

## Analysis of OJK Policy in Supervising and Protecting Consumers in The Development of Financial Technology on Online Platforms (P2p) in Indonesia

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**ABSTRACT:** *The Financial Services Authority (OJK) has a crucial role in protecting consumers along with the development of Financial Technology (Fintech) Peer-to-Peer (P2P) Lending. . This research aims to determine the role and efforts of the Financial Services Authority (OJK) in protecting consumers. This research is qualitative research using the literature study method. This research identifies risks and vulnerabilities in the Fintech industry, as well as OJK's strategy in dealing with their negative impacts. The results demonstrate the need for strict regulation and a technology-based approach in the supervision of the financial industry. OJK also emphasizes the importance of financial literacy as a preventive measure. Thus, OJK strives to ensure that the development of Fintech P2P Lending provides optimal benefits so that it can protect consumer interests.*

**Keywords:** *Financial Services Authority, Fintech P2P Lending, Consumer Protection.*

### 1. INTRODUCTION

Advances in information technology are developing very quickly and significantly in various aspects. One of the most popular developments is the industrial revolution 4.0, which is characterized by electronic data recording, the expansion of internet connectivity to physical devices, and electronic ledger recording as a new technological system. This technology makes transactions easier, access to financial services, payments and loans through technology and the internet (Khoirunisa et al., 2023). The development of information technology has greatly facilitated human life in various sectors. Apart from that, this progress also encourages the growth of start-ups which continue to develop. This type of start-up is generally divided into two, namely e-commerce and Financial Technology (Fintech). (Salvasani & Kholil, 2020).

Financial Technology (fintech) is an innovation in the financial sector that utilizes modern technology to make financial transactions more practical, safe and efficient (Salvasani & Kholil, 2020). In 2014, the first Fintech Peer-To-Peer (P2P) Lending company appeared in Indonesia which provided an alternative for the public and MSMEs to apply for business loans. To regulate the implementation of Fintech P2P Lending, the government through the Financial Services Authority (OJK) issued OJK Regulation Number 77/POJK.01/2016 concerning Information Technology-Based Money Lending and Borrowing Services (LPMUBTI), which aims to provide legal protection for users of this service. Fintech Lending or also known as Fintech P2P Lending or LPMUBTI is a financial innovation that utilizes technology to facilitate public access to financial services. In Indonesia, Fintech P2P Lending is often called online lending, because transactions between loan givers and recipients are carried out online without the need to meet in person (Lestari et al., 2022).

Fintech not only has a positive impact on society, but there is also a negative side. Some online loan providers or Fintechs manipulate users to continue applying for loans. This has led to the emergence of cases of fraud under the guise of online loans. This online loan is fairly easy because it only requires an ID card to disburse funds. In the current technological era, personal data is no longer confidential and can be

accessed or downloaded by anyone. Usually the perpetrators of online loan fraud are illegal Fintechs that do not have a permit or are not registered and are supervised by the Financial Services Authority (OJK) (Kalmykova & Ryabova, 2016). However, there are many issues circulating regarding illegal fintech, especially in the form of Peer to Peer Lending (P2P Lending). Many people are attracted to illegal P2P lending because of the ease of access and online loan procedures, but this creates a risk of default for both parties (Salvasani & Kholil, 2020). Consumers who are pressed for financial problems often don't think twice and apply for unsecured loans at illegal fintech. , which ultimately leads to losses (Arifin et al., 2023).

Easy access to personal data registered on the platform also threatens privacy. Many people complain about online lending practices, especially P2P Lending. This problem shows how important the OJK's role is as a financial supervisory and auditing institution (Khoirunisa et al., 2023). The role of the OJK is very important because the fintech business has high risks related to consumer protection as well as economic and financial stability. Consumers as an important element in business need protection when using this technology. In 2018, OJK issued POJK Number 13/POJK.02/2018 concerning Digital Financial Innovation (IKD) in the Financial Services Sector. However, legally, these regulations only regulate legal Fintech Lending and do not pay attention to illegal activities, indicating that there is a legal vacuum regarding illegal Fintech Lending. Therefore, further study is needed regarding the role of the OJK in monitoring and protecting the finances of financial services companies, especially peer to peer lending (P2P) technology which is not yet fully capable of handling illegal P2P lending cases (Khoirunisa et al., 2023)

## **2. RESEARCH METHODS**

In this writing, the method applied is a literature review, where information is obtained from various scientific journal sources. The use of secondary data is a principle, meaning that the data used has been previously collected by other parties. The next process involves evaluating and analyzing data to find evidence that supports a theory or idea. Data was obtained through a search using the keywords "Financial Technology" and "P2P". Once the data is deemed sufficient, the next step is to process it to conclude. This research was carried out only at OJK in Indonesia for about one month.

## **3. RESULTS AND DISCUSSION**

### **OJK's Efforts to Protect Consumers in the Development of Peer To Peer Lending Financial Technology**

In the Education and Consumer Protection Sector, OJK RI (2017) explains that OJK has mapped aspects of consumer protection for financial technology businesses developing in Indonesia, both those that are already regulated and those that are new to the industry. The mapping results show that there are a number of risks and vulnerabilities that require regulatory attention regarding financial technology, such as information and transaction irregularities, system failures, data security risks for loan givers and recipients, risks of bad credit and default, high loan interest rates, exclusion of responsibilities in agreements, handling consumer complaints, implementing Know Your Client (KYC) principles, Anti-Money Laundering, and Prevention of Terrorism Financing (APU PPT) (Bakhri et al., 2021).

