
Financial Technology Application Challenges: Victims of Online Loan Bondage (Peer-to-Peer Lending) Protection



Supriyanto

Indonesian Police Officer, Polda Metro Jaya, Jakarta

ABSTRACT: Financial technology (fintech) has grown rapidly in Indonesia over the last two years. Unfortunately, this development is not being matched by increased knowledge among businesspeople and the general public about the hazards of criminal conduct. Because all human daily activities rely on internet technology, criminal acts utilising technology are critical to be aware of. In addition to providing benefits to society, the use of internet technology has the potential to be abused to commit crimes, both ordinary and specifically targeting information and communication technology infrastructure, with negative consequences that can cause the social order system to collapse, paralyse the country's economy, weaken the defence system, and be used as a terror tool. In reality, according to numerous sources, Indonesia ranks second in the world for internet technology crime attacks and is regarded as the country most vulnerable to information technology security breaches.

KEYWORDS: fintech, lifestyle, protection, victims, victimization

INTRODUCTION

Technology has a significant impact on human lives all around the world. The presence of technology has resulted in numerous changes in various facets of human life. Historically, humans communicated over large distances by writing letters to one another. Until now, technology has advanced at a breakneck pace. One concrete illustration of this technical advancement is the availability of smart phones, which allow humans to interact without regard for location or time (borderless). Together with current technology advancements, it has the potential to make it easier for people to discover information from all over the world. Humans can now access a wide range of information via the internet. Various current technology breakthroughs cannot be separated from previous technological developments, one of which is the invention of computers.

Along with technical advancements in Indonesia, internet technology has now become a critical necessity in people's lives. According to an article published on www.tekno.kompas.com (February 2018), the Indonesian Internet Service Providers Association (APJII) reported that by the end of 2022, more than half of Indonesia's population, or approximately 200 million people, had access to the internet network. This demonstrates the quick development of the internet network, followed by the openness of information that may reach all corners of the globe. People are becoming increasingly reliant on cellphones as technology progresses. Technology facilitates meeting people's daily demands, which is followed by the growth of online transportation, online shopping, and online delivery services. People no longer need to travel to their destination to meet their demands. This transformation is also influencing Indonesians' lifestyles, particularly the millennial generation. This is where prospects for creating financial technologies exist. People find it simple to conduct any transaction, anyplace, with just a smartphone in their hands.

Financial technology advancements have reached Indonesia. Many financial technology start-ups, often known as fintech companies, have arisen in the last two years. Indonesians can now conduct transactions immediately and cheaply through smartphone applications. Making investments online, for example, accessing early financing for new company ventures via various equity crowdfunding platforms, and making payments online without the use of physical cash or physical cards (payment gateway system). Fintech enterprises that provide online loan-based financial services (peer-to-peer / P2P lending) are one of the recent fintech business sectors to emerge in Indonesia. The establishment of this online loan organisation is a breath of new air for individuals and businesses in need of finances. Essentially, the rise of online fintech allows people and businesses to obtain loans more quickly, which would be impossible if done through a traditional bank. However, it is vital to know that the online loan system has limitations for these borrowers, one of which is that the loans will only be suited for the short term.

On the other hand, the rapid rise of fintech companies in Indonesia is not matched by proper consumer protection rules. The reason for this is that the online lending fintech business in Indonesia is still in its infancy. As the fintech business grows, so does the possibility of criminal activities in this field. For example, there was a lot of press concerning online loan instances from the end of 2018 to the beginning of 2019. This news features a collection of unethical borrowers and even a suicide attempt as a

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result of being caught up in an online loan. Such incidents should be avoided if the government establishes clear regulations. Essentially, the Indonesian government is still working to enhance the legislation governing fintech business actors. This is required to protect both fintech company players, borrowers, and lenders from the risk of criminal conduct that could harm them. Finance and technology are two fields that are evolving in tandem. The surge in interest in leveraging technology to create financial solutions has, of course, resulted in unparalleled innovation. However, it should be remembered that along with financial technology innovation, there will undoubtedly be inherent hazards. As a modern society, we must be cautious and prudent in selecting credible fintech applications.

