

## The Strategy to Increase Consumer Protection in the Fintech Industry through Progressive Regulation and Digital Financial Education

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### Keywords

legal protection; consumer protection; fintech; electronic transactions

### ABSTRACT

*The development of financial technology (fintech) in the digital era has brought significant changes in financial services, providing easy access and efficiency for consumers. However, behind the benefits offered, there are various legal challenges related to consumer protection, including the risk of misuse of personal data, online fraud, and unclear dispute resolution mechanisms. Regulations governing the fintech sector are still evolving to adapt to the dynamics of rapidly changing technology. Therefore, it is vital to analyze how legal protection for consumers in the fintech sector in Indonesia is implemented and how existing regulations can provide legal certainty for the community. This research employs a normative juridical methodology that combines a conceptual and statutory approach. The Electronic Information and Transactions Law (ITE), Law Number 8 of 1999 concerning Consumer Protection, and other regulations of the Financial Services Authority (OJK) and Bank Indonesia pertaining to the fintech ecosystem in Indonesia were among the pertinent regulations that were analyzed. This study also looks at regulatory developments in the digital age and legal theories pertaining to consumer protection in electronic transactions. This study uses a normative legal approach to better understand the legal protections for consumers in fintech transactions and to pinpoint implementation issues. It is anticipated that the study would help create policies that are more adaptive to technological developments and provide recommendations for more effective legal policies in protecting consumers in the fintech era.*

### INTRODUCTION

The emergence of *fintech*, or financial technology, has significantly altered the global financial system, including in Indonesia. The digitalization of financial services allows people to access various financial products and services more easily, quickly, and efficiently (Ardianto, 2024). Various fintech platforms, such as online lending services, digital wallets, and application-based investments, have become innovative solutions that offer convenience in financial transactions (Negarawati, 2024). However, in its development, the rapid adoption of this technology requires regulations that can provide legal protection for consumers, ensuring that transactions remain safe and fair. Legal protection for consumers in the fintech sector is important, considering the characteristics of digital transactions, which differ from conventional transactions. Consumers often do not have full control over their data and rely on technology systems managed by fintech service providers (Njatrijani, 2019). Therefore, regulations are needed to ensure that consumer rights remain protected, particularly in terms of information transparency, transaction security, and personal data protection. In this context, the

state plays a role in regulating and supervising fintech activities to ensure they comply with applicable legal principles (Sitompul, 2018).

In legal studies, consumer protection is part of an effort to maintain a balance between the interests of business actors and consumer rights (Vista, 2023). The basic concept of legal protection for consumers is based on the principles of justice, transparency, and legal certainty in every transaction. In digital transactions, these principles are increasingly relevant because consumers interact with systems based on algorithms and artificial intelligence. Therefore, there must be a guarantee that existing legal mechanisms can protect them from detrimental practices (Priliasari, 2023).

Consumer protection regulations in fintech are also closely related to the legal theory of digital technology and finance. These regulations serve to ensure that innovation in financial technology remains within the applicable legal framework. Through proper regulation, the government can ensure that fintech services continue to operate based on the principle of accountability, where each service provider is responsible for the security and validity of transactions carried out by its consumers (Basri, 2025).

Security and legal compliance in the fintech system are fundamental aspects of protecting consumers. Fintech platforms must ensure that consumer data is not misused and that transactions are protected by a strong security system (Hakim & Hapsari, 2022). The regulations implemented by the Financial Services Authority (OJK) and Bank Indonesia aim to create a healthy fintech ecosystem, where transparency in the delivery of information, dispute resolution mechanisms, and data protection standards are integral to the operation of digital financial services (Daley, 2024).

In addition, legal protection in fintech emphasizes the importance of digital literacy for consumers. Regulations not only control the activities of fintech business actors but also provide a foundation for increasing consumer understanding of their rights and obligations in using fintech services. With a good understanding, consumers can make smarter decisions in managing their finances on digital platforms (Romadhonia, 2024).

