



Evaluating the Effectiveness of Financial Technology Regulations in Addressing Illegal Online Lending

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Abstract

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Illegal online lending has become a significant challenge in Indonesia's digital financial ecosystem because it combines financial misconduct with cyber law and information security risks. This article examines two main questions: to what extent existing financial technology lending regulations are effective in addressing illegal online lending practices, and why these regulations need to be examined and strengthened from a cyber law and information security perspective. Using a normative legal approach, this study analyzes Financial Services Authority Regulation No. 77/POJK.01/2016, relevant legal principles, peer-reviewed studies, and selected reported cases from reputable news sources. The discussion shows that the regulation has established an important legal foundation through registration, licensing, supervision, risk mitigation, confidentiality, and user protection requirements. However, its effectiveness remains limited because illegal platforms often operate outside the formal licensing system, misuse personal data, and conduct intimidation-based debt collection. The article argues that regulatory strengthening is necessary through stronger enforcement coordination, clearer data protection standards, platform accountability, victim remedies, and integration between financial supervision and cyber law enforcement.

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1. Introduction

Financial technology has changed the structure of financial services by enabling faster, more flexible, and more accessible credit distribution. In Indonesia, one of the most visible forms of this transformation is peer-to-peer lending, commonly known as online lending. This model allows lenders and borrowers to interact through electronic platforms without conventional banking intermediation. From a financial inclusion perspective, online lending can support people who have limited access to bank credit, especially micro, small, and informal-sector borrowers. However, the same technological features that make online lending efficient also create legal risks when platforms operate without authorization, collect excessive interest, misuse personal data, or conduct intimidation-based debt collection.

The Indonesian regulatory response to financial technology lending is mainly reflected in Financial Services Authority Regulation No. 77/POJK.01/2016 concerning Information Technology-Based Money Lending Services. This regulation requires platform operators to register and obtain licensing from the Financial Services Authority, establishes obligations regarding electronic systems, and introduces principles of user protection such as transparency, fairness, reliability, confidentiality, data security, and accessible dispute settlement (Otoritas Jasa Keuangan, 2016). Santi et al. (2017) explain that OJK supervision is central because fintech lending involves financial-service activities that require institutional control, legal certainty, and consumer protection. Hartanto and Ramli (2018) further show that peer-to-peer lending creates complex legal relationships among platform

operators, lenders, and borrowers, making regulatory clarity essential for determining rights, obligations, and accountability.

Despite this regulatory framework, illegal online lending has continued to develop as a serious cyber law and consumer protection problem. Suryono et al. (2021) found that illegal fintech lending in Indonesia was associated with recurring issues such as unauthorized platforms, unethical collection practices, and personal data misuse. This problem is not merely administrative because illegal online lending often operates through digital applications, remote communication, and automated data access, which places consumers in a vulnerable position. The Jakarta Post reported cases of borrowers trapped in online lending debt, while public complaints included harassment, intimidation, and privacy violations by illegal lending operators (Aqil, 2021; The Jakarta Post, 2021). These cases indicate that illegal online lending should be understood not only as a financial-sector violation but also as an information security and cyber law issue.

Previous legal studies have identified several weaknesses in the protection of online lending users. Istiqamah (2019) emphasizes that online lending must be examined through civil law because loan agreements, consent, and default remain relevant even when transactions are facilitated digitally. However, Sastradinata (2020) argues that illegal online lending creates a specific legal problem because unauthorized operators often stand outside the direct administrative supervision of OJK. Dewi and Darmawan (2021) also highlight that online lending users face risks related to excessive interest and personal rights, especially when platforms access and distribute personal data beyond reasonable limits. In a similar direction,

Prilliasari (2019) stresses that personal data protection is crucial in online lending transactions because the borrower's digital information can easily be exploited when legal safeguards are weak.

These conditions reveal a gap between regulatory design and regulatory effectiveness. POJK No. 77/POJK.01/2016 provides a legal framework for registered and licensed fintech lending operators, but illegal platforms often avoid registration, change digital identities, and continue operating through applications, websites, or direct messaging channels. As a result, the effectiveness of regulation depends not only on the existence of legal norms but also on enforcement capacity, inter-agency coordination, platform blocking, public literacy, and the availability of remedies for victims. This makes the issue urgent to examine because illegal online lending directly affects legal certainty, consumer protection, data security, and public trust in digital financial innovation.