As discussed in the previous statement, the rapid expansion of fintech companies in Indonesia, particularly online loan companies (P2P lending), is accompanied by the potential of criminal activities occurring, the consequences of which will be adverse to many parties. The Jakarta Legal Aid Institute (LBH) established a specific complaint centre for victims of online loan collecting at the end of 2018. LBH Jakarta is still handling cases like these. However, there has been no follow-up from the regulator, in this case the OJK, which has full authority to licence fintech business actors. LBH Jakarta has received over 200 complaints from people who were victims of this online loan company to date. This must be carefully considered in order to provide the best protection for online loan victims. Aside from that, numerous actions must be developed to prevent criminal behaviours in the online lending company sector.

METHOD

A qualitative approach in criminology refers to the collection and interpretation of textual, verbal, or real-world observational data to learn about the causes, nature, consequences, and responses to crime (Miller & Yang, 2008). Qualitative research can assist researchers in overcoming research problems with no variables and a need to explore. Because previous research literature is a weakness for researchers, qualitative research can be used for research studies that produce little information about specific phenomena (Creswell, 2009). The phenomenological research method was applied in this study. As the name implies, phenomenology is a science (logos) concerned with anything that appears (phenomenon) (Hasbiansyah, 2008) is a study of knowledge that emerges from consciousness, or a way to understand an item or event through conscious experience (Littlejohn, 2003: 184 in Hasbiansyah, 2008). Phenomenology seeks to escape from scientific methodologies that believe that people's regular experiences do not reveal the existence of a reality.

RESULTS AND DISCUSSION

Fintech is an abbreviation for financial technology (fintech). The definition of FinTech is based on an article published by PwC in March 2016 titled "Blurred lines: How FinTech is Shaping Financial Services," which states that "FinTech is a dynamic segment at the intersection of the financial services and technology sectors where technology-focused start-ups and new market entrants innovate the products and services currently provided by the traditional financial services industry." According to the Bank Indonesia website, FinTech is the result of a combination of financial services and technology that ultimately changed the business model from conventional to moderate. Whereas previously you had to meet face to face to pay and bring a certain amount of cash, you can now make long distance transactions by making payments that can be made. Finished in a matter of seconds.

The presence of fintech in Indonesia has been welcomed by the Indonesian people. This may be observed in the public's enthusiasm for using fintech applications to assist them satisfy all of their daily needs. Why is Fintech important? Beginning with the community, it is difficult to obtain funding services through the traditional financial industry (banking) due to rigorous banking rules and limits in serving the community in specific locations. People then look for funding sources other than traditional financial institutions that can serve and reach a larger community. In this scenario, fintech is beneficial to society. According to the Indonesian FinTech Association and OJK, the payment business continues to lead FinTech players in Indonesia, followed by the online lending sector, and the rest are in the form of aggregators, crowdfunding, and others. The growth of FinTech businesses must, of course, be complemented by suitable rules that take into account the risks that may occur. Fintech development in Indonesia will support the government's three visions, which include encouraging the transmission of economic policies, increasing the speed of money circulation and thus improving the community's economy, and contributing to the National Strategy for Inclusive Finance (SKNI).

Aside from that, the role of FinTech in Indonesia can encourage equal levels of population welfare, increase national financial inclusion, and encourage the export capability of MSMEs, which is currently low. To maximise FinTech's role in Indonesia, it is vital to develop FinTech business synergies between the Indonesian banking industry and non-bank financial institutions. Peer-to-peer lending, often known as P2P lending, is a sort of fintech that has been active in Indonesia. It is an online-based lending and borrowing platform. According to Financial Services Authority Regulation (POJK) No. 77/POJK.01/2016 concerning Information Technology-Based Money Lending and Borrowing Services, P2P lending is a financial service provider that connects lenders and loan recipients to carry out lending and borrowing agreements in rupiah currency directly through an

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electronic system using the internet network. This means that FinTech companies that offer P2P lending services act as technology-enabled mediators between borrowers and lenders.