In a legal context, fintech regulations are not only repressive but also preventive. Good regulations must prevent practices that could harm consumers before they occur, such as through the implementation of transparency standards, clear approval mechanisms, and protection of personal data. Thus, legal protection in fintech not only creates a sense of security for consumers but also supports the development of a more sustainable fintech industry oriented towards the interests of the wider community (Rifa, 2024).

Overall, the relationship between consumer protection and fintech regulation reflects the need for a legal system that is dynamic and responsive to technological changes. The state has a central role in ensuring that the provisions implemented can provide effective legal protection for consumers without hindering innovation in the fintech sector. With a comprehensive legal approach, the fintech ecosystem can develop healthily and provide maximum benefits for consumers and digital financial industry players.

This study introduces novelty by examining legal protection for consumers in Indonesia's rapidly growing fintech sector, which is evolving alongside technological advancements in the digital age. While previous research has addressed the development of fintech and the importance of consumer protection, there is a lack of in-depth analysis on how existing regulations in Indonesia can keep pace with rapidly advancing fintech innovations,

particularly concerning data protection, transaction transparency, and dispute resolution mechanisms. The objective of this research is to analyze the existing legal framework, identify regulatory gaps, and evaluate the challenges faced in implementing consumer protection in the fintech sector. Additionally, this study will offer recommendations for improving regulations to align more effectively with technological developments, ensuring consumer rights in the digital age. The benefits of this research include providing policy implications that will assist policymakers in creating more adaptive regulations for the fintech sector, enhancing legal protection for consumers, and increasing legal literacy and digital financial education among the public. Thus, this study aims to contribute to a safer and more sustainable fintech ecosystem, offering valuable insights for regulators in achieving a balance between innovation and legal certainty.

## METHOD

This study adopts a normative juridical approach, focusing on the examination of legal norms and legislation pertinent to consumer protection in the *fintech* industry. The primary technique used is legal analysis, specifically through the *statutory approach* and *conceptual approach*.

**Statutory Approach:** The *statutory approach* in this study involves a thorough examination of existing laws that govern consumer protection and the *fintech* industry in Indonesia. Key legal frameworks include Law Number 8 of 1999 concerning Consumer Protection, which safeguards consumers' rights in transactions; Law Number 11 of 2008 concerning Electronic Information and Transactions (ITE Law), which regulates electronic transactions and ensures the protection of personal data; and various regulations issued by the Financial Services Authority (OJK) and Bank Indonesia that outline the operational standards for *fintech* service providers. These laws serve as the primary foundation for analyzing consumer rights and the corresponding obligations of *fintech* companies, ensuring transparency, security, and fairness in digital financial services.

**Conceptual Approach:** In addition to the *statutory framework*, the study incorporates several legal theories to further enrich the understanding of consumer protection within the *fintech* sector. The *conceptual approach* draws on *consumer protection theory*, which emphasizes fairness and transparency in market transactions; *legal certainty theory*, which ensures that legal rules are clear and predictable; and *technology law theory*, which addresses the intersection of law and technological innovation. These theoretical perspectives allow for a deeper analysis of how legal frameworks must adapt to the rapid advancements in *fintech*, ensuring that consumer protection evolves alongside technological development.

Legal norms concerning consumer rights, obligations of service providers, and the regulatory environment of *fintech* in Indonesia are critically examined. This study analyzes whether the current legal structure provides sufficient protection for consumers in digital financial transactions, focusing on areas such as data privacy, transparency, and dispute resolution.

**Limitations:** This study employs a normative legal methodology, which does not involve empirical analysis. Therefore, the findings are theoretical and may require further validation through future field studies or empirical research to assess their applicability in real-world settings.

