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Research Report

Improving Consumer Protection for Low-Income Customers in P2P Lending

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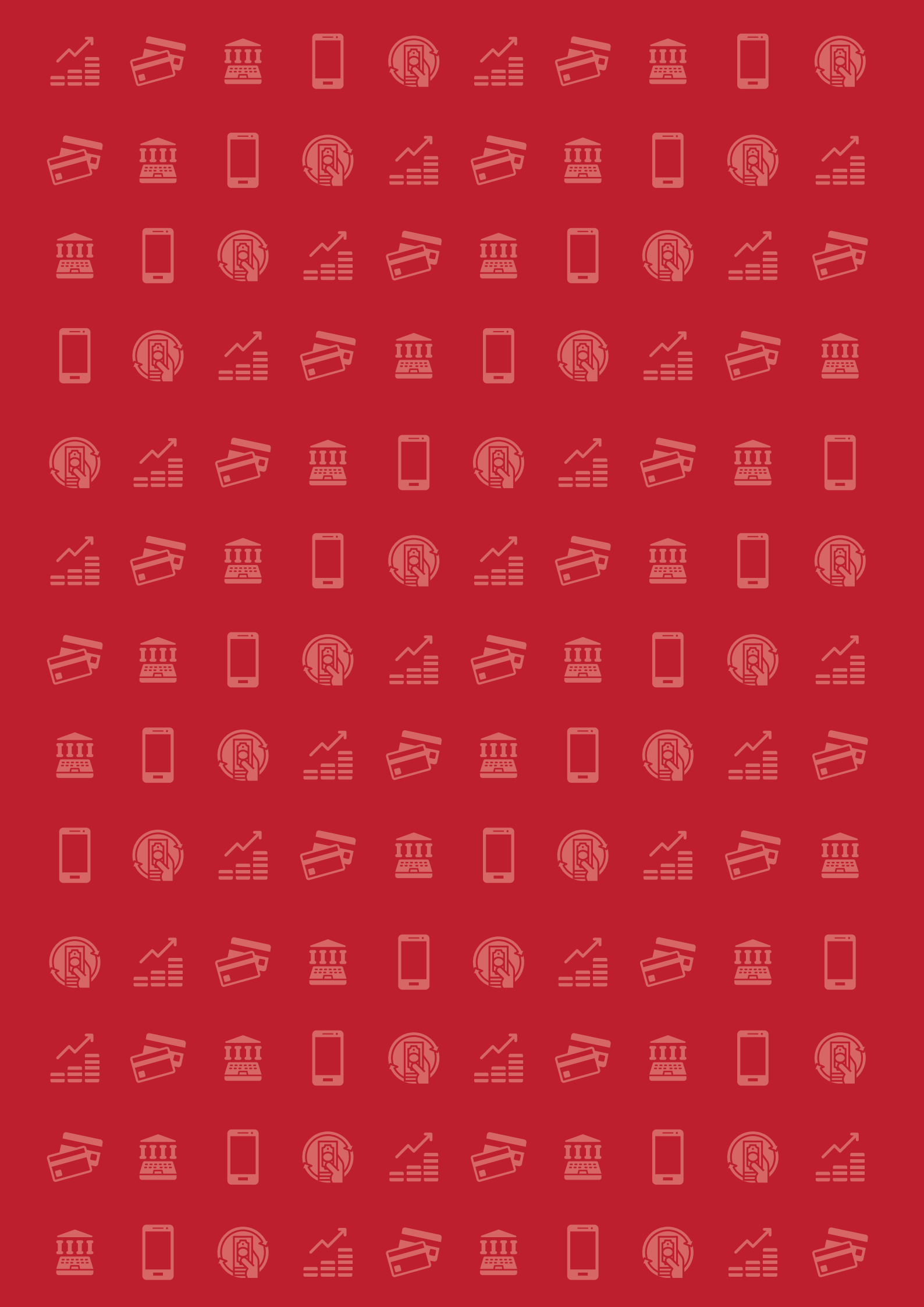
Improving Consumer Protection for Low-Income Customers in P2P Lending

by Ajisatria Suleiman

www.cips-indonesia.org



Policy Paper No. 34

Improving Consumer Protection for Low-Income Customers in P2P Lending

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Jakarta, Indonesia
March, 2021

CONTENT

List of Tables

List of Figures

EXECUTIVE SUMMARY

Despite its significant growth, peer-to-peer (P2P) lending is a controversial sub-sector in financial technology (fintech), especially the practices of lenders that offer unsecured cash, or payday, loans. Consumer groups believe that existing personal data protection systems are inadequate to govern fintechs and that this has led to data abuse by the majority of fintech payday lenders. In the wake of strong criticism, OJK responded to complaints by banning the access to the data that many of the P2P lending operators rely on to develop their alternative credit scoring models. But on the other hand, aggressive personal data collection and use by fintech payday lending firms is primarily the result of an insufficient system for assessing the creditworthiness of Indonesians. In an effort to close the gap between the existing regulatory rules and the actual market conduct, the fintech industry association, AFPI, has stepped into a "co-regulatory" role with OJK. While the partnership of OJK and AFPI are already on the right track, both needs to improve their ability to collaborate when making, adopting, enforcing, and evolving their policies and regulations through series of regulatory and market reforms.

P2P LENDING AND ITS EFFECTS ON LOW-INCOME HOUSEHOLDS IN INDONESIA

General Landscape

Access to formal credit for individuals remains low in Indonesia. In a market with nearly 270 million people, approximately 17 million credit cards were held in Indonesia as of March 2019, up only slightly from 2012, when about 14 million were in circulation. These approximately 17 million cards are held by approximately 10–11 million individuals, or only 6% of the total adult population. According to the Global Findex survey, only 18% of Indonesians borrow formally through a bank or credit card (Demirgüç-Kunt et al., 2018). Indonesians borrow money on a regular basis, but the majority do so from family and friends (36%) or semi-formally through rotating savings clubs or credit associations (11%), which typically charge significantly higher interest rates.

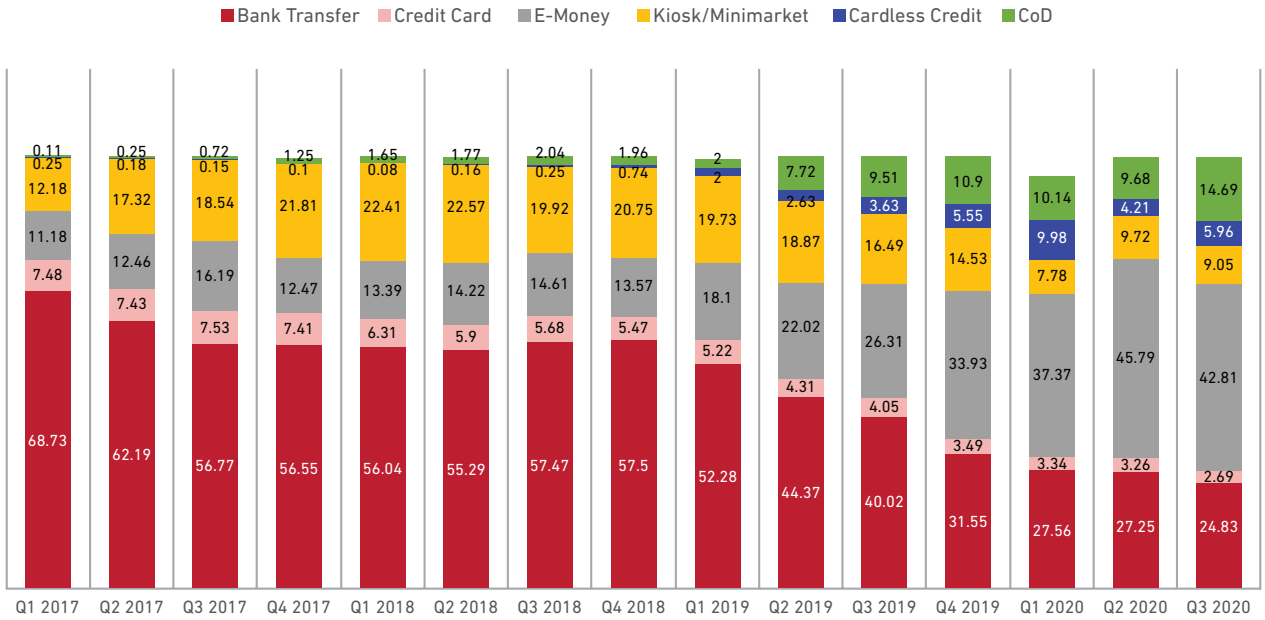
On the other hand, digital adoption is growing rapidly. The majority of Indonesia's almost 270 million citizens are under the age of 35, and a study by APJII (the Indonesian ISP Association) shows that the total number of active internet users in Indonesia reached 196.7 million in Q2 2020, or 73% of the total population, with an increase of about 8.9% year over year. This translates to an additional 25.5 million users compared to 2019. Mobile internet (smartphone) penetration is also high in Indonesia, with 96% of internet users accessing via their smartphone (We Are Social and Hootsuite, 2020). A study from Morgan Stanley shows that Indonesia's smartphone penetration rose steadily from 28% in 2014 to 54% in 2017, which is similar to China's penetration, which stood at 52% in 2014, and double India's level (27%) in 2017 (Morgan Stanley, 2019).

