Contract Law in Online Lending Practice

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ABSTRACT

This study aims to identify the law of agreement on the practice of online lending that is developing in Indonesia. This research is a normative research with a contract law approach. Methods Data collection is done by the library method (literature). The results show that online lending practices are developing in Indonesia, applications that operate as online loan facilities include legal, illegal applications, and applications labeled as Financial Services Authority or OJK in Indonesia, Ministry of Communication and Information of the Republic of Indonesia, and Indonesian Joint Funding Fintech Association or AFPI in Indonesia. Online loan transactions that require borrowing to obtain funds, the application operator only verifies personal identity as a condition of the agreement. Therefore, the legal concept of agreement in online lending practices is that it does not meet the provisions of the agreement system and contains rights and obligations between parties and the disclosure of public information on online lending, so that online lending practices are exclusive and have defects in all online lending practices.
A. Introduction

The practice of online-based lending through digital platforms, based on prerequisites, mostly does not meet the administrative criteria as other financing processes such as banking institutions as well as other financing agencies. Although the online-based loan platform has included the OJK logo, legal legality. Data from the Ministry of Communication and Information of the Republic of Indonesia regarding loan offers from 2018-2020 recorded that 3,500 illegal platforms were stopped\(^1\) and in 2021, 3,365 online loans were frozen, and the number of cases in 2021 was recorded at 7,128 fraud complaints.\(^2\) Priyonggojati's online lending practice emphasizes the weak protection for borrowers based on peer to peer lending,\(^3\) so that a claim for compensation (default) cannot be made by the debtor because the agreement system is not clear so that each of them does not have a permanent legal position.

To date, previous studies have discussed many online lending practices. For example, Abdul Latif Mahfuz discussed the practice of online loans from the business context that providing online loans is very important in responding to digital transformation.\(^4\) Another report by Candrika Radita Putri, the existence of a digital platform on online loans, it is difficult to file a lawsuit if there is a defect in the agreement due to the limitations of the administrative system as concrete evidence.\(^5\) Agung Hidayat reported that loans in the context of Islamic law should have clarity and certainty.\(^6\) Abdulhamim revealed that the majority of online loans are legally flawed and do not have the standards required by the OJK 7 and Bank Indonesia.\(^7\)


Several previous studies have shown that the issue of online agreement law is still limited to scholars.

To complement the existing research, this paper aims to identify the legal practice of platform-based lending practice agreements. This paper is based on two questions, first, how is the existence of an online loan platform in Indonesia? Second, why does the digital platform-based agreement system not fulfill the legal aspects of the agreement?

This study argues that the practice of online lending, both illegal and legal, that its development in Indonesia has increased significantly and is difficult to control so that the public (debtors) can access freely without considering the legal aspects and information about the risks of the online lending practice. In addition, the basic online loan process is to fulfill the elements of the agreement on the rights and obligations of the parties, among others, at least containing an agreement with an interest rate and loan period as well as other supporting evidence. So, transparency related to online loan application information is displayed on the description page of each application as a basis for public consideration in making loans. Therefore, the practice of online lending in Indonesia, as a whole, does not meet the legal elements of the agreement so that the practice of borrowing is legally flawed.

B. Method

This research is a normative legal research and is also called a doctrinal legal research. This normative legal research is based on the doctrines derived from positive law. A positive legal study on the current phenomenon related to online lending practices is a legal challenge to anticipate the massive movement of online lending practices in the future. The search carried out on legal instruments has not been significant enough to answer online loan problems, so it seems that the law seems ambiguous and online loan applications are exclusive. The data collection is based on literature (literature), the literature data is obtained from various research journal articles, then collects data as needed including data on illegal, legal loan applications, and applications that use certain authority labels but do not have operational permits. Not only that, other supporting data were obtained from researchers' observations of legal applications through online loan application websites to obtain information about the transparency of the agreement system and completeness of information according to existing regulations. Then drawing the

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conclusions of this study, the researcher classifies the data that is processed and collected to be presented in the results of the study, and the steps for drawing conclusions the researcher draws on the core points of online loans, among others, related to the existence of online loan applications and legal aspects of the agreement as benchmarks fundamentals.

