

# Legal Risk Of Granting Of Credit To Customers By Financial Technology

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## Abstract

Along with the global expansion of the financial services sector and enhancement of the role of banking institutions as drivers of growth. The Financial Technology Operators have established a system that facilitates the loan and borrowing transaction process, through websites' pages and apps. With this institution, People will find it simpler to engage in credit-related activities as a result. This study aims to find out whether there are 5C analysis arrangements in the provision of credit to Financial Services Commission safeguards for banking technology users as well as regulatory safeguards for banking innovation companies if the customer violates the obligations in the agreement. Our study employs a lawful approach (statute approach) and a conceptual approach (conceptual approach) in a normative legal manner. According to the 5C study, which evaluates a company's capacity, capital, a guarantee, and economic state that can be carried out on credit recipients before Financial Technology Institutions provide loans to credit recipients. Legal protection for Financial Technology institutions can be carried out in a preventive form based on The Financial Services Authority Regulation Number 77/POJK.01/2016 relates to attempts to prevent conflicts by implementing the fundamentals of legal protection and is concerned with Information Technology-Based Money Lending Services. It may be done so in a repressive manner in accordance with Law Number 21 of 2011 Concerning the Banking Authority, in relation to violations of payment obligations committed by loan recipients, they can submit an application to Agency for Banking and Finance.

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## Introduction

The world of banking has an indispensable function to support the economies of countries throughout the world in the future. Currently it can be said that the Indonesian economy is getting better over time. Economic growth cannot be separated from banking institutions on supporting some movement regarding Indonesia's economic system. International and national economic development is inseparable from the support of supporting capital issued by financial institutions, with the main financial institutions provides the engine for the country's prosperity being banks, financial institutions, capital markets and insurance (Persada Putra,2019).

Indonesia recognizes two types of practice in banking which can be seen in terms of principles, namely both traditional and Islamic's banks. They have the main function of collecting excess public funds and then channeling them to people who need these funds. In Islamic banking,

channeling funds to those in need is referred to as funding. In addition, banks are also known as agents of trust and financial intermediaries (Arifin & Nasution, 2015).

The process of channeling Loans or credit are common ways for the public to access finances. On Chapter 1 grain 11 Constitution Number 10 Year 1998 about Change on Constitution 7 Year 1992 About Bank defines: Reputation refers to a promise to pay something any a debt that can be compared to that, based on a contract or other arrangement. To lend again among the bank And person Which oblige party borrower For pay off debt after period time certain with amount/interest, with reward or distribution profit. In this way, the bank benefits from the interest given to the public. Along with the growth of the financial services sector throughout the world, like to improve some features of banking institutions like agents the innovation. So some industry in the financial sector will always form innovations with the aim of increasing economic growth by improve level of lifestyle of individuals. On addition, some government likewise actively contributes to initiatives that boost both the amount and the standard the bank loans in order to maintain a stable economy. By adhering to the principles of credit, it can facilitate credit opportunities in the business or business world.

Currently, many online lending institutions are developing which are often often known the Communication Technology-Based Lending and Loan Solutions (hereinafter Financial Technology ) which are described in Financial Services Authority Regulation (POJK) Number 77/POJK.01/2016's Article 1 Point 3 states: The supply that financial services that link borrowers with lending receivers in the setting that interacting to loans-borrowing arrangements in the local currency, the rupiah, immediately over a computer system using a computer network is known as information technology-based innovation-lending operations. A website is used as a tool for financial activities. provided by Financial Technology Institutions with digital media platforms or websites. With this institution, it is easier for the community to carry out lending activities.

In implementation, connecting lending beneficiaries is one of the most crucial roles played by financial technology and lenders. Both borrowers and lenders must sign up with and submit all required individual data that is very necessary to get a loan or apply for a loan at Financial Technology . Regulations related to Financial Technology institutions are regulated in the Regulations associated with institution Financial Technology arranged in Operation Financial (POJK) Document 77/POJK.01/2016 issued by the regulatory authority Borrowing Knowledge Based on Technology Borrowing (furthermore LPMUBTI).

