

THE LEGAL PROTECTION OF LENDERS IN PEER TO PEER LENDING SYSTEM

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ABSTRACT

Financial technology based on Peer to Peer Lending is one of the new breakthroughs in financial services institutions in Indonesia. The peer to peer lending platforms are essentially online markets that match the supply and demand of funds as one of the alternative financing mechanisms for individual or business. But there is still few of regulation regarding peer to peer lending. We address two questions by theoretical legal research by examining secondary data through literature studies. First, the mechanism of credit agreements with a peer to peer lending; second, analyze lender's legal protection in credit agreements in peer to peer lending. Based on the the research, we found that the mechanism of lending through a peer to peer lending credit agreement is in line with Financial Services Authority (Otoritas Jasa Keuangan - OJK) Regulation No. 77/POJK.01/2016 concerning Information Technology-Based Lending and Borrowing Services. Futhermore, the protection of legal lenders peer to peer lending from the aspect of law public has been sufficient but in private law, OJK has not been able to provide maximum protection.

Keywords: Peer to Peer Lending; Banks; Legal Protection; Agreement.

ABSTRAK

Financial Technology dengan mekanisme peer to peer lending merupakan salah satu perkembangan terbaru dalam bidang jasa keuangan di Indonesia. Sistem peer to peer lending sebenarnya adalah suatu bentuk pendanaan alternatif dibidang keuangan yang mempertemukan pihak pemilik dana dengan pihak pencari dana dengan memanfaatkan sarana teknologi yang semakin canggih dan mempermudah manusia. Namun sayangnya, perkembangan peraturan mengenai peer to peer lending belum mengikuti pesatnya perkembangan peer to peer lending. Penelitian ini akan membahas tentang mekanisme perjanjian kredit dengan sistem peer to peer lending, serta perlindungan hukum pemberi pinjaman dalam perjanjian kredit dengan sistem peer to peer lending. Metode penelitian yang digunakan dalam penelitian ini adalah yuridis normatif dengan melakukan pengumpulan data sekunder yang diperoleh melalui studi kepustakaan. Berdasarkan hasil penelitian, maka mekanisme penyaluran pinjaman melalui perjanjian kredit peer to peer lending sudah sesuai dengan peraturan OJK No.77/ POJK.01/2016 tentang Layanan Pinjam Meminjam Uang Berbasis Teknologi Informasi. Selanjutnya, perlindungan hukum pemberi pinjaman peer to peer lending dari aspek hukum publik telah cukup memadai namun dalam hukum privat, OJK belum dapat memberikan perlindungan secara maksimal.

Kata kunci : Peer to Peer Lending; Bank; Perlindungan Hukum; Perjanjian.

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A. INTRODUCTION

Globalization causes technology develops rapidly which has an impact on changing human life systems and internet as one of the basic human needs (Kustiani, 2011). In 2017, the study shows that Indonesia has 143.26 million internet users (Setiawan, 2018). The number of internet users in Indonesia shows 54.68 percent of the total population of 264 million Indonesians, were already connected to the internet in 2017 (Traindaru, & Budisantoso, 2006). That numbers were increased in 2018 with 64.8 percent. This phenomenon caused internet becomes one of the most potential markets by entrepreneurs including banking.

Bank is a lawful organization, which accepts deposits that can be withdrawn on demand. It also lends money to individuals and business houses that need it. In conducting their business activities especially lending activities, banks must implemented prudential banking principle. Prudential banking principle define as bank in making policies and conducting business activities must always comply with all effective law and regulations based on good faith as a form of bank responsibility to the depositors. Thus, bank must maintain the level of health and maintain public trust since trust is the main keyword for the bank development (Mulyati, 2018). The prudential principle causes banks consider by not lend money to the prospective debtors who are

considered unable to repay their loans. This condition will be an obstacle to the borrowers especially startup company because bank will not loan money unless the lender has an asset that can be repossessed in the event of nonpayment. Startup company was dominated by millennial generations which by Karl Mannheim in theory of generations, millennial generations emerged between 1980s and 1997 (Setiawan, 2018).