Access to mobile phones and the internet can help address the problems associated with traditional financial services. Two-thirds of unbanked Indonesians have access to a mobile phone, which means they can potentially access digital financial services, including Peer to Peer (P2P) lending and other financial technology products that have proliferated in Indonesia. A previous study by Center for Indonesian Policy Studies (CIPS) on financial technology (fintech) illustrated that these innovations lead to greater financial inclusion for the unbanked population. P2P lending provides an opportunity for unbanked Indonesians to access loans with simpler requirements than microcredit from a traditional bank and without having to travel to a bank (Suleiman, 2019). This especially benefits low-income groups, those in rural areas, and micro- and small-sized enterprises. At the same time, low education levels, insufficient experience with financial services, and limited access to judicial or extra-judicial complaint mechanisms put these low-income groups more at risk of fraud or predatory lending practices. Predatory lending practices include excessive interest rates, aggressive debt collection practices, and misuse of consumers' personal data. Some cases of predatory lending have been highly publicized and even led to social unrest.

“P2P lending provides an opportunity for unbanked Indonesians to access loans with simpler requirements than microcredit from a traditional bank and without having to travel to a bank (Suleiman, 2019). This especially benefits low-income groups, those in rural areas, and micro- and small-sized enterprises. At the same time, low education levels, insufficient experience with financial services, and limited access to judicial or extra-judicial complaint mechanisms put these low-income groups more at risk of fraud or predatory lending practices.”

Against this backdrop, P2P and fintech lending platforms have flourished in Indonesia. P2P lending operators offer a diverse range of products and services to both businesses and consumers. They cater to the needs of medium-sized businesses, micro entrepreneurs, and consumers (both the middle class and low-income segments). Middle class and affluent Indonesians typically borrow for personal consumption by applying for a virtual credit card or personal loan. However, the low penetration of credit cards and the exponential increase of online sales and e-commerce have resulted in new digital credit products offered by established institutions and fintech lenders alike. Fintech lenders also partner with mobile money operators and e-commerce platforms, which have gained significant traction since the end of 2019 as the preferred methods of e-commerce payment. The rise of these platforms has created popular credit products such as "Buy Now, Pay Later" or instalment services check-out/card less credit (see Figure 1). Lower income customers have more limited options for personal credit. They often work as casual laborers, often paid in cash and without a fixed salary, while a fixed salary is the main prerequisite for a credit card application. Lower income customers also often lack the purchasing power to make the regular online purchases that can serve as a basis for digital credit assessment. The available products for this segment are therefore unsecured cash loans, also known as payday loans. Table 1 below provides a summary of the different e-commerce payment methods available to Indonesians.

Figure 1.
E-Commerce Payment Methods (%)



Source: Bank Indonesia Annual Meeting, 2020

Table 1.
Different Products Offered by P2P Lending Platforms

Criteria	SME financing	Microfinance	Consumer & multi-purpose finance	Payday, unsecured cash loan
Interest & fee	5%–30% per annum (effective)	15%–60% per annum (effective)	15%–60% per annum (effective)	daily interest (capped at 0.8% per day)
Example of product	Invoice financing, merchant cash advance for online seller	SME group lending (Grameen model)	"Buy Now, Pay Later", e-commerce check-out financing	Instant cash loan
Ticket size	< IDR 2 billion	< IDR 25 million	< IDR 25 million	< IDR 5 million
Target market	SMEs (typically annual revenue of USD 1–5 million)	Micro entrepreneurs (typically annual revenue of less than USD 100.000)	Middle class (as substitute to personal loan or credit card product)	***Lower income customers*** (those ineligibles for credit cards)
Reference	*Kredit Modal Kerja Tanpa Jaminan Bank Buku I/II*	*Kredit mikro non-KUR*	*KPR, KTA, Kredit Multiguna, Credit Card*	***Do not yet exist in the market***
Term	Instalment, 1–24 months	Instalment, 1–12 months	Instalment, 3–12 months	Daily (recently min. 60 days),[1] typically payable in full, but instalment is available
Examples of companies	Modalku, Investree, KoinWorks, Akseleran	Amartha, Mekar	Kredivo, Akulaku, Maucash, Indodana	KreditPintar, RupiahCepat, UangTeman

Source: AFTECH and CIPS own analysis

Fintech lending emerged as a popular business model since the introduction of OJK Regulation No. 77 on Online Money Lending and Borrowing ("POJK 77") at the end of 2016 and came fully into force in the first quarter of 2017. As of December 2020, 152 companies were either registered or fully licensed. Before this regulation was enacted, unregulated fintech lending businesses attracted approximately 14,000 lenders, 38,000 borrowers, and dealt with IDR 284 billion (~USD 20 million) in loan disbursements. Since the regulation was fully enforced in early 2017, registered P2P lending companies had accumulated loan disbursements amounting to IDR 81 trillion at the end of 2019 and IDR 137 trillion as of October 2020. As of October 2020, the entire industry has disbursed loans to almost 39 million borrower accounts (not unique borrowers—one may borrow from multiple platforms) and facilitated from 698,401 lender accounts (also not unique lenders). It is unclear what proportion of borrowers fall into the lower-income segment, since no official breakdown of the data was ever published. However, data from Google Play Download of the top 10 P2P consumer lending apps shows that during the period of March 2019 to October 2020, apps that provide unsecured cash loan were responsible for up to 81% of the total downloads. This may serve as a proxy of the product typically preferred by the lower income consumers.

[1] In October 2019, Google Play issued a policy requiring apps to allow repayment in full within 60 days. The policy states that, "We do not allow apps that promote personal loans which require repayment in full in 60 days or less from the date the loan is issued (we refer to these as "short-term personal loans")." https://support.google.com/googleplay/android-developer/answer/9876821?hl=en

Issues Facing P2P Consumer Loan Borrowers

Despite its significant growth, fintech lending remains a controversial sector that has sparked criticism for aggressive practices, especially by lenders that offer unsecured cash, payday loans. Most lenders offering these products claim that they can only be solvent at extreme pricing and tough collection practices. In March 2018, Wimboh Santoso, then newly appointed Chairman of the Indonesian Financial Service Authority (*Otoritas Jasa Keuangan*, or OJK) for the first time raised the issue of regulation to combat the ultra-high interest rates (1–2% per day) at which some fintech lenders offer payday loans. From July through December 2018, a series of protests and mass rallies in cities throughout Indonesia attacked fintech payday lenders over their rates and aggressive lending practices.

Most protests targeted fintech lenders that are not registered with OJK, although a handful of registered fintech payday lenders were also targeted. In December 2018, the Indonesian Legal Aid Foundation (YLBHI), a reputable legal assistance organization, compiled a list of violations committed by fintech payday lenders (CNN Indonesia, 2018). In February 2019, a local taxi driver committed suicide after failing to repay his debt and being chased aggressively by fintech payday lenders and their debt collectors. An investigation by OJK showed that he had borrowed from more than 10 fintech apps, most of which were unregistered. The authority could not determine whether any particular app caused the victim to commit suicide. Consumer complaints continued in 2019. YLKI, a leading consumer watchdog, recorded 234 consumer complaints about fintech lending—all of which concern payday loans (Reily, 2019). As of February 2019, YLBHI has received more than 3,000 complaints about payday lenders (Heriani, 2019). These included:

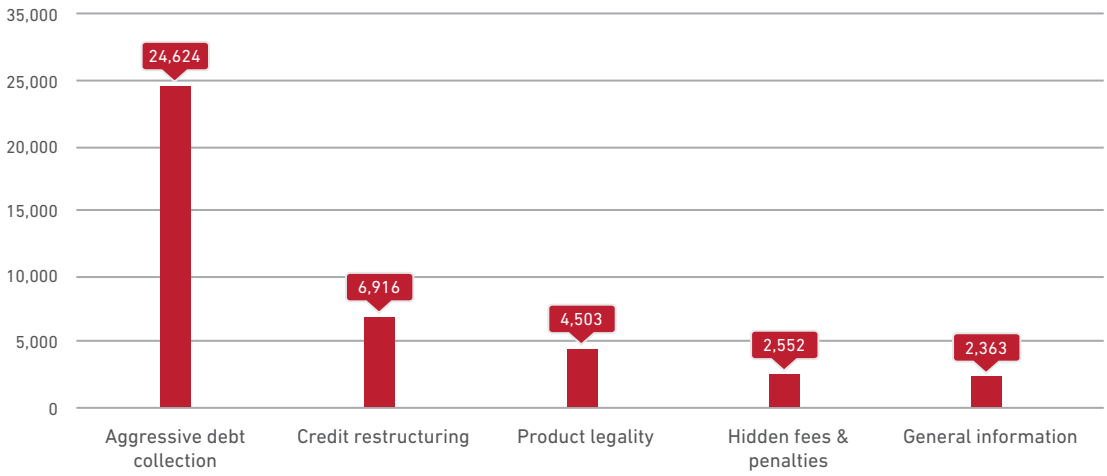
- Charging an ultra-high interest rate of 1–2% per day;
- Insufficient pricing transparency (hidden fees and penalties);
- Changing business names without properly notifying consumers;
- Lack of proper registered address and contact number;
- Poor administrative and record keeping systems (which meant that compliant customers were accused of default);
- Accessing sensitive personal data in customers' mobile phones (including contact list);
- Using the borrower's contact list to make calls and otherwise reach out to contacts without the borrower's consent;
- Threats and persecution during the collection process.

