



Legal Analysis of Financial Technology (Fintech) Based Online Loan Agreements and The Legal Consequences

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Abstract - Borrowing and lending activities, whether conducted directly or indirectly, have become an integral part of people's lives, particularly with the rise of Financial Technology (Fintech). Fintech refers to financial services leveraging advancements in computerized technology to facilitate transactions, making it easier for individuals to conduct transactions involving products, goods, and services. Against this backdrop, this study explores key issues related to fintech-based online loan agreements: (1) What is the mechanism for canceling a fintech online loan agreement under applicable laws? (2) What forms of legal protection are available for debtors entering into fintech-based online loan agreements? (3) What are the legal consequences of canceling such agreements for both lenders and borrowers? This study employs a normative legal research method, collecting data from primary and secondary legal materials, including journals, literature, and statutory regulations. The collected materials are analyzed qualitatively and descriptively. The findings reveal that fintech-based online loan agreements may be invalidated if they fail to meet the requirements outlined in Article 1320 of the Civil Code or violate Article 47 paragraph (2) of Government Regulation Number 82 of 2012 concerning the Implementation of Electronic Systems and Transactions (PP PSTE). Furthermore, legal protection for creditors in fintech-based agreements comprises both preventive measures and repressive legal protections.

Keywords: Cancellation by Law of Agreement, Online Loans, Financial Technology

I. INTRODUCTION

The financial technology (fintech) sector has rapidly transformed the financial industry, reshaping how individuals and businesses access and manage financial resources. Fintech refers to the use of modern information technology and data analytics to provide innovative financial services, improve efficiency, inclusivity, and reduce costs and risks across sectors such as payment systems, lending, wealth management, insurance, and risk management, (Lu, 2024). Globally, the fintech market is projected to reach a value of \$305 billion by 2025, with online lending services standing out as one of its most impactful innovations. These platforms provide quick and simplified access to funds, eliminating the complex procedures associated with traditional banking. Financial technology (FinTech) refers to the innovative use of technology in the financial services sector, which has an impact on areas such as payments, loans, and investments. This presents opportunities and challenges for traditional banks, which require technological adaptation and innovation, (wu, 2024).

However, alongside its rapid growth and convenience, fintech online lending introduces a range of legal challenges that demand in-depth scrutiny. Among these, the cancellation of online loan agreements emerges as a critical issue requiring careful legal analysis. Legal protection for debtors in fintech lending, highlighting preventive measures such as service transparency and fraud prevention, and repressive measures through administrative, civil, and criminal law enforcement, ensuring compliance and safeguarding

consumer rights in online loan agreements, (Muazamsyah et al., 2024). fintech agreements, regulated by Law Number 21 of 2011 and Law Number 19 of 2016, create binding electronic contracts, stipulating legal rights and obligations for debtors, with potential legal action for violations, (Habibi et al., 2024).

Cancellation of an online loan agreement is not trivial. In the fintech context, where transactions are carried out electronically and involve parties who may be located far apart, various legal questions arise regarding how cancellation is regulated and what the legal consequences are. Therefore, there is a need for a comprehensive legal analysis to understand the basics of canceling fintech online loan agreements and the legal impacts that may arise from this action. The cancellation of agreements, including loans, is governed by certain legal provisions, such as the Indonesian Civil Code, which establishes the provisions for lawful cancellation (Dewitasari & Landra, 2015). The legal consequences of illegal fintech, including enforcement actions, victim compensation, and regulatory prevention efforts. It emphasizes the need for strict regulations and effective law enforcement to protect consumers and maintain trust in the fintech industry, (Sugihono, 2024). Unilateral cancellation by either party can be considered an act of default, leading to legal consequences and potential claims for damages by the aggrieved party (Nengsih et al., 2019). Sustainability and fairness in the fintech industry depend on clarifying the law regarding the cancellation of agreements. Without a clear understanding of these legal aspects, lenders, loan recipients and other related parties may face unexpected legal risks, threatening public trust in online loan services.

