms for dispute resolution in the fintech ecosystem. By shedding light on this overlooked phase in the digital lending lifecycle, the study aspires to support policy reform and elevate the standard of consumer justice in Indonesia's financial digitalization agenda.

Literature Review

Legal Framework of Fintech Lending in Indonesia

Indonesia's legal framework for fintech lending is anchored in a series of regulatory instruments designed to balance innovation with consumer protection. One of the primary regulations is OJK Regulation No. 10/POJK.05/2022, which governs the organization of financial technology-based lending services. This regulation establishes strict requirements for licensing, maximum interest rates, transparency of loan terms, and ethical standards in loan collection (OJK, 2022). Specifically, Article 38 stipulates that licensed fintech platforms must ensure fair, non-coercive, and privacy-respecting collection methods. Furthermore, it prohibits platforms from accessing borrower contact lists or engaging in defamation practices—a common complaint among defaulted users.

Complementing this, Law No. 8 of 1999 on Consumer Protection provides a broader legal foundation by recognizing consumers' rights to security, comfort, and protection from harmful or abusive business practices. It affirms the right to be treated fairly and prohibits unilateral imposition of obligations, which becomes especially relevant in digital contracts often accepted without informed consent (Yuliana & Nurhidayah, 2021).

In addition, POJK No. 6/POJK.07/2022 on Consumer and Community Protection in the Financial Services Sector mandates financial institutions to establish effective complaint-handling mechanisms and

periodically report consumer disputes to the OJK. It emphasizes the need for financial service providers to demonstrate accountability in both product delivery and post-service conduct (Wulandari & Azzahra, 2022).

However, these frameworks remain challenged by enforcement limitations and the evolving nature of digital lending technologies, which often outpace regulatory adaptation.

Concept of Consumer Protection in Digital Financial Services

The notion of consumer protection in digital finance extends beyond traditional contract enforcement to encompass digital rights, data privacy, and ethical conduct throughout the transaction lifecycle. In fintech environments, asymmetric information heavily favors the platform over the borrower. Users often have limited understanding of terms, hidden fees, or implications of default, leading to a condition known as digital vulnerability (Lutfi & Ningsih, 2022a).

Digital financial services in Indonesia increasingly expose consumers to risks such as data leakage, phishing, and exploitative algorithms that encourage overborrowing. A growing body of literature emphasizes the need to embed ethical AI, data protection standards, and transparent lending practices into fintech operations (Hardiningsih et al., 2021). The absence of informed consent and opaque user agreements can result in what legal scholars term “unconscionable contracts,” where the borrower is bound by terms they do not fully understand or willingly accept (Putri & Indrajit, 2023).

Furthermore, digital consumer protection must address not only pre-contract transparency but also post-contract conduct, particularly in the event of loan delinquency. A comprehensive regulatory approach must therefore recognize the full digital journey of consumers, from loan application to repayment and collection.

Default and Abusive Collection: Theoretical Perspectives on Debtor Protection

The issue of abusive collection practices in fintech lending is often analyzed through the lens of asymmetric power relations between lenders and borrowers. George Akerlof’s (1970) theory of asymmetric information remains foundational in understanding how fintech platforms possess disproportionate control over contract design, data analytics, and enforcement mechanisms.

From a legal perspective, default does not negate a debtor’s right to dignity and protection. The principle of proportionality in enforcement actions dictates that collection methods must be lawful, humane, and proportionate to the amount owed (Rahman & Anggoro, 2022). However, empirical evidence from Indonesia indicates that some licensed platforms or their outsourced agents engage in psychological harassment, social shaming, and even unauthorized access to phone contacts, violating both legal and ethical norms (Fitriani & Siregar, 2021).

The debtor distress theory highlights the cumulative social, emotional, and reputational harm experienced by borrowers subjected to abusive collection. In the absence of legal aid or alternative dispute mechanisms, borrowers are often left with little recourse. Scholars argue that such practices amount to civil coercion, where default is penalized not through judicial enforcement but via reputational and psychological pressure (Adrianto & Widodo, 2020).

