

Research Article

# Consumer Rights in the Fintech Lending Era Amid Legal Challenges of a Borderless World

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**Abstract:** The rapid expansion of fintech lending services, particularly cross-border peer-to-peer (P2P) lending, has created significant legal challenges concerning consumer protection. This study examines whether existing legal frameworks adequately safeguard consumer rights within the borderless digital lending environment. Utilizing a normative-juridical method combined with a comparative approach, the research analyzes Indonesia's regulatory structure alongside selected international frameworks. The findings reveal substantial gaps in consumer protection, exacerbated by the proliferation of illegal online lending platforms, regulatory fragmentation across jurisdictions, and the misuse of personal data. National regulations often prove insufficient to address complex cross-border legal issues. This study underscores the urgency of global regulatory harmonization, enhanced national oversight mechanisms, and improved digital literacy among consumers. It concludes with recommendations for regulatory reform, the establishment of international supervisory cooperation, and the strengthening of institutional roles, particularly by financial and communication authorities, to ensure robust consumer protection in the evolving fintech lending ecosystem.

**Keywords:** Consumer rights, fintech, online lending, regulation, legal protection.

## 1. Introduction

The development of financial technology, or fintech, has changed the way people access financial services, including loans. One of the most rapidly growing branches of fintech is fintech lending, which allows individuals or small businesses to obtain loans directly from lenders without going through traditional financial institutions. According to (Zientek et al., 2021), "Fintech lending has substantially reduced the barriers to accessing credit and has provided opportunities to segments of the population that were previously underserved by traditional banking". The emergence of various fintech lending platforms not only provides convenience in the lending process, but also brings new challenges and risks for consumers.

As fintech lending has grown in popularity, so have concerns about protecting consumer rights. In cross-border fintech lending services, there is vulnerability to consumer rights violations due to differences in legal frameworks between countries. Consumers using lending services from international platforms may face different legal challenges compared to those from local providers. The purpose of this study is to analyze the protection of consumer rights in cross-border fintech lending, by providing case examples and discussing existing regulations. In addition, this research will also identify the challenges faced by consumers and how different regulations in different countries can be applied in different countries may

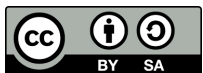
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affect their rights in digital transactions. The main focus is on the application of consumer protection principles set out in Indonesia's Consumer Protection Law.

This topic is becoming increasingly relevant, especially with the growing number of illegal online lending practices masquerading as fintech services. According to a report from Indonesia's Financial Services Authority (OJK), around 80% of the total online loans in circulation are illegal (Antara, 2020). This fact indicates that current regulations have not been able to fully respond to the challenges posed by technological developments. Regulatory inequality between countries is also an important issue, where there are significant differences between countries that apply strict regulations and those that have looser rules.

The concept of consumer rights enshrined in Indonesia's Consumer Protection Law emphasizes the importance of transparency, fairness, and equal treatment in every transaction. The law protects consumers from fraudulent business practices and gives consumers the right to obtain clear information about the products they buy or services they use. However, in the context of cross-border fintech lending, the application of these principles becomes complex due to jurisdictional differences and inconsistent regulations around the world (Sari, 2023).

Legal theories related to consumer protection in digital transactions are also highly relevant in the context of fintech lending. This theory highlights the importance of fair and transparent contracts that service providers must abide by, as well as the rights that must be guaranteed to consumers. In the context of fintech lending, this includes the obligation to provide complete and clear information about the terms and conditions of lending, as well as the right of consumers to demand justice if their rights are violated (Mustofa & Wahyudi, 2023).

The proliferation of fintech, especially in the form of Peer-to-Peer (P2P) lending, has provided innovation in the provision of credit. However, this growth creates new challenges in terms of regulation and supervision. According to (Wiriadinata, 2021), "The rise of P2P lending has led to an increase in concerns regarding consumer rights as these platforms operate without the traditional banking mechanisms". This underscores the need to formulate better regulations for consumer protection in this sector.

