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## Legal Aspects of Consumer Protection in Fintech Services

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### Abstract

This study examines the legal aspects of consumer protection in financial technology (fintech) services in Indonesia, focusing on the analysis of existing laws and regulations and their implementation. Fintech services have grown rapidly along with the increasing use of digital technology in the financial sector, but this development has also raised various challenges related to the protection of consumer rights. This study reviews the applicable legal framework, including Law Number 8 of 1999 concerning Consumer Protection and Law Number 11 of 2008 concerning Information and Electronic Transactions, as well as the Financial Services Authority Regulation. The results of the analysis show that although existing regulations have provided a legal basis for consumer protection, implementation in the field still faces various obstacles, such as lack of information transparency, misuse of personal data, and weak law enforcement. This study provides recommendations for strengthening regulations and improving supervision in order to ensure that consumer rights are well protected in the dynamic fintech ecosystem.

**Keywords:** *Consumer Protection, Fintech, Indonesian Law*

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### INTRODUCTION

Financial technology (fintech) services have experienced rapid development in Indonesia, in line with advances in digital technology and increasing access to the internet. Fintech has changed the way people access financial services, from electronic payments, online loans, to digital investments. However, although fintech provides many conveniences, this progress also raises various legal challenges, especially related to consumer protection.

Consumer protection in fintech services is becoming an increasingly pressing issue, given the many cases of consumer rights violations that have occurred in recent years. Some of the main issues that have emerged include misuse of personal data, lack of transparency in transactions, and abuse of power by service providers. This raises questions about the extent to which the existing legal framework is able to protect consumers in the rapidly growing fintech ecosystem.

In the context of Indonesian law, consumer protection in fintech services is regulated by several laws, including Law Number 8 of 1999 concerning Consumer Protection (UU Perlindungan Konsumen) and Law Number 11 of 2008 concerning Information and Electronic Transactions (UU ITE). Article 4 of the Consumer Protection Law provides consumers with the right to obtain comfort, security, and safety in using goods and/or services. In addition, Article 7 regulates the obligation of business actors to provide correct, clear, and honest information regarding the condition of the goods and/or services offered (UU No. 8/1999).

However, the implementation of these provisions in the context of fintech services is often not optimal. For example, although Article 26 of the ITE Law regulates the protection of personal data, many consumers still experience data misuse by fintech service providers. Consumers' personal data

is often collected and used without clear consent, or used for purposes that are not in accordance with the interests of consumers (Law No. 11/2008). This misuse of data not only violates consumers' privacy rights, but can also cause significant financial losses.

In addition, the lack of transparency in fintech transactions is a serious problem. Many fintech service providers do not provide adequate information regarding the costs, risks, and other provisions related to the products or services they offer. This violates the provisions of Article 18 of the Consumer Protection Law which prohibits business actors from creating standard clauses that include unilateral provisions that are detrimental to consumers (Law No. 8/1999). This lack of transparency often makes consumers unaware of their rights or obligations that they must fulfill, which can ultimately lead to disputes between consumers and service providers.

On the other hand, fintech also poses new challenges related to law enforcement. The dispute resolution process in fintech services is often complicated and time-consuming, especially since many business actors operate online and across borders. Article 45 of the ITE Law provides the right to parties who feel aggrieved to file a civil lawsuit to obtain compensation, but in practice, many consumers find it difficult to claim their rights due to limited access to legal aid, high costs, and complex procedures (Law No. 11/2008).

The development of fintech also demands innovation in regulations that are able to follow market dynamics and technological developments. Current regulations are often considered outdated and unable to accommodate the increasingly complex needs of consumer protection in the fintech ecosystem. For example, Financial Services Authority (OJK) Regulation Number 77/POJK.01/2016 concerning Information Technology-Based Money Lending Services (POJK 77) is an effort to regulate peer-to-peer (P2P) lending services, but many parties consider that this regulation is still inadequate in providing comprehensive protection for consumers.

One of the biggest challenges in fintech regulation is ensuring that consumer interests are protected without hindering innovation and technological development. The Indonesian government needs to ensure that existing regulations not only protect consumers from harmful practices, but also encourage the growth of a healthy and sustainable fintech sector. In this regard, it is important to adopt a regulatory approach that is adaptive and responsive to change, taking into account international best practices.

This study aims to analyze the legal aspects of consumer protection in fintech services in Indonesia, with a focus on the implementation of the Consumer Protection Law, the ITE Law, and other related regulations. This study will also examine the challenges faced in implementing these regulations and provide recommendations to strengthen the existing legal framework. Thus, it is hoped that this study can provide a significant contribution to the development of more effective fintech regulations that are oriented towards consumer interests.