C. Finding and Discussion

1. The Existence of an Online-Based Lending Platform in Indonesia

Online loans are a contemporary transformation in the development of financing. Creativity in providing online loans is practical and makes it easier for people to get accommodation with the availability of micro-based loans. However, the development of online lending, still requires education related to increasing public literacy regarding the positive and negative sides of online loan provider applications.\(^9\) Considering the transformation of online loans from those based on online learning and has its own consequences in using applications as a means of borrowing funds.

The development of online loans in recent years has been very significant and the public can easily reach them through the play store application and website freely. This shows that the borrower is quite significant and reaches 74% and considers that online loans provide ease of requirements and ease of obtaining loan funds.\(^10\) This is inseparable from the increasing consumption power and lifestyle of the people.\(^11\) The online loan trend is directly proportional to the level of community need to meet their needs.

a) Classification of Online Loan Applications

The emergence of online loan applications has provided many changes in the lending and borrowing process with many offer service features circulating on websites, advertisements, and application providers. Comparing the loan process at banks there are very significant differences regarding transactions between parties. Banking and other (offline) financing require certain conditions as collateral, while online loans only require personal identity as the main

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However, the easy requirements are also a problem, namely the use of personal identities can be faked and the application does not contain detailed information as transparency to the public as initial information before making online loan transactions.\textsuperscript{13}

Online loan applications operating in Indonesia include illegal, legal applications, and applications bearing the OJK label. However, overall these applications are not all information systems that are transparent in their operational systems. Therefore, the applications operating in Indonesia can be seen in the table (1) and (2):

<table>
<thead>
<tr>
<th>Platform</th>
<th>Developer</th>
<th>Url Playstore/Url App</th>
</tr>
</thead>
<tbody>
<tr>
<td>DK</td>
<td>DK</td>
<td>✓</td>
</tr>
<tr>
<td>DT</td>
<td>CL</td>
<td>✓</td>
</tr>
<tr>
<td>RT</td>
<td>KSP DSY</td>
<td>✓</td>
</tr>
<tr>
<td>KDC</td>
<td>MU/ KSP MAP</td>
<td>✓</td>
</tr>
<tr>
<td>RK</td>
<td>EW</td>
<td>✓</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Platform</th>
<th>Developer</th>
<th>Url Website</th>
</tr>
</thead>
<tbody>
<tr>
<td>AC</td>
<td>-</td>
<td>✓</td>
</tr>
<tr>
<td>BU</td>
<td>-</td>
<td>✓</td>
</tr>
<tr>
<td>BS</td>
<td>-</td>
<td>✓</td>
</tr>
<tr>
<td>AK</td>
<td>-</td>
<td>✓</td>
</tr>
<tr>
<td>BC</td>
<td>-</td>
<td>✓</td>
</tr>
</tbody>
</table>

The development of online loans, an important indicator for the public to pay attention to is the negative impact before making a transaction. Applications that offer loans with various facilities, both legal and illegal, have risks faced by debtors in online lending practices, including, first, not having legality at the OJK. Second, offering SMS, WA, and Application Ads. Third, Interest and Fines reaching 1-4% per day. Fourth, other surcharges account for 40% of the loan value. Fifth, the loan limit is very short. Sixth, requesting access to personal data, contacts, photos, videos, and locations etc. Seventh, make bills in the form of terror, intimidation, and harassment. Eighth, no complaint service was found.