OJK began receiving reports and complaints from customers in 2015, when the first fintech lending products were launched. Complaints were lodged via multiple channels including online forms,[2] a telephone contact center,[3] or directly to OJK offices. Data from 2015 to May 2020 shows that aggressive debt collection practices were responsible for more than 60% of fintech lending related complaints. Only a handful of customers (around 11%) were concerned about the legality of the products, suggesting that the legality/registration of operators was not the customers'

[2] Online from can be accessed at https://konsumen.ojk.go.id/FormPengaduan
[3] OJK's contact center is (+6221 157)

main concern. Even fewer customers complained about fees, mostly regarding hidden fees and penalties rather than the interest rate. While not all consumers report their complaints to OJK, the official statistics may be an indication of the general priorities of fintech customers. This finding is also supported by official statistics released by the Indonesian Joint Funding Fintech Association (AFPI), the industry association endorsed by OJK. Their data shows that consumer complaints through November 2020 were dominated by unethical debt collection practices (46%) and queries related to debt restructuring (22.52%) (Ihsan, 2020). It's notable that neither statistics from OJK or AFPI indicated that ultra-high interest rates are a consumer priority.

Figure 2.
Official Consumer Complaints and Report Related to Fintech Recieved by OJK (2015 - May 2020)



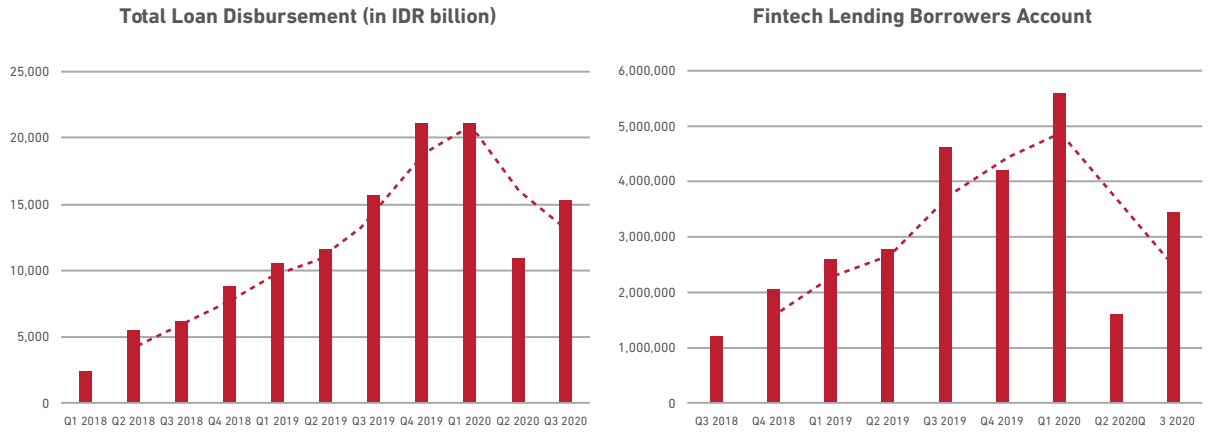
Source: Directorate of Consumer Protection Service (DLPK), OJK, 2020

Overwhelmed by the influx of new applications, while at the same time having had to deal with controversies such as illegal apps and consumer complaints, OJK decided to temporarily stop receiving new applications for registration. In a February 2020 press release, OJK announced that it would focus on strengthening its system, including the shared credit registry. It therefore announced a registration moratorium until July 2020 (Setyowati, 2020). A moratorium provides time for OJK to improve its supervisory mechanisms, but if applied indefinitely this would adversely affect the industry.

The COVID-19 pandemic significantly affected the P2P lending landscape. Unlike mobile payment, which has accelerated since COVID-19 outbreak, the fintech lending sector experienced a downturn, including in the numbers of mobile downloads, monthly disbursements, and the number of borrowers in Q2 2020.[4] While the number seemed to be picking up again in Q3 2020, this may have been driven by well-capitalized lenders, while small-size and mid-size players were still struggling to recover. Firms without sufficient funding may not survive the pandemic.

[4] In Q2 2018, OJK changed their method of calculating the number of borrower accounts, and therefore the chart is only able to trace back to Q3 2018.

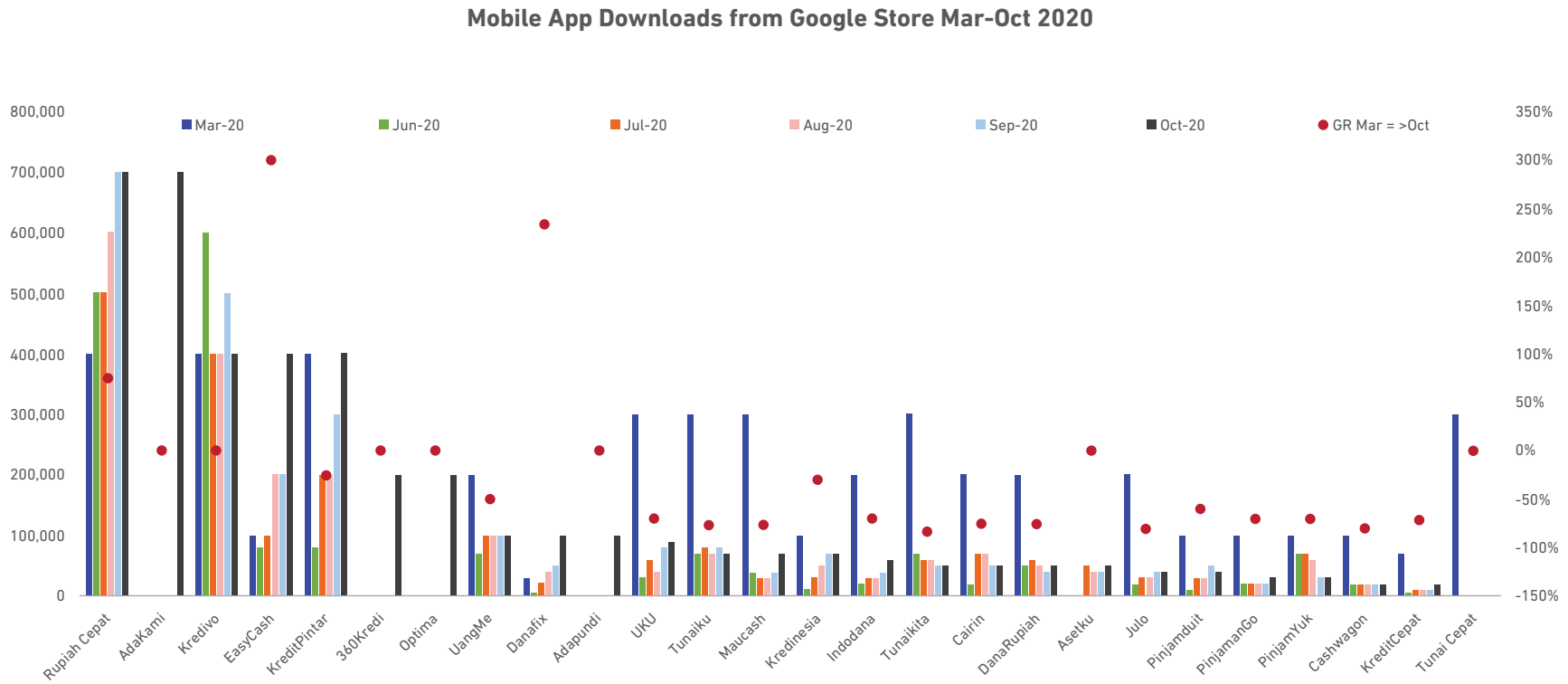
Figure 3.
Quarterly P2P Lending Statistics



Source: Otoritas Jasa Keuangan, 2020

During the social restriction period (PSBB) and following its relaxation, consumer complaints also slowed. While OJK has not yet released their data, AFPI data revealed that consumer complaints fell in November 2020 to only 10.6% of the number received in March 2020 (Ihsan, 2020). This dramatic drop is not likely to be an indication of better consumer service, but rather of the significant drop of fintech lending transactions and mobile downloads. Apart from the top four major fintech lenders (three of which offer payday loan products), all fintech lenders suffered from significant decrease in transactions, most likely resulting from a significant decrease in advertising spending.

