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Legal Protection for Consumers Against Illegal Online Lending Practices: A Normative-Empirical Study in West Java, Indonesia

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Abstract

The rapid growth of financial technology has given rise to illegal online lending practices that operate outside the supervision of the Financial Services Authority, causing significant harm to cons umers in West Java, one of the provinces with the highest number of reported illegal fintech lending complaints in Indonesia. This study aims to analyze the legal protection available to consumers affected by illegal online lending practices and to examine the effectiveness of law enforcement against such practices in West Java. Using a normative-empirical legal research method combining statutory analysis with field interviews and case documentation from the West Java OJK Regional Office and the West Java Regional Police, this study finds that although Indonesia has established a regulatory framework through Law No. 8 of 1999 on Consumer Protection, OJK Regulation No. 10/POJK.05/2022, and the Personal Data Protection Law (Law No. 27 of 2022), enforcement remains weak due to limited digital forensic capacity, the cross-jurisdictional nature of illegal lending applications, and low legal literacy among victims. The study recommends strengthening inter-agency coordination, accelerating digital-based law enforcement mechanisms, and intensifying legal literacy programs for the public in West Java.

Keywords: legal protection; illegal online lending; consumer protection; fintech regulation; law enforcement; West Java

INTRODUCTION

The development of financial technology (fintech) in Indonesia has transformed the way the public accesses credit, particularly through online lending platforms that offer fast and collateral-free loan disbursement. While legally registered fintech lending companies operate under the supervision of the Financial Services Authority (OJK), a large number of illegal online lending platforms continue to operate outside this regulatory framework, offering loans through unofficial mobile applications that are not registered with or licensed by OJK.West Java has consistently been recorded as one of the provinces with the highest number of public complaints related to illegal online lending in Indonesia, encompassing practices such as excessive and non-transparent interest rates, unauthorized access to borrowers' personal contact

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data, and intimidating or abusive debt collection methods. These practices frequently result in serious harm to consumers, ranging from financial loss and psychological distress to, in several documented cases, victims being driven to self-destructive actions due to relentless debt collection pressure.

Despite the existence of a legal framework intended to protect consumers, including Law No. 8 of 1999 on Consumer Protection, OJK Regulation No. 10/POJK.05/2022 on Information Technology-Based Joint Funding Services, and Law No. 27 of 2022 on Personal Data Protection, the enforcement of these regulations against illegal online lending operators remains inconsistent. This raises important legal questions regarding the adequacy of the existing regulatory framework and the effectiveness of its implementation at the regional level. This study therefore aims to examine: (1) the form of legal protection available to consumers affected by illegal online lending practices; and (2) the effectiveness of law enforcement against illegal online lending operators in West Java.

LITERATURE RNEVIEW

Consumer Protection Law in Indonesia

Consumer protection law in Indonesia is primarily governed by Law No. 8 of 1999, which guarantees consumers the right to security, comfort, and safety in consuming goods and services, as well as the right to accurate, clear, and honest information. In the context of financial services, this general framework is complemented by sector-specific regulations issued by OJK, which impose stricter obligations on licensed financial service providers regarding transparency, data protection, and fair collection practices.

Regulatory Framework for Fintech Lending

OJK Regulation No. 10/POJK.05/2022 establishes licensing requirements, interest rate caps, and debt collection standards for registered peer-to-peer (P2P) lending providers. Companies operating without OJK registration are categorized as illegal entities and are not bound by, nor protected under, this regulatory regime, which creates a significant legal vacuum for consumers who unknowingly transact with unregistered platforms. Scholars have argued that the borderless and rapidly replicating nature of illegal lending applications-often reappearing under new names shortly after being blocked-poses a persistent challenge to conventional regulatory enforcement models.

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Personal Data Protection

The enactment of Law No. 27 of 2022 on Personal Data Protection introduced stronger legal grounds for victims of illegal online lending to pursue accountability for unauthorized access to and misuse of their personal contact data, a practice commonly used by illegal lenders to intimidate borrowers through their social and professional networks. This law complements existing consumer protection provisions by criminalizing the unlawful processing of personal data without the data subject's consent.

Law Enforcement Theory

This study draws on Lawrence Friedman's legal system theory, which identifies three components determining the effectiveness of law: legal substance (the content of the regulations), legal structure (the institutions responsible for enforcement), and legal culture (public awareness and behavior toward the law). This framework is used to analyze why, despite an adequate legal substance, the enforcement of consumer protection against illegal online lending in West Java continues to face structural and cultural obstacles.

