

# Fraud Risk in Peer Lending Fintech Transactions: The Role of Consumer Protection Regulation in Indonesia

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## ABSTRAK

Fintech P2P Lending banyak menimbulkan keluhan dari konsumennya. Studi ini membahas bagaimana regulasi perlindungan konsumen dapat mengurangi penipuan dari platform P2P Lending. Penelitian ini menggunakan metode penelitian normatif dengan menggunakan pendekatan hukum dan pendekatan kasus. Populasi yang digunakan dalam penelitian ini adalah pelanggan P2P. Studi ini menganalisis masalah peraturan perundang-undangan tentang perlindungan konsumen dan peraturan otoritas jasa keuangan tentang layanan pinjam meminjam teknologi informasi. Pengumpulan data menggunakan bahan hukum primer berupa undang-undang dan bahan hukum sekunder yang diperoleh dari studi kepustakaan berupa kepustakaan. Peneliti menggunakan metode analisis data kualitatif. Hasil penelitian ini salah satu faktor kunci dalam melindungi hak-hak konsumen berasal dari berbagai peraturan yang berkaitan dengan pengawasan dan sistem pengawasan yang dilakukan oleh pemerintah. Pemerintah harus lebih banyak melakukan edukasi dan sosialisasi kepada masyarakat terkait platform fintech peer to peer lending dan pembentukan Satgas Waspada Investasi. Kajian dan perumusan peraturan pemerintah harus diimbangi dengan kecepatan perubahan teknologi dan transformasi digital dengan melibatkan para praktisi agar tidak saling merugikan. Sinergi antara pemangku kepentingan (kolaborasi), hukum, pengawasan, dan perlindungan data dapat mengurangi risiko praktik platform P2P ilegal. Koordinasi dan sinergi antara pembuat kebijakan dan pemangku kepentingan akan sangat memudahkan penanganan dalam pengaturan platform P2P Lending agar tidak menimbulkan tumpang tindih peraturan yang menimbulkan masalah baru.

## ABSTRACT

Fintech P2P Lending has caused many complaints from its consumers. This study discusses how consumer protection regulations can reduce fraud from the P2P Lending platform. This study uses a normative research method using a legal approach and a case approach. The population used in this study were P2P customers. This study analyzes the problem with a legislative concerning consumer protection and financial services authority regulation about information technology borrowing and borrowing services. Data collection used primary legal materials in the form of laws and secondary legal materials obtained from library studies in the form of literature. The researcher applies a qualitative data analysis method. The results of this study are one of the key factors in protecting consumer rights derived from various regulations related to the supervision and supervision system carried out by the government. The government should do more education and outreach to the public regarding the fintech peer to peer lending platform and the formation of the Investment Alert Task Force. The study and formulation of government regulations must be balanced with the speed of technological change and digital transformation by involving practitioners so as not to harm each other. Synergy between stakeholders (collaboration), law, surveillance, and data protection can reduce the risk of illegal P2P platform practices. Coordination and synergy between policy makers and stakeholders will greatly facilitate handling in regulating the P2P Lending platform so as not to cause overlapping regulations that cause new problems.

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## 1. INTRODUCTION

The increasingly massive internet technology development has triggered online trading and money lending transactions. Their existence is marked by the increasing number of electronic commerce (e-commerce) and the presence of fintech (Ashta & Biot-Paquerot, 2018; Kartiwi et al., 2018). The use of e-commerce and fintech raises several gaps that are very interesting to study, one of which is related to the security of personal data. In transactions or registration of e-commerce and fintech, consumers need to send certain personal data which are often misused (Anagnostopoulos, 2018; Jagtiani & John, 2018). Therefore, the protection of consumers' personal data becomes crucial. Indonesia has many consumer protection institutions but unfortunately they are not optimal because many people feel confused about the functions of these institutions which are felt to have the same function so that many people do not report their problems (Pavlou et al., 2007; Roy, 2020). Problems related to regulation are also the cause of the less than optimal consumer protection because the existing law regarding the protection of consumer personal data is considered still unable to overcome the existing problems.