Credit forms a legal relationship between customers and banks with various risks and juridical consequences that can result in losses if not carried out in accordance with existing principles. Risks have possibility harm resulting from inappropriate activities . On the other hand, losing possibility that outcome by events directly or indirectly can cause losses . Losses are divided into two forms, namely losses Financial as innovation aspects (Rustam,2013). It can be concluded that credit risk is a form of customer activity or related parties (debtors) will not carry out their obligations to banking institutions that have been agreed upon in an agreement . The debtor failed to make a payment divided into two types, namely those who have the ability (not making payments intentionally) and those who do not have the ability (not making payments due to bankruptcy).

The activities of banking institutions are a source of credit risk. Provision of credit used as capital is a source of spread risk for most banks. In addition, credit risk can originate from liabilities commitment And contingency , transaction mark exchange , transaction financing trade , transaction interbank , mail worth, transaction between banks , as well as acceptances.

Given the amount of cash accessible to creditors, risk to credit may also rise (Ekinci & Poyraz, 2019).

Financial Technology Institutions are also faced with various risks in carrying out their activities. To avoid this risk, preventive steps are taken by issuing Computer tech-based growth-lending services are the topic of POJK No. 77/POJK.01/2016 and SEOJK No. 18/SEOJK.01/2017, each of which cover technological administration and handling risks in such services. However, this regulation has not yet taken into account the regulation regarding Personality, Ability, Capital, Collateral, and Economic Situation to prevent customers from having the opportunity to violate their obligations.

Risks in Financial Technology can occur if the institution provides loans or makes an investment without conducting analysis and is required to profit from high liquidity, that there will be a risk of credit extended to Financial Technology customers (Zainuri & Bawono, 2022).

## **Theoretical basis**

### **Banking**

Article 1 Paragraph 1 Banking is defined as "everything that concerns the bank, including institutions, business activities, as well as ways and processes in carrying out its business activities" by Law Number 10 of 1998 about Amendments to Law Number 7 of 1992 concerning Banking. Banking has a purpose, as stated in Law Number 10 of 1998 about Amendments to Law Number 7 of 1992 about Banking. In line with how it is utilized to gather and channel citizen funds with a focus on assisting the national economic sector's activities, the role of national banking must be enlarged. The national economy will be more robust if cooperatives, small and medium-sized businesses, and all societal layers are given priority without prejudice. Similarly, banks must focus more on enhancing economic performance in each workplace's operating areas.

### **Credit ( Lending )**

Credit is described as follows in Article 1 Point 11 of Law Number 10 of 1998 Concerning Amendments to Law Number 7 of 1992 Concerning Banking: Credit is the provision of money or bills that can be equated to it, based on a loan agreement or agreement between the bank and another party that requires the borrower to repay the debt after a certain period of time with interest, compensation, or profit sharing.

In accordance with what has been explained above, It's conceivable to take this as the need should the financial receiver repay the debt that has been obtained is that not only pays off the debt, but the recipient of the loan has an obligation to pay interest in line according to the owners' understanding.

### **Financial Technology**

The following is stated in Financial Services Authority Regulation (POJK) Number 77/POJK.01/2016's Article 1 Paragraph 3: The provision of financial services to connect lenders and loan receivers in the context of engaging into loans-borrowing agreements in the rupiah currency immediately through an electronic system using the internet network is known as information technology-based borrowing-lending services.

Financial technology is defined in Article 1 Paragraph 1 of Bank Indonesia Regulation Number 19/12/PBI/2017 concerning Implementation of Financial Technology as: Financial Technology is the use of technology in the system financial institutions that produce new products, services,

technology and/or business models and may impact monetary stability, financial system stability and/or the efficiency, smoothness, security and reliability of the payment system.

### **Legal protection**

Setiono (2004), explained that Legal defense refers to measures or efforts taken to safeguard the public against arbitrary government acts that are against the law, to establish order and peace so that people can enjoy their inherent human rights.

Legal defense is something whose legal subject is protected by existing legislation and is enforced using sanctions. Protection rules can be divided into two, namely:

Protection law preventive is a form of government responsibility that has the goal of preventing an action that violates the rules. That was stated in laws and regulations that seek to deter offenses and offer instructions or restrictions on how to accomplish a duty.

A disagreement has arisen or a rule breach has occurred, and protection legislation oppressive is a kind of ultimate penalty such as fines, imprisonment, and other extra penalties applied. (Muchsini, 2003).