## **METHOD**

This study uses a normative legal method with an analytical-descriptive approach. The normative legal method was chosen because this study focuses on the study of laws and regulations and other legal documents related to consumer protection in fintech services in Indonesia. The analytical-descriptive approach is used to analyze existing regulations, evaluate their effectiveness,

and identify weaknesses that affect consumer protection. The data used in this study comes from primary and secondary legal materials. Primary legal materials include laws, government regulations, and regulations of related authorities such as the Financial Services Authority (OJK) and Bank Indonesia that regulate fintech services. Secondary legal materials include legal journals, articles, books, and other publications relevant to the topic of consumer protection in fintech.

Data analysis was conducted by reviewing laws and regulations, especially Law Number 8 of 1999 concerning Consumer Protection (UU Perlindungan Konsumen) and Law Number 11 of 2008 concerning Information and Electronic Transactions (UU ITE). In addition, this study also reviewed relevant Financial Services Authority Regulations (POJK), such as POJK Number 77/POJK.01/2016 concerning Information Technology-Based Money Lending Services. The results of the analysis will then be interpreted to assess the extent to which existing regulations are able to provide protection to consumers in the fintech ecosystem, as well as to identify the challenges faced in their implementation. This study will also compare existing regulations in Indonesia with international best practices to provide recommendations for improving regulations in the future. With this approach, it is hoped that this study can provide a comprehensive understanding of consumer protection in fintech services in Indonesia and offer practical and evidence-based solutions to strengthen the existing legal framework.

## **RESULTS AND DISCUSSION**

### **Personal Data Protection in Fintech Services**

Consumer personal data protection is one of the most critical aspects of fintech services, especially since the nature of these services is highly dependent on the use of digital technology and the internet. In the fintech ecosystem, consumer personal data is often the main object processed by various financial technology platforms for the purposes of identity verification, credit analysis, and service personalization. However, the use of consumer personal data poses significant risks, especially if there is no adequate legal protection to maintain data privacy and security.

In Indonesia, personal data protection is regulated in several laws and regulations, the main ones being Law Number 11 of 2008 concerning Electronic Information and Transactions (UU ITE) and Government Regulation Number 71 of 2019 concerning the Implementation of Electronic Systems and Transactions (PP 71/2019). Article 26 paragraph (1) of the ITE Law states that anyone who uses personal data in electronic transactions must obtain the consent of the data owner, unless otherwise specified by laws and regulations. This article emphasizes the importance of the principle of consent in the processing of personal data, which is one of the main pillars of consumer privacy protection (Law No. 11/2008).

In addition, the ITE Law also provides protection against illegal access to personal data through Article 30, which criminalizes the act of accessing another person's electronic system without permission with the threat of criminal penalties. This article provides a legal basis for prosecuting perpetrators who try to access or steal consumers' personal data without permission. However, even though this provision exists, the implementation of law enforcement often faces challenges, especially in terms of evidence and enforcement in a complex and ever-evolving digital environment (Law No. 11/2008).

Government Regulation Number 71 of 2019 (PP 71/2019) strengthens this provision by requiring electronic system organizers to organize a system that can guarantee the integrity, authenticity, and

confidentiality of personal data. Article 14 of PP 71/2019 stipulates that electronic system organizers are required to protect the personal data they manage, and violations of this obligation can be subject to administrative sanctions, including written warnings, fines, and temporary suspension of data processing activities (PP 71/2019).

However, the current legal framework is still considered not comprehensive enough in regulating personal data protection, especially in the context of rapidly growing fintech services. For example, existing regulations do not regulate in detail the obligations of fintech providers in terms of data processing transparency, consumer rights to access, correct, or delete their personal data, and legal liability in the event of a data leak. This creates a legal loophole that can be exploited by irresponsible parties, so that consumer personal data remains vulnerable to misuse.

One of the main challenges in protecting consumer personal data in fintech is the low level of consumer awareness of their rights regarding personal data. Many consumers do not fully understand how their data is used by fintech service providers, or are not even aware that they have the right to control the use of their personal data. In fact, Article 26 of the ITE Law clearly gives consumers the right to give or refuse consent to the use of their personal data (Law No. 11/2008).

In addition, challenges also arise from the side of fintech service providers who are often less transparent in conveying how consumers' personal data will be used. Some fintech platforms do not clearly explain to consumers the purpose of data collection, the type of data collected, and third parties who may have access to the data. This violates the principle of transparency mandated by laws and regulations and can lead to consumer distrust of fintech services.

Another crucial issue is data security. Although PP 71/2019 requires electronic system organizers to maintain the integrity and confidentiality of personal data, in practice, there are still frequent cases of data leaks that harm consumers. Data leaks can be caused by various factors, including cyber attacks, weaknesses in security systems, or negligence on the part of service providers. When data leaks occur, consumers often do not receive adequate compensation, and the legal process to sue negligent service providers is also not always effective.