Financial technology based on Peer to Peer Lending is one of the new breakthroughs in financial services institutions in Indonesia. The presence of peer to peer lending is a solution for people who have not been touched by banking but have technology literacy. Therefore, the majority of users are millennial young generation as business people (Anita, Zulaikha, Rofiah, & Pertiwi, 2019) and mostly a micro, small and medium entrepreneur which is not bankable. Based on that current situation in Indonesia, peer to peer lending system emerges as an alternative to banks. This system was virtually nonexistence in 2005 but has grown significantly since then (Lin, Prabhala, & Viswanathan, 2013). There are some distinctions between banks and peer to peer lending, first, peer to peer lending focused on optimizing information technology (internet) to find the prospective creditors and debtors without any actual meeting. Second, providers as facilitators are not allowed to give the loan by using providers' capital.

The number of peer to peer lending transactions increased by 432.5 percent between January to December 2018 and a total of IDR 15.990.143.141.355 has been distributed to the borrowers in peer to peer lending, according to a recent survey by Financial Services Authority (Otoritas Jasa Keuangan - OJK). But, still in January 2018 the number of noncurrent loans (payment made in 30 – 90 days) ratio reached 4.07 percent and non-performing loan (payment made more than 90 days) reached 1.28 percent. This is an indication that there are high numbers of non-performing loan which is possible causing losses for lenders who invest their money in providers' company (Bachman, et al., 2011).

The concept of granting credit through Peer to Peer Lending has been arranged by enacted Financial Services Authority (Otoritas Jasa Keuangan - OJK) (POJK) No. 77/POJK.01/2016 on Information Technology-Based Lending Services. The regulation is expected to support the growth of the information technology-based lending services industry or financial technology peer-to-peer lending platforms, as new financing alternatives for communities that have yet to enjoy optimal services from conventional financial services industries, including banks, capital market, financing companies, and venture capital firms. The POJK regulation was also designed to protect consumer and national interests, but at the same time it provides opportunities for local

Fintech providers to grow and expand, and contribute to national economy. POJK No.77/POJK.01/2016 regulated that there are parties in peer to peer lending which consist of lenders, providers and loan recipients. Article 21 regulated that providers and loan recipients should do risk mitigation which encompass operational risk and credit risk.

Research conducted by Alfhica Rezita Sari concluded that the legal relationship between lender and provider is based on proxy agreement which regulated in Article 1792 Indonesian Civil Code (a mandate is an agreement, by which an individual assigns authority to another, who accepts it, to perform an act on behalf of such mandatory) and the legal relationship between lender and loan recipient is loan agreement which regulated in Article 1754 Indonesian Civil Code (a loan for consumption is an agreement, in which one party provides another with a specific amount of consumable items, subject to the condition that the latter mentioned shall return similar types of items of the same amount and quality) (Sari, 2018). Regarding the legal relationship between the parties in peer to peer lending, Financial Services Authority (Otoritas Jasa Keuangan - OJK) should enacted specific regulation related to the legal relationships between the parties so it can give the clear view of the rights and obligations of both parties (Hartanto, & Ramli, 2018).

This articles will focus on 2 (two) peer to peer lending company, Investree (PT. Investree Radhika Jaya) and KoinWorks (PT. Lunaria Annu Teknologi) because both companies have similarities in credit granting process, start with borrower completes the required information on the application, assessment and approval loan application before they are offered to lenders, until borrowers pays off the loan through providers. In offering loan application to the lenders, both companies provide several investment options to lenders based on a scoring system that shows the interest rate and risk.

This article will examine two problems questions including the mechanism of credit granting process in peer to peer lending and the legal protection of lenders in credit agreement based on peer to peer lending.