Consumer protection is a legal instrument to protect and fulfill consumers' rights. Consumer protection is all efforts that ensure legal certainty to protect consumers (Chatterjee & Sahoo, 2011; Hidayat et al., 2020). The implementation of consumer protection in Indonesia as regulated in Law Number 8 of 1999 concerning Consumer Protection aims to create a balance of protection of interests between consumers and business actors, which is carried out through the provision of legal certainty that ensures the rights and obligations of consumers and business actors. Consumer protection efforts that have been carried out by the government still face many obstacles that cause the implementation of consumer protection less optimal (Atikah, 2020; Hidayat et al., 2020). It is because the Consumer Protection Law is considered irrelevant to the dynamics of society and the market; limited policy implementation institutions both in terms of quality and quantity; powerless consumers; and consumer protection has not become a major issue in economic policy (Matnuh, 2021; Raval, 2021).

Discrepancy between the implementation of consumer protection and the need for consumer protection results in inefficient use of the budget and a decrease in government performance in the implementation of consumer protection as the implementation of consumer protection has not achieved the target of consumer protection needs (Atikah, 2020; Yuniarti & Rasyid, 2020). Besides, discrepancies can also have a negative impact on consumers. The number of cases of violations of consumer rights as showed by the number of complaints received by consumer protection institutions shows that the implementation of consumer protection has not been able to answer the needs of consumer protection (Caldeira et al., 2014; Raval, 2021).

In line with previous study that state institutions responsible for consumer protection of financial activities also need to adapt (Manwaring, 2018). Consumer protection is the practice of protecting buyers of goods and services, and society, from unfair practices in the marketplace. Consumer protection measures are often established by law (Yuanitasari et al., 2020). Other state regulations that apply to some aspects of fintech transactions may not apply to all, for example, payments made on P2P platforms such as Venmo or PayPal will not be covered by the Electronic Funds Transfer Act if the funds originate from the app's account balance and not as a direct payment from the consumer's bank account via the app (Yuanitasari et al., 2020). (Mention, 2019; Prawirasasra, 2018)(Riyanto et al., 2018)

During the Covid-19 pandemic, the penetration of fintech usage increased rapidly in the world, including Indonesia. Base on previous study reveal that the growth of the fintech sector in Indonesia can be a catalyst for national economic recovery (Palinggi, S., & Allolinggi, 2020). Furthermore, Indonesia's digital economy has proven to be tough and resilient in the midst of the disruption caused by the Covid-19 pandemic. The fintech lending sector has succeeded in disbursing financing worth IDR 272.43 trillion with an outstanding of IDR 27.91 trillion. Loan funds from fintech lending or Information Technology-Based Lending Services (LPMUBTI) provide fresh air to micro, small and medium enterprises (MSMEs) during the pandemic (Junaedi, 2020; Putra & Kasmirno, 2020).

Fintech organizers were members of the Indonesian Fintech Association (AFTECH) which had provided 55 incentive programs, conveniences, and financial solutions for people affected by the pandemic, including MSME actors (Cai, 2018; Chiu, 2016; Goldstein et al., 2019). The interest of retail investors in fintech development becomes the main driver. Besides, the development of fintech has also stimulated the commodity futures market for crypto assets in Indonesia. Based on the data of the Commodity Futures Trading Regulatory Agency (CoFTRA) of the Indonesian Ministry of Trade the number of crypto asset investors in Indonesia has reached 7.4 million people. That is grown by 85 percent YoY with a transaction value of IDR 478.5 trillion (Kagan, 2020; Lee & Shin, 2018).

The massive spread of fintech in Indonesia has indeed strengthened cardless digital transactions and cashless transactions. The presence of e-commerce encourages changes in people's shopping patterns by increasingly utilizing e-wallets that can be directly connected to the targeted stores and retailers

(Nuryakin et al., 2019; Prawirasasra, 2018). E-commerce spending has increased as a result of changes/shifts in consumer behavior. Large-scale social restrictions and social distancing policies requirements have led to more and more consumers making online transactions (Hadi et al., 2021; Kartiwi et al., 2018). The existence of e-commerce and Fintech during the pandemic has provided access to the public so that they can still make the transaction in the midst of logistical and operational constraints due to COVID-19, but consumers are faced with the transaction process without the opportunity to check, test, or evaluate goods before making the transaction (Hidayat et al., 2020; Kurniawati et al., 2020).