Cross-border legal challenges are also highlighted in this study. Different jurisdictions, diverse regulations, and issues related to personal data regulation often make it difficult to enforce consumer rights in fintech lending transactions. As stated by (Pradana, 2023), "Cross-border transactions in fintech lending create a convoluted legal landscape where consumer rights may fall through the cracks". This calls for international coordination and a more harmonized approach to regulation to ensure adequate protection for consumers.

In this context, this study will delve deeper into how consumer rights protection can be applied in the cross-border fintech lending sector, as well as its impact on relevant stakeholders. As such, this research is expected to provide useful contributions to the development of better policies and regulations in the current digital era.

## 2. Literature Review

In the context of consumer protection, the Consumer Protection Law in Indonesia (Upon the Approval OF THE HOUSE OF REPRESENTATIVES OF THE REPUBLIC OF INDONESIA HAS DECIDED, n.d.) establishes a legal framework aimed at guaranteeing consumers' rights, including the right to safety, comfort, and accurate information regarding products and services. (Sari, 2023) states that, "Consumer protection legislation is designed to ensure fair treatment of consumers and establish a foundation for dispute resolution". Although this law provides significant protection, its implementation in the fintech lending sector, which often operates across borders, reveals shortcomings in consumers' understanding of their rights. Weak law enforcement and consumer ignorance can have fatal consequences, necessitating further efforts to educate the public about the potential risks associated with online lending practices.

The legal theory governing consumer protection in digital transactions is crucial for understanding the dynamics of interaction between consumers and fintech service providers (Mustofa & Wahyudi, 2023) note, "In the realm of digital transactions, consumers must be fully informed about their rights and the terms of service offered by providers". In practice, many fintech platforms fail to meet this principle of transparency, creating legal loopholes that can be exploited in fraudulent practices. (Wiriadinata, 2021) emphasizes that while laws exist to protect consumers, many platforms do not comply with legal standards, posing challenges to the integrity of consumer protection in the digital space.

The development of financial technology, particularly in the format of Peer-to-Peer (P2P) lending, has revolutionized access to finance for populations underserved by traditional banking institutions. According to (Zientek et al., 2021) , "The emergence of P2P lending platforms has disrupted traditional banking systems, offering diverse financial solutions to consumers". However, while providing advantageous alternatives, the reality is that P2P lending also introduces a range of new risks for consumers, such as fraud and unfair interest rates. (Pradana, 2023) research shows that "Most consumers lack awareness of the risks associated with borrowing through fintech platforms, making them susceptible to exploitation". These findings indicate that without adequate education, consumers are at risk of falling into uncontrolled debt traps.

The legal challenges faced by cross-border fintech transactions introduce greater complexity, particularly concerning jurisdiction and varying regulations across countries. (Sari, 2023) warns that "Cross-border transactions complicate the enforcement of consumer rights due to differing legal frameworks and jurisdictional challenges". Regulatory inconsistencies may exacerbate consumer vulnerability to illegal lending activities and fraudulent practices, necessitating more harmonious regulatory reforms at the international level. Research by (Mustofa & Wahyudi, 2023) notes that jurisdictional uncertainty is a major barrier to enforcing

consumer rights, implying a need for multinational cooperation to formulate effective policies.

Additionally, several previous studies have shown that the consumer perspective remains a less mapped focus in discussions regarding fintech regulation. In his research, (Pradana, 2023) found that "Consumer awareness of rights and available remedies is crucial to mitigating risks in the fintech lending landscape", highlighting the urgent need for the development of educational programs for consumers. (Wiriadinata, 2021), in a study on the impact of the lack of cohesive regulation, states that "The absence of coherent regulations across borders often leaves consumers vulnerable to risks in fintech lending", emphasizing the importance of creating a more integrated and responsive regulatory framework to the constantly evolving technological dynamics.