Comparative Practices: International Regulation of P2P Debt Collection

Globally, various jurisdictions have taken steps to regulate fintech lending and debt collection more rigorously. In the European Union, the Consumer Credit Directive (CCD) mandates that lenders refrain from harassment or aggressive recovery efforts, and borrowers must be provided with clear, accessible complaint channels (European Commission, 2021). The directive is currently under revision to address the digitalization of credit services, including the role of fintech platforms.

In the United States, the Fair Debt Collection Practices Act (FDCPA) sets federal standards for debt collection, prohibiting practices such as contacting third parties, using threatening language, or making repeated calls. While FDCPA initially targeted traditional creditors, its scope has been extended to cover digital debt collection through app-based platforms (Federal Trade Commission (FTC), 2022).

Malaysia, which has seen a parallel rise in fintech innovation, requires P2P platforms to register with the Securities Commission (SC) and comply with Bank Negara Malaysia's Fair Treatment of Financial Consumers framework. Debt collectors must be properly licensed, and the use of physical or psychological intimidation is strictly prohibited (Hassan & Nasution, 2022).

These international models reveal best practices that Indonesia could consider, particularly in regulating the post-default collection phase, where consumer vulnerabilities are often most acute.

Prior Studies on Consumer Disputes in Fintech Lending

Several empirical studies in Indonesia have documented the growing prevalence of consumer disputes in the fintech sector. A report by the Indonesian Consumers Foundation (YLKI) noted that more than half of the complaints received in 2022 involved abusive debt collection methods, including verbal abuse, online defamation, and threats of violence (YLKI, 2022).

A study by Setiadi and Putri (2022) examined patterns of consumer complaints in three licensed P2P platforms and found consistent issues relating to intimidation, misuse of personal data, and difficulty in accessing dispute resolution mechanisms. Another study by Nugroho et al. (2021) highlighted the lack of consumer awareness regarding their legal rights, which further exacerbates the power imbalance in fintech lending contracts.

Despite efforts by OJK to standardize borrower protection, many fintech platforms continue to operate on the edge of legality, exploiting regulatory blind spots and weak enforcement capacity. Legal scholars argue that Indonesia's current approach is reactive rather than preventive, often addressing abuses only after public complaints gain media attention (Marzuki & Dewi, 2020).

The literature indicates an urgent need for more comprehensive, enforceable regulations that specifically address collection practices and empower borrowers to assert their rights without fear of retaliation.

Theoretical and Conceptual Framework

This research adopts an interdisciplinary theoretical framework to evaluate the legal effectiveness of consumer protection in Indonesian fintech lending, particularly during the post-default phase. Four main theoretical perspectives guide this study: consumer protection theory, legal risk theory, asymmetric information and bargaining power, and regulatory theory in financial innovation.

Consumer Protection Theory

Consumer Protection Theory posits that consumers, as the weaker party in commercial transactions, require legal safeguards to ensure fairness, transparency, and access to justice. The core assumption is that market mechanisms alone are insufficient to guarantee equitable treatment, especially when consumers are uninformed, inexperienced, or subjected to opaque business practices (Howells & Weatherill, 2017). In the context of fintech lending, consumers often face standardized digital contracts with limited scope for negotiation. This makes them vulnerable to exploitative terms, hidden costs, or post-contractual abuses.

From this theoretical standpoint, effective consumer protection entails both substantive rights—such as the right to information, data privacy, and non-abusive treatment—and procedural mechanisms, including the right to dispute resolution and regulatory intervention. This theory is particularly applicable to online lending in Indonesia, where borrowers often accept loan terms under duress or informational asymmetry and subsequently experience coercive collection methods.