Based on this background, this article evaluates the effectiveness of financial technology lending regulations in addressing illegal online lending through a normative legal approach. The discussion is guided by two research questions. First, to what extent are existing financial technology lending regulations in Indonesia effective in addressing illegal online lending practices? Second, why is it necessary to examine and strengthen financial technology lending regulations in addressing illegal online lending from a cyber law and information security perspective? By analyzing statutory norms, legal principles, scholarly studies, and selected reported cases, this article argues that the existing regulatory framework has provided an important legal foundation for governing licensed fintech lending, but still requires stronger

enforcement orientation to respond to illegal actors operating outside the formal licensing system.

2. Research Methods

This study uses a normative legal research method to examine the effectiveness of financial technology lending regulations in addressing illegal online lending practices in Indonesia. A normative approach is appropriate because the main focus of this article is not to measure the number of illegal lending cases statistically, but to analyze the legal norms, regulatory structure, and principles governing technology-based money lending services. Through this approach, the study evaluates whether the existing legal framework has provided sufficient legal certainty, consumer protection, supervision mechanisms, and information security safeguards in responding to the risks created by illegal online lending platforms.

The primary legal material used in this study is Financial Services Authority Regulation No. 77/POJK.01/2016 concerning Information Technology-Based Money Lending Services. This regulation is examined as the central legal instrument governing peer-to-peer lending activities in Indonesia, particularly in relation to licensing, platform obligations, user protection, risk mitigation, confidentiality, and data security. Other relevant legal instruments are also considered to strengthen the analysis, especially regulations and legal principles related to consumer protection, electronic information systems, personal data protection, and financial services supervision. These legal materials are analyzed to identify the scope of authority granted to regulators, the obligations imposed on licensed fintech lending operators,

and the limitations of the current framework when dealing with unauthorized or illegal lending actors.

Secondary legal materials consist of peer-reviewed journal articles, academic studies, and scholarly discussions on fintech lending, illegal online lending, cyber law, consumer protection, and personal data security. In addition, selected reports from reputable news portals are used only to illustrate concrete cases and public concerns related to illegal online lending practices, such as intimidation-based debt collection, misuse of personal data, excessive interest, and the operation of unlicensed digital lending platforms. These case illustrations are not treated as the main legal basis, but as contextual evidence that helps explain why the regulation requires critical examination.

The data are analyzed qualitatively using statutory and conceptual approaches. The statutory approach is applied by interpreting the provisions of the relevant regulations and assessing their function in controlling fintech lending activities. The conceptual approach is used to connect the legal analysis with broader principles of cyber law, information security, consumer protection, and regulatory effectiveness. The analysis is directed toward answering two research questions: the extent to which existing fintech lending regulations are effective in addressing illegal online lending, and the urgency of examining and strengthening these regulations from a cyber law and information security perspective.

3. Results and Discussion

3.1. To what extent are existing financial technology lending regulations in Indonesia effective in addressing illegal online lending practices?

Financial technology lending regulation in Indonesia has provided an important legal foundation for distinguishing lawful fintech lending from illegal online lending. The most relevant instrument is Financial Services Authority Regulation No. 77/POJK.01/2016 concerning Information Technology-Based Money Lending Services. This regulation establishes that fintech lending operators must be registered and licensed by the Financial Services Authority, commonly referred to as OJK. It also regulates institutional form, platform obligations, risk mitigation, electronic system use, confidentiality, and protection of user data (Otoritas Jasa Keuangan, 2016). From a normative legal perspective, this framework shows that Indonesia has recognized fintech lending as a regulated financial service rather than merely a private digital transaction between lenders and borrowers.

The effectiveness of POJK No. 77/POJK.01/2016 can first be seen in its preventive function. By requiring registration and licensing, the regulation creates a formal mechanism to determine which platforms are legally allowed to operate. Santi et al. (2017) explain that OJK supervision is essential because fintech lending involves public funds, consumer risk, and electronic transactions that require legal certainty. In this sense, the regulation is effective in constructing an official boundary between licensed fintech lending platforms and illegal online lending actors. The public can theoretically identify lawful platforms through OJK registration and

licensing status, while regulators can impose administrative sanctions on operators that violate the requirements.