Figure 4.
Mobile App Downloads



Source: Google Playstore Download, compiled by Danafix Online Presentation, November 2020

EXISTING GOVERNMENT REGULATIONS AND POLICIES FOR THE PROTECTION OF CONSUMERS IN FINTECH LENDING

General Consumer Law Protection and Enforcement

There are several general laws and regulations that govern the protection of P2P lending consumers in Indonesia. The Consumer Protection Law No. 8/1999 is generally applicable, but most of the rules for financial products fall specifically under the purview of OJK. OJK regulations, as "special laws" (*lex specialis*) apply over and above the "general law" (*lex generalis*) in the Law No. 8/1999. Law No. 8/1999 provides general principles for consumer protection. OJK Regulation No. 1/POJK.07/2013 on Consumer Protection in the Financial Sector, which provides more detailed requirements for financial products and services in particular. Below is a comparison of how the general rules are specified for the financial sector.

Table 2.
Principles in Consumer Protection Law and OJK Regulation No. 1/2013

General principles in Law No. 8/1999	Examples of technical rules in OJK Regulation No. 1/2013
Transparency	Transparency must include the identity of the provider, calculation of interest, late fees, and repayment scheme.
Fairness	Prohibition of marketing tactics that specifically exploit the financial condition of consumers.
Reliable services	Obligation for financial service providers to apply reliable and professional systems, procedures, infrastructure, and human resources.
Confidentiality and personal data protection	Prohibition of sharing personal data with third parties without user consent.
Complaint handling	Financial service providers are required to have a dedicated unit that handles consumer complaints.

As a financial regulator, OJK is considered more capable of, and better equipped for, supervision and law enforcement compared to other ministerial agencies. OJK Law No. 21/2011 requires OJK to have a dedicated Commissioner responsible for financial consumer protection. This Commissioner is responsible for programs including financial consumer education and awareness, standard setting for each sub-sector, and managing OJK consumer complaints submitted by telephone and email. OJK accepts complaints from anyone willing to provide their complete identity support their claims by submitting evidence. Complaints to the Consumer Protection department of OJK are directed to the relevant department within OJK. The supervisor of the relevant department (in the case of P2P lending, the Department of Fintech Regulation, Licensing, and Supervision—or DP3F) has the authority to revoke business licenses in response to violations.

OJK also partners with other agencies to provide consumer protection from access to illegal apps, personal data protection, and criminal activities.

- Access to illegal apps: Lending money without a license is not considered a crime, but an administrative violation. OJK has the authority to inform the Ministry of Communications and Informatics (MOCI) of such violations by internet businesses. In response, MOCI will instruct internet service providers or application marketplaces to block the app's access.
- Personal data protection: OJK sets standards for financial data protection in OJK Regulation No. 1/2013, but more recently MOCI has been spearheading a new initiative to adopt international standard in the Personal Data Protection (PDP) Bill. This bill is being discussed by Parliament. When it is adopted, OJK regulation is expected to conform with the new rules.
- Criminal activities: Aggressive debt collection tactics have led to involvement of criminal law enforcement under the Police Force. Some fintech firms or their debt collection agents have been charged with "distributing electronic information and/or document that contains violence or threats against a person" pursuant to Article 29 of the Electronic Information Transaction Law No.11/2008 (as revised in Electronic Information Transaction Law No. 19/2016) and Article 368 (1) of the Indonesian Criminal Code. The penalty is up to four years imprisonment or a fine of up to IDR 750 million. This law does not cover other acts of cyberbullying, such as repeated phone calls. Although intentionally accessing personal data in an unlawful way is not yet a crime, the PDP bill before Parliament would potentially criminalize this activity.

OJK No. 77/POJK.01/2016 on Technology-Information Based Money Lending Services (POJK 77)

The more technical rules for consumer protection in P2P lending can be found in POJK 77, which classifies both retail lenders and retail borrowers as consumers deserving protection. POJK 77 defines fintech lending as a marketplace that connects lenders and borrowers on a P2P platform.[5] In this understanding of fintech, as it was originally envisioned by the regulators, the "marketplace" feature allows fintech to match borrowers with lenders, and lenders decide to whom they would like to make loans. This is often referred to as the peer-to-peer nature of the marketplace. In this conception, the platform should merely connect borrower to lenders, it does not decide which borrowers get loans nor provide recommendations to lenders. Essentially, the platform performs a credit assessment of potential borrowers, and the assessment is made available in the marketplace to all potential lenders. The lenders read the information about the borrowers and make their own decision about how much to invest in each loan.

[5] Article 1 of OJK Regulation No. 77/2016 on Online Money Lending and Borrowing.

A P2P lending operator is considered a financial service provider (FSP), and therefore is subject to various financial regulatory requirements. These requirements indirectly contribute to ensuring business sustainability and protecting customers by ensuring that only credible parties can offer P2P lending services in Indonesia. These requirements include:

- ***Registration and Licensing***: The regulation governs a two-stage process for P2P lending service operators. P2P lending service operators must register with OJK before they are allowed to operate in the country. Within one year from the date of the registration certificate, P2P lending service operators must submit to OJK their business license application. In contrast to traditional FSP licensing, which requires complete readiness before being issued license from OJK, this two-stage process allows a platform to develop its technology and market before incurring the full licensing cost. The process also enables OJK to assess the service as an operating company at the time of licensing. For the full licensing process, OJK requires a more thorough assessment, as well as documentation including security audit documents, a product readiness review, and a review of key shareholders and management.
- ***Capital Thresholds***: Issued and paid-up capital must be at least IDR 1 billion for the registration process, and must increase to at least IDR 2.5 billion for the full license application. The minimum capital requirement is meant to ensure that the platform has the resources to operate. Capital is not held in cash but becomes part of the platform's shareholder equity.
- ***Reporting***: OJK requires P2P lending platforms to submit reports every three months with: (i) the number of lenders and borrowers, (ii) the quality of granted loans, and (iii) the list of activities since the provider was registered with the OJK.
- ***Employment qualifications of the founders and employees of P2P lending platforms***: The regulation states that P2P lending platforms must have employees with certain qualifications, such as IT expertise and at least one director with at least one year's experience in the financial services sector. AFPI, as the designated industry body, carries out further training, certification, and assessment for founders and employees.

Further specific restrictions are covered under POJK 77 to provide stronger protection for retail consumer lender. The restrictions include:

- The platform may not act as a lender or borrower, provide recommendations on loans, or guarantee investment returns. These rules are meant to eliminate potential conflicts of interest for the platform operator that might be detrimental to consumers.
- Virtual accounts must segregate lenders' funds from operator funds and repayment by borrowers must be conducted through escrow bank accounts.[6]
- Loans cannot exceed IDR 2 billion per borrower in order to minimize exposure of retail lenders to potential default.

[6] In other countries, trust accounts are used. However, there is no legal structure for trust accounts in Indonesia.

POJK 77 also contains requirements aimed at ensuring the protection of retail borrowers. These requirements include:

- Limits on fixed clause (take-it-or-leave-it) contracts;
- Requirements that P2P lending operators assess the capability of borrowers to make repayment and prevent over-borrowing;
- Mandatory use of simple language.

Important aspects of borrower protection are not properly addressed in POJK 77. For example, while debt collection dominates complaints to both OJK and AFPI, debt collection standards for P2P lending platforms have yet to be clarified. This can become a concern if platforms employ aggressive collection practices. There is no specific law or guidance for debt collection, although there are rules for bank collection practices. OJK Regulation No. 18/POJK.07/2018 on Financial Consumer Complaints requires all financial institutions registered in OJK, including P2P lending platforms, to establish and maintain a customer complaint handling procedure. Although most P2P lending platforms have their own internal debt collectors, third party debt collectors may be used, as long as they are certified by AFPI, the P2P lending industry association. If officers from a third-party debt collector conducts illegal or unethical practices, the P2P lending platform that engage them remains liable for their actions.

“Important aspects of borrower protection are not properly addressed in POJK 77. For example, while debt collection dominates complaints to both OJK and AFPI, debt collection standards for P2P lending platforms have yet to be clarified. This can become a concern if platforms employ aggressive collection practices.”