## RESULT AND DISCUSSION

### A. Consumer Protection Regulation in Fintech Sector

Consumer protection in the fintech sector in Indonesia is regulated through various laws and regulations that aim to ensure that consumer rights remain protected in digital transactions. The primary legal foundation for shielding customers from unfair commercial practices is Law Number 8 of 1999 concerning Consumer Protection (UUPK). Customers have the right to comfort, security, and safety when using products and/or services, including fintech-based services, according to Article 4 of the UUPK. Furthermore, Article 7 governs business actors' responsibilities, including the duty to give accurate, understandable, and truthful information on the terms and guarantees of the goods or services offered (Tampubolon, 2016). In addition to the UUPK, fintech regulations are also regulated by the rules set forth by the Financial Services Authority (OJK), which are crucial in monitoring Indonesia's digital financial services. POJK No. 77/POJK.01/2016 regarding Information Technology-Based Money Lending Services is one of the primary regulations, which regulates the mechanism for organizing fintech lending services, including the obligation of organizers to maintain transparency, consumer data protection, and dispute resolution. In addition, Regarding Digital Financial Innovation in the Financial Services Sector, POJK No. 13/POJK.02/2018 also provides guidelines for fintech companies to ensure that their services remain in accordance with legal standards and do not harm consumers (Fais, 2021).

Law Number 11 of 2008 concerning Electronic Information and Transactions (UU ITE) and its changes in Law Number 19 of 2016 also contribute to the legal protection of fintech service users in the context of consumer data protection. According to Article 26 of the ITE Law, the data owner's authorization must be obtained before using personal data in electronic transactions, and service providers are required to protect the data from misuse (Mediyanti, 2023). This is reinforced by Law Number 27 of 2022 concerning Personal Data Protection (UU PDP), which stipulates that fintech service providers must ensure the security of consumer data and be responsible for data leaks that occur due to their negligence (Edbert, 2023).

A number of organizations that have the power to control and oversee the deployment of digital financial services oversee the fintech sector. The Financial Services Authority (OJK) is in charge of overseeing fintech businesses that work in the financial services industry, including making sure that the services they offer adhere to the consumer protection guidelines outlined in the relevant POJK. Additionally, through Bank Indonesia Regulation (PBI) No. 22/23/PBI/2020 concerning Payment Systems, Bank Indonesia (BI) is responsible for overseeing certain parts of the digital payment system, such as rules pertaining to the use of electronic money and digital-based transactions.

The Ministry of Communication and Information (Kominfo), in addition to OJK and Bank Indonesia, has the power to control certain facets of the IT utilized in fintech services, particularly those pertaining to cybersecurity and the protection of personal data. Kominfo is tasked with ensuring that fintech platforms implement adequate security standards to prevent user data leaks. Regulations issued by Kominfo, such as the Minister of Communication and Information's Regulation No. 20 of 2016 about Personal Data

Protection in Electronic Systems gives electronic system organizers a legal foundation for their duties to protect the privacy and accuracy of customer data.

In addition to regulation and supervision, the consumer dispute resolution mechanism in fintech services has also been regulated in various regulations that aim to provide fair solutions for consumers who experience problems in digital transactions. OJK provides a Consumer Complaint Service mechanism that allows consumers to report problems they face while using fintech services. In addition, there is also an Alternative Dispute Resolution Institution (LAPS) which functions as a mediation forum for consumers and fintech service providers to resolve disputes without having to go through the courts.

According to the guidelines outlined in Article 45 of the UUPK, customers who believe that fintech companies have breached their rights may bring a complaint in court, which states that consumers can sue business actors through the courts or other dispute resolution mechanisms (Putri, 2014). In addition, in Article 38 of POJK No. 77/POJK.01/2016, it is stated that fintech lending providers are required to provide a complaint mechanism that can be accessed by service users in order to resolve disputes quickly and effectively.

With the various regulations and supervisory mechanisms that have been established to strengthen the legal protection for the fintech consumer. Existing regulations aim to create a balance between technological innovation and legal certainty so that people can use fintech services safely and without worrying about violating their rights. The government through the OJK, Bank Indonesia, and Kominfo continues to strive to ensure that the regulations implemented are able to provide optimal protection for consumers so that the fintech ecosystem can develop well and provide benefits to all levels of society.

## **B. Analysis of Challenges and Problems in Law Implementation**

The rapid development of financial technology (fintech) presents challenges in implementing the law, especially related to the regulatory gap that occurs due to the difference in speed of technological innovation and the formation of regulations. Legal regulations often take a long time to design, ratify, and implement, while innovation in fintech develops dynamically in a matter of months. As a result, several new services or business models in fintech may emerge before there are regulations that specifically regulate their operations and mechanisms. It has the potential to create a legal grey area, where there is no certainty regarding the rights and obligations between service providers and consumers (Riswanto, 2024).