The Financial Services Authority (OJK) has a crucial role in protecting consumers along with the development of Financial Technology (Fintech) Peer-to-Peer (P2P) Lending. OJK has implemented a number of steps to ensure that consumers are

protected and receive fair and safe services from P2P lending platforms. One of OJK's main efforts is to implement strict regulations to ensure that P2P lending platforms operate in accordance with established standards. This regulation includes requirements related to data security, information transparency and consumer protection. OJK also actively monitors and supervises the activities of P2P lending platforms to identify and address potential risks and violations that may harm consumers. Apart from that, OJK provides financial education and literacy to the public so that consumers can make wiser decisions in utilizing P2P lending services. With these steps, OJK is working hard to ensure that the development of Fintech P2P lending takes place within a framework that is safe and profitable for consumers.

### **Legal Aspects in the Development of Financial Technology in the Implementation of Online Lending and Borrowing Services (P2P) in Indonesia**

Financial technology (fintech) is a new innovation in financial services that makes business models more modern with the help of technology. Fintech is an industry that is developing very quickly and dynamically. Fintech is divided into several types based on the form of innovation, one of which is peer to peer lending (P2P lending). In Indonesia, P2P lending is one of the types of fintech that is most popular with the public. P2P lending is known as a technology-based money lending and borrowing service, where this service brings together lenders with loan recipients via the internet. P2P lending can be defined as "financial change" that occurs directly between individuals without the intermediary of traditional financial institutions. Banks continue to play a regulatory role by acting as depository institutions that provide a platform for storing money, and then placing it on the platform. (Omarini, 2018).

Peer to Peer Lending has many benefits for both lenders and loan recipients. For lenders, P2P lending can be an investment option that promises higher returns than saving money in the bank. For loan recipients, this service provides quick and easy access to the required funds without having to go through complicated procedures like in traditional financial institutions. However, there are also risks to be aware of. One of them is the risk of default, where the loan recipient cannot return the funds as agreed. Therefore, P2P lending platforms usually carry out a credit selection and assessment process to minimize this risk. In addition, lenders are advised to diversify their investments by providing loans to several recipients so that the risk can be spread.

Legal protection for consumers in Indonesia is generally regulated in Law Number 8 of 1999 concerning Consumer Protection which explains that a consumer is every individual who uses goods or services available in society for personal, family, other people or other living creatures, and not for sale. Based on Law Number 8 of 1999, there are several principles that emerge from the legal relationship between consumers and business actors. The following are these principles: (Kartika et al., 2019) .

#### **1. Caveat Emptor (Buyer Beware)**

This principle teaches that buyers must be careful in making purchases. This means that if a consumer is negligent in purchasing something, he must bear the consequences himself. This principle considers the relationship between business actors and consumers to be equal so that consumers do not need special protection. Often, consumers do not have sufficient information about the products they purchase due to a lack of openness from business actors or a lack of

consumer knowledge. If a loss occurs, consumers cannot immediately sue the manufacturer because the loss is due to the consumer's own negligence.

**2. The Due Care Theory (Precautionary Theory)**

This principle, also known as the duty of care, states that businesses must be careful when marketing their products to consumers. If business actors are careful, they cannot be blamed if consumers experience losses in the future. To hold business actors accountable, consumers must be able to prove that business actors violated the precautionary principle.

**3. The Privity of Contract (Principle of Agreement Interest)**

Consumers are the party who must be protected, this is because there is a contractual relationship between consumers and business actors. If a business actor harms consumers, consumers can sue the business actor on the basis of breach of contract (not fulfilling contractual obligations). So, when providing online money lending and borrowing services, it is important to comply with the principles contained in the UUPK. However, specifically, regulations regarding online money lending and borrowing services have been regulated in Financial Services Authority Regulation no. 77/POJK.01/2016 concerning information technology-based money lending and borrowing services.

**OJK Priority Strategy in Handling the Negative Impact of Financial Technology**

1. Increase the role of the task force to supervise investment. This includes closing illegal financial technology operations that have harmed society. This requires an increase in the number of members of the investment alert task force and strong regulatory support to crack down firmly on illegal financial technology.
2. Using technology-based monitoring. OJK introduces innovation in supervision of the financial industry by utilizing technology. This includes the establishment of a financial technology lending data center based on blockchain technology for more effective and efficient supervision.
3. Carrying out financial literacy through outreach and education to the community. The aim is to prevent people from getting caught up in crimes in the financial technology industry. This can be done by creating regulations that require financial technology companies to provide outreach and education via social or print media.
4. Monitor market behavior through associations. OJK gives authority to associations as market representatives to supervise the industry independently. Through this strategy, OJK can utilize its resources to protect the public and consumers in the financial services sector.

Based on the four strategies that have been prepared by OJK (ways), OJK has been able to manage its resources, namely human resources, budget, facilities and infrastructure, and legal power (means) to carry out its goal of protecting the public and consumers of the financial industry (ends) (Kautsar Muhammad Haikal, Yulivan Ivan, 2018).

**4. CONCLUSION**

The development of Fintech P2P Lending has had a major impact on the financial industry and society. OJK has an important role in protecting consumers and ensuring financial services run safely. Through strict supervision, appropriate regulations and educational efforts, OJK strives to mitigate risks and ensure that services run fairly.

Although there are still challenges to be faced, cooperation between regulators, industry and society is key in facing the rapidly developing Fintech.

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