### **Research Methods**

Research of the normative juridical variety is employed. The topic of this article is law, and it involves study on legal tenets, legal systems, and legal harmonization. Legal research is normative research but it does not only examine the positivist law itself but the coherence of the logic that actually occurs (Mahmud Marzuki, 2005). This research is more focused on an application of norms that contain analysis and legal defense in conformity with the norms of positive law and legal principles or the rules and legislation that are in force in Indonesia.

This study's methodology combines a legislative approach with a conceptual one. The conceptual approach is a method in legal research that offers an analysis point of view for solving problems seen from the concept aspect. The statutory approach is a method that is carried out by reviewing laws connected to legal concerns that are utilized as discussion subjects. The values embodied in the normalization of a statutory regulation under study in this study even allow for the legal notion underlying it to be observed. (Veale & Zuiderveen Borgesius, 2021).

In this study, the authors take a statutory approach to Law Number 21 of 2011 about the Financial Services Authority and the laws and regulations under it, as well as Law Number 10 of 1998 concerning Amendments to Law Number 7 of 1992 about Banking and the laws and rules under it pertaining to the subject of discussion of the legal issue. The conceptual approach that will be studied in this study is related to theories about banking institutions relating to analysis arrangements, Financial Technology activities to legal protection for Financial Technology institutions as well as 5C analysis arrangements which form the end of the discussion on the topic of the problem.

In analyzing legal material by using a grammatical interpretation technique contained in legal material sources. By studying and understanding every sentence or word in it. In the secondary legal material itself this can be found through the explanation of the legislation, so that later you will know for sure the intent of what is presented so that there is no misguided thinking in analyzing a legal material which is then combined with the method of content analysis carried out with sequential analysis to finding, identifying, processing and analyzing legal materials to understand their significant meaning and relevance as a basis for making a conclusion (Shi, Duan, Wu, Zhang, & Feng, 2020).

## Results And Discussion

### Legal Basis of Financial Technology Lending

Financial Technology must have a legal basis that is used for regulation and supervision. The first thing we must all understand is that The Republic of Indonesia's 1945 Constitution declares in Article 1 Paragraph (3) that "Indonesia is a nation founded on law." Some concept of A nation that is founded on the law of Article 1 Paragraph 3 is a nation that follows Pancasila law, namely constitutional Pancasila-based country (Pinilih, 2018). Pancasila legal state contains nine main elements, namely;

- A country that has the One Supreme God
- Government based on law
- Strengthening democratic principles in selecting leaders
- There are restrictions on the power of the Government by prioritizing the principle of checks and balances
- The rule of legal equitable treatment of all people
- The recognition by judiciary is independent in administering fairness to preserve the rule of law and equity
- There are state administrative courts and state administrative courts
- There is recognition and protection of basic rights or human rights
- There is an effort to create a welfare state

In general, Financial Technology Institutions have a legal basis that must be obeyed and implemented. Financial Technology Things are done in accordance with the rules and laws.

### A 5C analysis in Lending

In order to grant credit, the bank has to be confident in its appraisal of the consumer of knowing the customer's ability to complete the agreement made with the bank. The provision of credit or financing based on Sharia principles requires commercial banks to have confidence based on an in-depth analysis of the intentions and abilities of the debtor customer to repay his debt or repay the said financing in accordance with what was agreed. This is stated in Article 8 Paragraph (1) in the Tenth Law in 1998 regarding changes to Law Number 7 about 1992 regarding Finance.

Bank analysis of customers who will apply for loans is needed to convince debtors that customers can repay credit finance in line with the terms of the contract.

5C analysis is an evaluation of a person's its limit, capital, collateral, and economic state. In the legalese for Article 8 Paragraph 1 of Law 10 of 1998 about changes to Law Number 7 of 1992 related to Banking, it is stated that: "Credit or funding based on Sharia The tenet provided by banks offers risks, so in their execution banks must pay attention to the notion of credit or payment based on sound Sharia Principles." Guarantees for extending credit for financing based on Sharia Standards in the sense of trust in the capacity and ability of the Debt Customer to pay off their commitments in keeping with what was agreed are a crucial aspect that must be taken into consideration by the bank in order to minimise this risk.

In addition, banks must take into account the findings of an Environmental Impact Study (hereafter AMDAL) for big and/or high-risk firms in order to ensure that the projects to be financed are ecologically sound while granting loans or funding in accordance with sharia principles.