Tackling Illegal Fintech with OJK's Investment Alert Task Force (*Satgas Waspada Investasi*)

There is no specific prohibition against lending money without a license. This is in contrast to performing banking activities (deposit-taking), which are illegal if unlicensed. As a result, many companies operate without a license. The resulting conduct has been detrimental to consumers. Beginning in June 2018, the spread of abusive debt collection practices by fintech lenders made national headlines. Only later was it discovered that these practices were largely undertaken by fintech operators not registered with OJK. (Since this revelation, OJK has regularly published a list of unregistered fintech lenders.) OJK relies on administrative sanctions against licensed companies to ensure it can govern and supervise business activities. OJK lacks the tools and the authority to act against unregistered entities.

The number of illegal operators is staggering. From July 2018 to December 2019, OJK has blocked 1,898 mobile apps. In 2020, around 700 additional apps were blocked, bringing the total number of blocked apps to 2,591. Nearly all of these apps were operating as fintech payday lenders. The high number of apps could mask a much smaller number of actual companies operating the apps—a single firm may develop multiple lending platforms. This appears to be the case for at least some firms. A developer named Xinhe uploaded at least nine P2P lending apps to the web and Google Play Store.

All unregistered apps conducted payday loans. By their nature, payday loans target the poorer population, who receive minimum wages and lack access to more traditional consumer loans with better interest rates, such as credit cards or personal loans from banks. To try to deal with the creation of so many unregistered fintech lenders, OJK sent the list to the MOCI, which responded by sending instructions to licensed Internet Service Operators (ISPs) to block the IP addresses of these unregistered apps. MOCI also requested that Google remove these apps from the Google Play Store.[7] OJK also sent the list of illegal fintech lenders to the Indonesian National Police (POLRI), but as discussed above, unlicensed fintech lending, unlike unlicensed banking, is not a crime. Because fintech lending merely matches borrowers with lenders (even when they are super-lenders), POLRI and the Attorney General's Office have no authority to address their unlicensed activity.

OJK's Restrictions on Access to Personal Data

In the wake of strong criticism, OJK responded to complaints of intrusive debt collection practices by some P2P lending platforms which called contacts from the borrowers' address book. Growing concerns over personal data abuse led to OJK Fintech Lending Department Director Letter No. S72/NB/13/2019 on 12 February 2019. OJK issued a decree that restricts fintech lenders' access to mobile internet data, except for: microphone, camera, and location. This move is more restrictive than the previous letter issued on 17 October 2018, which prohibited access to "contact lists" and "other data unrelated to credit assessment." The 2019 letter practically bans P2P lending operators from using call histories, text messages, and address books of borrowers' mobile phones. However, similar data access is still used by some financial institutions and banks, which were not banned from using mobile data for credit scoring. This discrepancy creates an unequal playing field, although banks or multi-financing companies may not be as reliant on access to mobile data because they can leverage the borrowers' collateral to ensure loan repayment.

The access ban prevents these platforms from accessing the data many of them rely on to develop their alternative credit scoring models. International experience shows that relevant information for developing scoring models for consumers with thin files or no credit history includes: (i) data on payments (e.g., utilities, mobile phone, rental information, taxes, tuition, etc.), (ii) data on crowdfunding transactions, factoring, leasing, and credit insurance, (iii) and payment flows received by disadvantaged individuals (e.g., subsidies, pensions, domestic and cross-border remittances, etc.) when appropriate (International Committee on Credit Reporting (ICCR), 2017). It is considered a good practice to request the borrower's consent to capture data from their mobile data or other sources to develop credit history.

AFPI expressed their concerns against the OJK decision. They have demanded the right for their members to access app histories and call logs. There are valid reasons for fintech lenders to challenge the OJK directive. As discussed, earlier, Indonesia has a weak credit reporting structure and its national identity system has not stopped

[7] The segment of the population targeted by unregistered payday loan apps is much more likely to own an Android-based phone. iPhones are normally not affordable to poor Indonesians.

widespread identity fraud. Providing consumer loans is therefore extremely risky. It is difficult to learn with whom a lender is dealing and their creditworthiness. Contact list assessment is one of the ways that fintech lenders have developed to perform this assessment in the absence of a developed credit report or trustworthy identification system. For example, fintech are able to analyze communication patterns to learn a great deal about someone who has applied for a loan. However, none of these reasons justify harassment and bullying of consumers or those on their contact lists. Such behavior violates both the ethical and legal use of personal data.

PROBLEMS CONCERNING REGULATIONS AND POLICIES

OJK Proposed Revision on POJK 77

At the inception of POJK 77, OJK drew inspiration from various cases of misappropriation of lenders' funds, mostly occurring in China. The focus on protecting retail lenders is the result of high-profile fund misappropriation incidents in China during the development of POJK 77. These incidents inspired OJK to include protective measures in its fintech regulation. The People's Republic of China's government began supervising the industry after several fraud incidents came to light in 2015, such as Ezubao's Ponzi scheme, which attracted RMB 50 billion from 900,000 investors. The People's Bank of China regulatory framework, enacted in August 2016, imposes license requirements, credit limits, an interest rate cap, client disclosure, and prohibits pooling and lending of funds by P2P players. Payment regulations also required the segregation of client money into an account held by a third-party custodian (typically a bank), and a payment settlement system managed by the central bank (OJK, 2020). That could explain better consumer protection at the lender side than for borrowers. On the other hand, around the same time that POJK 77 was developed, the market for low-income borrowers was virtually nonexistent because the formal credit market for consumers focused on middle-class borrowers (i.e., credit card, personal loan from banks (*Kredit Tanpa Agunan*)). This explains why the regulator seemed to overlook the risk of lending to the low-income customers.

In mid-2020, OJK introduced a new regulatory draft that would address concerns in the market. The proposed changes include better protection mechanisms for both retail lenders and retail borrowers (see Annex for further details).

For retail lenders, new proposed rules related to consumer protection include:

- Limit on the lender's fund that can be kept at the operator's escrow account for up to two days, in order to limit fund misappropriation by the operator;
- Each lender can only lend up to 25% of the total loan, in order to limit default risk;
- An explicit prohibition on P2P lending operators making automatic lending decision without getting the lender's approval.

For retail borrowers, new proposed rules related to consumer protection include:

- More detailed rules for the consent framework for accessing personal data
  - The proposed framework will be more aligned with the PDP bill, which also adopts the general principles of the EU General Data Protection Regulation. For example, explicit consent is mandatory, with some exceptions when consent is no longer required. Personal data owners will only have the right to complete and revise the data when it is not accurate and to request data deletion and revoke user consent when no longer using the services.

- More transparency requirements regarding what must be published at the website, including:
  - Transparency from service providers, including disclosure of legal name, valid address, management profile, and audited financial statements.
  - Transparency of the loan profile, including the total number of accumulative users (lenders and borrowers), accumulative loan and outstanding loan values, and the quality (default rate) of the accumulative loans and outstanding loans.
  - Transparency of the product profile, including loan terms, payment duration, and total cost and interest.

- More detailed complaint handling standards and requirements
  - The proposed rules make explicit the obligation of each P2P lending operator to prepare and maintain a complaint handling mechanism, and to resolve/close complaints lodged by consumers. The complaint handling mechanism must be properly documented and published on the product's website.

Access to Personal Data is Essential to Solve the Problem of Missing Personal Credit Information

Consumer groups believe that existing personal data protection systems are inadequate to govern fintech and that this has led to data abuse by the majority of fintech payday lenders. Many fintech payday lenders use borrowers' contact data to call close relatives without the consent of the borrower or the borrower's relative, seeking repayment. These collection calls are problematic both because of how personal data is used and because of the behavior of the debt collectors. For example, in early January 2019, the cybercrime unit of POLRI arrested three employees working for an illegal fintech payday lender called V-Loan for committing threats and persecution during debt collection calls.

Consumer groups believe that existing personal data protection systems are inadequate to govern fintech and that this has led to data abuse by the majority of fintech payday lenders. But on the other hand, aggressive personal data collection and use by fintech payday lending firms is primarily the result of an insufficient system for assessing the creditworthiness of Indonesians.

But on the other hand, aggressive personal data collection and use by fintech payday lending firms is primarily the result of an insufficient system for assessing the creditworthiness of Indonesians. Indonesia has weak credit reporting infrastructure and only around 10% of adult Indonesians have credit data recorded at OJK's central credit registry system, *Sistem Layanan Informasi Keuangan* (Financial Information Service System, or SLIK—previously known as BI Checking). These data were developed through contributions by approximately 1,600 licensed financial institutions in Indonesia that used consumer credit reports from sources such as credit card payment records, mortgage defaults, and consumer loans. Because there is no way to reliably check creditworthiness, many people are rejected when they apply to a bank or other financial institution for a loan. In response, consumers may decide to seek out unlicensed or unregistered fintech lenders in spite of the higher interest rates they charge.