However, this effectiveness is more visible for registered and licensed operators than for illegal platforms. The central weakness lies in the fact that illegal online lending platforms usually operate outside the formal licensing system. Salvasani and Kholil (2020) note that OJK's role in handling illegal peer-to-peer lending includes supervision, public warnings, and coordination to reduce illegal platforms, but these actors often appear outside the ordinary regulatory perimeter. This creates a structural limitation: a regulation designed to govern licensed operators may not be fully capable of controlling actors that deliberately avoid licensing, change names, use multiple applications, or operate through digital channels that are difficult to trace.

This limitation is also evident in the problem of consumer protection. POJK No. 77/POJK.01/2016 requires fintech lending operators to apply transparency, fairness, reliability, data confidentiality, and accessible dispute settlement (Otoritas Jasa Keuangan, 2016). These principles are normatively important because online lending users are often in a weaker bargaining position. Hartanto and Ramli (2018) emphasize that fintech lending creates legal relationships involving platform operators, lenders, and borrowers, making the allocation of rights and obligations essential. In lawful platforms, the regulation can clarify responsibilities, including the duty to provide accurate information and protect user interests. In illegal online lending, however, consumers often face unclear contract terms, excessive interest,

hidden fees, and aggressive collection practices without an effective contractual protection mechanism.

The effectiveness of regulation is further challenged by the civil law dimension of online lending agreements. Istiqamah (2019) explains that online lending remains connected to general principles of contract law, including consent, good faith, and fulfillment of obligations. This means that the digital format of the transaction does not remove the need for legal validity and fairness. Nevertheless, illegal online lending often exploits the appearance of a simple digital contract while hiding unfair terms or imposing unreasonable repayment schemes. In this situation, the existence of a formal agreement does not automatically guarantee substantive fairness. The regulation is therefore only partially effective when the borrower's consent is obtained through unclear information, urgent economic pressure, or manipulative platform design.

Another major issue is personal data misuse. Illegal online lending is closely connected with unauthorized access to contact lists, photographs, identity data, and other personal information stored on borrowers' mobile phones. Prilliasari (2019) argues that personal data protection is crucial in online lending because borrowers' information can be misused when platform access is not properly restricted. Suryono et al. (2021) also identify data leakage, personal data misuse, and illegal fintech lending as recurring issues in Indonesia's online lending ecosystem. From an information security perspective, this shows that illegal online lending is not merely a debt problem. It also involves the unlawful collection, processing, and dissemination of personal data.

POJK No. 77/POJK.01/2016 contains provisions on confidentiality and data security, but its practical effectiveness depends on whether the actor is within the reach of OJK supervision. A licensed operator can be warned, sanctioned, restricted, or ordered to improve compliance. An illegal operator, by contrast, may operate anonymously, use servers or applications that are difficult to identify, and disappear after complaints arise. This makes enforcement dependent on inter-agency cooperation involving OJK, the Ministry of Communication and Informatics, law enforcement agencies, and the Investment Alert Task Force. Suryono et al. (2021) found that illegal fintech lending practices continued to appear despite blocking and public warning efforts, which indicates that legal prohibition alone is not sufficient without rapid detection, digital enforcement, and public awareness.

The regulation is also limited in addressing abusive debt collection. Illegal lenders often use intimidation, defamation, threats, and dissemination of borrower data to pressure repayment. Sugangga and Sentoso (2020) explain that borrowing from illegal online lending platforms does not automatically remove the debtor's obligation to repay, but illegal collection methods still require legal protection for users. This distinction is important. The law must avoid suggesting that borrowers have no obligation simply because the platform is illegal, yet it must also prevent illegal lenders from using unlawful methods to enforce repayment. Existing fintech regulation has not fully solved this tension because debt collection abuses often occur outside the regulated institutional framework.

Therefore, the effectiveness of Indonesian fintech lending regulation should be understood as conditional and incomplete. It is effective in establishing a formal

legal framework for licensed fintech lending, defining operator obligations, and creating a supervisory basis for OJK. It is less effective in directly suppressing illegal online lending because illegal platforms intentionally operate beyond registration, licensing, and administrative supervision. The main regulatory gap is not the absence of legal norms, but the limited reach of those norms against unauthorized digital actors. For this reason, strengthening the regulation requires broader enforcement coordination, clearer data protection standards, stricter platform accountability, and faster mechanisms to detect and block illegal applications before harm spreads widely.