Overall, this literature review indicates that while the legal framework for consumer protection has been established, its implementation in the context of cross-border fintech lending still faces complex challenges. Through a critical analysis of existing literature, it is demonstrated that there is an urgent need to strengthen legal protection and enhance consumer awareness to address the emerging risks in the digital era. By considering various perspectives and challenges, further research is expected to explore more innovative and effective solutions to uphold consumer rights in the fintech sector.

### **3. Literature Review**

In the context of consumer protection, the Consumer Protection Law in Indonesia (Upon the Approval OF THE HOUSE OF REPRESENTATIVES OF THE REPUBLIC OF INDONESIA HAS DECIDED, n.d.) establishes a legal framework aimed at guaranteeing consumers' rights, including the right to safety, comfort, and accurate information regarding products and services. (Sari, 2023) states that, "Consumer protection legislation is designed to ensure fair treatment of consumers and establish a foundation for dispute resolution". Although this law provides significant protection, its implementation in the fintech lending sector, which often operates across borders, reveals shortcomings in consumers' understanding of their rights. Weak law enforcement and consumer ignorance can have fatal consequences, necessitating further efforts to educate the public about the potential risks associated with online lending practices.

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#### **4. Methods**

This study employs a normative-juridical research method, focusing on the analysis of laws, regulations, and authoritative literature relevant to consumer protection in the fintech lending sector. The normative approach enables a critical evaluation of the adequacy and applicability of existing legal frameworks, particularly in addressing the complexities introduced by cross-border digital financial services. Primary legal sources, such as Indonesia's Law No. 8 of 1999 on Consumer Protection and OJK Regulation No. 77/POJK.01/2016, serve as the main basis for the analysis, complemented by secondary sources including scholarly articles, policy papers, and international regulatory guidelines.

To broaden the analytical perspective, the study also adopts a comparative approach. Indonesia's regulatory framework is compared with those of selected jurisdictions recognized for their advanced consumer protection mechanisms in digital finance, specifically the European Union and Singapore. This comparative analysis aims to identify regulatory best practices, highlight critical gaps in Indonesia's legal system, and propose pathways for legal harmonization and institutional strengthening.

The research framework follows a systematic and logical structure that guides the study through several key stages. First, the research begins by conceptualizing consumer rights based on Law No. 8 of 1999, establishing fundamental principles such as the right to safety, access to accurate information, and fair treatment. This conceptual foundation serves as a benchmark for evaluating the adequacy of existing regulations in the digital era.

Second, the research analyzes the risks and challenges arising from digital financial services, particularly fintech lending. Specific concerns include information asymmetry, algorithmic opacity, misuse of personal data, and regulatory fragmentation across borders. This step highlights how fintech innovations can amplify traditional consumer vulnerabilities and create new legal uncertainties.

Third, a normative-juridical analysis is conducted to assess how Indonesia's legal framework addresses these emerging risks. A doctrinal review of relevant laws and sector-specific regulations, such as OJK Regulation No. 77/POJK.01/2016, is performed to evaluate the effectiveness of legal protections against issues such as illegal online lending (*pinjol ilegal*) and cross-border lending operations.

Fourth, a comparative examination is undertaken to juxtapose Indonesia's regulatory approach with those of the European Union and Singapore. The comparison identifies innovative regulatory strategies, enforcement mechanisms, and consumer redress systems that could be adapted or adopted within the Indonesian context.

Fifth, the findings from both the normative and comparative analyses are synthesized to identify key regulatory gaps and vulnerabilities. This synthesis enables the formulation of targeted solutions, emphasizing the need for international regulatory harmonization, stronger national oversight, improved personal data protection, enhanced dispute resolution mechanisms, and greater consumer digital literacy.

Finally, based on the analytical outcomes, the study formulates policy recommendations to strengthen consumer protection in the fintech lending ecosystem. These recommendations advocate for regulatory reform, the establishment of cross-border supervisory cooperation, and the reinforcement of institutional roles, particularly among financial and communication authorities.