P2P lending in Indonesia began to grow in 2016, and this P2P lending FinTech company has grown significantly in the last two years. In 2018, there were 80 P2P lending fintech companies in Indonesia, according to OJK data, with 73 of them registered and overseen by the OJK. This demonstrates that an increasing number of Indonesians are using the P2P lending platform as an alternative for both investing and borrowing funds using only internet technology. In November 2018, it was reported on the KPMG article page named "The Fintech Edge" that the Top 10 P2P lending FinTech companies in Indonesia were announced. KPMG evaluated the P2P lending FinTech startup based on risk management, funding transparency, and service level. Top 10 P2P lending FinTech companies, including: Akseleran (PT Akseleran Financial Inklusif Indonesia), Amarta (PT Amarta Mikro Fintek), CROWDE (PT CROWDE Building the Nation), Crowdo (PT PT Mediator Masyarakat Indonesia), Danamas (PT Pasar Dana Loan), Gradana (PT Gradana Teknoruci Indonesia), Investree (PT Investree Radhika Jaya), KoinWorks (PT Lunaria Annu Teknologi), Mekar (PT Mekar Investama Sampoerna), and Modalku (PT Mitrausaha (KPMG, 2018).

When addressing the risk of criminal acts, it is impossible to ignore the existence of victims. Initially, a crime incident focused solely on the perpetrator, including who the perpetrator was, how the perpetrator committed the crime, and what punishment was fitting for the offender. However, scientists have realised that crime victims must also be included in a criminal incident throughout time. A criminal episode has three main foci: the perpetrator of the crime, the victim of the crime, and the crime itself. When it comes to crime victims, we must remember that victims can sometimes be the ones who commit the crime.

The term victimisation is used in victimology. Victimisation is the process by which a person becomes a victim of a crime. Victimisation is classified into two types, according to Lorraine W., Neil O., and David D. (2009): initial victimisation and secondary victimisation. Victims' experiences of crimes committed by criminals against them are referred to as primary victimisation, whereas secondary victimisation relates to the treatment of crime victims by criminal justice institutions such as the police and courts. The author wants to emphasise on primary victimisation in this debate, where the victim's experience can become the actual basis of a crime. If we look at current incidents of victims of online loan fintech, we must also analyse the role of victims in the criminal process that occurs in the online loan fintech industry. Miomira Kostic (2010) explains the concept of victimisation in her journal "Victimology: A Contemporary Theoretical Approach to Crime and its Victims," which has two points of view, namely positivistic thinking, which focuses on conventional victimology, and interactionist thinking, which focuses on penal and general victimology. Victims, according to conventional victimology, play a role in a crime as well. Miomira Kostic (2010) splits the victim's role in a crime into two parts:

1. Precipitation Victims

According to Mendelsohn (in Kostic, 2010), this concept argues that victims contribute to their own victimisation by having features that make them more sensitive to victimisation. This concept also explains how a crime happens as a result of the victim's carelessness.

2. Victim Participation Von Hentig, 1941 (in Kostic, 2010) considers victims to be perpetrators of crimes and categorises victims based on the nature of their involvement in the crime.

The victim's lifestyle is strongly tied to victim precipitation, therefore the victim is involved in a crime. According to Hendiarto (in Meliala, 2011), the hypothesis of victimisation from lifestyle exposure explains the disparities in demographic characteristics influencing victimisation, which are primarily impacted by variances in potential victims' lifestyles. Even if the victim played a role in the crime, there are often threats made against them when they want to testify. As a result, a concept is required in which victims are likewise protected so that perpetrators can be punished properly. A crucial principle in victim protection is that prevention is the key to safeguarding victims. Protecting the people can become a community responsibility when a state is incapable or unwilling to defend its population from situations of violence that threaten the lives and security of its members, or when the state is the perpetrator of that violence. Within internationally agreed-upon limitations of protection, the international community may assume this obligation in whole or in part, in partnership with that State, alone, or sometimes against it. Individual responsibility for self-defense is essential if the state cannot provide complete safety. Individuals often make their own decisions about which risks they believe are acceptable or unacceptable in regard to the actions they believe are vital to take. Such judgements are subjective and change over time; they are based mostly on subjective perception, the ability to analyse the surrounding political, social, and security environment, and assessments of prospective consequences. If duty bearers and other actors have limited means to effectively safeguard them, it is critical for individuals to establish tactics to prevent and/or minimise the risk of damage they may face in a given situation, and to rely primarily on themselves for protection.