3.2. Why is it necessary to examine and strengthen financial technology lending regulations in addressing illegal online lending from a cyber law and information security perspective?

It is necessary to examine and strengthen fintech lending regulations because illegal online lending has developed into a multidimensional legal problem. It does not only involve financial transactions, but also cyber law, consumer protection, data governance, electronic systems, and information security. The digital nature of online lending allows platforms to reach users quickly, collect personal data instantly, and enforce repayment through online communication channels. This creates risks that are different from conventional lending. While ordinary lending disputes may concern repayment, default, or contract interpretation, illegal online lending may involve unauthorized data access, cyber harassment, digital intimidation, and reputational harm.

The urgency of strengthening regulation is first related to the protection of vulnerable consumers. Many users of online lending services are attracted by fast approval, minimal collateral requirements, and easy access through mobile applications. These features can support financial inclusion, but they can also expose consumers to exploitative practices when the platform is illegal. Dewi and Darmawan (2021) argue that users of online lending services require legal protection from excessive interest and violations of personal rights. This is especially important because borrowers may not fully understand the legal status of the platform, the consequences of granting application permissions, or the true cost of borrowing. Strengthened regulation is therefore needed to ensure that innovation does not develop at the expense of consumer vulnerability.

Second, the issue is urgent because illegal online lending weakens legal certainty in the fintech sector. Legal certainty requires clear rules, predictable enforcement, and accessible remedies. POJK No. 77/POJK.01/2016 has already provided a licensing and supervision structure, but the persistence of illegal platforms creates uncertainty for users, licensed platforms, and regulators. Hartanto and Ramli (2018) show that fintech lending involves several legal relationships, including the relationship between the operator and lender, operator and borrower, and lender and borrower. When illegal platforms enter the market, these relationships become blurred. Borrowers may not know whom to hold accountable, lenders may not be properly identified, and platform operators may disappear behind digital interfaces.

Third, strengthening regulation is urgent because illegal online lending damages public trust in digital financial innovation. Fintech lending can contribute to financial inclusion, but public confidence depends on the perception that digital financial services are safe, lawful, and accountable. Suryono et al. (2021) indicate that illegal fintech lending is associated with issues such as public misunderstanding, data leakage, and unethical platform behavior. When users experience intimidation or data misuse, they may generalize these harms to the entire fintech sector, including lawful providers. This creates reputational harm not only for victims but also for the broader digital economy. A stronger regulatory framework is therefore needed to separate legitimate innovation from predatory digital lending practices.

Fourth, illegal online lending must be examined from an information security perspective because personal data has become a central object of abuse. Online lending applications often request access to personal information as part of the loan process. In lawful settings, data collection should be limited, transparent, and proportionate. In illegal settings, however, access permissions may be used to obtain contact lists, identity data, and private information for collection pressure. Prilliasari (2019) emphasizes that personal data protection is important because digital lending transactions involve sensitive borrower information. This concern becomes more serious when illegal lenders use personal data as a coercive tool, for example by contacting family, colleagues, or employers to shame borrowers.

The cyber law dimension is also reflected in the use of electronic systems. Illegal online lending platforms operate through websites, mobile applications, social media, or messaging channels. These digital infrastructures allow illegal actors to

operate at scale and move quickly when blocked. Salvasani and Kholil (2020) highlight that OJK's handling of illegal peer-to-peer lending involves efforts to reduce illegal platforms, but such handling requires more than conventional financial supervision. It requires digital monitoring, coordination with communication authorities, and law enforcement responses when conduct involves threats, fraud, or misuse of electronic information. Strengthening regulation is therefore necessary to ensure that fintech lending supervision is integrated with cyber enforcement mechanisms.

Another reason for regulatory strengthening is the need to improve remedies for victims. Victims of illegal online lending often face overlapping harms: financial loss, psychological pressure, reputational damage, and privacy violation. If the legal framework focuses only on licensing status, it may not sufficiently answer what remedies are available after harm occurs. Sugangga and Sentoso (2020) stress that protection for users of illegal online lending must consider both the borrower's repayment obligation and protection against unlawful practices. This balanced view is important because legal policy should not encourage non-payment, but it must firmly prohibit intimidation, excessive collection, and personal data abuse. A strengthened framework should therefore clarify reporting channels, evidence handling, victim protection, and coordination among regulators and law enforcement.