The choice of a normative-juridical and comparative methodology is justified by the research objectives, which emphasize evaluating legal norms and proposing normative solutions rather than empirical generalizations. By systematically analyzing primary legal texts and comparing regulatory approaches across jurisdictions, the study ensures a high degree of reliability, analytical rigor, and replicability for future research in the field of fintech consumer protection.

## 5. Results

The results of this study reveal significant deficiencies in the consumer protection framework related to cross-border fintech lending. First, the operation of fintech lending platforms has led to recurrent consumer rights violations, including the imposition of exorbitantly high-interest rates, unauthorized data exploitation, and aggressive debt collection practices. (Zetzsche et al., 2017) highlight that fintech innovation, while democratizing access to financial services, has also introduced substantial legal uncertainty, particularly regarding data privacy and contractual fairness.

Second, the regulatory frameworks currently in place in Indonesia, although anchored by Law No. 8 of 1999 on Consumer Protection and OJK Regulation No. 77/POJK.01/2016, are inadequate to govern the complexities of digital financial transactions across borders. Indonesia's regulations mainly address traditional offline transactions and lack detailed provisions for algorithmic decision-making and cross-border consumer data flows. As (Armstrong, 2019) emphasizes, emerging economies often face a regulatory lag, where technological advancements outpace legislative adaptations, creating protection gaps for digital consumers.

Third, comparative analysis shows that advanced jurisdictions, notably the European Union and Singapore, offer more comprehensive protections. The European Union's General Data Protection Regulation (GDPR) establishes strict standards on data processing and consumer consent mechanisms (Kuner et al., 2021), while Singapore's Payment Services Act of 2019 ensures the licensing and regulatory supervision of digital financial services providers, thereby mitigating risks related to systemic consumer harm.

Fourth, case studies from Indonesia and other emerging markets indicate growing risks associated with unlicensed online lending platforms. Reports compiled by the World Bank illustrate that in regions with fragmented regulatory ecosystems, consumers are disproportionately exposed to data exploitation and predatory lending practices. In Indonesia, various cases demonstrate how illegal online lending platforms publicly disseminated

borrowers' personal data without consent, resulting in reputational and psychological harm (Feyen et al., n.d.).

Fifth, institutional analysis underscores the pivotal roles of the Financial Services Authority (OJK) and the Ministry of Communication and Information Technology (Kominfo) in Indonesia. While these agencies have initiated takedown efforts and established licensing regimes, their jurisdiction remains restricted to domestic operators, lacking extraterritorial enforcement capacity. Comparatively, models like the European Supervisory Authorities (ESAs) demonstrate how supranational regulatory structures can more effectively oversee fintech activities across borders (Zetzsche et al., 2017)

Sixth, regional initiatives, such as the ASEAN Working Committee on Financial Inclusion and the ASEAN Fintech Network, have begun laying the groundwork for harmonized digital finance regulations. However, as noted by (Chen & Puschmann, 2020) regional efforts often struggle with implementation gaps, owing to the diversity in member states' legal systems and technological infrastructures.

Finally, the findings strongly suggest an urgent need for regulatory harmonization at both regional and international levels. Without coordinated frameworks, consumers engaging in cross-border digital lending will continue to face elevated risks of rights violations with limited avenues for legal redress. Therefore, this study proposes strengthening national regulatory infrastructures, fostering cross-border supervisory collaborations, enhancing consumer data protection, and expanding financial digital literacy programs to empower consumers in the evolving fintech environment.

## **6. Discussion**

This study was undertaken to critically examine the extent to which the current legal frameworks protect consumer rights in the context of cross-border fintech lending, with Indonesia serving as the primary case study. The research contributes significantly to the growing body of knowledge on consumer protection in the digital financial ecosystem by highlighting critical regulatory deficiencies and advocating for urgent reform. In particular, the study emphasizes the necessity of harmonized international regulatory standards to address the challenges posed by the borderless nature of fintech operations (Lee, 2024).