The discrepancy between the implementation of consumer protection and the need for consumer protection is a very interesting gap to study. So this article aims to examine the role of consumer protection in an effort to reduce fraud committed in legal practice, especially regarding cases in the field of Financial Technology in terms of peer-to-peer (P2P) lending. This article emphasizes several cases that are the focus of research, namely the implementation of P2P that violates legal norms. The findings of this paper are expected to provide an explanation of consumer protection and the legality of fintech in Indonesia.

## 2. METHODS

This paper uses a normative research method using a legal approach and a case approach. Normative legal research is a scientific research procedure to find the truth based on scientific logic from the normative side. To collect data in this study, researchers used primary legal materials in the form of laws and secondary legal materials obtained from library studies in the form of literature. The researcher applies a qualitative data analysis method by using a case approach to examine the role of consumer protection in an effort to reduce fraud committed in legal practice, especially regarding cases in the financial sector. This article will be divided into 4 (four) discussions. The first part will discuss the relationship between the existence of E-commerce and Fintech; the second part will discuss the impact of Fintech P2P Lending fraud on consumers and the regulatory response that applies in Indonesia; the third part will focus on consumer protection in Indonesia against Fintech in terms of regulations and laws that apply in Indonesia; and the last part will discuss how Consumer Protection in Minimizing P2P Fraud.

## 3. RESULTS AND DISCUSSIONS

### Results

#### E-commerce and Fintech Potential or Disruption?

Technological disruption is a fundamental change in digital technology systems in which digital technology or robots can change roles and replace human work. Disruption of digital technology is a phenomenon causing changes in the conventional understanding of all community's activities with digital systems. Conventional and sharia fintech is developing and becoming an alternative choice for the community. Fintech provides an opportunity for the public to obtain alternative financial services at a lower cost, faster, and more efficient. One of the factors driving fintech to develop quite rapidly is the rapid development of technology which results in disruptive innovations in various aspects of life.

Fintech improves the efficiency of financial transactions and expands access to financial services. The most popular fintech applications today—including cloud computing, AI, big data analytics, blockchain and crypto-tokens, and smart contracts—tend to strengthen the ability of private market participants to generate and trade financial risks. By making transactions in financial markets almost in an instant and frictionless, new technologies allow private market participants to engage in the continuous synthesis of tradable digital assets in potentially unlimited scalability. Therefore, besides being able to eliminate transactional friction and create a near-perfect market, Fintech also expands the capacity of the entire system to encourage financial speculation on an unprecedented scale. Thus, the main source of macro-level risk posed by Fintech is its (still poorly understood) power to exacerbate the dysfunctional boom-and-bust dynamics of the financial system.

Peer to Peer (P2P) lending or commonly referred to as an information technology-based money lending service is the provision of financial services to bring together lenders and loan recipients in the framework of an agreement. Online lending or P2P lending is the practice of funding unrelated individuals ('partners') without going through a commercial bank. P2P lending is done online through various lending platforms and self-developed credit check tools for P2P lending companies. Meanwhile, the coverage of lenders is more comprehensive as lenders can come from within and outside the country. Lenders can be Indonesian citizens, foreigners, Indonesian/foreign legal entities, and International business entities and/or institutions.

### **Fraud in Fintech P2P Lending: Its Impacts on Consumers and Regulatory Responses**

Fraud is various forms of fraudulent actions, whether carried out intentionally or unintentionally by third parties who ultimately harm one party or company. Fraud is generally an unlawful act committed by people from within and or outside the organization, intending to obtain personal and or group benefits that directly harm other parties. Pressures/motives, namely incentives that encourage people to commit fraud, include lifestyle demands, economic problems, gambling behavior, trying to beat the system, and job dissatisfaction which ultimately creates moral hazard.