Fintech lenders employ alternative (non-SLIK) data for underwriting. These data are gathered for the purpose of ID verification, address verification, income prediction, analyzing spending habits, and (if the client is seeking a business loan) merchant analytics. P2P lending firms operating

in consumer lending may claim around 3,000 data points for a credit assessment. These may include:

- Identity and location: fraud-proof identity, location, gender, education;
- Behavioral : browser history, footprints, cookies, interaction of apps;
- Financial : deposits, withdrawal;
- Technical : operating system, browser, hardware;
- Social Media : social graph, sentiment analysis;
- E-commerce : consumption pattern;
- Repayment records : punctuality.

Given that many P2P lending platforms target the unbanked/underbanked segments whose members are not yet registered in SLIK, the inclusion of P2P lending into SLIK would enrich SLIK data. Unbanked and underbanked customers can build a credit history through their borrowing with fintech that would later be accessible to the banks or other financial services in general. This credit history can make traditional financial products accessible. P2P lending also provides important competition with banks and other financial companies already registered in SLIK. Balanced and diversified portfolios are important for the stability and sustainability of P2P lenders. The requirement that P2P lending platforms access and report to a credit bureau is an acknowledgement of the importance of developing a unified pool of credit information to which all registered lenders contribute and which all can access.

PRIVATE SECTOR INITIATIVES

In an effort to close the gap between the existing regulatory rules and the actual market conduct, the fintech industry association has stepped into a "co-regulatory" role with OJK. Co-regulation emphasizes responsibility sharing between state and non-state actors. Established in March 2019 as a spinoff from the Indonesia FinTech Association (AFTECH), the Indonesian Joint Funding Fintech Association (AFPI) was created to support and serve as a bridge between the P2P lending players and OJK. AFPI is positioned to provide support to OJK by supervising the market conduct of P2P lending operators. OJK also designated AFPI as its strategic partner in carrying out the regulatory and supervisory functions of the P2P lending service operators in accordance with OJK No. S-D.05/IKNB/2019, which has its basis in POJK 77. As a result, P2P lending operators are required to register as AFPI members. Registering subjects P2P lending platforms to a new code of conduct for responsible lending. AFPI may declare that their members are in violation of their organization rules, which can form the basis for the review of a company's business registration and license by OJK.

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The active role of OJK in implementing co-regulation along with industry associations in the financial sector is not new. Sub-sectors of financial services including banking, insurance, consumer financing, and securities also see co-regulatory initiatives of the industry bodies backed by OJK. Associations such as the Fund Manager Association (AMII), Financing Company Association (APPI), Insurance Brokerage Expert Association (APARI), National Bank Association (PERBANAS), have all played a role in their respective fields, including training and certification, data exchange facilitation, and member supervision. These associations typically have mandatory and closed membership (only companies registered/licensed by OJK are eligible), and their mandates are officially acknowledged by OJK.

AFPI (previously AFTECH) has also played a role in closing regulatory and supervisory gaps in the fintech lending sphere. Some of the key roles are as follows:

- One of the earliest moves carried out by AFPI (preceded by AFTECH) was the introduction of a standard "risk disclaimer" that is required on the web pages of all registered fintech lending operators. This risk disclaimer contains statements that are beneficial for retail lenders (for example, a disclaimer that OJK or the platform will not be responsible for lending decisions or default risk) and for retail borrowers (for example, a disclaimer that each borrower must be responsible for assessing their own financial capacity to repay the loan).
- AFTECH established a code of conduct for responsible lending that governed the more technical details of best practice lending, including data privacy and debt collection behavior. The code of conduct (further revised by AFPI) served as a basis for the association to supervise its members, receive consumer complaints, and impose sanctions on non-compliant members. Sanctions can vary from formal warning to revocation of membership. When a company's membership is revoked,OJK can use this as the basis for revoking the platform's business license.

- AFPI (preceded by AFTECH) has also been instrumental in coordinating financial literacy programs across platforms, both online and offline. In response to the massive spread of illegal fintech apps, registered lenders have worked under AFPI coordination to educate consumers on the importance of using registered P2P lending operators.
- Amidst public pressure to respond to ultra-high interest rates charged by the payday lenders, AFPI in March 2019 decided to self-impose an interest rate cap at 0.8% per day. POJK77 does not regulate interest rates, and OJK chose not to intervene.
- AFPI introduced an industry standard code of conduct for governance requiring member companies to obtain certifications for their board members, and specifically for employees or agents dealing with debt collection. The certificates are granted upon underdoing a training (1-5 days training, depending on the level) and passing the exam conducted by AFPI training unit). As of December 2020, AFPI has issued certifications for more than 1,200 individuals, including existing and potential shareholders, members of boards of directors and commissioners, employees, and agents dealing with debt collection. The training and certification programs help AFPI identify the officers in charge of debt collection and impose sanctions should any debt collection incident further arise. AFPI can issue a blacklist of the registered third-party debt collection companies and/or specific individuals that have received training and certification, if found to be violating the debt collection standards.

AFPI also plays a role in the investigation and mediation of consumer complaints, particularly regarding collection practices and lenders' compliance with the AFPI code of conduct and AFPI's independent ethics commission. The first high profile case involving data privacy and debt collection occurred in June 2018. RupiahPlus, then a payday lender registered at OJK, had an app that enabled the operator to access the borrower's contact list and use this access as leverage when the borrower failed to make repayment. RupiahPlus would contact individuals in the borrower's contact list and inform them about the borrower's failure to pay in an effort to discredit or embarrass the borrower (Sari, 2018). It came to light that this practice was not exclusive to RupiahPlus—almost all payday lenders, both registered and unregistered at OJK, used this practice. Borrowers consented to allow access to their contact list when they downloaded the app, but it was unclear whether it is legally necessary to obtain consent from each person listed in the contact book. It was also unclear if these calls constituted online "bullying" or harassment. When this case emerged, OJK and AFTECH were not prepared to handle the situation. OJK and AFTECH conducted a series of hearings and consultations to investigate whether the action violated the law or the association's code of conduct.

Existing consumer complaint and member compliance practices may be developed into an alternative, out-of-court dispute resolution body endorsed by OJK. In 2014, OJK Regulation No. 1/POJK.07/2014 on Alternative Dispute Resolution Body in the Financial Sector (*Lembaga Alternatif Penyelesaian Sengketa*, or LAPS) was instituted. OJK has since established LAPS in consumer finance, capital market, banking, pension funds, insurance, and pawn shops. In 2020, OJK began integrating these LAPSs, which will cover all aspects of financial services—including on P2P lending. In 2021, the integrated LAPS are expected to start resolving disputes, including those regarding P2P lending cases. These disputes may be between platforms and their lenders or between platforms and their borrowers. This should provide a rule-based framework for

associations such as AFPI to resolve its members' issues in a fair and transparent manner.

Another private sector-led initiative that contributes to stronger customer protection is the shared credit database. The Fintech Lender Data Center is a database managed through AFPI which aggregates data on borrowers from the P2P lending platforms. While it is envisioned that all AFPI members will be part of the shared database, technology and infrastructure integration by the members is a gradual process. After a series of trials in 2019, the data center was fully operational by the end of April 2020. In August 2020, 90% of API members had been integrated into the database. By integrating the data between operators (mostly identity data, a fraudster database, and repayment track records), each operator can minimize their own risk of users over-borrowing through multiple platforms, as well as reducing fraud and credit default risk. The risk of over-borrowing may be more prevalent in customers with lower income and lower financial literacy. For now, the system is too new to assess its performance with regards to these goals.

The Fintech Lending Data Center serves both as a compliment and a substitute to the existing credit sharing system managed by OJK, the SLIK. The participation of P2P lending platforms in SLIK remains contentious. Fintech P2P lending operators are officially registered or licensed by OJK and should have the right to contribute and to extract data from the SLIK platform. However, there are concerns that giving access to P2P lending operators would not be in line with the spirit of financial inclusion because P2P lending operators should lend to the unbanked/underbanked customer segment who are not yet registered in SLIK. P2P lending operators can access SLIK indirectly through partnerships with licensed credit bureaus that are connected to SLIK, but this can be expensive, especially those that cater to retail, not corporate SME, borrowers. It was for this reason that AFPI with the help of OJK established its Fintech Lending Data Center.

The latest joint initiative between OJK, AFTECH, and AFPI is to stimulate the creation of RegTech and SupTech initiatives as private sector solutions to compliance issues. RegTech firms are private companies that help operators comply with regulatory requirements. SupTech firms help regulators carry out their supervisory activities. OJK has launched research and consultation with the aim of encouraging private companies to enter RegTech and SupTech. Some examples of RegTech services identified by OJK are chatbots for consumer inquiries and big data analytics for fraud detection and complaint handling analysis. These are relatively new projects and the traction is still low.[8] A crucial element that P2P lending operators would consider is weighing the increased cost of engaging these third-party service providers, and the potential benefit of compliance cost reduction. The regulator could play a role in addressing this issue through policies and incentives that would foster private solutions targeting low-income consumers. In the payment sector, for example, Bank Indonesia (BI) recently issued BI Regulation No. 22/23/PBI/2020 on Payment Systems that provides the framework for the role of BI in stimulating innovation into three roles, namely: "innovation lab" (to develop innovations that does not yet exist in the market, or that is still in limited adoption); "regulatory sandbox" (to test regulations and policies governing new innovations); and "industrial sandbox" (to scale up the use of innovations in the market, for example: BI Quick Response Code standardization program, or QRIS).