These eight indicators show that the online loan application is not feasible to operate because it is not controlled by a certain authority system so that it must be legally frozen.\textsuperscript{14} Therefore, transparency of online loan media is very

\textsuperscript{12}Erna Prilliasari, “Pentingnya Perlindungan Data Pribadi dalam Transaksi Pinjaman Online”, \textit{Majalah Hukum Nasional}, Vol. 49, No. 2, 2019.


important as a consideration for conducting loan transactions.\textsuperscript{15} OJK has taken countermeasures in eradicating illegal lending practices through applications by blocking applications. However, similar apps may reappear. The emergence of this illegal application, basically cannot be controlled optimally because the process is through Google which is freely accessible to anyone.\textsuperscript{16}

Table 3. Illegal Online Loan Application Labeled Financial Services Authority (OJK)

<table>
<thead>
<tr>
<th>Platform Name</th>
<th>Web/Plat</th>
<th>NRO</th>
<th>Sert AFPI</th>
<th>Label OJK</th>
<th>Agreem</th>
<th>PT</th>
</tr>
</thead>
<tbody>
<tr>
<td>KP</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>DP</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>DL</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>CR</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>NC</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

In addition, it was found that several applications and websites had not been frozen by OJK and the Ministry of Communication and Information of the Republic of Indonesia and used several labels as lighters. The information in Table 3 shows that this online loan application does not have a registration number from the OJK as proof that the loan application has been registered, as well as the Indonesian Joint Funding Fintech Association or AFPI in Indonesia certificate. It was also found that displays a description of the agreement and also does not explain the agreement process. However, the applications in table 3 as a whole do not explain in concrete and detail the amount of interest, loan duration, and other costs to debtors when pre-borrowing.

The practice of online lending, in addition to having accountability in making it easier for people to get loans, also has risks. This online loan is an alternative to meet needs that require fast funding. However, the risk is that online loans include loans made to applications that are not legal entities (illegal), because the risk is that their identity can be used by application managers to commit crimes.\textsuperscript{17} Loan practices that should be taken into consideration are the very short repayment period of only 7 days and a 14 days grace period, so that when making a loan, careful consideration is needed from the debtor before the transaction.

Likewise, loan applications that have developed to date can be seen the difference between applications that have an operational permit by the OJK. From

\textsuperscript{15}Ari Widiarti, Nursolihi Insani, and Halimah Humayra Tuanaya, “Penyuluhan Dampak Positif dan Negatif dari Layanan Pinjaman Online dalam Ranah Hukum Pidana dan Hukum Perdata di Desa Jagabaya Kabupaten Lebak-Banten”, \textit{Abdi Laksana}, Vol. 2, No. 3.


this application, it can be seen that there are two online lending systems that have been granted permission by the OJK, namely the conventional and sharia systems. Therefore, online loan applications can be seen on table (4) and (5):

**Table 4. Conventional Basis Online Loan Application**

<table>
<thead>
<tr>
<th>Pf</th>
<th>Dvl</th>
<th>Web</th>
<th>Ls</th>
<th>Tp</th>
<th>Yr</th>
</tr>
</thead>
<tbody>
<tr>
<td>DNM</td>
<td>✓</td>
<td>✓</td>
<td>KEP-49/D.05/2017</td>
<td>Conventional</td>
<td>2017</td>
</tr>
<tr>
<td>ARH</td>
<td>✓</td>
<td>✓</td>
<td>KEP-46/D.05/2019</td>
<td>Conventional</td>
<td>2019</td>
</tr>
<tr>
<td>MDK</td>
<td>✓</td>
<td>✓</td>
<td>KEP-81/D.05/2019</td>
<td>Conventional</td>
<td>2019</td>
</tr>
<tr>
<td>PM</td>
<td>✓</td>
<td>✓</td>
<td>KEP-20/D.05/2020</td>
<td>Conventional</td>
<td>2020</td>
</tr>
<tr>
<td>PD</td>
<td>✓</td>
<td>✓</td>
<td>KEP-5/D.05/2021</td>
<td>Conventional</td>
<td>2021</td>
</tr>
</tbody>
</table>

