



The effectiveness of legal policy in regulating fintech lending

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Abstract

In today's digital era, easy access to technology enables various financial activities, including online borrowing. Online loans (fintech lending) represent a form of digital financial innovation that offers fast, practical, and accessible credit services. However, behind this convenience, there are significant risks such as debt traps, illegal lending practices, misuse of personal data, high interest rates, and aggressive debt collection methods.

The rapid growth of fintech lending, especially among Generation Z and university students, is influenced by a lifestyle that prioritizes practicality and instant access. This study aims to analyze the effectiveness of legal policy in regulating fintech lending in Indonesia in providing legal protection against illegal practices and debt traps.

This research employs a normative juridical method using statutory and conceptual approaches. The findings indicate that existing regulations, including Financial Services Authority Regulation Number 10/POJK.05/2022 and laws related to consumer and personal data protection, have not been fully effective in addressing the rapid growth of illegal fintech lending. Weak supervision, low financial literacy, and the imbalance between consumers and fintech providers contribute to inadequate legal protection.

Furthermore, easy digital access, non-face-to-face processes, and rapid loan disbursement encourage impulsive borrowing behavior among Generation Z. Therefore, more adaptive and responsive legal policies are required to balance technological innovation with effective consumer protection.

Keywords: Fintech Lending, Legal Policy, Consumer Protection, Generation Z, Online Loans

Introduction

The development of digital technology has led to innovation in the financial sector through online lending services (fintech lending), enabling people to access credit quickly and without face-to-face interaction (Wulandari, Astuti and Barokah, 2025) ^[9]. This convenience aligns with the characteristics of Generation Z, who are highly familiar with digital technology and prioritize speed and practicality in fulfilling their financial needs.

Normatively, fintech lending is regulated under Financial Services Authority Regulation Number 10/POJK.05/2022 and Law Number 8 of 1999 concerning Consumer Protection (Kurniawan, Windraji and Retnowati, 2025) ^[3]. From the perspective of legal certainty theory, these regulations aim to provide clarity and protection for users (Aulia, 2024) ^[2]. However, in practice, these rules have not fully kept pace with the rapid development of digital technology.

In addition, Law Number 27 of 2022 concerning Personal Data Protection regulates the security of user data. From a legal protection perspective, this regulation is crucial, as Generation Z, being the primary users, has a high intensity of digital technology usage, making them more vulnerable to data misuse.

Nevertheless, the widespread existence of illegal fintech lending indicates a gap between legal norms and reality. This suggests that existing regulations have not been fully effective in providing legal protection, particularly for younger generations as dominant users. Thus, the concept of fintech lending is not only about the ease of financial access but also poses challenges for legal protection in the digital era.

This study differs from previous studies because it specifically examines the effectiveness of fintech lending

regulation from the perspective of Generation Z behavior and debt trap phenomena in Indonesia.

Problem Formulation

Based on the background outlined above, the formulation of the problem in this research is:

How effective is the legal policy framework in regulating fintech lending in providing legal protection against illegal practices and debt traps in Indonesia?

Research Methodology

This research uses the normative juridical method, which is legal research conducted through the examination of literature and secondary legal materials as the primary sources of data. This method is used to examine the applicable legal norms and analyze the issues of fintech lending from the perspective of legal protection and legal policy.

The approaches used include the statute approach and the conceptual approach. The statutory approach involves examining various regulations related to online loans, such as the Financial Services Authority Regulation (POJK) No. 10/POJK.05/2022, the Consumer Protection Law, and regulations on personal data protection. Meanwhile, the conceptual approach is used to understand legal concepts such as consumer protection, legal justice, and the responsibility of fintech providers.

The legal materials used consist of primary and secondary legal materials. Primary legal materials include relevant legislation, while secondary legal materials include books, scientific journals, and previous research findings.

The technique for collecting legal materials is conducted through library research. Next, the legal materials are analyzed qualitatively using a descriptive-analytical method

to obtain a comprehensive conclusion regarding the issues of fintech lending.