[8] Only one company was registered as "RegTech" with OJK's Digital Financial Innovation department at the end of 2020. This company offers a database of individuals considered Politically Exposed Persons (PEP) and other publicly available financial information data intended to assist fintech firms dealing with Anti Money Laundering and Counter Terrorism Financing (AML/CFT) compliance rules. This does not directly address consumer protection for low-income customers.

POLICY RECOMMENDATIONS

> OJK and AFPI have demonstrated their ability to collaborate when making, adopting, enforcing, and evolving their policies and regulations.

Consumer protection for borrowers has become a major issue in P2P lending, especially payday lending. OJK, with the help of the private sector through the AFPI, has already introduced several regulatory and policy measures to address these issues. OJK and AFPI have demonstrated their ability to collaborate when making, adopting, enforcing, and evolving their policies and regulations. While their measures are on the right track, the following recommendations would further improve existing practices and ensure the protection of low-income consumers:

Regulatory reforms

Allow fintech firms to access mobile data, but improve the framework for user consent when collecting and using borrower data.

- A total ban on access to mobile data hurts efforts at financial inclusion. OJK should instead focus on providing a clear consent framework for personal data access, including through the proposed revision of POJK 77 and by supporting the enactment of the Personal Data Protection (PDP) Bill currently being discussed in Parliament. At a more technical level, OJK (and/or jointly with AFPI) can also issue guidelines on how to collect and use personal data of the persons outside of the borrower (typically those listed as emergency contact) to ensure their consent is also properly obtained.

Provide clearer guidelines for consumers on how to and where to lodge complaints, depending on each type of issue.

- Consumers are laypersons who are not aware of what types of violations that should be lodged to OJK (aggressive debt collection, legality of lenders) or to the police (in the case of threats, and persecution or harassment). They are also not well-aware of the list of evidence and documents that would be accepted by OJK or the police, especially when such consumer is not the borrower her/himself but rather a bystander who happens to be in the borrower's contact list. While OJK already has a good mechanism in place to receive consumer complaints, more technical guidelines for P2P lending can prevent consumers from going back-and-forth to the authorities to complete the reports, and therefore making the complaint handling system more affordable.

Provide a clearer framework to govern the relationship between SLIK (managed by OJK) and Fintech Lending Data Center (managed by AFPI).

- Shared credit data is essential to preventing over-borrowing, a key issue for low-income consumers. Shared credit data can also incentivize borrowers to comply with their repayment terms, reducing the risk of default.

Market-led initiatives

Improve the quality of AFPI training and the certification program for debt collection.

- With the growing role of training and certification, AFPI must ensure its offerings are high quality and not mere formalities. This covers the increase in the quality of the training as well as the exams. Training and certification in more mature sectors such as banking, multi-finance, or insurance can serve as reference for improvement.

Provide a clearer framework for private sector-led compliance to ensure fair, independent, and transparent enforcement.

- Co-regulation and active involvement of the industry association, while it can be beneficial for the market, can also create the potential for abuse of authority. Given that the sector is still at infancy, there is not yet any indication that co-regulation in the P2P lending sector leads to anti-competitive practices. However, as the sector grows, a clear framework must be designed to ensure that co-regulation is fair and transparent.

Incentivize the adoption of financial literacy programs and private solutions in RegTech or SupTech.

- OJK and AFPI have already done a good work in coordinating joint literacy and consumer education program through events and roadshows, although mostly still in offline format. This coordination efforts can reduce literacy cost by sharing expenses among the players. Similar model can be extended to the online channels, and also involve other government agencies as well as consumer groups, to widen the consumer outreach.
- Further, as OJK has started to focus on the role of RegTech and SupTech to assist consumer protection compliance, there are programs and incentives that can stimulate further adoption of novel RegTech and SupTech solutions and of partnerships between the regulator and the private sector.

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ANNEX

Provisions in POJK 77 and proposed changes related to consumer protection

No.	Issue	P OJK 77/2016	Draft Change	Impact on customer protection (retail Lender and retail Borrower)
1	Max lending limit	6 (2) Maximum lending limit from Operator to Borrower: IDR 2 billion	7 (2) Maximum lending limit from Operator to Borrower: IDR 2 billion	Limit the exposure of retail Lender to default risk (no change).
2	Max lending limit (shareholders & affiliation)	N/A	7 (3) (4) A Lender or its affiliate can only lend max 25% from the total loan.	Limit the exposure of retail Lender to default risk (no change).
3	Contractual terms between Lender and Operator	19 (2) Contractual terms require: number of contracts; contractual date; parties' identity; parties rights and obligations; total amount of funding; interest rate; commission; timeline; cost; fines; dispute resolution procedure; Operator's liability	33 (2) Includes all plus; + mechanism in situation of failure of debt collection or risk mitigation & bad credit + personal data use + loan purpose	Additional and more comprehensive protection for retail Lenders.
4	Disclosure of use of funds to Lender	19 (3), (4), (5) Operator are required to disclose the use of funds to the Lender, but not required to disclose Borrower's identity.	33 (3), (4), (5) No substantial change	No obligation to disclose identity of Borrower may hinder Lender protection, but at the same time it could better protect the Borrower from arbitrary use of personal data by the Lender.
5	Contractual terms between Borrower and Lender	20 (2) Similar to point 3 (contractual terms between Lender and Operator).	34 (2) Includes all + available legal mechanisms against Operator when the funding target is not met.	Additional mechanisms of rights and responsibilities in cases of non-compliance of Operator may protect consumer better.
6	Disclosure of funds information between Borrower and Operator	20 (3) (4) Mandatory disclosure of loan outstanding status.	33 (3), (4), (5) Inclusion of information details that needs to be provided by the Operator. This includes loan amount, interest rate, use of fund, and loan duration.	More certainty for Borrowers since there are transparency by the Operator on use of fund.

7	The use of escrow and virtual account (VA)	24 Obligations to Provide VA & Escrow account in P2P lending activities for Borrowers as segregated account from the Operator's account held by a third-party custodian bank.	42 Stricter arrangement of the usage of VA & Escrow account, in relations to durations in the usage of escrow accounts.	Protect Lender against potential misappropriation of fund by the Operator.
8	Limit of escrow account	N/A	42 (4) The durations of the funds that were not used in the escrow accounts should not exceed 2 working days (T+2).	Protects Lenders against potential misappropriation of funds by the Operator.
9	Acknowledgment of the segregation of Lender funds	N/A	42 (7) Acknowledgement that funds in the escrow accounts belongs to Lender.	Protection of retail Lender against insolvency.
10	Transparency requirements (Contractual)	N/A	36, 37 New consumer's responsibilities to understand P2P lending agreement & information that needs to be shared by the Operator to the Borrower.	Increase protection for consumers through more transparency requirements.
11	Obligation to maintain privacy	26 General rules of consent.	45 Additional rules on consumer complaint mechanisms through email, call center and other medium.	Increase protection for consumers due to better protection mechanisms for consumers.
12	Consent framework	N/A	48 Inclusion of contractual legal framework where Operator needs to obtain consent from consumer (private data holders) in regards to use of personal data.	Expand protection for consumer by introducing more detailed consent framework.
13	Call center and consumer handling	26 (d) Obligations to provide call centers, email & other communication medium for personal data related complaint.	93 Obligations to provide call centers, email & other communication medium for general P2P lending related complaints.	Increase protection for consumers since consumer handling with wider scope.

14	Disclosure of updated information	30, 31 Existing obligations to disclose information related to P2P lending that is accurate, honest, clear & not misleading as well as information in regards to the P2P lending to consumers.	94 (1)(2), 95 (no notable change)	(no changes)
15	The use of simple language	32 - Operator is required to use simple terms, phrases, and/or sentences in Indonesian that are easy to understand. If necessary, the Indonesian terms, phrases, and/or sentences can be juxtaposed with other languages.	96 - No change	Avoid misleading information for the consumers.
16	Obligation to support inclusion and literacy program	33 - Operator to support the implementation of financial literacy and inclusion activities.	97 - Operator to support the implementation of activities in order to increase financial literacy and inclusion in the form of education. In the implementation process, Operator can work together with association.	Financial education for the consumer to improve their financial literacy through association.
17	Needs assessment of Borrower	34 - Operators are required to pay attention to the needs and capabilities of the Borrower and the services offered to the Borrower.	98 - Remove the wording “the services offered to the Borrower.”	Prevention of over borrowing.
18	Mandatory use of OJK logo	35 - Operator is required to include and/or mention the brand logo of the Operator and statement that the Operator is registered and supervised by OJK in every service or promotion.	99 - No change	Serve as a proof of legal Operator under OJK supervision.
19	Fixed clause (take-it-or-leave-it) clause	36 - When the Operator uses a fixed clause, the fixed clause must be prepared in accordance with the provisions of laws and regulations.	100 - No change.	Prevent abuse of the Operator in drafting and offering consumer contract.