Based on the above background, then in this research will be examined and studied the problems as following: 1. What is the mechanism for canceling a fintech online loan agreement according to applicable law? 2. What is the form of legal protection for debtors who enter into fintech-based online loan agreements? 3. What are the legal consequences of canceling a fintech online loan agreement, both for the lender and the loan recipient? Based on the problem formulation has been stated above, then this research aims to: 1. Analyze the legal framework. 2. Assess the legal consequences of canceling an online fintech loan agreement. 3. Assess the terms and conditions of the online fintech loan agreement. There are benefits in this research with the aim that the author hopes to be able to provide direct benefits or indirectly, Namely:

1. Contribution to Legal Studies

This research is expected to make a significant contribution to legal studies, especially in the context of fintech online loan agreements. The results of in-depth legal analysis can be a valuable reference source for researchers, legal practitioners and academics in the legal field.

2. Practical Guidance for Parties Involved

By presenting a comprehensive analysis regarding the cancellation of fintech online loan agreements, this research is expected to provide practical guidance for the parties involved, both lenders and loan recipients. This can help reduce legal uncertainty and increase fairness in online financial transactions.

3. Increased Legal Awareness

This research can contribute to increasing legal awareness among the general public, especially those involved in online loan transactions. By understanding their rights and obligations, consumers can make more informed decisions and can increase legal security in online transactions.

4. Public Policy Development

The results of this research can be the basis for developing better public policies related to online financial transactions. Recommendations resulting from this research can help policymakers overcome legal challenges that arise as financial technology develops.

5. Consumer Empowerment

By providing a better understanding of legal rights and protection, this research is expected to empower consumers in interacting with fintech platforms. More educated consumers have the ability to protect themselves from potentially harmful practices. The researchers use to solve research problems is using consumer protection theory in fintech. Legal protection for consumers in fintech is protection given to legal subjects in the form of

legal documents, whether preventive or repressive, written or unwritten. In other words, consumer protection plays an important role as a legal umbrella to protect fintech users and can guarantee the rights of fintech users as consumers, such as comfort, security, correct information, dispute resolution and security of personal data.

Consumer protection in fintech transactions, namely studying consumer protection theories in the context of fintech transactions, is so important to evaluate the extent of legal protection provided to consumers in online loan agreements. According to Yusuf Shofie, the difference between consumer law and consumer protection law lies in the object being studied. According to Muchsin, legal protection is an activity to protect individuals by adjusting the rules or values formed in attitudes and actions in realizing order in social interactions between fellow humans' beings.

There are the Conceptual Framework followed by: .

- a) An agreement is an event where one person makes a promise to another person, or where two people promise each other to carry out something.
- b) Creditors are parties who provide loan services.
- c) The debtor is the party who receives the online loan
- d) P2p lending/fintech lending is an innovation in the financial sector that utilizes technology that allows lenders and loan recipients to carry out lending transactions without meeting in person.
- e) Default is a party that enters into an agreement, but does not carry out its obligations as originally agreed.
- f) Cancellation of an Agreement is a situation that results in a contractual relationship or agreement that is deemed to have never existed.
- g) Online loans are money loan facilities by online-based financial service providers.

II. METHOD

The qualitative method is the method chosen for this research which starts with data and analyzes it to obtain opinions in the form of narratives in order to examine existing events and gain understanding when conducting research and interviews. Qualitative research is used to understand the legal and social implications of financial technology (fintech) online loan agreements through in-depth analysis of legal materials, expert opinions, and real-world events. Qualitative research explores experiences and beliefs through detailed analysis, (Johnson, 2024). Primary legal materials include laws, regulations, and judicial decisions that serve as authoritative sources of law. Legal materials are usually collected through library research, with a focus on primary, secondary and broadcast sources (Pramono et al., 2023). Secondary legal materials consist of supporting references such as books, academic journals, magazines, and consumer opinions, which provide analysis and commentary on the primary legal sources.

Secondary legal materials which provide explanations of primary legal materials or which can be interpreted as the results of the opinions of experts or legal experts, as well as websites that can help in carrying out this research. Secondary legal materials are resources that interpret, analyze, or summarize primary legal sources. They include textbooks, legal encyclopedias, and journal articles, providing context and guidance for law students in understanding and effectively applying legal principles in their studies, (Moore & Newbery, 2022). The data collection technique used is based on the use of library data obtained through statutory regulations and direct observation, careful observation of events in an ever-changing environment and incorporating these changes into the final results which will be reflected in the evaluation. We can distinguish what is important and what is not. In analyzing the data, the author first recorded the data using library methods and prescriptive legal research. Data reduction is included in the data analysis work portfolio and allows data in the form of articles such as notes, books, diaries, magazines, photos of activities, etc. to be used as complete data.