**Table 5. Sharia-labeled Online Loan Application**

<table>
<thead>
<tr>
<th>Pf</th>
<th>Dvl</th>
<th>Web</th>
<th>Ls</th>
<th>Tp</th>
<th>Yr</th>
</tr>
</thead>
<tbody>
<tr>
<td>AI</td>
<td>✓</td>
<td>✓</td>
<td>KEP-123/D.05/2019</td>
<td>Sharia</td>
<td>2019</td>
</tr>
<tr>
<td>ALM</td>
<td>✓</td>
<td>✓</td>
<td>KEP-21/D.05/2020</td>
<td>Sharia</td>
<td>2020</td>
</tr>
<tr>
<td>DS</td>
<td>✓</td>
<td>✓</td>
<td>KEP-10/D.05/2021</td>
<td>Sharia</td>
<td>2021</td>
</tr>
<tr>
<td>DS</td>
<td>✓</td>
<td>✓</td>
<td>KEP-32/D.05/2021</td>
<td>Sharia</td>
<td>2021</td>
</tr>
<tr>
<td>PS</td>
<td>✓</td>
<td>✓</td>
<td>KEP-90/D.05/2021</td>
<td>Sharia</td>
<td>2021</td>
</tr>
</tbody>
</table>

Based on tables 4 and 5 related to the online loan system, it is an effective solution to the development of financing. However, the trend towards online loans still needs improvement regarding the disclosure of information to customers who participate in applying for loans. Improving systems and monitoring online loan applications is very important, because there are 150 fictitious data used in loan transactions that are not the real identity owners.

The practice of online lending, in addition to having convenience, also carries a high risk, including the risk of the debtor borrowing, first, the interest rate ranges from 30% -40% for each return so that the burden must be borne by a larger one. Second, the debtor pays a service fee of 3%-5% of the loan value. Third, the repayment period is very short because the maximum limit is 12 months depending on the size of the loan. Fourth, the range of data leaks in online loan applications. Not only that, potential debtors have consequences by falsifying other people's identities, and involving people as supporting contacts who cannot be identified by the online loan provider. Therefore, loan

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applications require a work system so as not to harm each other and clear legal instruments in online lending transactions.\textsuperscript{22}

\textbf{b) Disclosure of Online Loan Information}

Observing the practice of online lending, one of the problems is the disclosure of information to the public before making loans. Disclosure of agreement information both on an interest scale will have an impact on creditors abusing their personal identities.\textsuperscript{23} For example, in the United States, since 2012 popularity has grown rapidly and is in great demand by the public. However, the problem occurs is the disclosure of information both debtors and online loan providers and the average debtor defaults. Therefore, the transformation of online loans avoided the problems in 2012, so information disclosure (transparency) including agreement steps and documentary evidence must be held as a public consideration for making online loans.\textsuperscript{24}

On the other hand, the disclosure of online loan information can be seen from the OJK regulation Number 77/POJK.01/2016 concerning Information Technology-Based Borrowing and Borrowing Services, Bank Indonesia Regulation Number 19/12/PB/2017 concerning Financial Technology Operators has not been regulated in such a way, so that online loan service practices can freely take advantage of opportunities for debtors.\textsuperscript{25} Therefore, the development of online loan applications is that there are still regulatory limitations as a reference in operating digital loan applications, both in terms of public information disclosure of the agreement system and other information on the operation of loan applications.\textsuperscript{26} This requires regulations and arrangements for online loan applications that operate both illegally and legally,\textsuperscript{27} as well as the process of law enforcement investigations on online loan applications.\textsuperscript{28}

\textsuperscript{27}Hendro Nugroho, “Perlindungan Hukum bagi Para Pihak dalam Transaksi Pinjaman Online”, \textit{Jurnal Hukum Positum}, Vol. 5, No. 1, 2020.
2. The Digital Platform-based Agreement System Does Not Meet The Legal Aspects of The Agreement

Looking at the online loan agreement system based on OJK Regulation Number 77/POJK.01/2016 concerning Information Technology-Based Borrowing-Lending Services, Article 19 paragraph 2 explains the terms of the agreement as proof of documents between the borrower and lender, including, among others, the agreement number, date of agreement, identity of the parties, provisions regarding the rights and obligations of the parties. Number of agreements, loan interest rates, amount of commission, period, details of related costs, provisions regarding fines, problem solving mechanisms, and settlement mechanisms in the event that the organizer cannot continue the process activities. The provisions of Article 19 of this paragraph are an instrument that should be provided by the service party (the organizer) to the creditor.

