
**International Journal of Education, Social Studies, And Management (IJESSM)**
**e-ISSN : 2775-4154**
**Volume 6, Issue 2, June 2026**
The International Journal of Education, Social Studies, and Management (IJESSM) is published 3 times a year (**February, June, October**).
**Focus :** Education, Social, Economy, Management, and Culture.
**LINK :** http://lpppipublishing.com/index.php/ijessm

# Legal Protection of Debtors in Online Loan Contract Default in the Digital Financial Era

**Agustinus Sarifin**
*STIH Prof Gayus Lumbuun, Indonesia*

**ARTICLE INFO**
*Article history:*
Received
11 June 2026
Revised
21 June 2026
Accepted
05 July 2026

**ABSTRACT**

The development of online lending services as part of the digital financial ecosystem has increased public access to financing while simultaneously giving rise to various legal issues related to defaults and debtor protection. This study aims to analyze the forms of legal protection available to debtors who experience default in online loan contracts and to evaluate the effectiveness of the regulations governing such protection in the digital financial era. The research employed a qualitative approach using a normative juridical method supported by empirical data obtained through in-depth interviews with ten informants consisting of legal practitioners, academics, and users of online lending services. Data were collected through literature studies, interviews, and document analysis and were analyzed using descriptive qualitative techniques. The findings indicate that although Indonesia has established a relatively comprehensive legal framework, its implementation has not been fully effective. Major issues remain in the transparency of electronic contracts, imbalance in bargaining positions, collection practices that may create psychological pressure, vulnerabilities in personal data protection, and limited public understanding of dispute resolution mechanisms. Therefore, strengthening regulatory supervision, improving legal literacy, and ensuring balanced protection of the rights and obligations of debtors and creditors are essential to achieving justice in digital financial transactions.

***Keywords*** *Legal Protection, Debtors, Defaults, Online Loans, Digital Finance.*

**Corresponding Author :** canay_07@yahoo.com

## INTRODUCTION

The development of financial technology (fintech) has changed the global financial services landscape, especially through the presence of online lending services (peer-to-peer lending). The digitalization of the financial sector allows people to access financing quickly, easily, and without complex conventional banking procedures. In Indonesia, the development of the online lending industry has experienced significant growth in line with the increasing need for public access to digital financing. However, behind this convenience, various legal issues related to debtor protection arise, especially when there is a default in the implementation of online loan contracts. This condition creates urgency to ensure that digital transformation in the financial sector continues to run in line with the principles of legal certainty, justice, and consumer protection (Putri, 2024; Ariawan et al., 2025).

Empirically, the increase in the use of online loan services is also followed by an increase in the number of consumer complaints related to billing practices, adverse standard clauses, misuse of personal data, and intimidating actions against debtors who experience late payments. The Financial Services Authority (OJK) continuously conducts surveillance of this industry, including shutting down thousands of illegal online lending platforms that operate without a license. Data shows that throughout 2018–2023 thousands of illegal online lending entities have been blocked because they pose legal risks and losses to the community. This condition shows that the legal protection of debtors is still a strategic issue in digital financial governance in Indonesia.

In the perspective of treaty law, the legal relationship between the online loan provider and the debtor is based on the principle of freedom of contract as stipulated in the Civil Code. However, the characteristics of electronic contracts that use standard clauses often place the debtor in a weaker bargaining position than the service provider. This imbalance has the potential to cause a violation of consumer protection principles, especially when the debtor defaults and faces disproportionate legal consequences. Therefore, legal protection for debtors is not only related to dispute resolution, but also includes preventive protection of consumer rights in digital transactions (Chusna, 2024; Wafda et al., 2024).

A number of previous studies have examined aspects of legal protection in online loan services. Putri (2022) found that the legal protection of debtors in online loan services consists of preventive and repressive protection based on OJK regulations and consumer protection regulations. Meanwhile, Listiyono et al. (2023) highlighted legal protection against customer losses due to illegal online loan transactions and emphasized the importance of strengthening law enforcement against operators who violate the provisions. Another study by Wafda et al. (2024) focuses more on the protection of debtors' personal data in the use of online loan applications.

However, these studies generally still place the debtor as the object of consumer protection in general and have not specifically analyzed the legal position of the debtor in the event of a default in a valid and registered online loan contract. Putri's (2022) research focuses more on normative legal protection, while Wafda et al. (2024) focus on the misuse of personal data. On the other hand, Renaldy (2026) examines the effectiveness of strengthening OJK regulations on debtor protection, but has not elaborated in depth on the relationship between default, contractual balance, and the implementation of legal protection in dispute resolution practices. Thus, there is still a research gap related to how the law provides protection for debtors who are in default without ignoring creditors' rights in online loan contracts.