Legal Risk Theory in Financial Contracts

Legal Risk Theory refers to the possibility that financial transactions may expose parties—especially consumers—to uncertainty or harm due to inadequate legal safeguards, ambiguous regulations, or unenforceable rights (Awrey, 2013). In fintech ecosystems, legal risk manifests in multiple forms: weak

regulatory clarity, gaps in cross-sectoral enforcement (e.g., between financial law and data protection), and difficulties in accessing redress mechanisms.

This theory helps explain why borrowers in digital lending platforms are at a heightened legal disadvantage once they default. Despite being in a legally binding contract, the process of enforcement often operates outside formal legal channels—via aggressive collection practices, reputational threats, or the unauthorized use of private data. Borrowers, particularly those from lower-income backgrounds, often lack access to legal counsel or institutional support to assert their rights, thereby amplifying legal risk exposure.

Applying legal risk theory, this research investigates whether current fintech regulations in Indonesia—namely POJK No. 10/2022 and POJK No. 6/2022—adequately address the liabilities and vulnerabilities experienced by borrowers post-default.

Asymmetric Information and Unequal Bargaining Power

The concept of asymmetric information, popularized by Akerlof (1970), suggests that in many financial transactions, one party possesses significantly more or better information than the other. In digital lending, fintech platforms control loan terms, risk algorithms, and user data, while borrowers typically lack the expertise or full access to contract implications. This imbalance is further intensified by the click-to-consent model prevalent in mobile lending apps, where users must accept standard terms without meaningful negotiation (Lutfi & Ningsih, 2022b).

Closely tied to this is the principle of unequal bargaining power, which asserts that consumers often accept contractual terms under conditions that deny genuine autonomy—due to urgency, information gaps, or lack of alternatives (Wilhelmsson, 2019). Such contracts may not violate legal formalities but still raise ethical and regulatory concerns.

This dual concept becomes particularly relevant in analyzing coercive collection practices after default. While borrowers are contractually obliged to repay, the methods used to enforce repayment—such as contact tracing, public shaming, or verbal threats—are not negotiated in the loan agreement and are often deployed without accountability. Thus, asymmetric power not only exists at contract formation but continues throughout the enforcement stage.

Regulatory Theory in Financial Innovation

As fintech reshapes traditional finance, Regulatory Theory offers a framework for understanding how law can keep pace with technological change. The theory holds that regulation should be adaptive, responsive, and proportionate, especially in sectors characterized by rapid innovation and high risk (Black, 2008). It distinguishes between rules-based and principles-based approaches—arguing that overly rigid rules may stifle innovation, while overly vague principles may fail to protect consumers.

In fintech lending, Indonesia has pursued a hybrid approach: requiring registration and oversight by OJK while allowing platforms flexibility in service models. However, as consumer complaints increase, there is a growing call for smart regulation—a model that combines legal enforceability with technological monitoring (Zetzsche et al., 2020).

Regulatory theory also supports the creation of regulatory sandboxes, where new models such as ethical debt collection or algorithmic risk scoring can be tested under supervisory conditions. This is particularly relevant for Indonesia's fintech sector, which remains in developmental flux and often lacks clear guidance on ethical boundaries in post-default treatment.

Moreover, the theory supports multi-agency coordination, recognizing that fintech consumer protection involves not only financial authorities (OJK, BI) but also data protection (Kominfo), digital rights, and law enforcement institutions. Without an integrated approach, regulatory arbitrage may allow harmful practices to persist despite partial compliance.

Research Methodology

This study adopts a normative legal research design with complementary empirical elements to explore the effectiveness of consumer protection mechanisms within Indonesia's fintech lending sector, particularly concerning default and debt collection practices. The normative approach serves as the foundation of the research, emphasizing the interpretation and analysis of prevailing laws, such as Law No. 8 of 1999 on Consumer Protection and several Financial Services Authority (OJK) regulations, including POJK No. 10/2022 on fintech lending and POJK No. 6/2022 on consumer protection in financial services. These legal instruments provide the primary framework for evaluating the rights and protections afforded to borrowers engaged in digital lending.