In the law of agreement that online loans have not explicitly been promulgated and only prioritize regulations from the OJK authority and other regulations relating to online transactions. However, the legal force in the practice of disputes on online loans does not only have an impact on civil issues, but also involves criminal matters. So that the practice of online lending is much riskier than the practice of direct lending to financiers such as banks, etc.

a) Completeness of Online Loan Provider Application Agreement Documents

In the agreement that the completeness of the document is a priority as legal evidence if there is a violation of the agreement between the parties agreeing. The alignment of the agreement in the document evidence of the law enforcement process and legal protection is easier in the legal process with the availability of the points agreed upon by each parties. Taking a deeper look at the online loan agreement process that takes place, the aspects in the proof of the agreement document only prioritize personal identity as concrete evidence. Even though the OJK has established a supervisory task force by involving several state institutions to investigate online lending practices, on the other hand, it is still not maximally realizing the points that must be agreed upon in loans to online loan application providers.

Based on the principle based regulation, the role of OJK in formulating regulations and supervising online transactions between parties

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30 Ibid.
31 Ni Putu Maha Dewi Pramitha Asti, op.Cit.
and the technical provisions on the implementation of online loans are left to each online loan provider.\textsuperscript{32} One of the weaknesses in online loans is the transparency of the provider to the debtor regarding the loan agreement process. One example is an online loan application that offers online loans that the loan application only contains the complete personal identity of each debtor. This can be seen in the following figure:

![Figure 1. Online Loan Terms](image)

Based on this data, online loan services are in the form of a requirement to get funds using only personal identity according to the identity card. In this case, considering the OJK Regulation Number 77/POJK.01/2016 article 19 paragraph 2, it clearly requires documentary evidence between the parties, namely the rights and obligations of the borrower and the provider. In the agreement, the substance of the legal instrument is as a concrete standard and the agreement process can take place based on the will and trust, that the parties are bound and proven by a written agreement document between the parties and signing a counter agreement as a form of trust.\textsuperscript{33}

The concept of civil law related to agreements is defined in Article 1320 paragraph as the basis for agreement. This means that the provisions of the article are freedom in determining the agreement so that many types of contracts arise. However, the freedom to enter into a contract agreement basically has to go through filling out a form as documentary evidence that in the event of a default, the legal process and complaints are easier to take with the availability of the facts of the agreement.\textsuperscript{34}


\textsuperscript{34}Ibid.
is based on civil law that stated that the agreement was made valid in accordance with the applicable law.\textsuperscript{35}

Agreement in the contract as a fundamental basis, if you look at this online lending practice, agreement is not only seen as an agreement between the provider and the borrower who agrees. Because, the terms of this online loan involve another person as an emergency contact as an emergency contact to be confirmed if the debtor fails to pay according to the agreement. Therefore, the issue of terms and agreements in the online loan process is a complex issue and is not regulated by applicable laws, nor does OJK regulation.