III. RESULT AND DISCUSSION

3.1 Legal Analysis of Cancellation of Online Loan Agreements Based on Financial Technology and its Legal Consequences

Financial technology is the basis of online credit agreements. In the development of the current era, modern society cannot be separated from the support of online loan technology with varying results. However, this agreement is contained in Article 1754 of the Civil Code, this article gives the borrower or lessee the right to reject goods that have been lent or leased if the goods cannot be used properly or have defects that are troublesome for use. Thus, the borrower or lessee has the right to demand goods that are appropriate and in accordance with the agreement that has been made. However, it is important to note that this right of rejection is not absolute and must meet certain conditions in accordance with applicable law. In addition, rejection of goods must be done by notifying the lender or lessor as soon as possible after the defect or non-conformity of the goods is discovered. The parties agree to return the goods in the same quantity in the same condition.

The Financial Services Authority as referred to in Law Number 21 of 2017 is the foundation for the establishment of the Progress of FinTech Technology Development. The organization wants to supervise operations and finances and control fintech-based financing. This is included in Money Lending and Credit Services Based on Information Technology, POJK number 77/POJK January 2016. In general, a contract creates an agreement and then creates legal consequences that bind the parties to carry out the agreements contained in the contract. The agreement made must meet the requirements for a valid agreement, namely two subjective requirements.

The terms of the contract as regulated in Article 1320 of the Civil Code:

- 1) Agreement of the parties in a contract. When entering into a contract, the parties are given freedom and the contract is as follows: Article 1321 of the Civil Code¹¹⁰ explains that the contract clause is a person or a party is bound freely without any coercion, negligence or fraud. The provisions of Articles 1323 and 1325 of the Civil Code stipulate that a contract is void if there is any element of coercion.
- 2) The capacity of the parties to carry out an agreement. Competence refers to the requirement that a person has the power to enter into a contract. The parties to an agreement promise to carry out and achieve their goals.

According to Articles 1330 of the Civil Code, the following persons are considered legally incompetent:

- a. Not yet an adult, that is, not yet 21 years old and not yet married.
- b. Being under pardon or conservatorship means that the person is an adult but has not received pardon because his/her mental or thinking condition is less than perfect. According to Article 433 of the Civil Code, a person is considered to have received pardon if he/she has a mental disorder in the sense that he/she has committed a minor unlawful act.
- 3) A Certain Thing. Contract disputes typically center on issues regarding whether the terms of the agreement represent the rights and responsibilities of the parties. Because they choose what types of goods may be traded and what is specified in the contract, the parties feel the arrangement is fair.
- 4) Halal reasons. Because what is lawful means that the parties must achieve the goal. In this case, the agreement must contain the contents of the Pancasila principles. It is clear from the above information that both subjective and objective requirements are necessary for a contract to be valid. Points 1 and 2 are classified as subjective conditions, meaning that if they are not met, the contract can be terminated; conversely, points 3 and 4 are categorized as objective conditions. The fact that the contract has been executed is legally invalid because the contract never existed in the first place.

An agreement has the same legal consequences as the enactment of a law, if the conditions for its validity are met.

The parties involved in implementing the loan agreement are:

1. Organizer. The organizer, namely a company officially recognized by the OJK, provides services and facilitates the formation of loan agreements between creditors and debtors.
2. Lender (Creditor) The financial service or individual who has given money or rendered services to the borrower is known as the lender.
3. Loan Recipient (Debtor) The party who borrows money or rents something with an agreement to repay the loan in full within a certain period of time is called the borrower. If the borrower has passed the deadline, the lender has the right to request payment. Based on the description above, the Agreement is an oral or written guarantee between two parties regarding the applicable rules and regulations, based on the description given above.

Validity of Agreements in Contract Law, incompetence is classified into 2, namely:

1. Inability to act (handling of the stock market), namely individuals who are completely incapable of performing lawful acts. Article 1330 of the Civil Code mentions these people.
2. Inability to act (handling of the problem), namely the inability of a person to legally carry out certain legal acts.

Based on the explanation given, the following conclusions can be drawn: Online loans obtained illegally can be canceled for the following reasons: If the provider of electronic money lending does not have a permit or does not legally make an agreement with the borrower, the loan can be canceled. Because the organizer in this case is not registered and licensed, it does not meet the competency requirements.