B. RESEARCH METHODS

This article will analyze the problem questions under doctrinal legal research or pure legal research method. The doctrinal legal research method is a legal research that relies on bibliography or secondary data (Soekanto, & Mamudji, 2001). Hutchinson defined doctrinal research as a research which provides a systematic exposition of the rules governing a particular legal category, analyses the relationship between rules, explains areas of difficulty and, perhaps, predicts future development

(Hutchinson, 2008). This method will be elaborated with a descriptive analytical as research specification that begins by reviewing the regulations regarding the legal protection of lenders in peer to peer lending credit agreement and is expected to provide a real and systematic picture to answer the problem questions. Data analysis in this study was carried out qualitatively namely from the data obtained then compiled systematically and then analyzed qualitatively to achieve clarity on the problem discussed. This research was conducted by collecting data, compiling, analyzing, interpreting and then described. After analyzing the data, conclusions can be obtained using the inductive inference method, which is a way of thinking in drawing conclusions in general based on specific facts (Marzuki, 2005).

C. RESULTS AND DISCUSSION

1. Credit Process in Peer To Peer Lending

Fintech is the delivery of financial products and services through the collaboration of technology platforms and innovative business models. The origin of Fintech came from Silicon Valley, then extended to New York, London, Singapore, Hong Kong and several other global cities. The Fintech 100 list which mentions 50 leading Fintech companies and 50 of the most promising Start Ups has been formed to celebrate this success. According to Fintech 100, Examples

of Fintech's success stories include: ZhongAn (a joint venture between Alibaba, Group Holding, Tancent Holdings and Ping An Insurance that utilizes large data to provide online property insurance), Wealthfront (Companies that provide affordable yet sophisticated investment management services), and Kreditech (Companies that provide financial services with a focus on access to credit) (Buckley, & Websters, 2016).

In Indonesia, Financial Technology is introduced in the favor of helping the banking sector to conquer the limitations of topography, reaching out to more remote areas and its expansion will support small and medium business as the main reason for their low productivity is due to poor access to financing. Financial Technology based on Peer to Peer Lending acts like a banking institution but operates through the internet and sophisticated technology. Online P2P lending platforms allow individual lenders to aggregate their funds to finance loan requests from individuals and businesses (Wei, & Lin, 2017). Borrowing and lending money or accounts payable is commonly done in the community based on an agreement that the party that has excess funds lends to parties who lack funds based on "the principle of freedom of contract" regulated in the Indonesian's Civil Code. But the difference with Financial Technology based on Peer to Peer

Lending is that usually the parties, especially borrowers of money, are those of the millennial young generation who are classified as micro-entrepreneurs. As the description above, financial technology is a potential market in Indonesia (Rusyiana, 2018).

United States Government Accountability Office defined Peer to Peer Lending as "Market place Lending connects consumers and small businesses seeking online and timelier access to credit with individuals and institutions seeking investment opportunities" (United States Government Accountability Office, 2017). Rainer Lenz stated that Peer to Peer Lending as crowd lending which defined as web-based collection of small quantities of funds from platform users to finance a project (Lenz, 2017).

In Indonesia, parties in the implementation of financial technology based on peer to peer lending in consist of lenders, providers/organizers and loan recipients. The mechanism for granting from lenders and loan recipients with peer to peer lending from each provider is relatively in same mechanism because there is regulation that specifically regulates regarding financial technology (Financial Authority Services No. 77/POJK.01/2016 on Information Technology-Based Lending Services. Peer to peer lending give authority to provider as the facilitator to recommends, selects and analyzes the loan

provision and bring lenders and loan recipients (Davis, Maddock, & Foo, 2017).

Generally, then process of lending mechanism are almost the same across different online peer to peer lending platforms. Koinworks and Investree as one of peer to peer lending company in Indonesia performs the process of peer to peer lending into 6 (six) steps: application, acknowledge, credit, approval, assign and loan management. Potential users, including borrowers and lenders first have to register with personal information, such as ID card number, bank account, personal information in third-part credit institutions, etc. This is a implementation of mitigation carried out by peer to peer lending providers as stipulated in article 21 POJK No.77 / POJK.01 / 2016 on Information Technology-Based Lending Services. Investree then provides electronic documents in the form of terms and conditions in the use of platforms that need to be read by prospective lenders to understand the rights and obligations of prospective lenders and restrictions on the responsibilities of the provider, before the user makes sure to create an account, while KoinWorks will send an e-mail for potential lenders that contains tips for prospective lenders to find out peer to peer lending and reasons investing in peer to peer lending.