The technological evolution makes it difficult for regulators to keep up with the latest technological developments to draft appropriate fintech legislation. Regulators and policymakers need to understand the latest fintech innovations and formulate regulations to improve their services while remaining safe for consumers. Like banks, there is no single licensing agency or regulator that oversees fintech companies. The development of fintech is also followed by the potential for threats such as fraud, breaches, and cybersecurity hazards. New payment systems and models can compromise market security and integrity. New products and services may be sold to customers who are not aware of the risks or are unable to meet them. Besides providing ease of transactions and access to capital, blockchain, crowdfunding, online lending, and e-commerce have the dangers of fraud and hacking.

There is some evidence that Fintech lenders have the potential to undermine existing financial regulations. Regulators have a role in encouraging the productive use of Fintech innovation. Policy and regulatory guidelines involve a trade-off between protecting consumers and encouraging Fintech innovation and competition. The regulator, in this case, is the government and related elements that need to ensure that fintech does not develop into fraud, hacking, or illegal funding which then harms the community. The dangers fintech poses to consumers can be broadly categorized around the loss of privacy; consumer personal data security; increased risk of fraud; illegal and discriminatory data use and analysis; the use of data that are not transparent for both consumers and regulators; malicious manipulation of consumer behavior; and the risk that technology companies entering the financial or financial regulatory space will lack sufficient knowledge, operational effectiveness, and stability.

Personal data protection in the technology sector does not yet have comprehensive and adequate laws and regulations for personal data protection. In Law 19/2016 concerning any person whose rights are violated in terms of requesting personal data, a person can file a lawsuit for the losses incurred. Further provisions regarding personal data in the Regulation of the Ministry of Communication and Informatics Number 20 of 2016 concerning Protection of Personal Data in Electronic Systems are only subject to administrative sanctions in Article 36. Article 15 of Law Number 12 of 2011 concerning the Establishment of Legislation contains laws and regulations and the regulation only covers regional, provincial, and district/city regulations.

In the financial services industry, especially regarding digital transformation in this sector, it is necessary to adjust regulations and policies due to the rapid technological innovation that cannot leave these regulations. Even though it has been stated in laws and regulations or government decisions, stakeholders such as the Financial Services Authority, the Investment Alert Task Force, and the Ministry of Communication and Informatics need to manage and provide space for the growth of the sector. Unfortunately, the number of illegal P2P lending fintech continues to grow. Therefore, the role of the government in providing education to the public is needed to reduce the risk of shadow banking. As a two-sided e-commerce phenomenon, P2P Lending gets attention in risk control. This includes the ability to accurately assess and screen borrowers for controlling credit risk.

### **Consumer Protection Regulations in Indonesia Against Fintech**

Consumer protection is a legal instrument to protect and fulfill consumer rights. Consumer protection ensures the marketplace works for both businesses and consumers. Consumers have to be able to obtain accurate and unbiased information about the products and services they buy. Consumer protection ensures consumers are comfortable in making the best choices based on their interests and preventing fraud. In contrast to the increase in fraud cases, the Consumer Dispute Settlement Agency (BPSK) encounters many obstacles at the regional level where based on Law Number 23 of 2014 concerning Regional Government, the authority to establish BPSK occurs at the provincial level in which the funding ability through regional revenue and expenditure. However, the district did not have the authority related to consumer protection so every complaint is drawn to the province. The next obstacle arises in terms of funding where not all provinces have readiness related to BPSK operational funding.

Consumer protection laws function to protect consumers from harmful business practices. Consumer protection laws provide credit protection, debt collection protection, identity theft protection, and bankruptcy and reorganization protection. The law only includes two clauses regarding the supply of dangerous goods but does not impose strict liability on those who supply the products. Consumer

protection promotes fair, accessible, and sustainable markets for consumer products and services; establishes national norms and standards related to consumer protection; provide better standards for consumer information; and prohibits certain unfair marketing and business practices.

Rapid technological changes have to be accompanied by regulations related to the fintech so that we can utilize the benefits of fintech as much as possible. The implementation of fintech in Indonesia has been regulated by the government through the issuance of Bank Indonesia regulations and the regulations of relevant ministries. More detailed about the legal basis of fintech are presented in the [Table 1](#).