The basis for banks to provide credit to customers. As an effort to prevent the occurrence of problem loans, banks must first carry out an analysis in accordance with the principles. Regarding the 5C formula, it can be described as follows:

1. Character. That the prospective debtor has good character, morals, and personal qualities. This personality assessment is done to ascertain how eager and honest potential debtor clients are to complete their responsibilities and conduct their firm. That information can be obtained by banks through curriculum vitae, business history, and information from similar businesses.
2. Capacity. Capacity in this case means the borrower's ability to manage a business and look into the future to enable his business to grow and generate profits, which ensures being able to fulfill the loan obligations within the stipulated amount and the deadline for repaying. Measurement of this ability can be done using various approaches, for example the material approach, which is to evaluate the state of the balance sheet, income statement, the flow of funds for the company from the last few years. Through this approach, of course it can also be known about the level of solvency, liquidity, and business profitability and the level of risk. A person's capacity can be assessed based on his experience in the business world related to the education of prospective debtor customers, as well as the company's ability and excellence in conducting business competition with other competitors.
3. Advancement. Capital. In this situation, the lender must first investigate the capital that the credit application has. This research is not solely based on the amount of capital, but focuses more examines how business owners allocate capital to ensure that all available resources are used efficiently.
4. Collateral is a form of security that serves as an assurance in the grant to loan giving ( back up ) any potential risks brought on by a potential failure by the creditor, for example bad credit occurs. The guarantee is expected to be able To pay off the credit recipient's outstanding debt, both the principal debt and the agreed interest.
5. The state of the economy. When granting credit from bank, To reduce risks, the bank must pay close attention to both the state of the general economy and the state of the loan applicant's industry that may occur due to these economic conditions (Hermansyah,2005).

### **The Risks of Providing Credit to Customers by Financial Technology Institutions**

Indonesia's financial technology market is expanding quickly due to the opportunities and accessibility it offers. This makes Financial Technology a convenience for people who need funds with an easy, simple, fast system and without the use of collateral. Meanwhile, with this Portal facilitating peer-to-peer lending, it was as if the lender are in direct contact with the borrower through media or platforms developed by peer-to-peer lending platform providers (Disemadi, Yusro, & Balqis, 2020) . Seeing the development of Financial Technology with Services for peer-to-peer lending is very fast, Finance Resources Agency (hereinafter OJK) are duties and authorities Article 6 of Law No. 21 of 2011 governing the Financial Services Authority regulates this, namely:

- OJK oversees and conducts regulatory tasks for:
- Banking sector financial service activities;
- These include related to financial services in the capital markets; And

- Financial operations carried out by pension funds, lending institutions, insurance companies, and other financial services organizations.

OJK issued the 77/POJK.01/2016 Banking and Finance Commission Rule which is used to control the application and activities by Financial Technology Institutions . With these rules it is expected can minimize the occurrence of risks that result in losses to customers and Financial Technology Institutions .

Lending activities to customers as the main business of Financial Technology Institutions constitute the institution's income. However, granting credit has a considerable risk of loss to an institution. These losses can occur because not all loans will be repaid through way of borrowing receiver as specified in the contract. So that it can pose a risk that can be called debt danger. Credit risk might arise from the client's failure to to return the credit, primary debt, credit interest, and additional expenses according to the time specified in the credit agreement.

In general, Financial Technology will take several ways to reduce risk, namely:

- Avoid if there are factors that can still be taken into account, for example because they do not meet the predetermined criteria and because there are losses whose nominal value is far greater than profits, which are still included in the estimate or profit-oriented. from the calculation of profits ;
- Adding or reducing funds in a more economical, effective and efficient manner;
- Acceptable and according to the expectations of credit customers, so that customers are able to fulfill their obligations;
- Reduced, for example by differences and variations from what has been done by looking at existing work (Basu, 2019).

The risk that often occurs with regard to the use of loans in finance technology is credit risk, at Article 1 number 4 POJK Regarding the setting up of risk control for commercial banks, Regulation No. 18 / POJK.03 / 2016 states that "Credit Risk has the risk of the failure of others to fulfill commitments to Banks, involving credit risk because to the creditor failure, credit concentration danger, partner credit risk, and settlement risk." The danger of financial loss resulting from the debtor's failure to meet its commitments from the outset until they mature is known as credit risk. (Hanggraeni,2019). The possibility that the person who owes money and/or other parties won't follow through on their commitments is known as a credit risk for repay their loan to the bank (Indonesian Bankers Association,2015).