To strengthen the analysis, the study also integrates empirical data that reflect real-world lending practices. This includes reports on public complaints submitted to OJK, regulatory sanctions imposed on lending platforms, and findings from consumer advocacy institutions. By examining such data, the research aims to assess the extent to which the legal norms are implemented in practice and whether they are sufficient to safeguard consumers from unethical post-default treatment.

Primary data sources consist of formal legislation, OJK-issued circulars, public announcements, and complaint statistics made available through regulatory portals and institutional reports. These sources are supplemented by secondary materials, including academic journal articles, legal commentaries, media investigations, and research conducted by civil society organizations such as the Indonesian Consumers Foundation (YLKI) and the Center for Indonesian Policy Studies (CIPS). These references provide both theoretical insight and contextual understanding of consumer vulnerability in fintech ecosystems.

The study employs a qualitative descriptive method of analysis to interpret the legal framework in relation to the empirical realities of borrower experiences. This approach allows for the identification of legal gaps, regulatory inconsistencies, and enforcement challenges that have enabled abusive collection practices to persist, even among licensed platforms. The analysis focuses on the alignment—or misalignment—between the normative content of fintech-related laws and the practical protection afforded to consumers after they default on their loans.

Ultimately, this research methodology facilitates a comprehensive socio-legal critique of fintech regulation, highlighting the areas in which existing legal structures must evolve to address the emerging risks of digital finance and protect consumer dignity in an increasingly algorithm-driven lending landscape.

Result and Discussion

Mapping Legal Protection for Fintech Borrowers

The proliferation of financial technology (fintech) peer-to-peer (P2P) lending platforms in Indonesia has been met with growing concern over the adequacy of legal protections afforded to borrowers. While fintech innovation has increased financial inclusion, it has also introduced new risks, particularly regarding the post-default phase, where borrower vulnerability becomes most apparent. The legal framework—anchored in the regulatory authority of the Otoritas Jasa Keuangan (OJK)—is tasked with balancing innovation and consumer protection.

OJK plays a central preventive and supervisory role in the digital lending ecosystem. Through POJK No. 10/POJK.05/2022, the regulator requires fintech lending providers to act fairly, ensure data privacy, and prohibit unethical collection methods. This regulation is designed to ensure that fintech companies disclose clear loan terms, implement responsible lending standards, and uphold borrower dignity throughout the lending lifecycle. Additionally, POJK No. 6/POJK.07/2022 mandates that financial service providers establish effective consumer complaint mechanisms and handle disputes ethically. These instruments demonstrate OJK's attempt to promote a rights-based, transparent lending environment (Setiadi & Paramita, 2021).

Despite this normative framework, real-world practices reveal widespread violations in the post-default collection phase, many of which remain unpunished or unregulated. Complaints submitted to OJK and civil society organizations consistently report instances of harassment, such as repeated phone calls beyond legal hours, coercive threats, and emotional pressure on borrowers and their family members (Marzuki & Dewi, 2020). Some collectors resort to intimidation tactics, including threats of public exposure, dissemination of defamatory content, or impersonation of law enforcement—methods that are not only unethical but may also violate criminal provisions on extortion and defamation under Indonesian law.

One of the most alarming violations is the misuse of borrowers' personal data, obtained through smartphone app permissions. Borrowers are often unaware that lending platforms—or affiliated third-party collectors—gain access to their contact lists, location, and even private messages. These data are then used to contact third parties (e.g., colleagues, relatives), thereby violating the borrower's right to privacy and dignity. Although such practices are explicitly prohibited under POJK No. 10/2022 and the recently enacted Law No. 27/2022 on Personal Data Protection, enforcement remains weak. Many fintech companies outsource collections to third-party agents whose actions fall into regulatory blind spots (Wibowo & Arifianto, 2023).