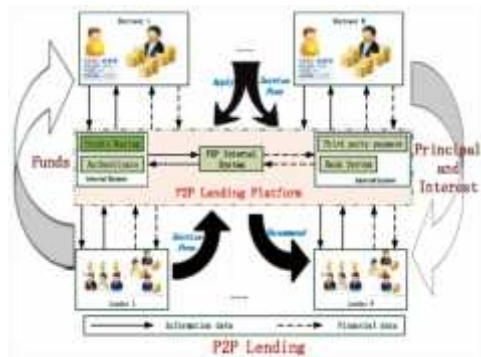
Based on these information (personal information), credit rating of users are calculated. The lending procedure is initiated by borrowers,

borrowers indicate the amount they want to borrow and the maximum rate they are willing to offer and to provide some other optional information, such as loan purpose, repayment period, listing auction format, etc. In the credit and approval steps, the peer to peer lending process is much simpler than bank loan. This characteristic makes the peer to peer lending is much appeal to small, medium enterprises and personal borrowers, because they can provide little financial certificate and few mortgage assets. It should be noted that the credit analysis in peer to peer lending relies on users' information. So the credit method is different from bank Lenders provide certain amount of money and choose a lending pattern. Currently, there are two patterns. One pattern is the lender chooses a borrower on the platform, and borrow the money to him/her. Another pattern is the lender puts money in a pool of funds. The P2P lending company dispatches the money to different borrowers. In this pattern, a lender doesn't know the borrower's information. When a borrower's requirement is fully funded, the related transactions are send to the lending intermediary for further review before becoming a loan (Wang, Chen, Zhu, & Song, 2015).

In assign step, peer to peer lending is more complex than bank loan. This is because the rate is predefined in bank loan, but it is determined based on negotiations between borrowers and lenders in peer to peer lending. This flexible

investment rate is a big progress on providing more marketed rate based on loan demands and requirements, and also attract customers. In the loan management step, bank is more complex than peer to peer lending, because it uses a standard process to ensure the loan is successful.

This process was implemented in Koinworks while Investree provides the option to fund along with the interest rate and duration of funding expected by the user. Interest rates are given from a minimum of 14% to 20% and funding duration from 30 days to 150 days. If the lender agrees to provide the loan Investree will then make an effort to verify the prospective lender by requiring the lender to complete personal data.



Although it is mentioned that loans through peer to peer lending are included in credit agreements, there are fundamental differences regarding credit agreements that occur between banks and their customers with peer to peer lending companies and their users. Compared with traditional bank loans, peer to peer lending has its own features. Firstly, lenders make direct investments on the lending website, and they can

learn the detailed information about online borrowers. So the information asymmetry is low in peer to peer lending. Secondly, the lending website provides a variety of functions that enable borrowers to indicate their creditability. It also provide functions for lenders to search loan request, do comparisons, and finally make a decision. So the open web platform actually observe the activities on both sides, say, the borrower side and the lender side. Collectively, it is presents a good opportunity to study the lending process. Thirdly, peer to peer lending borrower' credit is rated online. It relies on a large amount of web information and probably resort to data mining techniques. So the basic operation method in peer to peer lending is different from that in traditional bank loan (Wang, Chen, Zhu, & Song, 2015). The differences can be categorized into several things, namely:

- a. Bank function, as a lawful organization banks have the function to accepts deposits that can be withdrawn on demand. It also lends money to individuals and business while peer to peer lending acts as a liaison between lenders and loan recipients. Article 1 (2) Act No. 7 of 1992 concerning Banking as amended by Act No. 10 of 1998 stated that Bank is a corporate entity mobilizing funds from the public in the forms of deposits and channeling them to the public in the forms of credit and/or other forms in order

to improve the living standards of the common people.

Whereas, Financial Services Authority Regulation (POJK No.77/POJK.01/2016 on Information Technology-Based Lending Services) Article 1 (3) stated that Information Technology-Based Lending Services is financial service providers to provide financial services to bring together lenders and loan recipients in the context of entering into loan and loan agreements in rupiah directly through the electronic system using the internet network.