Through the Financial Technology Platform which can be accessed by anyone, it is easy to become a lender. The terms and conditions provided for users of Financial Technology services are different from banks and other credit institutions, which have complex and difficult conditions. This can result in errors in risk assessment of credit recipient customers which cause losses for Financial Technology Institutions.

Knowledge is related to ignorance of the business being run, causing bankruptcy. Lack of market knowledge, finance and business skills leading to bankruptcy and difficulty in paying installments. Business declined due to competition and macroeconomic underdevelopment in the country. Bankruptcy occurs because of poor handling when problems arise in business.

The influence of the season, which causes an imbalance in market demand and availability of goods, which affects the trade flows of business partners. The business partners have many trades that depend on the season, which causes the unstable income earned from these trades. Natural disasters are one of the biggest causes of farm or farm bankruptcy. The long period of time to be traded causes farmers or farmers to cause unstable business income per month.

As part of a risk assessment, Financial Technology can conduct periodic analysis to monitor the progress of financing success. This is part of the implementation Under OJK Directive number 77/POJK.01/2016 on Information innovation-Based Borrowing and Borrowing Services, Article 29 letter a, of the concept of transparency. In the process of transparency, lenders will see more clearly the success of Financial Technology in facilitating the fulfillment of loan obligations.

### **Legal Protection for Financial Technology Institutions If the Customer Defaults**

In Article 1 point 6 Details evolution-Based Money-Lending Companies are Indonesian legal companies that supply, administer, and run Information Technology-Based Money-Lending Services, according to Law 77/POJK.O1/2016 Concerning Information progression-Based Money-Lending Services. The entity that organizes it must first establish themselves to be an Other banking Institution through the creation of a Legal innovation presumably a Limited Liability Corporation or a Cooperative, according to Article 2. Financial Technology Institutions provide intermediary services that use technology systems that can be used through websites or digital platforms that act as neutral intermediaries . to connect lenders and loan recipients. Activities of Financial Technology Institutions only offer services through digital platforms . The procedure until the offers offered can be accessed by anyone on the Financial Technology institution platform. When it comes to using internet financial services, there are agreements that are carried out online, namely electronic agreements that can give rise to legal relations for the parties . The legal relationship arises depending on the parties' contractual arrangement, which includes lenders, loan beneficiaries, and suppliers of financial technology services. Electronic and Information Transactions Law 11, of 2008, Article 1 Number 17, explains:

- Typically, agreements are made directly with the parties who will be bound by them, but in P2PL-based Fintech, agreements are carried out via the internet ensuring that it is presented in the shape of an electronic document that the parties have agreed to electronically. A deal reached between parties using technology is referred to as a "electronic contract".
- Create commitments electronically at the Financial Technology system is carried out without a meeting by the parties. this makes it easy for parties to access and use Peer-to-peer lending-based financial technology.

Electronic agreements made in Kerdit Financial Technology have agreements between the parties often have binding legal effect. Law No. 11 of 2008 on e-commerce and information technology regulates this by stating in Article 18 Paragraph 1 that "electronic transactions contained in electronic contracts are binding on the counterparties.". Then the digital agreement applies as a rule of law for each party to a contract, and results in The building of a legal connection between both parties. Electronic agreements have similarities as agreements in general. Because electronic agreements have similarities with agreements in general, to be valid, they must also comply with the innovation's legal criteria as outlined in Article 1320 of the Civil Code. that is:

- Agreed those who bind himself
- A contract or agreement can be said to be valid if the parties have agreed on everything contained in an agreement. The agreement is a meeting or agreement of the will of the parties involved in the agreement. However, a meeting or agreement with the will of the parties has not been able to advance an agreement for the parties. therefore, a declaration of intent must be available. A statement that the party concerned, namely the parties, wants a legal relationship (Satrio,2001).



The will must be known by the parties, so that the will of each party must be stated. The statement of intention must be firm, expressly given orally, in writing or with signs. In addition, the will can also be disclosed in secret. The attitudes and behaviors of the parties reflect this.