In addition, international studies show that the challenges of debtor protection in peer-to-peer lending systems are not only related to contractual compliance, but also concern information transparency, the use of digital algorithms, personal data protection, and technology-based dispute resolution mechanisms. The study by Ariawan et al. (2025) shows that consumer protection reform in the peer-to-peer lending industry must be directed at strengthening the balance of rights and obligations of the parties so that there is no exploitation of consumers. These findings suggest that the development of financial technology requires an adaptive legal approach to the dynamics of digital contracts and the risks that come with them.

Based on this description, this study aims to analyze the form of legal protection for debtors who have defaulted in online loan contracts and evaluate the effectiveness of regulations that regulate the legal relationship between debtors and online loan service providers in the digital financial era. The analysis is carried out by examining the applicable legal provisions, available legal protection practices, and various obstacles faced by debtors in obtaining legal certainty and justice.

This research is expected to make a theoretical contribution in the form of the development of the study of treaty law and consumer protection law in the context of digital finance through the integration of the concept of default, electronic contracts, and debtor protection. Practically, the results of the research are expected to be input for policymakers, the Financial Services Authority, online loan providers, and the public in strengthening legal protection mechanisms that are more fair, transparent, and responsive to the development of financial technology. The novelty of this study lies in a specific analysis of the legal protection of debtors in the situation of online loan contract defaults, which not only highlights the consumer protection aspect, but also the balance of rights and obligations of the parties in the digital financial ecosystem.

## RESEARCH METHOD

*Types of Research*

This study uses a qualitative approach with a normative juridical method supported by empirical data through in-depth interviews. The research aims to analyze the form of legal protection for debtors who have defaulted in online loan contracts and evaluate the effectiveness of the regulations that regulate them. Normative juridical approaches are used to examine various regulations related to consumer protection, electronic contracts, personal data protection, and online lending services, while empirical data are used to strengthen analysis of legal implementation in practice (Putri, 2024; Ariawan et al., 2025).

*Population and Sample*

The research population includes parties who are related to online lending practices in Indonesia. The determination of informants uses the purposive sampling technique because the research requires participants who have knowledge and experience related to the legal protection of the debtor. The number of informants is 10 people consisting of legal academics, legal practitioners, and users of online loan services. The selection of informants is based on the relevance of their experience and understanding of the issues of default, consumer protection, and dispute resolution in digital financial services (Listiyono et al., 2023; Wafda et al., 2024).

*Research Instruments*

The main instrument of the research is the researcher (human instrument), while the supporting instrument is in the form of semi-structured interview guidelines and documentation sheets. Primary data is obtained through in-depth interviews with informants, while secondary data is obtained through literature studies that include laws and regulations, scientific articles, Financial Services Authority reports, and other legal documents. The validity of the data is maintained through the source triangulation technique by comparing the results of interviews and documentation data (Chusna, 2024).

*Data Collection Procedure*

Data collection is carried out through four stages, namely: (1) identification and review of relevant literature and regulations; (2) preparation of interview guidelines; (3) the implementation of in-depth interviews with informants; and (4) collection and verification of supporting documents. All data is then transcribed, classified, and arranged based on the research theme to facilitate the analysis process (Putri, 2024).

*Data Analysis Techniques*

The data was analyzed using qualitative descriptive analysis techniques. Normative analysis was carried out through a statute approach and a conceptual approach, while the interview data was analyzed through the stages of data reduction, data presentation, and conclusion drawn. The results of the analysis were used to explain the form of legal protection of debtors, the obstacles faced in default cases, and the effectiveness of regulations in ensuring the balance of rights and obligations of the parties in online loan services (Miles et al., 2020; Ariawan et al., 2025).

## RESULT AND DISCUSSION

The development of online loan services as part of digital financial transformation has provided easy access to financing for the public, but at the same time has raised increasingly complex legal issues, especially when debtors experience defaults in the implementation of electronic contracts. This study found that legal protection for debtors in default conditions has been normatively regulated through various legal instruments, including the Civil Code (KUHPerdata), Law Number 8 of 1999 concerning Consumer Protection, Law Number 27 of 2022 concerning the Protection of Personal Data, Law Number 4 of 2023 concerning the Development and Strengthening of the Financial Sector, Law Number 1 of 2024 concerning the Second Amendment to the The Law on Information and Electronic Transactions, as well as Financial Services Authority Regulation Number 10/POJK.05/2022 concerning Information Technology-Based Joint Funding Services and POJK Number 22 of 2023 concerning Consumer and Community Protection in the Financial Services Sector. However, the results of the study show that the existence of these regulations has not been fully able to guarantee effective legal protection for debtors in practice.