Thus, in accordance with the provisions of the Civil Code Article 1451, it states: If the agreements are void due to the incompetence of the parties as referred to in Article 1330, then the goods and persons of the parties are returned to the condition in which they were before the agreement was formed, with the understanding that everything they own. How is the Legal Protection for Debtors Who Enter into Fintech-Based Online Loan Agreements?

Fintech providers try to connect creditors and borrowers using their platform. The provider then allows the borrower to access the creditor's money. The provider reviews and evaluates the debtor's proposal before releasing the loan to the creditor. Although there are risks associated with this service, these risks are unavoidable. Unrepayable debt is a common problem faced by debtors (borrowers) of online lending companies based on Fintech. If the debtor (borrower) defaults on his obligations, then the creditor (lender) is the one who suffers. Until now, credit service providers are not legally protected. Creditors only accept collateral in the form of an ID card and a selfie with the ID card.

Ensuring legal protection for debtors who enter into fintech-based online loan agreements is very important to protect the financial rights and security of consumers.

The following are some legal protection mechanisms that are generally applied:

1. Transparency and Clear Information
 - a. Easy-to-Understand Terms and Conditions: The law requires online lenders to present terms and conditions clearly and easily understood by debtors. This includes fees, interest rates, payment deadlines, and other important information.
 - b. Notification Obligation: Legal protection includes the obligation of the lender to provide notice to the borrower of any significant changes in the terms of the loan or agreement.
2. Consumer Protection Provisions
 - a. Interest Rate Limits: Some jurisdictions have certain limits on the interest rates that online lenders can charge. This is to prevent unfair lending practices.
 - b. Right to Cancellation or Early Repayment: Consumer protection may include the right to cancel or early repayment of a loan without incurring additional costs.
 - c. Protection Against Unfair Collection: Debtors have the right to be protected from unfair or oppressive collection practices, such as threats or intimidation.
3. Protection of Personal Data
 - a. Privacy and Data Security: Regulations often govern how lenders store and manage borrowers' personal data to prevent misuse of information.
 - b. Data Deletion: There is a requirement to delete the debtor's personal data after a certain period of time or after the loan is completed and paid.

4. Obligation to Provide Explanation Explanation of Risks and Consequences: Loan providers are required to provide a clear explanation of the risks and consequences that may arise if the debtor fails to repay the loan.
5. Right to File Complaints and Disputes Dispute Resolution Mechanism: Debtors have the right to file complaints and use dispute resolution mechanisms provided by regulations or authorized institutions.
6. Audit and Supervision of Loan Providers Supervision by Financial Authorities: The existence of a supervisory institution or financial authority that monitors and supervises the activities of online loan providers to ensure their compliance with regulations.
7. Financial Education for Consumers Financial Education Program: Efforts to improve consumer financial literacy through education and information programs provided by the government or related institutions.
8. Anti-Discrimination Law Anti-Discrimination in Eligibility Determination: Legal protections that prohibit discrimination in determining eligibility or approving loans.

From the explanation above, it can be concluded that in order to achieve a balance between the demands of the financial industry and consumer rights, debtors who enter into online loan agreements based on fintech are legally protected. Therefore, it is important for debtors to understand their rights and for loan providers to comply with applicable regulations. Here is an example of an illegal online loan case: The Criminal Investigation Agency (Bareskrim) of the Indonesian National Police has arrested four suspects in an online loan (pinjol) case involving the Karib Bro platform. The arrests were a follow-up to the police report LP/A/0117/III/2022/SPKT/Dittipideksus of the Indonesian National Police Criminal Investigation Agency dated March 9, 2022. Based on the report, 4 suspects have been arrested," said Ramadhan at a press conference held at the National Police Headquarters, Jakarta, this Wednesday.

Based on his complaint, the victim who is a client with the initials FK was threatened and insulted by a debt collector with the initials G. According to Ramadhan, the Financial Services Authority (OJK) has not registered and granted permission to the Karib Bro. platform. He continued, the strategy used in this case was to send insulting and threatening communications to loan customers in an effort to collect money. After a thorough examination, the suspects with the initials G, N, S, and J were arrested on March 10-11, 2022 by investigators from the Criminal Investigation Unit of the Directorate of Special Economics. "G's role was to collect by sending messages containing threats," said Ramadhan. Threatening personnel to collect was one of the ways the other three defendants, including N, coordinated the effort. Suspect J worked for the owner of a loan collection company as a translator and assistant.