The Financial Services Authority (OJK) is one entity that can help victims of online loan bondage. OJK also contributes to the development of laws for business actors in the online lending fintech industry in order to protect linked parties such as borrowers and online lenders. Many victims report crimes committed by online fintech industry players to the Legal Aid Institute (LBH) in cases of online loan entrapment. LBH has also launched a complaint process for anyone who has been a victim of an online loan company. Of course, providing protection for victims will incur costs; as a result, LBH must learn more about each complaint that is received in order to provide effective and efficient protection. Beyond the specific costs of victimisation that

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emerge from coping with injuries and property loss, Elias (1986) maintained that both victims and non-victims bear the costs of attempting to protect themselves from crime, or at least defend against harm when it occurs. While we should be concerned about the great burden it causes on those who pay for it, we should be even more concerned about the many individuals who cannot afford "protection" at any price or the type of security they desire.

At the beginning of this paper it was explained that the main key in protecting victims is prevention. Based on the preliminary findings acquired by LBH Jakarta, it is required to examine the following in order to accomplish protection for online loan victims: according to the author, in this online loan case, the victim also has a role so that he can become a victim of online loans. The author then suggests that stakeholders in connected companies and regulators take forceful action against P2P lending fintech companies that use unethical billing systems. Aside from that, OJK No. 77/POJK.01/2016 laws regulating Information Technology-Based Money Lending and Borrowing Services indicate that enterprises participating in the P2P lending sector must protect data confidentiality. Then, P2P lending organisations must assure the availability of authentication, verification, and validation processes in order to access, process, and execute the personal data, transaction data, and financial data they handle. The author will analyse the early findings from LBH Jakarta on complaints from online loan victims, including the following, in order to achieve victim protection and prevention, and indirectly generate safe and conducive economic growth.

1. Debt collection is carried out by humiliating, threatening, slandering, and even sexual harassment. Victims of this must be protected and assisted. A criminal justice institution must then prosecute the wrongdoer (in this example, the debt collector). Preventive measures include terminating firm activities if they involve illicit fintech and/or giving socialisation on the code of conduct that debt collectors (collectors) in fintech companies registered/licensed by the OJK must follow.
2. Debt collection is carried out to all contact numbers on the borrower's cellphone (work boss, in-laws, elementary school friends, etc.). There needs to be firm action from the police, because this can be linked to data theft and if the company concerned violates it, it means the company has violated OJK regulations by not keeping customer data confidential. The OJK must also carefully and routinely check the systems used by these fintech companies.
3. The loan interest and fines are unlimited. To avoid this, the victim as the borrower of funds must be cautious and carefully read the terms and conditions as well as the provisions for borrowing funds that apply to the online loan firm before applying for a loan. Another precaution that can be done is for the OJK to issue laws about interest limitations and loan fines in order to keep borrowers from being burdened. However, when the role is a P2P lending organisation, the borrower has an obligation to the lender to make payments on schedule. The lenders will be protected if the borrower makes timely payments.
4. Personal data (contacts, SMS, calls, memory cards, and so on) are collected on the consumer/borrower's cell phone. If this occurs, it is considered a criminal offence, and the perpetrator must bear full responsibility for stealing consumers' personal information. OJK must constantly monitor the systems used by P2P lending fintech companies to ensure the protection of consumer data.
5. Debt collection is done prematurely and without due process. If this is what the victim went through, the authorities must take swift action.
6. The online loan provider's complaint number is not always available. Before asking for a loan, victims must add and learn about P2P lending FinTech companies. Essentially, if the P2P lending company is registered with the OJK, the complaint number must be visible. If this is what the victim encountered, the discovery was made by an unlawful P2P lending company.
7. The location of the company offering online loans is unknown. The office address, like earlier results, must be transparent and obvious if the P2P lending company has been registered by the OJK. If this is what the victim encountered, the discovery was made by an unlawful P2P lending company. The government must take forceful measures in response to these discoveries, as well as provide victims with safety.
8. Online loan applications that change names without notifying consumers/borrowers for several days, while the loan interest continues during the name change procedure. If this occurred to the victim, he may be able to launch a lawsuit. The office address, like earlier results, must be transparent and obvious if the P2P lending company has been registered by the OJK. If this is what the victim encountered, the discovery was made by an unlawful P2P lending company.