### **The ability to make an engagement**

Proficiency is a general requirement For being competent to bring legal claims legally, that is, you must be old enough, have reason and not be hindered by legal provisions from carrying out certain actions (Syahrani,2013). Article 1329 by Civil Code " Everyone has the ability to grow, unless they are legally labeled incompetent, the statement continues. Civil Code Article 1330 does not determine can make an agreement, but negatively determines who cannot make an agreement. Legally incompetent people are people who are not old enough according to law, all those who are banned by law from engaging into a contract, including those who are guardians. Anyone is deemed a legal adult if they are 21 (twenty one) years old or married, according to Book I's Article 330 of the Civil Code. Then the regulation related to the limit of maturity is also found in A person's maturity is established by the fact that the kid is under the supervision of a guardian or parent until he or she turns 18 (eighteen) years old, according to Law Number 1 of 1974 regulating Marriage. Special agreements with agreements made before a notary are also regulated in Law Number 30 of 2004 concerning the Position of Notary which determines 'the maturity limit is 18 (eighteen) years or not married and capable of carrying out legal actions'. Therefore, the conclusion of an agreement is not only related to the time limit, but can also be related to other standards, for example not being under guardianship. Not only mature, but also legally capable (Khairandy,2014).

### **A certain thing**

The agreed-upon object is a thing that is surely becomes subject of an agreement. According to Civil Code Article 1333, goods that are subject an rule have at least one type, while the amount is not determined as long as it can be counted. Furthermore, According to Civil Code Article 1334, paragraph 1, "goods that will only come into being in the future may additionally be the object of a contract." According to Article 1334(2) of the Civil Code, commodities which are part of inheritance rights may not be used as the subject of an agreement. Even if agree with the person who will die and leave a legacy. Then, in Article 1332 Those items that are able to used as the topic of an arrangement are defined in the Civil Code are only goods that can be traded (Syahrani,2013).

### **A lawful reason**

In an agreement there must be a lawful cause. The cause in an agreement is a reason that can be used as a basis for the parties to accept the engagement and fulfill some law. Thus, some people are obliged for comply with the agreement's provisions. Someone who is required to uphold the terms of the agreement is not just bound by the contract, but also must be based on a reason. Halal causes are those that do not violate legal regulations, public decency or order. The agreement is invalid if its terms contravene legal requirements, morality, or public order. A violation of the law, morality, or public order is banned, according to Civil Code Articles 1335 and 1337. If a foundation in a particular agreement is against the law, such basis will be deemed invalid. (Khairandy,2014).

Legal issues may occur in the practice of implementing Financial Technology Services . This problem is the possibility that the person taking out the loan will default. In this case, lenders who fund loan applications on the Financial Technology platform are the main parties who suffer

losses. If in the Financial Technology activities there is a failure on the part of the loan recipient. And some Institution can take steps through billing unit, mediate, and try to avoid other problems such as bad credit.

Every citizen has a right to legal protection that must be fulfilled and is an obligation for the state itself. In principle, legal protection for society is founded on and stems from the idea of valuing and preserving human dignity and value. As a preventative and oppressive state action, legal recourse for the populace. Repressive legal protection seeks to resolve disagreements through court proceedings whereas preventive legal protection seeks to avoid conflicts that call for thorough evaluation of government activities. (Hadjon,1987).

### **Preventive Legal Protection**

Government safeguards aim to halt transgressions as soon as they happen. This is stated on laws and regulations to aim for avoid infractions with provide guidelines or limitations in fulfilling an obligation (Muchsin,2003).

With the development of financial services based on information technology, which is often referred to as Financial Technology, there is a need for Financial Technology needs to be balanced with clear regulation and oversight. According to Article 5 of Law 21 of 2011 establishing the Financial Services Authority, the innovation"Financial Goods Authority (hereinafter OJK) operates to create a cohesive regulatory and supervisory framework that encompasses every activity in the financial services sector." Article 6 makes it more explicit which states:

OJK performs regulation and oversight responsibilities for:

- Banking-related financial service operations;
- activity involving monetary services from the money exchanges sector; And
- Financial services provided by pension funds, insurance companies, financing structures, and other banking organizations.

According to these two publications, OJK is a body that controls and monitors the advancement of Financial Technology.