The supervisory function should be discussed in OJK regulations and/or at the statutory level. Online borrowing regulations are not enough if they only regulate between parties, but consider that emergency contacts must also be regulated in order to protect them from third parties (emergency numbers). Moreover, the online loan process only verifies the borrower’s personal data regardless of the existence of the emergency contact, whether the owner of the emergency contact has agreed or otherwise. The Electronic Technology Information Law is not sufficient so that special regulations are needed to regulate online loans.\textsuperscript{36}

b) Disclosure of Public Information about Online Loan Agreements

Making an agreement is often a problem because of the lack of understanding of the agreed process and its legal consequences, most debtors are trapped because they only see the ease of disbursing funds without considering future risks.\textsuperscript{37} Meanwhile, debtors regarding literacy are still low related to information technology systems and the ability to distinguish legal and illegal loan provider applications. However, a legal application still needs further observation regarding the transparency of the information provided. Transparency, on online loans at least includes the loan term, the amount of interest rates, and the dispute resolution process in case of default.\textsuperscript{38}

One of the problems with online loans is related to public disclosure regarding the agreement and the amount of interest the debtor must pay. The interest rate does not explain the level and term of the loan so that the process

of operating this online loan seems exclusive. This can be seen in the online loan description:

**Figure 2. Standard Disclaimer**

![Standard Disclaimer Image]

Source: An online loan website that has OJK’s Permission

Based on the figure 2, it does not contain a description of the agreement between the parties (the provider and the borrower) so that the online loan looks ambiguous. The weakness of this online loan is the transparency of interest rates and the form of agreements between parties. Moreover, this lending practice is carried out online (virtually), so this agreement should have detailed information for public consideration. Because there is a very high risk for both the borrower and the provider. The risk that can occur is that the borrower defaults and / or deliberately does not pay the loan, even though each party is bound by law.

Therefore, to regulate online lending as a microloan transformation, it is very important to make legal reforms. The reform regulates in such a way the operating system and implementation integration with state institutions that have a central role such as the Ministry of Communication and Information of the Republic of Indonesia, Bank Indonesia, OJK with a clear regulatory concept. In the online loan process, the level of risk does not only involve one party (the borrower) but other parties are freely involved and can be done without prior confirmation.

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40 Edy Chrisjanto and Nidya Tajsgoani, *op.Cit.*

41 Erna Prillasari, *op.Cit.*
3. The Implication of Online Lending Practices in Indonesia

Financing transparency has experienced significant developments with the existence of digital-based loans that can be utilized by the community. However, the existence of online loan applications still has weaknesses, including inadequate legal instruments and transparency. Junerlin, Herlina, and Erita, said that online loans are still tenuous, there is falsification of personal identity (borrowers), the falsification can be done by borrowers without using personal identity (others) freely as well as utilizing someone's personal contact freely as an emergency contact without prior notification.42 Henry D. Jacoby, Henry Chen & Brian P. Flannery, online loan transparency is very important to build the credibility of online lending before the parties bind themselves to the online loan agreement, so that proof of documents, interest rates, loan periods is important explained by the online loan application provider.43

The practice of online lending, as revealed by Gavin Brookes & Kevin Harve, online lending easily influences people to practice online lending. One form of influence is by displaying visualizations through social media advertising layers and the like regarding unsecured loans. This visual process can affect people's mindsets to make online loans without considering the impact of future risks. Gavin Brookes & Kevin Harve reiterated that the visualization process is to attract attention, so that people don't care whether the lender's application has an operational permit and/or not. Therefore, the government or the authorities representing the government should respond by updating the legal instruments specifically in controlling online loans that operate exclusively.44

a) The Weakness of Legal Instruments Against Online Loan Control

Current technological developments are also directly proportional to business development by utilizing digital facilities. Agata Gemzik Salwch revealed that the development of financing (the credit system) should have its own regulations to prevent stability of financial circulation and minimize fraudulent practices. Because of the existence of technology, apart from positive news, there is also bad news, so it is important to procure regulations. Procurement of regulations (laws) to build the financing function and the image

of the lending market towards a better direction. Among the determination of banking functions and online loan applications and/or integrating the two as a form of renewing future financing.45

In the words of Agata Gemzik Salwch, it can be seen that there are regulations governing online loans in Indonesia. Regulations in Indonesia only have regulations that contain the implementation of the agreement and it is said to be legally valid, but because of the nature of the regulation it only regulates the mechanism, while violations and defaults from the parties making the agreement will be difficult to follow up legally because there is no law that regulates sanctions against parties who commit violations. Moreover, the parties do not meet each other directly in deciding an agreement.