METHOD

Type and Approach of Research

This research employs a normative-empirical legal research method, combining doctrinal analysis of relevant statutory and regulatory instruments with empirical data obtained from field research. The normative approach is used to examine the legal framework governing consumer protection and fintech lending, while the empirical approach is used to assess how these regulations are implemented and enforced in practice.

Location and Data Sources

The research was conducted in West Java, with primary data obtained through semi-structured interviews with officials from the OJK West Java Regional Office, the Directorate of Cyber Crime of the West Java Regional Police (Ditreskrimsus Polda Jawa Barat), and 20 consumers who reported experiences with illegal online lending platforms between 2022 and 2025. Secondary data were obtained from laws and regulations, OJK complaint statistics, court decisions, and relevant academic literature.

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Data Analysis Technique

Data were analyzed using a qualitative descriptive-analytical technique. Normative data were analyzed through statutory interpretation and systematic legal analysis, while empirical data from interviews and case documentation were analyzed thematically to identify recurring patterns in victims' experiences and in the institutional response to reported cases.

RESULTS AND DISCUSSION

Profile of Illegal Online Lending Complaints in West Java

Complaint data obtained from the OJK West Java Regional Office indicate that illegal online lending remains among the top categories of public complaints related to financial services in the province, with recurring issues including interest and administrative fees far exceeding the legal cap applicable to registered lenders, unauthorized extraction of contact lists from borrowers' mobile devices, and debt collection conducted through threats, harassment, or the dissemination of borrowers' personal information to their contacts.

Legal Protection Available to Consumers

The study finds that legal protection for consumers exists in a fragmented form across several instruments. Table 1 summarizes the primary legal bases and the type of protection each provides.

Legal Instrument	Scope of Protection	Enforcement Authority
Law No. 8 of 1999 (Consumer Protection)	General consumer rights; unfair business practices	Consumer Dispute Settlement Body (BPSK)
OJK Regulation No. 10/POJK.05/2022	Licensing, interest caps, collection standards for registered lenders	OJK
Law No. 27 of 2022 (Personal Data Protection)	Unauthorized access/use of personal data	Personal Data Protection Authority; Police
Criminal Code / ITE Law	Threats, harassment, defamation via electronic means	National/Regional Police

The findings show that because illegal lenders are, by definition, unregistered with OJK, consumers cannot invoke OJK's sector-specific dispute resolution mechanisms against them and must instead rely on general consumer protection and criminal law provisions, which tend to involve longer processes and a higher evidentiary burden.

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Effectiveness of Law Enforcement

Interviews with law enforcement officials reveal several structural obstacles to effective enforcement. First, illegal lending applications are frequently hosted on servers outside Indonesian jurisdiction, complicating efforts to trace and prosecute operators. Second, blocked applications tend to reappear under different names within a short period, a phenomenon officials described as significantly outpacing the administrative capacity of blocking mechanisms coordinated between OJK and the Ministry of Communication and Digital Affairs. Third, many victims reported reluctance to file formal reports due to a combination of low legal literacy, fear of social stigma associated with debt, and limited awareness of which institution has jurisdiction over their complaint.

Applying Friedman's legal system framework, the findings indicate that while Indonesia's legal substance concerning consumer and data protection is reasonably comprehensive, weaknesses in legal structure-particularly limited digital forensic capacity and fragmented inter-agency coordination-and in legal culture-reflected in low reporting rates and limited public understanding of applicable rights-substantially undermine the practical effectiveness of the law in West Java.

These findings suggest that strengthening consumer protection against illegal online lending requires more than regulatory refinement; it requires coordinated institutional capacity building and sustained public legal education, particularly targeted at economically vulnerable groups who are most frequently targeted by illegal lending platforms.

CONCLUSION

This study concludes that although Indonesia possesses a reasonably comprehensive legal framework for protecting consumers against illegal online lending practices, comprising general consumer protection law, sector-specific fintech regulation, personal data protection law, and relevant criminal provisions, its implementation in West Java remains constrained by structural and cultural factors. Consumers affected by illegal lending face a fragmented protection regime that offers limited recourse through sector-specific mechanisms, while law enforcement agencies continue to struggle with the cross-jurisdictional and rapidly evolving nature of illegal lending platforms.

Based on these findings, this study recommends: (1) strengthening formal coordination between OJK, the Ministry of Communication and Digital Affairs, and regional police units to accelerate the identification and blocking of illegal lending applications; (2) enhancing digital

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forensic capacity within regional law enforcement bodies; and (3) expanding legal literacy programs at the community level in West Java to improve public awareness of the risks associated with illegal online lending and the legal remedies available to victims. Future research is encouraged to conduct comparative studies across provinces to identify best practices in regional enforcement coordination.

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