People should pay attention to the following things before applying for an online loan as a preventive measure to ensure that there are no more victims of online P2P lending:

1. Look for information about the P2P lending FinTech company from which you wish to apply for a loan. OJK has provided information on both legitimate and criminal P2P lending fintech firms.
2. When applying for a loan, you must be meticulous and thorough. Look for information on borrowing procedures, interest rates available, and late payment penalties. Because many borrowers do not pay attention to the relevant companies' procedural specifics and payment processes. If the relevant company has provided relevant information but you ignore it, it is extremely possible that if there is a default, you will be in violation of the applicable requirements.
3. Individual self-protection is critical in order to avoid online loan-based fraud. People must be cautious in their conduct.

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4. To avoid illicit acts, the regulator believes that the procedure of authentication, verification, and validation of personal data needs to be enhanced. Regulators must continue to monitor the P2P loan transaction process because, as technology advances, the possibility of new criminal activities will undoubtedly emerge, requiring regulators to enact suitable restrictions.
5. According to multiple media reports about people falling victim to internet financial bondage, the victims are from the lower middle class. The loan type recommended is then a personal loan, with monies disbursed for consumer requirements. As a result, the community should participate so that excessive consumption is avoided, prompting them to apply for loans. It is preferable to avoid taking out consumer loans.

CONCLUSIONS

In contemporary society, individuals have become increasingly reliant on cellphones due to the rapid progression of technological innovations. The advent of technology has significantly facilitated the fulfilment of individuals' daily necessities, as exemplified by the introduction of online transportation, online retail platforms, and online delivery services. The financial sector presents a fertile ground for the emergence of opportunities in the development of technology. Over the course of the previous two years, a considerable number of technology start-ups have surfaced inside the banking sector. The advent of smartphone applications has facilitated direct transactions, enabling individuals to engage in activities such as online investment, acquiring initial capital for new company initiatives through equity crowdfunding platforms, and conducting cashless payments and online transactions through payment gateways.

The emergence of financial technology (fintech) has brought about an increased susceptibility to criminal activities, particularly those that have been observed with more frequency in recent times. These criminal activities encompass the theft of borrower customer data and the perpetration of unethical debt collection practises, leading to victimisation. The advent of financial technology (fintech) has the potential to revolutionise the landscape of financial services, presenting novel challenges to security measures, financial policies, and public safety considerations. The primary determinant in safeguarding victims is prevention, as elucidated. According to the preliminary findings compiled by LBH Jakarta, it is imperative to take into account the following factors in order to ensure the safety of individuals who have fallen victim to online loans. The author asserts that in the context of online loan cases, the victim also bears a certain degree of responsibility, which renders them susceptible to becoming victims of online loans. According to the author's perspective, it is imperative for stakeholders in relevant organisations and regulatory bodies to take decisive measures in addressing the issue of unethical billing systems employed by peer-to-peer (P2P) lending fintech companies.

People that take preventive measures to avoid being caught by internet loans are essentially taking responsibility for their own protection. Before applying for a loan, each individual should expand their knowledge. This also applies to lenders, so that the number of victims of information technology-based financial service organisations does not rise. Until now, the OJK (Financial Services Authority) has been attempting to provide proper monitoring while also ensuring that this industry continues to innovate.

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