Based on the two definitions above, it can be concluded that the bank is not only an intermediary institution that collects funds from the community and then distributes them back to the community but also aims to increase the lives of many people, whereas peer to peer lending is a company that brings together lenders and recipients loan

- b. Legal relationship, bank and peer to peer lending has differences. The bank acts as an intermediary institution that collects funds and then distributes them back to the community through a credit agreement, the legal relationship between the bank and the community is that the bank acts as a creditor while the people who apply for credit act as debtors. Whereas peer to peer lending acts as an institution that has authority under the

power of attorney. As an authorized institution, peer to peer lending does not have the authority to collect funds from the community and then channel it to the community in the form of credit agreements. Credit agreements in peer to peer lending are only binding on those who in this case are lenders and loan recipients (Usanti, & Prasastinah, 2017).

Agreements formed in peer to peer lending are agreements between the provider and the lender and the lender and the loan recipient as referred to in article 18 Financial Services Authority (Otoritas Jasa Keuangan - OJK) No.77 / POJK.01 / 2016. The agreement between the provider and the lender, the construction of a legal relationship that needs to be affirmed between the lender and the provider in peer to peer lending, that is, the money handed over by the lender is not intended to be owned and managed by the provider as in the loan lending and money agreement but only only distributed by peer to peer lending providers to loan recipients. if the money handed over by the lender enters into the provider's funds and then is channeled by the provider to the borrower, then this construction is no different from a fund deposit agreement in the bank (Hartanto, & Ramli, 2018).

There must be a clear authorization from the lender to the provider to channel the funds to

the loan recipient in peer to peer lending. In this concept, the provider only provides facilities that bring together the lender and the loan recipient and based on the power granted by the lender, the provider for and on behalf of the lender agrees to the lending and borrowing money agreement owned by the lender with the lender. for services performed as described above, the provider of peer to peer lending is entitled to a fee or commission. The description explains that the legal relationship between lender and provider is based on proxy agreement, an authorization for one person to legally act on behalf of another person with the lender as principal and provider as the proxy of the attorney (Hartanto, & Ramli, 2018). Regarding proxy agreement was regulated in third book of Indonesian Civil Code Article 1972 to 1819.

The legal relationship between lender and loan recipient is loan agreement regulated in Article 1754 Indonesian Civil Code (a loan for consumption is an agreement, in which one party provides another with a specific amount of consumable items, subject to the condition that the latter mentioned shall return similar types of items of the same amount and quality), this article followed by lenders obligation which stated in Article 1759 Indonesian Civil Code (a lender shall not reclaim that which has been lent prior to the

lapse of the period of time stipulated in the agreement); Article 1763 Indonesian Civil Code regarding the obligations of borrowers (an individual, who receives something on loan, must return such, in the same amount and condition and on the stipulated date); Article 1764 Indonesian Civil Code (if he is unable to do so, then he must settle the value of that which is lent, having regard to the time and location at which the items should have been returned pursuant to the agreement. If neither the time nor the location is stipulated, then the settlement shall take place at the value of the items lent at the time and at the location at which the loan was made); and 1766 Indonesian Civil Code (the party, who has received a loan, and has paid interest which was not agreed, cannot reclaim such, nor can he reduce the principal sum, unless this exceeds the legal interest in which case the overpayment may be reclaimed or the principal sum may be reduced. The payment of interest which is not agreed shall not oblige the debtor to continue to pay it; however, agreed interest shall be due until the return or delivery of the principal amount, even if return or delivery could have taken place after the maturity date).

c. Profit, bank has the authority to take advantage of interest on money saved by customers and credit interest as long as it

does not breach Bank of Indonesia regulations. Peer to peer lending benefits are based on fees or commissions from the services offered namely facilitating, regulating, and operating fintech services from lenders to loan recipients.

Based on the three descriptions above, it can be concluded that even though credit agreements provided by banks and peer to peer lending basically have the same elements as credit agreements, namely trust, time, risk, and good faith (Ibrahim, 2004), but credit agreements between banks and peers to peer lending has at least 3 differences. Bank as an intermediary institution has the authority to collect funds and lends money to individual and business whereas the peer to peer lending does not have those authorities. In legal relations, banks act as creditors for loans, whereas peer to peer lending acts as providers and do not act as creditors of credit agreements. Related to profit, bank gets profit from the the interest rate on saving and credit interest under Bank of Indonesia regulations, while peer to peer lending gets profit based on fees or commissions.