The urgency is also connected to regulatory adaptation. Technology-based lending develops faster than conventional regulation. Illegal lenders can change application names, shift domains, use different phone numbers, or rely on informal

digital promotion. As a result, legal rules must be supported by adaptive enforcement. Santi et al. (2017) show that OJK supervision is a key element in fintech governance, but supervision must evolve as platform behavior changes. A purely administrative model may be insufficient when illegal actors are not registered entities. Stronger regulation should therefore include preventive, corrective, and punitive dimensions: public literacy to prevent victimization, rapid blocking to limit operational space, and stronger sanctions when illegal lending involves fraud, threats, or personal data misuse.

From a normative legal perspective, examining and strengthening fintech lending regulation is necessary because law must ensure that digital financial innovation remains consistent with justice, legal certainty, and public benefit. The state has an obligation to allow technological innovation while preventing harm to citizens. POJK No. 77/POJK.01/2016 already provides a foundation, but the problem of illegal online lending demonstrates that regulation must be evaluated in relation to actual risk. The legal framework should not only regulate compliant actors; it must also be capable of responding to non-compliant actors that exploit digital infrastructure.

In conclusion, the urgency of examining and strengthening fintech lending regulation lies in the convergence between financial risk and cyber risk. Illegal online lending affects contract fairness, consumer rights, personal data security, digital trust, and regulatory authority. Existing regulation has created a necessary foundation, but its effectiveness remains limited when illegal actors operate beyond formal licensing and exploit information systems to pressure borrowers. Therefore, regulatory

strengthening should focus on enforcement coordination, data protection, platform accountability, public literacy, and victim remedies. Such strengthening is essential to ensure that fintech lending develops as a lawful financial innovation rather than a channel for digital exploitation.

4. Conclusion

This article concludes that financial technology lending regulation in Indonesia has established an important legal foundation for governing technology-based money lending services, particularly through Financial Services Authority Regulation No. 77/POJK.01/2016. The regulation provides basic requirements for registration, licensing, platform obligations, risk mitigation, confidentiality, and user protection. From a normative legal perspective, these provisions are significant because they create a legal boundary between licensed fintech lending platforms and illegal online lending actors. The regulation also reflects the state's effort to accommodate digital financial innovation while maintaining supervision over financial services that involve public interest, consumer rights, and electronic systems.

However, the effectiveness of the existing regulation remains limited when applied to illegal online lending practices. POJK No. 77/POJK.01/2016 works more effectively against registered or licensed operators because these actors are formally subject to OJK supervision and administrative sanctions. In contrast, illegal online lending platforms often operate outside the licensing system, change digital identities, use unofficial applications or communication channels, and avoid direct

regulatory control. This creates a gap between the existence of legal norms and their practical enforcement. As a result, consumers may still face excessive interest, unclear contractual terms, intimidation-based debt collection, and misuse of personal data, even though user protection principles have already been recognized in the regulatory framework.

The urgency of examining and strengthening fintech lending regulation lies in the fact that illegal online lending is not only a financial-sector violation, but also a cyber law and information security issue. Illegal platforms exploit digital infrastructure to collect, process, and misuse personal data. They may also use electronic communication to pressure borrowers, spread private information, or damage a person's reputation. These practices show that the legal response cannot rely only on licensing supervision. It must also involve stronger data protection standards, platform accountability, digital monitoring, consumer education, victim remedies, and coordination among OJK, communication authorities, law enforcement institutions, and other relevant agencies.

Therefore, strengthening financial technology lending regulation is necessary to ensure that digital financial innovation develops within a lawful, secure, and accountable ecosystem. The existing framework should be improved by expanding enforcement mechanisms against unlicensed platforms, clarifying legal responsibility for personal data misuse, improving public access to reporting and remedies, and integrating financial supervision with cyber law enforcement. In this context, regulation must not only control legal fintech operators, but also respond effectively to illegal actors that exploit technological gaps. A stronger regulatory framework will

help protect consumers, preserve legal certainty, strengthen information security, and maintain public trust in Indonesia's digital financial services sector.

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