"The fourth, S, whose role is as an admin who processes billing data and billing performance data," added Ramadhan. Ramadhan also said that investigators secured several pieces of evidence in the form of 5 laptops, 8 mobile phones, and 1 PC, GSM card, 1 ATM card along with a savings book, and 1 ID card. The four suspects are suspected of Article 27 to Article 33 as referred to in Article 45 paragraph 1 in conjunction with Article 27 paragraph 1 and/or Article 45 paragraph 3 in conjunction with Article 27 paragraph 3 and/or Article 45 paragraph 4 in conjunction with Article 27 paragraph 4 concerning Information and Electronic Transactions (ITE).

Legal Impact of Consumer Loan Default on Fintech (Financial Technology) Based Loans. In essence, peer-to-peer lending is a legitimate consumer right or interest that is regulated in consumer protection and consumer law. A collection of laws and regulations known as consumer protection laws regulate the actions that must be followed to ensure the implementation of legal protection for the interests of consumers. As one form consumer protection, consumer protection is defined as all efforts to ensure that consumer rights are fulfilled. The idea behind Finetech's service, which is based on peer-to-peer lending, is to use the platform provided by the service provider Fintech to channel money from lenders to borrowers to create loans that are sufficient to suit the needs of its users. Peer to Peer Lending: OJK has the authority to supervise and control all activities of the financial services industry, including lending and borrowing.

Therefore, if the loan recipient experiences default and the lender experiences losses through the Fintech service mechanism based on Peer to Peer Lending, then the OJK must be ready with a method for handling problems in the future. The parties have fulfilled the requirements for a valid agreement as stated in Article 1320 of the Civil Code, which includes agreement, capacity, lawful causes, and special matters, with the provision that the process of implementing peer-to-peer lending between the lender and the borrower has been agreed upon and documented in an electronic document. That in order to implement Peer to Peer Lending, the lender and the borrower must comply with the agreement that has been made between them. Because, Article 1338 of the Civil Code states that "all agreements made legally apply as laws for those who make them.

IV. CONCLUSION

The conclusions that can be drawn from the discussion above are as follows:

1. A peer-to-peer lending fintech agreement creates a legal relationship between the lender and the borrower. After that, the parties reach an agreement, and a contractual relationship is established. Article 1320 of the Criminal Code contains this agreement and outlines 4 conditions for the validity of an agreement. However, points 3 and 4 of a certain matter and a lawful cause will apply when the online loan agreement is legally canceled.
2. Debtors who follow the Fintech-based online loan agreement with OJK must follow certain legal protections; in the event of an act that violates this agreement and causes losses, OJK will request the termination of business activities. OJK can issue a warning in the form of an order to business actors who carry out actions that are considered unreasonable to stop immediately. OJK can also issue information about any business operations that may endanger customers or the wider community.
3. If the borrower fails to fulfill his obligations under the terms of the agreement, the lender can take legal action against him. However, in reality, many borrowers often violate the law, so the lender warns the borrower that defaulting on the loan can have legal consequences. This is how the Peer to Peer Lending agreement works.

The conclusion of this analysis is that fintech companies and related parties need to ensure regulatory compliance, increase transparency of terms and conditions, and develop effective strategies to manage potential agreement cancellations. In addition, the involvement of authorities and the promotion of alternative dispute resolution can be important preventive measures in minimizing risks and increasing consumer confidence.

What the author can convey based on the results that have been explained is:

1. Indonesian people are expected to be careful in utilizing online loans and understand the terms and conditions of users in the agreed loan contract to avoid problems related to the existence of a loan contract. Community support and education to community stakeholders regarding online loan agreements are needed to help the community better understand the positive and negative impacts of online loan agreements.
2. It is hoped that the Government will further strengthen the regulations of the financial services authority in the Civil Code and that online lenders based on Fintech can carry out their business activities properly so that laws and regulations run properly and in carrying out their business they receive legal protection for debtors.
3. Parties involved in the fintech industry, including online lenders, are advised to regularly monitor regulatory changes at the local and national levels. The presence of clear laws and a deep understanding of new regulations can help anticipate changes and adjust business practices quickly.
4. Fintech companies are advised to collaborate with legal experts who have a deep understanding of fintech regulations and applicable legal practices. Regular consultation with legal experts can provide timely guidance and provide preventive solutions before legal problems arise.

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