Implementing the agreement between the organizer and the debtor is connected online. So the evidence and guarantees used are proven electronically. Based on this, the potential organizers and debtors each have risk opportunities. However, the debtor will face a greater risk because it involves personal data issues, especially since the agreement process has been legally flawed. Therefore, a virtual meeting between the organizer and the debtor is not enough if it is only based on the ITE Law and OJK regulations and the Civil Code. The acknowledgment of legitimacy is still recognized, but regulating it in such a way has not been able to make a positive contribution to online lending practices.

b) Online Loans with Defective Agreements Do Not Meet The Legal Aspects of The Agreement

Referring to OJK regulations Number 77/POJK/2016 and Law Number 11 Year 2008 regarding ITE that the online loan application operations do not apply explicitly. Technology-based operations, Jie Sheng expressed concern that policies in the use of technology could, among other things, lead to flexibility and efficiency for the parties.46 If this concern is not prevented, it will have a negative impact and give birth to distrust of the development of technology-based financing. Guy Edwards, Isabel Cavelier Adarve, María Camila Bustos & J. Timmons Roberts report that climate acceleration and progress must be backed up by policies to meet future challenges to change itself.47 Moreover, according to Abu S. Amin, Mahmood Osman Imam & Mahfuja Malik, micro credit has

increased every year. Therefore, due to the massive online lending currently, it is necessary to support policies to maintain economic stability.  

Therefore, the regulatory online loan agreements made by the OJK and the ITE Law are not sufficient to address Indonesia's online lending practices. Among the aspects that cannot be resolved and monitored is controlling illegal applications offering visually promising loans. Likewise, legal online loan applications still require transparency of information on website services related to agreement documents between parties, the amount of interest (minimum and maximum), the duration of the loan, and the minimum and maximum amount of funds that must be borrowed, as well as the development of an electronic signature provided by the loan system. online as stipulated in the ITE Law.

The lack of transparency in online loan applications is a failure of the authority that oversees online loans regarding the operational activities of lending funds. Because most of them only prioritize the legal side without considering the objectivity of public information on the application system for consumption by the public. The operational loan application is of an exclusive nature, so it does not fulfill the elements of what was agreed between the parties. Because based on the legal conception of the agreement, the debtor must know the material aspects before making a transaction.

D. Conclusion

The practice of online lending that develops in Indonesia is based on a contract law system that explicitly does not fulfill the elements of the legal or contract law doctrine, both illegal and legal. Illegal online loan applications do not meet operational permits according to OJK decisions, while legal online loan applications seem to be exclusive.

Seeing that the OJK regulation is wrong, the points in the rule are required to contain the rights and obligations between the borrower and the provider as documentary evidence in the event of a violation (dispute) and/or arrears. Another rule has been emphasized, namely the Electronic Technology Information Law which emphasizes that proof of documents and digital signatures must be applied to the online loan process. However, fundamentally these regulations have not been able to address the current online loan process in detail.

The contribution of this research is to provide an understanding to the public that the online loan process developed in Indonesia does not meet the legal elements of the agreement so that the practice refers to the concept of the agreement, the process includes a defect in the agreement between the debtor and the current online loan application provider has played a central role in the practice of micro-lending. It is necessary to formulate special legislation. However, this study certainly still has a number of shortcomings and limitations, including a more in-depth investigation of online loans on a small scale so that further investigations are carried out in order to produce a positive and larger impact on the development of micro-scale online loans. then, it is necessary to search for online loans with a socio-economic approach, and examine the legal aspects more deeply. Therefore, this research is recommended to carry out further and deeper investigations to produce a basic conception of the steps for formulating legislation on the online loan application.

Reference