**Table 1.** List of Policies, Laws and Regulation Related to Fintech in Indonesia

Document	Explanation
Bank Indonesia Circular Letter No. 18/22/DKSP/2016 regarding the Implementation of Digital Financial Services	Changes in regulations related to the development of new products and cooperation in the operation of e-money, which was previously carried out by submitting reports, are required to obtain BI approval first. The addition of regulations makes it easier for e-money operators that have obtained permits for the cooperation approval process in the context of using or expanding the use of e-money to support national policies.
Bank Indonesia Regulation No. 18/17/PBI/2016 concerning Electronic Money (e-money)	Regulate everything related to e-money.
Bank Indonesia Regulation No. 18/40/PBI/2016 concerning the Implementation of Payment Transaction Processing	Stipulates the procedures for the Implementation of Payment Transaction Processing.
POJK Number 77/POJK.01/2016 concerning Information Technology-Based Lending Services.	The Operator provides, manages, and operates Information Technology-Based Lending Services, whose funds come from investors (lenders). Operators are required to register their platform to obtain permission from the Financial Service Authority.
Government Regulation Number 71 of 2019 Dated October 10, 2019 concerning the Implementation of Electronic Systems and Transactions.	This Government Regulation regulates the legal aspects of Trade in the operation and use of electronic systems that are specifically intended for Trade. This will include legal relationships in the context of business to business and business to customer.
Regulation of the Ministry of Communication and Informatics Number 20 of 2016 concerning Personal Data Protection in Electronic Systems	Regulates the definition of personal data, types, ownership rights, processing, exceptions, controllers and processors, delivery, authorized institutions that regulate personal data, and dispute resolution. Protection of Personal Data in Electronic Systems includes protection against the acquisition, collection, processing, analysis, storage, display, announcement, transmission, dissemination, and destruction of Personal Data.

Base on [Table 1](#), those regulations are established as a control from the government to protect consumers or fintech provider companies. In accordance with Law No. 39 of 2008 concerning State Ministries, the Ministry of Communication and Informatics is a government apparatus of the Republic of Indonesia that organizes information and communication affairs. The Ministry of Communication and Informatics carries out strict supervision of the fulfillment of Government Regulation Number 71 of 2019 concerning the Implementation of Electronic Systems. This law states that all platforms have to comply with these regulations in the electronic system registration process, including electronic transactions. The Ministry of Communication and Informatics issued a ministerial regulation number 20 of 2016 concerning the protection of personal data. If the P2P lending platform does not comply with the rules, the Ministry of Communication and Informatics has the right to block the platform. The primary legal relationship between the parties in P2P lending is established based on an agreement in the form of an electronic document. Two types of agreements mentioned in POJK No. 77/2018 are agreements between P2P lending providers and lenders and between lenders and borrowers.

The Government of Indonesia has made various efforts to educate the public about digital literacy and financial literacy through social media including Twitter, Facebook, and other platforms. The government clearly explains that illegal P2P Lending generally charges very high interest, fines, and other fees that are not stated in the loan agreement. The platform is illegal because it is not registered as an electronic system operator as stated in Government Regulation Number 71 of 2019. Besides, illegal

platforms request excessive access to personal data. Thus, through the Ministry of Communication and Informatics, the Government of Indonesia has also issued a Regulation of the Ministry of Communication and Informatics Number 20 of 2016 concerning the Protection of Personal Data in Electronic Systems. Even though it is in the Ministerial Regulation stage (not yet law), the government hopes that this control can minimize the illegal operations of P2P Lending. Based on Article 11, electronic systems used to store personal data need to have interoperability and compatibility capabilities and use legal software. Personal data can only be processed and analyzed according to the needs of the electronic system operator based on an agreement.

### **Consumer Protection in Minimizing P2P Fraud**

One of the main risks for consumers is the loss of privacy and data security. These two issues are interrelated and raise different types and levels of concern depending on what consumer data are being accessed; how sensitive and identifiable; who accesses it; whether access is legal or illegal, and if legal, whether there should be more restrictions on use and whether consumers need to be more empowered to see and refuse certain types of use.