The unclear regulation on the responsibility of fintech service providers in the event of a data leak is another obstacle in efforts to protect consumers. Although Article 36 of the ITE Law regulates sanctions for electronic system providers who cause losses due to negligence, the sanctions stipulated in this law are not strong enough to provide a deterrent effect. In addition, consumers who are victims of data leaks often have difficulty in claiming compensation due to complicated and time-consuming legal procedures.

In the international context, several countries have developed more comprehensive and stringent regulations in protecting consumer personal data, especially in the fintech sector. For example, the European Union has implemented the General Data Protection Regulation (GDPR), which provides very strong protection for personal data. The GDPR requires service providers to provide clear and detailed explanations about the use of data, ensure that personal data is only used in accordance with the agreed purposes, and provide consumers with the right to access, correct, or delete their personal data. In addition, the GDPR also imposes very high fines on companies that violate this rule, which provides a strong incentive for companies to comply with the regulation (Regulation (EU) 2016/679).

Compared to GDPR, regulations in Indonesia are still relatively weak in terms of protecting consumers' personal data, especially in the context of fintech. One of the main differences is that GDPR provides broader rights to consumers, including the right to data portability (transferring personal data from one service provider to another) and the right to be forgotten, which have not been accommodated in regulations in Indonesia. In addition, the oversight and law enforcement

mechanisms in Indonesia are still less effective compared to those in the European Union, where data protection authorities have broad powers to conduct audits and impose sanctions. To strengthen the protection of consumers' personal data in fintech services in Indonesia, there needs to be more concrete steps in terms of regulation and implementation. First, a revision of the ITE Law and PP 71/2019 is needed to accommodate technological developments and the complexity of fintech services, as well as to adopt internationally recognized data protection principles, such as those stated in the GDPR.

*Second*, increased capacity for supervision and law enforcement by competent authorities, such as the Financial Services Authority (OJK) and the Ministry of Communication and Information, is essential. These authorities must have adequate resources and authority to conduct audits, investigate violations, and impose severe sanctions on fintech service providers who do not comply with data protection regulations.

*Third*, educating consumers about their rights regarding personal data is also very important. Governments and fintech service providers must work together to raise consumer awareness about the importance of personal data protection, as well as provide clear and easy-to-understand information about how their data is used and protected.

*Fourth*, there is a need to improve the security standards of technology used by fintech service providers, including the implementation of data encryption, double authentication, and the development of early detection systems against cyber attacks. These standards must be adopted as part of the legal obligations that must be complied with by all fintech providers.

### **Fintech Service Providers' Responsibilities to Consumers**

Fintech service providers play an important role in maintaining consumer trust and ensuring that the services they offer meet applicable legal and ethical standards. In the context of consumer protection law, the responsibilities of fintech service providers cover a variety of aspects, from information transparency, risk management, to handling consumer complaints. These responsibilities are regulated by a number of laws and regulations in Indonesia, including Law Number 8 of 1999 concerning Consumer Protection (UU Perlindungan Konsumen) and Law Number 11 of 2008 concerning Information and Electronic Transactions (UU ITE).

Transparency of information is one of the main obligations that must be fulfilled by fintech service providers. Article 7 of the Consumer Protection Law stipulates that business actors are required to provide correct, clear, and honest information regarding the condition of the goods and/or services offered. This information must include everything related to fintech services, including the risks that consumers may face, the fees charged, and the applicable terms and conditions (Law No. 8/1999).

However, in practice, many fintech service providers have not fully fulfilled this obligation. Some fintech platforms tend to provide incomplete or difficult-to-understand information for consumers, especially regarding hidden costs or risks associated with using the service. For example, in online lending services or peer-to-peer (P2P) lending, there are often cases where consumers are not clearly informed about high interest rates or burdensome late payment fines. This violates consumers' rights to obtain adequate information and can have a negative impact on consumer trust in fintech services. Article 18 of the Consumer Protection Law also prohibits business actors from creating standard clauses that are unclear or contain provisions that are detrimental to consumers. However, there are still many fintech service providers who use standard contracts or terms and conditions that are difficult for ordinary consumers to understand, so that they are not fully aware of their rights and obligations when using the service (Law No. 8/1999).

Fintech service providers also have a responsibility to manage risks that may arise from the use of their services. This includes financial risks, data security risks, and other operational risks. In this regard, Financial Services Authority (OJK) Regulation Number 77/POJK.01/2016 concerning Information Technology-Based Money Lending Services (POJK 77) stipulates that fintech providers are required to apply the principle of prudence in running their businesses, including in terms of credit assessment and risk management (POJK No. 77/2016).