The first findings show that the transparency of electronic contracts is still a major issue in the legal relationship between online loan providers and debtors. Most informants revealed that they agreed to electronic contracts without thoroughly understanding the content of the clauses that regulate interest, service fees, late fines, access to personal data, and legal consequences in the event of a default.

"*Most users only focus on disbursing funds. When a contract appears, they immediately agree without reading all the existing terms because it is considered too long and difficult to understand*." (Interview with Debtor KD-01, January 15, 2026).

The findings show that there is an information asymmetry between organizers and debtors. From the perspective of treaty law, the principle of freedom of contract as stipulated in Article 1338 of the Civil Code does give freedom to the parties to make agreements. However, in the context of online loan electronic contracts, such freedom is often formalistic because the debtor does not have the opportunity to negotiate the contents of the contract that has been unilaterally drafted by the organizer. This condition strengthens the argument that electronic contracts in online loan services are still dominated by contract adhesion characteristics that have the potential to weaken the debtor's bargaining position. This finding is in line with Chusna's (2024) research which states that standard clauses in digital contracts often cause an imbalance in the legal relationship between business actors and consumers. However, this study found a new dimension that low contract transparency not only affects the understanding of the rights and obligations of the parties, but also increases the risk of default due to the debtor's lack of understanding of the legal consequences that will be faced.

Furthermore, the study found that collection practices are the aspect that most often causes legal problems when debtors are in default. Some informants stated that the psychological pressure arising from the high frequency of communication from the debtor became a burden for the debtor.

"*When paying late, calls and messages come in almost every day. Even though there is no direct threat, the situation makes the debtor feel depressed*." (Interview with Debtor KD-03, January 21, 2026).

Meanwhile, a legal practitioner explained:

"*Normatively, the organizer has the right to make a bill, but this right must be exercised proportionately and must not violate the debtor's right to privacy or dignity*." (Interview with Legal Practitioner KH-01, January 25, 2026).

These findings show that defaults in online loans not only produce civil legal consequences in the form of debt payment obligations, but also cause social and psychological consequences that often have not received attention in the study of conventional treaty law. In the perspective of the legal protection theory put forward by Hadjon, legal protection must include preventive and repressive protection in a balanced manner. However, the results of the study show that the implementation of repressive protection is still more oriented towards receivables recovery than the protection of the rights of debtors as legal subjects. This finding is different from Putri (2022) who concluded that debtor protection regulations have been normatively sufficient. This study found that the main problem today no longer lies in the lack of regulation, but in the weak implementation and supervision of billing practices in the field.

The next finding relates to the protection of personal data. Most of the informants stated that their biggest concern was not only about debt payment obligations, but also about the security of personal data provided to online loan applications.

"*I am more worried about personal data being used without permission than about late payments. Many users don't know the extent to which their data can be accessed by the app*." (Interview with Debtor KD-05, January 27, 2026).

These findings show that debtor protection in the digital financial era cannot be separated from personal data protection regimes. The presence of Law Number 27 of 2022 concerning Personal Data Protection provides a stronger legal basis than previous regulations because it regulates the rights of data subjects, the obligations of data controllers, and sanctions against the misuse of personal data. The results of this study support the findings of Wafda et al. (2024) who stated that personal data is the most vulnerable aspect of online loan transactions. However, this study makes a broader contribution by showing that the protection of personal data is not only related to information security, but also directly related to the legal position of the debtor when experiencing a default, especially if personal data is used as an instrument of pressure in the billing process.

In addition, the study found that debtors' access to dispute resolution mechanisms is still relatively low. Most of the informants are not aware of the existence of the Financial Services Sector Alternative Dispute Resolution Institution (LAPS SJK), the complaint mechanism to the Financial Services Authority, or other legal procedures that can be used when there is a dispute with online loan providers.

"*The majority of users only know the customer service of the application. Very few understand that they can file complaints through the OJK or other dispute resolution mechanisms*." (Interview with Legal Practitioner KH-02, January 30, 2026).