The analysis reveals that existing national regulations, notably Indonesia's Law No. 8 of 1999 on Consumer Protection and OJK Regulation No. 77/POJK.01/2016, are insufficient in responding to the complex risks emerging from digital financial transactions, especially concerning cross-border operations. This finding supports the assertions made by (Zetzsche et al., 2017), who argue that fintech innovations, while democratizing financial access, simultaneously expose consumers to new legal uncertainties, particularly in the areas of data privacy and algorithmic fairness. Additionally, (Armstrong, 2019) highlights the persistent regulatory lag in emerging economies, a phenomenon that is confirmed through this study's findings in the Indonesian context. Furthermore, (Blumenstock & Kohli, 2023) stress that

consumer data usage in emerging markets requires not only technical safeguards but also adaptive regulatory approaches to reduce privacy harms and increase accountability.

Unexpectedly, despite the formal establishment of licensing and monitoring systems by domestic authorities such as the Financial Services Authority (OJK) and the Ministry of Communication and Information Technology (Kominfo), significant consumer vulnerabilities persist due to limited extraterritorial regulatory capacity. Comparative insights drawn from the European Union's GDPR framework (Kuner et al., 2021) and Singapore's Payment Services Act demonstrate that comprehensive consumer protections and stronger enforcement mechanisms are achievable and necessary for safeguarding rights in digital financial environments. In this regard, (Alhubiti & Sevegnani, 2025) propose a formal modeling framework using Biographical Reactive Systems that ensures privacy compliance in international data transfer an essential innovation for fintech firms operating across borders.

Managerially, these findings imply that fintech providers must anticipate more stringent regulatory scrutiny, particularly concerning data governance, transparency, and consumer consent processes. Regulators, meanwhile, are urged to prioritize cross-border supervisory cooperation, develop adaptive regulatory technologies (RegTechand) foster consumer empowerment through targeted digital literacy initiatives. (Graeden et al., 2023) argue that global financial data governance should prioritize outcome-based regulation to align digital tools like open banking with human rights protections, including consumer privacy and informed consent.

Nonetheless, the study's normative-juridical focus, while offering deep legal analysis, may limit the empirical generalizability of its conclusions. Future research could benefit from an empirical investigation into consumer experiences across different jurisdictions and from exploring regulatory models capable of offering agile, cross-border consumer protections in the era of decentralized finance.

In summary, this research identifies key areas for reform, emphasizing that without coherent international cooperation and proactive national measures, consumers will remain exposed to significant risks in the global fintech lending ecosystem, thus inviting further scholarly and policy exploration into sustainable regulatory innovations.

## **7. Conclusion**

This study critically assesses the adequacy of existing consumer protection frameworks in the context of cross-border fintech lending, using Indonesia as a primary case study. The findings demonstrate that consumer rights are not sufficiently protected under the current legal architecture (Arner et al., 2020). National regulations, while providing a foundational framework, fail to effectively address the multifaceted risks inherent in the digital financial environment, particularly those arising from algorithmic decision-making (Zetzsche et al., 2020), transnational data flows, and regulatory fragmentation (Avgouleas, 2019). The principal legal challenges include the inadequacy of traditional consumer protection norms in

capturing the dynamics of digital transactions, the absence of effective extraterritorial enforcement mechanisms, and the persistence of regulatory asymmetry across jurisdictions (Buckley & Webster, 2016).

In light of these findings, several critical recommendations are proposed. Regulatory frameworks must undergo comprehensive revision to incorporate explicit provisions on digital financial services (Financial Stability Board (FSB), 2019), data protection (Greenleaf, 2021), and cross-border consumer rights enforcement. Simultaneously, policymakers must prioritize the development of robust consumer digital literacy initiatives to equip users with the competencies necessary to navigate the increasingly complex fintech ecosystem (Lusardi & Mitchell, 2023). Moreover, the establishment of formalized cross-border supervisory cooperation mechanisms among national financial authorities is imperative to mitigate jurisdictional gaps and ensure consistent enforcement standards (Zingales, 2019).