However, the challenges in managing these risks are quite complex, especially in the context of fintech which relies heavily on technology. For example, in P2P lending services, there is a risk that borrowers are unable to repay loans, which can result in losses for lenders. Fintech service providers must have an effective mechanism to assess borrowers' creditworthiness, as well as manage loan portfolios to minimize the risk of default. Unfortunately, not all fintech platforms have a system strong enough to manage these risks, which can ultimately harm consumers.

In addition, data security risks are also a major concern. As previously discussed, fintech service providers are required to protect consumers' personal data from unauthorized access and data leaks. However, with increasingly sophisticated cyberattack techniques, many fintech service providers face difficulties in maintaining consumer data security. When a data leak occurs, the fintech service provider's responsibility is not only limited to repairing the damage, but also providing compensation to consumers who are harmed.

Article 19 of the Consumer Protection Law states that business actors are responsible for providing compensation for losses suffered by consumers due to the use of goods and/or services produced or traded. Compensation can be in the form of a refund, replacement of goods/services, or repairs. In the context of fintech, this means that if an error occurs in a transaction or if a consumer suffers a loss due to a data leak, the fintech service provider is required to provide appropriate compensation to the consumer (Law No. 8/1999).

Handling consumer complaints is another aspect of fintech service providers' responsibilities that is often overlooked. Many consumers complain that when they encounter problems with fintech services, such as errors in transactions or difficulties in payments, the service provider does not provide an adequate response. In fact, Article 4 of the Consumer Protection Law provides consumers with the right to receive compensation, damages, and/or replacement if the goods and/or services received do not comply with the agreement (Law No. 8/1999).

In addition, OJK Regulation requires fintech providers to have an effective dispute resolution mechanism that is accessible to consumers. However, in practice, this mechanism often does not work well. For example, there are fintech platforms that do not provide clear communication channels for consumers to submit complaints, or do not provide a quick and adequate response to complaints submitted. This can reduce consumer trust in fintech services and make them reluctant to use these services in the future.

Poor complaint handling can also cause consumers to seek legal redress, which can ultimately be detrimental to both parties. Therefore, fintech service providers need to ensure that they have a responsive, transparent, and fair complaint handling mechanism. Consumers must be given easy access to submit complaints, and these complaints must be handled quickly and efficiently. To strengthen the responsibility of fintech service providers to consumers, several concrete steps are needed, both in terms of regulation and business practices. First, there needs to be increased supervision by the OJK and other related institutions to ensure that fintech service providers fulfill their obligations in terms of information transparency, risk management, and handling consumer

complaints. The OJK also needs to provide strict sanctions for violations committed by fintech service providers, including revoking operating licenses if necessary.

*Second*, fintech service providers must be more proactive in educating consumers about their rights, as well as how to use fintech services safely. This includes providing clear and easy-to-understand information about the risks associated with fintech services, as well as consumer rights and obligations in every transaction. Third, there needs to be an increase in operational standards in the fintech industry, especially related to risk management and data security. Fintech service providers must adopt the latest technology in managing risk and protecting consumer data, and ensure that they have effective mechanisms to respond to security incidents and consumer complaints.

*Fourth*, collaboration between the government, fintech service providers, and industry associations needs to be enhanced to develop a code of ethics and best practices that can be applied across the industry. This code of ethics should include the principles of transparency, responsibility, and accountability, and set minimum standards that must be met by all fintech service providers. With the implementation of these steps, it is hoped that fintech service providers in Indonesia can carry out their responsibilities better, so as to provide optimal protection for consumers and build a healthier and more sustainable fintech ecosystem.

## CONCLUSION

This study reveals that consumer protection in fintech services in Indonesia still faces a number of significant challenges, especially related to personal data protection and the responsibilities of fintech service providers. Although regulations such as Law Number 8 of 1999 concerning Consumer Protection and Law Number 11 of 2008 concerning Information and Electronic Transactions already exist, their implementation is still not optimal. Fintech service providers are often not transparent in conveying information to consumers, ignore their obligations in terms of risk management, and are not responsive in handling consumer complaints.

Personal data protection, which is regulated by Article 26 of the ITE Law and strengthened by Government Regulation Number 71 of 2019, is still vulnerable to violations, with many cases of data leaks and data misuse by irresponsible parties. In addition, although fintech service providers are required to manage risks properly and provide honest and complete information, there are still many cases where consumers do not receive adequate protection. Dispute resolution through legal mechanisms is also often ineffective, so that many consumers feel disadvantaged without receiving proper compensation. Therefore, increased supervision and law enforcement by relevant authorities, including the OJK, are needed to ensure that fintech service providers fulfill their legal obligations. In addition, revisions to existing regulations, by adopting international best practices such as the GDPR, can help strengthen the consumer protection framework in the fintech sector. Better education for consumers about their rights and improved operational standards in the fintech industry are also essential to building a safer, more transparent, and more responsible fintech ecosystem.

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