In addition, digital transactions in the fintech ecosystem are often cross-border, which means that fintech service users in Indonesia can access services from companies based abroad. This situation poses challenges in implementing the law, especially in enforcing applicable regulations and jurisdictions. If a dispute occurs between Indonesian consumers and service providers based in other countries, there is uncertainty about which law should be applied and what dispute resolution mechanisms can be used. This condition can make it difficult for consumers to obtain effective legal protection, especially if the fintech company does not have an official license in Indonesia (Handoko, 2024).

In terms of security, personal data protection and cybersecurity are the main challenges in implementing laws in the fintech sector. Fintech services that rely on digital

systems and massive data use are at risk of personal data leaks or misuse. Although regulations regarding personal data protection have been enacted, their implementation still faces various obstacles, such as the lack of uniform technical standards to protect user data across fintech platforms. In addition, the threat of cyber-attacks on fintech organizers is also increasing, so it is necessary to strengthen the digital security system to ensure that user data remains protected from unauthorized access and other cybercrime activities (Qur'anisa, 2024).

Another challenge is the implementation of personal data protection regulations in the fintech ecosystem that involves many parties, including technology companies, financial institutions, and regulators. Compliance with regulations often varies between fintech platforms, especially between companies that operate globally and those based domestically. Some fintech companies may have higher data protection standards based on international regulations such as the General Data Protection Regulation (GDPR) in the European Union, while in Indonesia, the implementation of personal data protection regulations is still in the adjustment stage. Differences in these standards can create inequality in the protection of consumer rights, depending on the services they use (Fahri, 2023).

Besides regulatory and security aspects, legal literacy and consumer awareness of legal protection in fintech services are issues that need attention. Many fintech service users do not understand their rights as consumers, including how to protect their data, understand the terms and conditions in digital agreements, and the steps that can be taken if a violation occurs. This lack of understanding can make consumers vulnerable to less transparent or detrimental business practices, such as hidden fees in transactions or misuse of personal data without permission.

Therefore, efforts are needed to increase digital financial literacy for the public, especially in the legal aspects related to fintech services. The government and supervisory institutions, such as the Financial Services Authority (OJK) and Bank Indonesia (BI), need to continue to educate and socialize regarding consumer rights in digital financial services. In addition, fintech service providers also have a responsibility to provide clear and easy-to-understand information to users, including transparency in privacy policies and dispute resolution mechanisms. With increasing legal awareness among consumers, it is hoped that they will be more careful in using fintech services and more proactive in fighting for their rights if legal problems arise.

## CONCLUSION

Indonesian *fintech* regulations are intended to provide consumers with legal protection, particularly concerning transparency, transaction security, and the protection of personal data. Laws and rules issued by the Ministry of Communication and Information (*Kominfo*), Bank Indonesia (*BI*), and the Financial Services Authority (*OJK*) serve as the legal basis for supervising the *fintech* industry, ensuring it remains within a safe and trusted corridor. However, in its implementation, various challenges persist, such as the gap between regulations and technological innovation, the risk of personal data leakage, and the lack of legal and digital financial literacy among the public. Therefore, the functional role of the government and

supervisory institutions is necessary to ensure that the *fintech* ecosystem operates with a balance between innovation and legal certainty to provide optimal protection.

To overcome these challenges, several strategic steps are needed, one of which is strengthening regulations to make them more adaptive to the development of *fintech* technology, ensuring that legal regulations do not lag behind the ever-growing innovation. Furthermore, the optimization of supervision by the *OJK* and related institutions must be carried out more strictly to ensure compliance by *fintech* service providers with the established consumer protection standards. Equally important, legal and digital financial education for the public must continue to be intensified so that consumers better understand their rights and can make wiser decisions when using *fintech* services. With synergy between strong regulations, effective supervision, and increased legal literacy, it is hoped that legal protection for consumers in the *fintech* era can be more comprehensive and sustainable.

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