Nonetheless, the present study is not without limitations. The normative-juridical and comparative methodologies employed, while facilitating a rigorous legal analysis (Li & Marinč, 2019), inherently constrain the empirical generalizability of the findings. The absence of primary empirical data, such as consumer surveys or in-depth case studies, limits the ability to fully capture the lived experiences of affected consumers and the practical efficacy of regulatory interventions (Allen et al., 2021). Furthermore, the rapidly evolving nature of fintech innovations introduces a temporal limitation, as legal analyses conducted at one point in time may quickly become outdated (Bank for International Settlements (BIS), 2020). These methodological and temporal limitations necessitate cautious interpretation of the study's conclusions and underscore the need for continuous empirical validation.

## **8. Limitation**

As with any scholarly research, this study is subject to certain limitations that must be critically acknowledged. Recognizing and discussing these limitations is essential to ensure transparency, contextualize the findings, and identify areas for future research development.

First, the research adopts a normative-juridical methodology, focusing primarily on the analysis of legal texts, regulatory frameworks, and scholarly literature. While this method offers deep insights into doctrinal consistencies and regulatory adequacy, it inherently limits the empirical dimension of the study. No primary data were collected from consumers, fintech providers, or regulatory agencies through surveys, interviews, or case studies. Consequently, the research may lack a grounded understanding of the lived experiences of consumers affected by cross-border fintech lending practices. This limitation potentially narrows the practical applicability of the findings, as they are based predominantly on theoretical assessments and normative expectations rather than empirical validation.

Second, the comparative component of the study, although valuable, is confined to a selective review of regulatory frameworks in the European Union and Singapore. These jurisdictions were chosen for their recognized advancements in digital financial regulation;

however, the focus excludes broader perspectives from other important regions, particularly emerging economies in Africa, Latin selective comparison may constrain the generalizability of the study's recommendations, particularly when applied to jurisdictions with differing legal cultures, enforcement capacities, or levels of technological infrastructure.

Third, the temporal context of the research poses an inherent limitation. Fintech technologies and corresponding regulatory responses evolve rapidly. Thus, the legal frameworks analyzed in this study represent a snapshot based on regulations available and enforceable at the time of writing. There is a risk that new regulations, amendments, or innovative business models emerging after the completion of this research may affect the relevance of the findings. This dynamic nature of the fintech sector implies that conclusions drawn may require periodic reassessment to remain current.

Fourth, the research predominantly addresses formal legal structures and regulatory provisions without an extensive examination of enforcement effectiveness. While laws and regulations establish protective standards on paper, actual implementation, regulatory oversight, and consumer outcomes often diverge in practice. By not empirically measuring enforcement performance or regulatory compliance levels, the study may overestimate or underestimate the protective capacities of the existing legal frameworks.

Moreover, the research focuses on consumer protection aspects and does not fully explore related issues such as financial inclusion, competition policy, or systemic financial stability risks associated with fintech lending. These interconnected dimensions could provide a more holistic view of the challenges and trade-offs involved in regulating cross-border fintech activities.

Despite these limitations, conscious efforts were made to minimize their impact by adopting a systematic analytical framework, consulting authoritative and up-to-date legal sources, and critically integrating insights from leading comparative jurisdictions. Furthermore, acknowledging these limitations opens avenues for future research, particularly studies that combine normative analysis with empirical methods, broaden jurisdictional comparisons, and continuously update regulatory evaluations in response to technological and market developments.

In summary, while the limitations outlined inevitably influence the scope and depth of the findings, they do not undermine the overall validity of the study's core conclusions. Instead, they underscore the need for cautious interpretation of the results and highlight critical areas for ongoing scholarly inquiry and policy development in the dynamic field of cross-border fintech consumer protection.

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