P2P lending is an innovation that helps most of the poor, who are often unbanked and unbankable. Unbankable means a group of people who do not have access to conventional banking products due to information constraints, qualifications, or the absence of bank facilities in their environment. However, this condition also affects people's understanding of the P2P lending platform. The P2P lending platform claims to connect investors with borrowers via the internet, enabling lenders to generate income while offering credit to many people who cannot get a bank loan. However, due to increasingly advanced technology, this platform has triggered a moral hazard. Some people use other people's data to apply for loans on P2P lending platforms. Currently, P2P lending associations in Indonesia guarantee the protection of lenders' funds that focus on fraud risk and credit risk. Lenders expect to feel safe and comfortable. A software program performs a loan eligibility analysis. The platform operator cooperates with the data provider company (Fintech Data Center by AFPI).

The Investment Alert Task Force (SWI) found 126 P2P illegal lending entities, 32 investment entities, and 50 pawn companies operating without permits up to the end of September 2020. More than 2,500 sites and platforms have been blocked by the Investment Alert Task Force (SWIT). This task force is collaboration between the Financial Services Authority, the Ministry of Trade, the Ministry of Communication and Informatics, the Ministry of Cooperatives and SMEs, the Attorney General's Office, the National Police, and the Investment Coordinating Board. There were no laws and regulations governing Fintech activities in Indonesia, so it was feared that it could harm users due to its potential risks. Some of the risks in fintech are credit risk, compliance risk, operational risk, and data security. Fintech is placed under the Central Bank and the Financial Services Authority. Besides, there are 8 (eight) authorized fintech institutions which then lead to overlapping regulations that require harmonization.

The Central Bank issued 3 (three) regulations related to fintech, namely Central Bank Regulation No.19/12/PBI/2017 concerning the Implementation of Financial Technology; Board Member Regulation No.19/14/PADG/2017 concerning Procedures for Registration, Submission of Information and Monitoring of Financial Technology Services; and Board Member Regulation No. 19/15/PADG/2017 regarding Regulatory Sandbox. In particular, the Indonesian Financial Services Authority issued P2P lending regulations based on Financial Services Authority Regulation No. 77 of 2018 concerning Financial Technology-Based Lending Services (POJK No.77/2018).

Protection of personal data is part of privacy rights related to data about a person that ARE collected either through electronic or non-electronic systems. Government Regulation No. 71 of 2019 concerning the protection of personal data in the operation of electronic systems and transactions explains that the use of information related to a person's personal data through social media has to obtain approval from the person concerned. These rights include the right to enjoy a private life, free from interference, the right to communicate, and the right to access information.

The protection of personal data in the technology sector does not have comprehensive and adequate laws and regulations yet. In Law 19/2016 concerning any person whose rights are violated in terms of requesting personal data, the person can file a lawsuit for the losses incurred. Further provisions regarding personal data in the Regulation of the Ministry of Communication and Informatics No. 20 of 2016 concerning Protection of Personal Data in Electronic Systems are only subject to administrative sanctions in Article 36. Considering Article 15 of Law No. 12 of 2011 concerning the Establishment of Legislation which contains laws and regulations of regional, provincial, and district/city. Therefore, there is an urgency to immediately ratify the Personal Data Protection Law as the right to personal data protection is a development of the right to respect private life. Personal rights cover the following meanings (Explanation

of Article 26 paragraph (1) of Law No. 19 of 2016 concerning Amendments to Law Number 11 of 2008 concerning ITE.

The government's repressive efforts against illegal P2P lending are by establishing an Investment Alert Task Force involving the Ministry of Trade, Ministry of Communication and Informatics, Ministry of Cooperatives and SMEs, Attorney General's Office, National Police, and the Investment Coordinating Board (BKPM) based on a Council Decree. Commissioner of the Financial Services Authority No. 01/KDK.01/2016 dated January 1, 2016. The hegemony of illegal P2P lending in the application market, in this case, Google Play or PlayStore from the giant company, Google is a natural thing. Considering that it is not difficult for application developers to register their applications for publication on the PlayStore and to create the application in the PlayStore, the Ministry of Communication and Informatics or the Government of Indonesia cannot prevent preventive actions by asking Google not to publish illegal P2P lending on the Play Store.