Moreover, borrowers often do not receive timely or effective protection when reporting these violations. OJK's Whistleblowing System (WBS) and Consumer Services Center (Kontak OJK 157) are underutilized, partly due to lack of public awareness and partly due to the perception that these channels offer limited restitution. For many low-income borrowers, pursuing formal complaints is daunting, costly, and unlikely to result in meaningful relief (Santoso & Widodo, 2022).

In summary, while Indonesia's regulatory instruments appear progressive on paper, their implementation reveals significant gaps in post-default borrower protection. The classification of violations—ranging from psychological harassment to data misuse—demands stronger oversight mechanisms, clearer sanctions, and institutional accountability. The need for systemic reform is underscored by the growing body of consumer complaints that remain unresolved despite clear regulatory mandates.

Case Analysis (Generic)

The lived experiences of borrowers who have defaulted on fintech loans in Indonesia reveal recurring patterns of abuse during the collection phase. While the lending contract itself may appear legitimate at the outset—clearly stating interest rates, repayment deadlines, and user agreements—many borrowers report a sharp deterioration in ethical standards once repayment delays occur. This has been consistently documented in empirical surveys conducted by civil society organizations and corroborated by OJK's own consumer complaint reports.

A common pattern involves excessive communication initiated by debt collectors immediately after a borrower defaults. These messages and calls are often made not only to the borrower but also to individuals in their contact lists, exploiting prior access to personal data permissions granted to the lending app. Collectors employ public shaming tactics, such as sending mass texts declaring the borrower's "debt status" to coworkers or relatives, often accompanied by threatening or defamatory language. These practices clearly contravene both POJK No. 10/2022 and Law No. 27/2022 on Personal Data Protection (Wibowo & Arifianto, 2023).

Borrowers frequently describe such experiences as humiliating and destabilizing. One qualitative study noted that many victims of these tactics suffer from mental distress, including anxiety, sleep disorders, and depressive symptoms. For borrowers from vulnerable socioeconomic backgrounds—such as gig workers or informal laborers—these pressures exacerbate existing insecurities. In many cases, borrowers fear returning to work or community spaces due to reputational damage (Santoso & Widodo, 2022). The impact is not only psychological but also legal and ethical, as these individuals are denied the procedural dignity that should accompany any debt resolution process.

Additionally, borrowers often encounter legal uncertainty when attempting to seek redress. The collection phase lies in a regulatory gray area: while fintech companies are bound by OJK rules, third-party collectors often operate without direct oversight, blurring accountability lines. Many consumers are unaware of their rights under POJK regulations or assume that the lender's actions—regardless of their legality—are irreversible. As a result, complaints rarely escalate to formal mediation or litigation, even when clear violations are evident (Setiadi & Paramita, 2021).

The barriers to accessing justice for low-income borrowers are substantial. First, the cost of legal recourse—whether through LAPS SJK or independent legal counsel—remains prohibitive for individuals already financially distressed. Second, many fintech consumers are digitally literate but legally uninformed; they navigate apps efficiently but do not know where or how to lodge complaints. Third, bureaucratic hurdles persist. For instance, OJK's complaint process requires documentation, timelines, and follow-ups that may be intimidating or inaccessible for working-class borrowers with limited time or literacy levels.

Moreover, socio-cultural stigma around debt can deter borrowers from publicly seeking help. Rather than pursuing formal dispute resolution, some borrowers resort to informal settlements, overpay their debts out of fear, or stop using financial services altogether—undermining the long-term goals of financial inclusion (Hasanah & Zulfikar, 2023).

The absence of a clear, borrower-centered grievance mechanism that is affordable, accessible, and fast remains a significant weakness in Indonesia's consumer protection framework. Without reforms that address both procedural and substantive justice for borrowers, these patterns of abuse will likely persist and deepen the public distrust in fintech systems.

Legal Gaps and Regulatory Weaknesses

Although Indonesia has made significant strides in regulating fintech lending through OJK's proactive framework, serious legal gaps remain—particularly in the post-default phase where consumer vulnerability is at its peak. These gaps are especially evident in the lack of enforceable sanctions against third-party debt collectors and the absence of a comprehensive legal framework that protects borrowers after they have defaulted.