2. The Legal Protection of Lenders in Credit Agreement Based on Peer to Peer Lending

Regulations related to the implementation of Financial Technology based on Peer to peer

Lending in Indonesia are based on Consumer Protection Act No. 08 of 1999, Company Act No. 40 of 2007, Information and Electronic Transactions Act No. 11 of 2008, Financial Services Authority (Otoritas Jasa Keuangan - OJK) Act No. 21 of 2011. The legal protection in lending scheme by peer to peer lending is regulated in some Financial Services Authority (Otoritas Jasa Keuangan - OJK) regulation, such as: POJK No.77/POJK.01/2016 concerning Information Technology Based Lending and Borrowing Services which focused on scheme, parties, rights and responsibilities of the providers and users in peer to peer lending; POJK No. 13/POJK.02/2018 concerning Digital Financial Innovations in Financial Services Sector, emphasizes registration step for company related to financial technology by doing regulatory sandbox as a framework set up by a financial sector regulator (OJK) to allow small scale, live testing of innovations by private firms in a controlled environment (operating under a special exemption, allowance, or other limited, time-bound exception) under the regulator's supervision (Jenik, & Lauer, 2017); POJK No. 18/POJK.07/2018 concerning Consumer Complaints Services in Financial Services emphasizes on the obligation for the provider in this case the fintech company to ensure that consumer complaints followed up.

The following is an analysis related to the lenders protection in credit agreement based on peer to peer lending:

a. POJK No. 13/POJK.02/2018 concerning Digital Financial Innovations in Financial Services Sector

This regulation is not a specific regulation concerning the provisions of peer to peer lending but this regulation is a general regulation for the existence of financial technology in Indonesia. Article 1 (1) POJK No.13/POJK.02/2018 regulated that Digital Financial Innovation, hereinafter abbreviated as IKD, is an activity to renew business processes, business models and financial instruments that provide new added value in the financial services sector by involving the digital ecosystem. Article 1 (2) states that Financial Services Institutions are institutions that carry out activities in the Banking sector, Capital Market, Insurance, Pension Funds, Financing Institutions, and other Financial Services Institutions as referred to in Financial Services Authority Act No. 21 of 2011.

In article 3 (d) POJK No.13/POJK.02/2018 mention the scope of the IKD includes the collect and lend money includes technology-based lending (peer to peer lending), alternative adjudication, virtual technologies, mobile 3.0, and, third-party application programming interface. The legal protection

that given by POJK No.13/POJK.02/2018 is requires financial technology institutions as provider to: 1) Registered at Financial Services Authority (Otoritas Jasa Keuangan-OJK); 2) Test their business activities in the regulatory sandbox; 3) Doing monitoring independently; 4) Inventory of risks; 5) Prepare monthly risk self-assessment report to Financial Services Authority (Otoritas Jasa Keuangan-OJK); 6) Applying the basic principles of consumer protection.

b. POJK No.77/POJK.01/2016 concerning Information Technology Based Lending and Borrowing Services

Based on Financial Services Act No. 21 of 2011, stated that the objective of Financial Authority Services is to perform its regulatory and supervisory duties over financial services activities in banking, capital markets, and non-bank financial industries sectors. Based on this regulation, Financial Services Authority (Otoritas Jasa Keuangan - OJK) having the authority to grant licenses for peer to peer lending companies wishing to conduct business in Indonesia and supervise peer to peer lending companies that have obtained permission to conduct business activities in Indonesia.