Legal protection for Financial Technology Efforts can be made before a conflict arises by Financial Technology institutions . Institutional efforts before a dispute occurs by applying the basic principles of institutional Financial Technology legal protection. Article 29 of Financial Service Authority Regulation The number 77/POJK.01/2016 about Computer innovation-Based Money Lending Services contains these concepts. namely:

Organizers are required to apply the basic principles of User protection, namely:

- growth• transparency;
- fairness;
- dependability;
- data privacy and discretion; and
- quick, easy, and economical resolution of User conflicts.

### **Repressive Legal Protection**

When a disagreement or violation occurs, repressive legal protection in the form of fines, imprisonment, and other penalties is a last choice. (Muchsin,2003). This legal protection is used after a dispute. Disputes in the implementation of Financial Technology can take place between

users and other users as well as between users and institutions. There is a procedure in place to settle disputes when they arise. Anyone who feels wronged can register a complaint to have the conflict settled right away. Financial Technology Institutions are required to respond right away to concerns. the offended party, in this example a Financial Technology User, has filed a complaint. The prohibition's main goal is to give consumers of financial technology products and services legal protection. Administrative consequences, such as written warnings, fines, limitations on a business's operations, and the termination of business licenses, may be imposed on organizers who are found to have broken the rules.

Financial Technology Services related to Consumer protection law, number 8 of 1999. Currently, the role belonging to the Finance Authority (OJK) in providing legal protection for consumers, one of which is by issuing OJK The Financial Services Industry Authority Circular Letter number 2/SEOJK.07/2014 Concerning Service and Arbitration of Client Complaint to Financial Services Business Actors contains Regulation Number 77/POJK.01/2016 regarding the upcoming information technology-based loan service. (Johan & Sugiarto, 2022).

Based on the POJK mentioned above, if a Financial Technology Customer defaults or fails to pay and the default is proven to be due to the operator's mistake or negligence, The supplier must be paid by the organizer as consideration for his services. The lender has a right to reimbursement from the operator as the wronged party. But if the complaint doesn't result in a settlement, the lender has the option of litigating the matter in or out of court. Out of court dispute resolution To make it easier for users of Peer-to-Peer Lending-based Financial Technology services who have been injured by financial services to file complaints, alternative dispute resolution organizations or the Financial Services Authority application process can be used. Financial Technologies Service Providers are the principal actors.

The purpose of the OJK is to construct a comprehensive regulatory and supervisory structure for all operations in the financial services sector, according to Article 5 of Law Number 21 of 2011 governing the Financial Services Authority. In line with Article 6 the OJK Law, OJK's responsibilities include carrying out the mission of regulating and overseeing financial service operations in the sphere of assurance, pension funds, credit unions, and other social service institutions. These laws also give Financial Technology Institutions, a new type of financing source included in other financial categories, legal protection.

Peer-to-peer lending is a concept that is based on financial technology services that channel money from bankers to borrowers on a platform supplied by financial technology companies to generate loans that are tailored to the needs of its customers. Peer-to-peer lending activities fall within the purview of OJK, which has the power to control and oversee all operations throughout the banking and finance sector. As a result, OJK has to be ready with a system to handle issues that may come up in the future when borrowers make defaults, which cause damages for lender in the framework of financial technological institutions according to Peer-to-Peer Lending.

## **Conclusion**

The results that follow can be taken from the discussion's outcomes as detailed in the preceding chapter: Financial Technology credit has not been implemented when customers apply for loans to Financial Technology institutions. This has resulted in many violations of payment obligations by customers who have loans from Financial Technology. Legal protection for Financial Technology Institutions if customers violate payment obligations. In fact, two categories of legal defense for Financial Technology institutions, namely preventive and repressive. Preventive legal defense is an effort to avoid the existence of a legal dispute with regulations relating to

detailed, complete and clear terms for granting credit by Financial Technology Institutions. Meanwhile, repressive protection is related to solutions to legal disputes for violations of customer payment obligations through dispute resolution in court.

### **Suggestion**

Financial Technology laws and regulations, especially implementing regulations related to procedures in every activity in Financial Technology in detail and detail, especially regarding 5C analysis arrangements. Financial Technology Institutions are expected to play a more active, thorough and precise role in analytical activities before deciding to provide financing to credit recipients. So that it is hoped that bad things will not happen that are detrimental to the parties.

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