## Discussion

A new society has emerged, namely the information society or knowledge society, and through the advancement of ICT in which the utilization of production factors changes from physical such as land, labor, and money to non-physical such as digital through creativity and technological innovation which is called disruptive innovation that helps create new markets, disrupt or destroy existing markets, and ultimately replace previous technologies (Glosten & Rauterberg, 2018; Shashikala, 2019). Disruptive innovation develops a product or service in a way that is unexpected in the market by creating different types of consumers in new markets and lowering prices in old markets. Consumers are increasingly choosing digital technology. However, online transactions still have many problems in terms of consumer protection due to the different characteristics of conventional businesses where the interaction between sellers and buyers is not direct and physical purchases change with visual purchases with images on a computer or mobile phone screen (Gomber et al., 2018; Palmié et al., 2020). Thus, description and information about the item to be purchased are important.

In practice, the policies carried out by the government are in accordance with the expected goals. The government has issued some regulations as a control to protect consumers and fintech provider companies (Raval, 2021; Suryono et al., 2021). The Indonesian government has also made efforts to educate the public about digital literacy and financial literacy through social media such as Twitter, Facebook, or other platforms. The effort of government and fintech associations in providing education to the public is the right decision. The government also requires all platforms to be registered in Financial Services Authority to monitor and supervise these platforms (Caldeira et al., 2014; Petraşcu & Tieanu, 2014; Wopperer, 2002). It is expected that the assistance and supervision provided by Financial Services Authority and the Association to the P2P Lending platform can provide signs to follow these rules and policies.

In this case, the study and formulation of government regulations have to be balanced with technological development and digital transformation. It is better if the formulation of government regulations/policies involves practitioners. The synergy between stakeholders (collaboration), law, surveillance, and data protection can reduce the risk of illegal P2P platform practices (Broby, 2019; Glosten & Rauterberg, 2018; Lee & Shin, 2018). Coordination and synergy between policymakers and stakeholders will greatly facilitate the handling in regulating of the P2P Lending platform to avoid overlapping regulations which can result in new problems.

This study confirming the previous study which argues that despite the variety of specific policy options and legislative developments around the world, the overall process appears to rely primarily on existing regulatory tools and techniques as a means to accommodate and absorb new entities and activities into established regulatory schemes to minimize fraud and protect consumer interests (Jagtiani & John, 2018). Meanwhile other study in his research showed that regulators' readiness to embed cultural change and align technological advances with regulation - as the financial services industry evolves - is likely to achieve steady growth, foster further systemic stability, and restore confidence and confidence in the financial system (Anagnostopoulos, 2018).

The implication of this study provides overview related to how consumer protection regulations can reduce fraud in the P2P Lending platform. Further research can identify whether the available regulations provide consumer protection using both primary and secondary data. Besides, it is necessary to conduct further research on consumer protection involving both borrowers and lenders who are considered consumers by the Financial Services Authority to analyze the growth of P2P lending that has not been registered in the Financial Services Authority along with the development of MSME capital after the pandemic which becomes a hot issue in P2P lending. Future research can propose supervisory standards for government-owned technology and regulations concerning of big data management and data

codification to help the government in reviewing reports and problematic P2P lending platforms. Moreover, it is better to have a comparison of the composition of Indonesia with other countries whether the influence of technology, community culture, and the community's economic system affect the rules of Fintech practices.

#### 4. CONCLUSION

Base on the result Fintech improves the efficiency of financial transactions and expands access to financial services. Fraud is generally an unlawful act committed by people from within and or outside the organization, intending to obtain personal and or group benefits that directly harm other parties. Regulators and policymakers need to understand the latest fintech innovations and formulate regulations to improve their services while remaining safe for consumers. Consumer protection is a legal instrument to protect and fulfill consumer rights. The implementation of fintech in Indonesia has been regulated by the government through the issuance of Bank Indonesia regulations and the regulations of relevant ministries

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