The POJK No. 77/POJK.01/2016 consist of the regulation related to the preventive legal protection that used to prevent the occurrence

of technology-based money lending disputes. The preventive protection is regarding the legality of the provider's company by giving the requirements of applying for a license to be an provider to Financial Services Authority (Otoritas Jasa Keuangan - OJK) as mentioned in Article 3 of the POJK No. 77/POJK.01/2016. Article 3 regulated that the provider should be in limited liability legal entity, owned by Indonesian citizens and or Indonesian legal entities and/or foreign citizens and/or foreign legal entities. Article 7 POJK No. 77/POJK.01/2016 also regulated that Financial Services Authority (Otoritas Jasa Keuangan - OJK) having the authority to grant licenses for peer to peer lending companies. Beside the legality of the entity, POJK No.77/POJK.01/2016 require providers to:

- a. A provider to engage in Information Technology-Based Money Lending Services activities shall file an application for registration with the Financial Services Authority (Otoritas Jasa Keuangan - OJK).
- b. Registered Provider must submit a periodic report once every 3 (three) months to the Financial Services Authority
- c. Registered Provider must submit a periodic report once every 3 (three) months
- d. Maintaining the confidentiality of consumer data

Providers are required to apply the basic principles of user protection as stipulated in article 29 POJK No.77 / POJK.01 / 2016 namely:

- a. Transparency;
 - b. Fair treatment;
 - c. Reliability;
 - d. Confidentiality and security; and
 - e. Simple, expeditions, and affordable dispute resolution with users.
- c. POJK No. 18/POJK.07/2018 concerning Consumer Complaints Services in Financial Services
- This regulation is enacted with the aim of settling complaints from consumers in order to provide consumer protection as intended in Article 2 POJK No.18/POJK.07/2018. This regulation requires companies followed up complaints / reports from consumers (Article 1 (1)). Complaints submitted by consumers or consumer representatives must be accepted and recorded by financial services business actors, one of which is a peer to peer lending company as stipulated in article 7 (1) POJK No.18/POJK.07/2018 which states that financial services business actors must accept and record every complaint submitted by the consumer and / or consumer representative. After receiving the complaint, the peer to peer lending company is required to follow up as stipulated in article 14 (1) POJK

No.18/POJK.07/2018 which states that after receiving a consumer complaint and / or Consumer Representative, financial services business actors is required to follow up in the form of: internal examination of complaints competently, truthfully and objectively; and analysis to ensure the truth of complaints.

After receiving and following up on complaints, provider are also required to provide complaints to consumers and / or consumer representatives as stipulated in article 21 (1) POJK No.18/POJK.07/2018 which states that financial services business actors is required to provide complaint responses to consumers and / or consumer representatives on complaints received.

Under POJK No.18/POJK.07/2018 concerning Consumer Complaints Services in the Financial Services Sector can be concluded that consumers are given legal protection by Financial Services Authority (Otoritas Jasa Keuangan-OJK) to ensures that every financial service institution, especially peer to peer lending, receives and follows up on complaints made by consumers

D. CONCLUSION

The mechanism of credit process in peer to peer lending by Investree and KoinWorks as the author's research object is in line with POJK No.77/POJK.01 / 2016 concerning Information

Technology Based Borrowing and Lending Services. Investree and KoinWorks as peer to peer lending providers have been registered to Financial Services Authority (Otoritas Jasa Keuangan - OJK) by fulfilled the requirements required by POJK No.77/POJK.01/2016 concerning Information Technology-Based Lending and Borrowing Services such as the legal entity, risk mitigation, lending the funds come from lenders, as well as access to information to lenders.

Legal protection for lenders by Financial Services Authority (Otoritas Jasa Keuangan - OJK) in terms of public law (issuance of regulations) is sufficient to protect consumers, especially lenders. However, in terms of private law, Financial Services Authority (Otoritas Jasa Keuangan - OJK) still grants business licenses to peer to peer companies which are in agreements between consumers and providers that include exoneration clauses that are still detrimental to consumers. In the context of risk mitigation, Investree and KoinWorks have carried out risk mitigation as mandated in article 21 POJK No.77/POJK.01/2016 regarding Information Technology Based Money Lending and Borrowing Services. The risk mitigation provided by Investree and KoinWorks has a difference, Investree mitigates risk by ensuring that prospective loan recipients are strictly selected by credit-scoring, credit-grading, and verification

while KoinWorks has not only credit-scoring, credit-grading, and verification , but also connection scores and protection funds.

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