20	Operator liability	37 - Operator is responsible for Borrower losses caused by error and/or negligence of the directors and/or employees.	101 - Operator is responsible for Borrower losses caused by error and/or negligence of the Operator, its board members, employees, or third-party agents.	Increase Borrower protection over all relevant parties of the Operator.
21	Prohibition on the use of language that may imply different financial product	N/A	103 - Operator is prohibited from using words that may result in business misinterpretation of the company with other financial and non-financial service institutions in the name of the Operator, product name, Electronic System or brand.	Reduce the risk of misleading product by Borrowers.
22	Reference to OJK consumer protection rules	N/A	104 - Operator is required to implement consumer protection in accordance with the provisions stipulated in the OJK regulations regarding consumer protection in the financial services sector and other laws and regulations.	Clear mechanism for submitting complaints.
23	Operator transparency	N/A	105 - Operator should provide clear information regarding: identity, address, management profile, fund performance, financial statements, and registration status.	Provide consumers with more informed decision making.
24	Data sharing among Operator	N/A	41 - Operator can establish a cooperation and exchange of data with information technology-based support service.	Reduce potential fraud and over-borrowing by Borrowers.
25	Conflict of interest	43 (b) - Operator is prohibited to act as a Lender or Borrower.	112 (c) - No change	Borrower and Lender should get fair and unbiased services from the Operator.
26	Investment recommendation	43 (e) - Operator is prohibited from providing investment recommendation to the Borrower.	112 (k) - No change	Minimize Lender's risk from potential fund misappropriation and conflict of interest.

27	Misleading information	43 (f) - Operator is prohibited from publishing misleading information.	112 (l) - No change	Reduce the risk of misinformation for Borrower and Lender.
28	Non-consensual marketing	43 (g) - Operator is prohibited from offering non-consensual marketing to Borrower through personal communication channels.	112 (m) - In carrying out business activities, Operator is prohibited from offering non-consensual marketing either directly or indirectly to Borrower through personal communication channels.	Any form of non-consensual marketing are now prohibited.
29	Complaint fee	43 (h) - Operator is prohibited from imposing any complaint fees to the Borrower.	112 (n) - No change	Provides convenience to Borrower to submit a complaint.
30	Complaint handling	N/A	106 - The Operator is obliged to resolve any complaints from the Borrower through the complaint handling mechanism.	Provides a clear consumer complaint mechanism for the Borrower.
31	Prohibition of automated lending (i.e. Operator may not make lending decisions without the Lender's approval)	N/A	112 (d) - In carrying out business activities, the Operator is prohibited to give funding from the Lender through power of attorney or providing funding automatically.	Minimize Lender's risk from potential fund misappropriation.

ABOUT THE AUTHOR

Ajisatria Suleiman is a CIPS Senior Fellow. He is a public policy & regulatory professional, as well as a public law scholar. He is experienced in trade law, financial service regulation, natural resource governance, and digital policy. He founded a research-based advocacy group seeking to promote fairer and more open regulatory environment in Indonesia. He is also an angel investor in the area of legal technology.

In various capacities, he has worked for all branches of the State (the executive, the parliament, and the judiciary), and is experienced in working for the private sector (multinationals, startups, and international government affairs firms), trade associations, academic institutions, NGOs, and development agencies.

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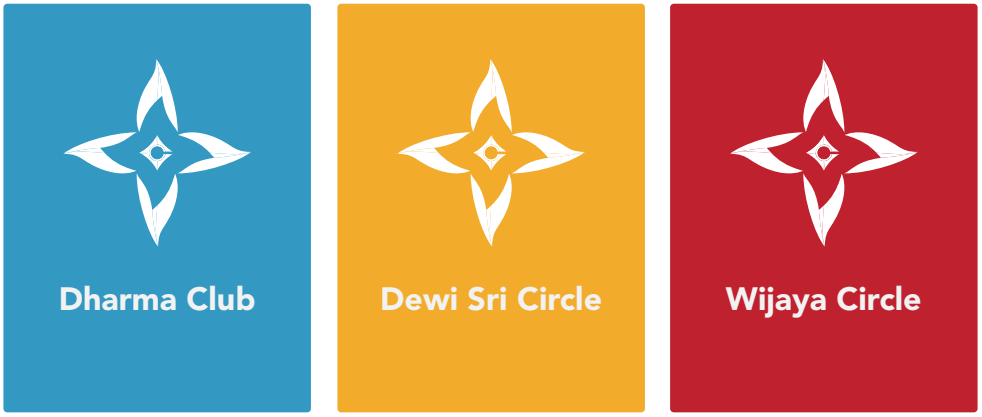

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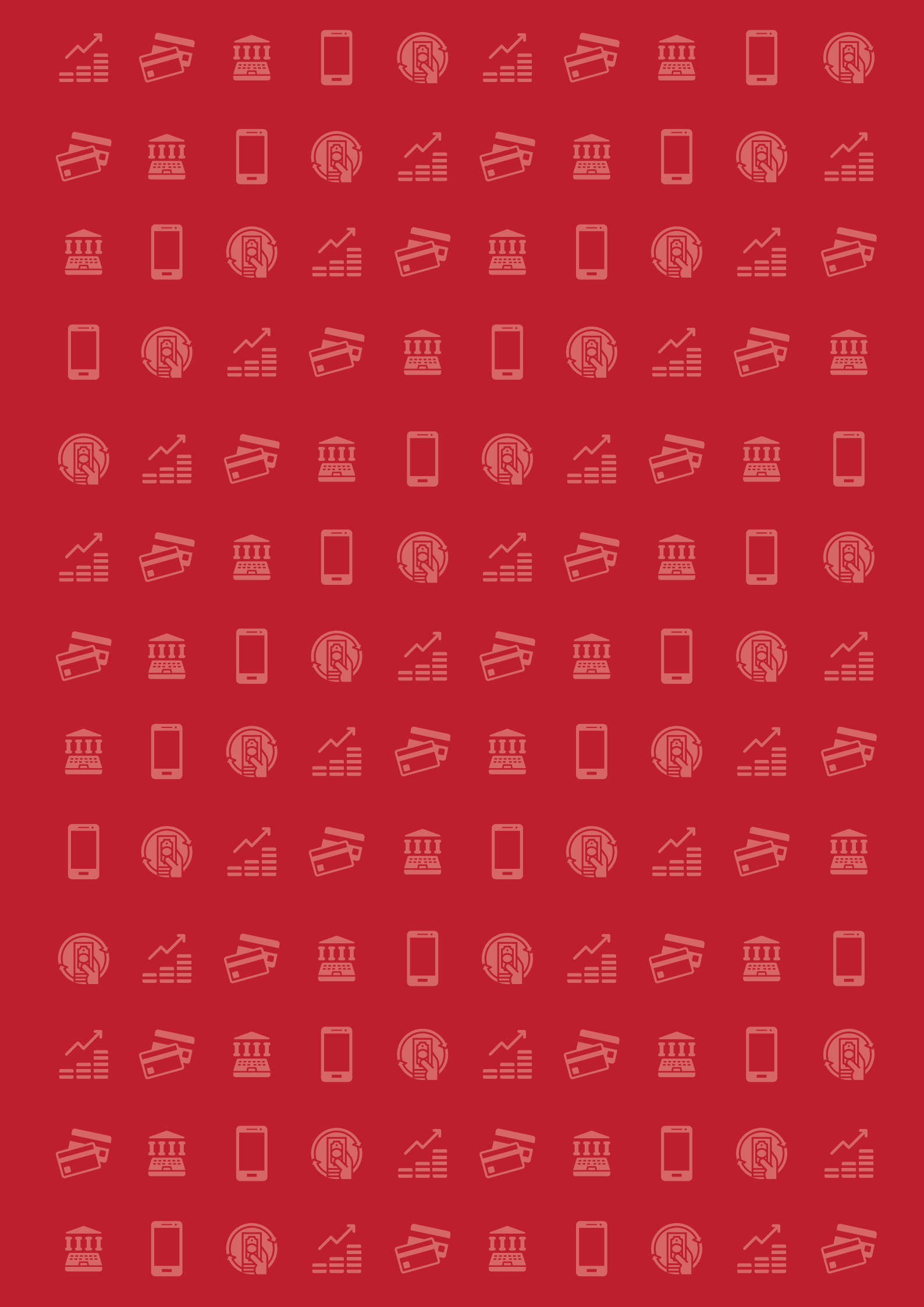

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