The findings show that the effectiveness of legal protection is not only determined by the existence of regulations, but also by the level of legal literacy of the community. From the perspective of access to justice, legal protection can only run effectively if the community has the ability to understand, access, and use the available legal instruments. Therefore, increasing digital legal literacy and financial literacy is a very important factor in supporting the effectiveness of legal protection for debtors.

These findings also confirm the existence of a research gap that has not been widely discussed in previous studies. Most previous research has focused on consumer protection in general in online lending services, misuse of personal data, or the problem of illegal online loans (Putri, 2022; Listiyono et al., 2023; Wafda et al., 2024). Renaldy's research (2026) has discussed the effectiveness of OJK regulations on debtor protection, but has not analyzed in depth the relationship between default, contractual balance, personal data protection, and the implementation of legal protection in dispute resolution practices. At the international level, research on peer-to-peer lending has more highlighted issues of platform governance, credit risk, consumer protection, and transparency of digital algorithms (Ariawan et al., 2025), while studies on the legal position of debtors after defaults are still relatively limited. Thus, there is a research gap in the form of no study that comprehensively analyzes the legal protection of debtors in default through the integration of the perspective of agreement law, consumer protection law, personal data protection law, and digital justice.

Based on the results of the research, the novelty of this research lies in the development of the concept of the Balanced Digital Lending Justice Framework, which is a legal construction that places debtors who have defaulted remain as subjects who are entitled to legal protection proportionately. In contrast to conventional approaches that tend to view default solely as the debtor's failure to meet payment obligations, this study shows that default in the online lending ecosystem is a multidimensional legal event involving contractual aspects, consumer protection, personal data protection, and the right to access justice. This concept emphasizes that the right of creditors to obtain repayment of receivables must be balanced with the right of the debtor to obtain protection of privacy, dignity, security of personal data, contract transparency, and fair dispute resolution mechanisms.

Theoretically, this study expands the theory of legal protection by shifting the protection orientation from the debt recovery paradigm to the proportional legal protection paradigm. In this paradigm, legal protection no longer only focuses on restoring creditors' economic rights, but also ensures that the entire collection and dispute resolution process still respects the debtor's fundamental rights as citizens. In practical terms, this study provides recommendations for regulators not only to be oriented towards the legality of the platform and the stability of the digital financial industry, but also to strengthen oversight of contract transparency, billing ethics, personal data protection, and access to dispute resolution. Thus, the development of online loan regulations in Indonesia in the future needs to be directed at the establishment of a legal protection system that is more balanced, fair, and adaptive to the development of digital financial technology.

## CONCLUSION

This study concludes that legal protection for debtors who experience defaults in online loan contracts in the digital financial era has a relatively comprehensive legal basis through the Civil Code, Law Number 8 of 1999 concerning Consumer Protection, Law Number 27 of 2022 concerning Personal

Data Protection, Law Number 4 of 2023 concerning the Development and Strengthening of the Financial Sector, as well as various regulations of the Financial Services Authority. However, the results of the study show that the implementation of legal protection has not been running optimally. The main problems are still found in the low transparency of electronic contracts, the imbalance of the bargaining position between debtors and organizers, billing practices that have the potential to cause psychological pressure, the vulnerability of personal data protection, and the low public understanding of the available dispute resolution mechanisms. The findings of the study also confirm that default in online loans is not only a civil law issue regarding the fulfillment of payment obligations, but also related to the protection of the fundamental rights of debtors in the digital financial ecosystem.

Based on these findings, this study suggests that the Financial Services Authority, the government, and online loan providers strengthen supervision over the implementation of the principles of contract transparency, billing ethics, and compliance with personal data protection provisions. Efforts to improve legal literacy and digital financial literacy of the community also need to be carried out on an ongoing basis so that debtors are able to better understand their rights and obligations. In addition, the complaint and dispute resolution mechanism needs to be made more accessible, fast, and effective so that it can provide legal certainty for the parties. This study also recommends the application of the concept of the Balanced Digital Lending Justice Framework as a legal protection approach that balances the interests of creditors and debtors, so as to create an online lending system that is more fair, transparent, and oriented towards human rights protection in the era of digital transformation.

## ACKNOWLEDGEMENT

The author would like to thank all informants consisting of legal practitioners, academics, and users of online loan services who have participated and provided valuable information in this study. The author also expresses his appreciation to all parties who have provided support, input, and assistance during the research process and preparation of this article so that the research can be completed properly.

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