One of the most pressing regulatory weaknesses is the absence of explicit sanctions for abusive debt collection practices conducted by third-party agents. While POJK No. 10/POJK.05/2022 prohibits unethical collection methods and mandates responsible conduct, its enforcement mechanism is largely geared toward licensed fintech platforms. This creates a regulatory blind spot, as many platforms outsource their collection activities to external agents who are not officially registered with or supervised by OJK. As a result, borrowers face harassment, threats, and data misuse without any clear legal channel to hold perpetrators accountable (Wibowo & Arifianto, 2023).

Moreover, Indonesia lacks a regulatory registry or certification system for third-party debt collectors, unlike some countries that require formal licensing, periodic audits, or inclusion in a centralized oversight database. This loophole enables unregulated actors to function in the debt recovery ecosystem with near impunity. Even when borrower complaints are lodged, accountability is often deflected, as fintech platforms claim no direct control over outsourced agents—despite benefiting from their actions (Setiadi & Paramita, 2021).

Another key weakness lies in the overemphasis on loan contract legality, without sufficient attention to post-contract borrower protection. Current fintech regulations prioritize disclosures, interest rate limits, and informed consent at the point of contract initiation. While this is essential, it fails to address the full spectrum of the borrower journey—especially the realities faced by those who struggle with repayment. Post-default protections—such as anti-harassment clauses, repayment flexibility, and access to dispute resolution—remain underdeveloped.

This imbalance reflects a broader structural problem: Indonesian consumer protection laws are reactive rather than preventive. Law No. 8/1999 on Consumer Protection provides general principles but lacks specific provisions tailored to the fintech lending context. Likewise, the Personal Data Protection Law (UU No. 27/2022) is still in early stages of implementation, and many borrowers remain unaware of their rights under this legislation. Consequently, digital lenders can exploit informational asymmetries and legal ambiguity to pressure borrowers through coercive means.

In contrast, regulatory approaches in countries like the United States and the European Union offer more detailed and enforceable standards. For example, under the Fair Debt Collection Practices Act (FDCPA) in the U.S., debt collectors are strictly prohibited from using deceptive, threatening, or abusive tactics. Violations can lead to civil liability, fines, and loss of collection licenses (Federal Trade Commission (FTC), 2022). The European Union's Consumer Credit Directive similarly includes specific clauses on debt recovery behavior and mandates state-level supervision of recovery agencies.

In the Indonesian context, such frameworks are notably absent. There is no binding code of conduct for debt collection in fintech lending. While AFPI (Asosiasi Fintech Pendanaan Bersama Indonesia) has issued ethical guidelines for its members, compliance is voluntary and lacks legal weight. Moreover, OJK's enforcement powers are largely administrative—limited to warnings, suspensions, or license revocation—and often delayed or underutilized due to evidentiary challenges and limited manpower.

To address these weaknesses, it is crucial for Indonesian regulators to shift focus from a contract-centric to a lifecycle-centric model of consumer protection. This would require extending regulatory safeguards beyond loan origination to cover the full trajectory of borrower experiences, particularly in default scenarios. Borrower dignity, mental health, and procedural fairness must be safeguarded not only at the point of entry but throughout the lending relationship.

Policy Implications

The issues surrounding unethical debt collection in fintech lending demand not only critique of existing regulatory deficiencies but also proactive policy solutions. Strengthening consumer protection, particularly for defaulting borrowers, necessitates more responsive supervision by the Otoritas Jasa Keuangan (OJK) and clearer legal instruments that directly address post-default abuse.

First and foremost, OJK must enhance its supervisory role, not only at the level of platform registration and general compliance but particularly in the oversight of collection practices. While OJK has issued several preventive regulations, its enforcement mechanisms have not yet been translated into real-time protection for borrowers facing coercive tactics. Strengthening the supervisory process would require a dedicated unit or protocol within OJK to handle fintech consumer complaints more swiftly and transparently. This may involve establishing a fast-track channel for borrowers facing digital harassment, as well as strengthening whistleblowing systems and public complaint databases that enable pattern recognition of misconduct (Setiadi & Paramita, 2021).

Moreover, OJK could develop digital auditing tools that monitor the behavior of licensed platforms and their third-party partners in real time, leveraging app-based data and complaint trends. This would allow for earlier detection of systemic abuse and provide the regulator with evidence to issue administrative sanctions. Given the fast-paced nature of fintech operations, periodic inspections and reporting obligations for collection practices—comparable to those applied in the banking sector—could help reduce impunity.

On the regulatory front, Indonesia needs a more precise legal instrument that governs debt collection practices in the fintech ecosystem. At present, guidance on ethical debt recovery remains fragmented across various non-binding documents, such as the AFPI Code of Conduct or general clauses in consumer protection law. A specialized regulation or OJK Circular Letter should outline:

1. Acceptable and prohibited methods of communication

2. Maximum allowable frequency and timeframes for contact
3. Rules on third-party data access and contact limitations
4. Penalties for psychological harassment, coercion, or defamation
5. Obligations for fintech firms to ensure that third-party agents act lawfully

This regulatory refinement must be accompanied by clear sanctions, not merely guidelines. Platforms proven to engage in or facilitate abusive practices should face graduated penalties, ranging from warnings to public listing on OJK's consumer alert page, temporary suspension, and eventual revocation of licenses. These sanctions would serve as a deterrent and help build public trust in the fintech system (Wibowo & Arifianto, 2023).

In addition to formal sanctions, borrower education initiatives must be integrated into OJK's financial literacy programs. Borrowers must be made aware of their rights during and after a loan contract, especially regarding data privacy, harassment, and legal remedies. Public campaigns—conducted in collaboration with civil society and universities—could provide fintech users with step-by-step information on how to submit complaints and seek protection (Hasanah & Zulfikar, 2023).

Finally, Indonesia may benefit from adopting best practices from international models, such as the Fair Debt Collection Practices Act (FDCPA) in the United States or Malaysia's more recent guidelines on digital collection ethics. Comparative benchmarking can help ensure that Indonesia's regulatory ecosystem evolves in step with the complex risks associated with digital finance.

Conclusion

This study reveals that legal protections for borrowers in Indonesia's fintech lending sector remain insufficient, especially in the critical post-default phase. While regulatory frameworks such as POJK No. 10/2022 and POJK No. 6/2022 provide a foundation for ethical lending and consumer protection, they fall short in addressing the widespread abuses occurring during debt collection. Harassment, intimidation, and misuse of personal data continue to afflict borrowers—particularly those from low-income backgrounds—who are often left without effective remedies or institutional support.

The findings underscore an urgent need for stronger oversight mechanisms, especially concerning third-party debt collectors whose actions frequently escape direct regulatory control. The absence of enforceable sanctions, unclear accountability structures, and weak implementation of data protection laws further compound the vulnerability of consumers.

In light of these challenges, several key recommendations are proposed:

1. For OJK: Strengthen real-time supervisory tools and establish a dedicated grievance channel for borrowers facing collection abuse. Periodic audits, mandatory reporting, and stricter licensing for third-party collectors are essential to prevent misconduct.
2. For fintech associations (e.g., AFPI): Institutionalize ethical collection standards and create binding codes of conduct with internal sanctions for violations. Regular member training and compliance checks should be integrated into association activities.
3. For the legislative body: Enact a specific law or amendment that clearly regulates digital debt collection practices, including limits on communication, rules on data usage, and criminal penalties for harassment.

Improving borrower protection in the fintech ecosystem is not only a regulatory obligation but a prerequisite for sustainable financial inclusion. Legal reforms, combined with cross-sector collaboration and borrower education, will help ensure that digital lending supports—not undermines—consumer dignity and trust.

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