Research Questions

1. How is legal policy regulating fintech lending implemented in Indonesia?
2. How effective is legal protection against illegal fintech lending and debt traps in Indonesia?

Discussion

The development of digital technology has led to innovation in the financial sector through online lending services (fintech lending), enabling people to access credit quickly and without face-to-face interaction (Wulandari, Astuti and Barokah, 2025) ^[9]. This convenience aligns with the characteristics of Generation Z, who are highly familiar with digital technology and prioritize speed and practicality in fulfilling their financial needs.

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1. Legal Policy and the Gap Between Regulation and Generation Z Behavior

From the perspective of legal policy, fintech lending regulations should balance technological innovation and public protection. However, the rapid growth of fintech lending among Generation Z indicates that legal policies have not been fully responsive to changes in digital society behavior.

According to Gustav Radbruch's theory, law must reflect justice, certainty, and utility (Safitra and Putri, 2024). In practice, regulations such as POJK provide legal certainty but have not fully ensured justice for Generation Z, who are often victims of illegal lending practices and high interest rates (Maulana *et al.*, 2026) ^[4].

Easy digital access, the absence of face-to-face processes, and rapid fund disbursement encourage impulsive borrowing behavior (Mutmainah and Yumartono, 2025) ^[5]. This indicates that regulations have not sufficiently considered user behavior, making current legal policies more normative rather than preventive.

From the perspective of progressive legal theory, law should respond to social changes, including the consumptive behavior of Generation Z. However, weak supervision and law enforcement have resulted in suboptimal legal protection (Siregar, 2024) ^[7]. The current legal policy on fintech lending in Indonesia tends to prioritize digital

financial growth rather than strengthening preventive consumer protection mechanisms. Consequently, the rapid growth of fintech lending platforms is not adequately balanced by effective supervision and strict law enforcement.

Therefore, the gap between regulation and user behavior indicates that legal policy must adopt a more adaptive approach based on the characteristics of digital society.

2. Legal Issues and Their Impact on Generation Z Behavior

The main issues in fintech lending include the proliferation of illegal platforms, high interest rates, and misuse of personal data (Zulfahmi, Faisal and Yusuf, 2024) ^[10]. These issues significantly impact Generation Z as the dominant users. From the perspective of consumer protection law, this condition indicates that consumer rights are not yet optimally protected.

The ease of access to fintech lending encourages consumptive and impulsive borrowing behavior among Generation Z. This aligns with findings that easy digital access can lead to dependency. From a justice theory perspective, this reflects an imbalance between business actors and consumers (Siregar, 2024) ^[7].

Moreover, personal data misuse violating data protection laws shows that legal protection mechanisms are not yet effective. For digitally active Generation Z, this risk becomes increasingly significant (Andika, Raasmuddin and Hamzah, 2026) ^[1].

Aggressive debt collection practices also create psychological pressure, such as stress and anxiety. The phenomenon of the debt trap demonstrates how users become trapped in cycles of debt due to uncontrolled borrowing behavior.

Thus, fintech lending issues are not only legal in nature but also have behavioral, social, and psychological impacts on Generation Z.

3. Reformulation of Legal Policy in Addressing Fintech Lending Risks

To address these issues, a reformulation of legal policy is required, focusing more on public protection, particularly for Generation Z. From the perspective of progressive legal theory, law must provide real solutions to social problems.

Strengthening regulations and law enforcement against illegal fintech lending is necessary to ensure legal certainty. Additionally, the implementation of personal data protection laws must be enforced strictly to protect users from data misuse.

Improving financial literacy is an essential solution to reduce impulsive borrowing behavior. This is especially relevant for Generation Z to enable better financial management.

Furthermore, policies on interest rate limitations and cost transparency must be implemented as part of consumer protection. This aligns with the principles of justice and utility in law.

Therefore, legal policy in regulating fintech lending must aim to balance innovation and legal protection while responding to the characteristics of Generation Z as primary users of fintech services.

Conclusion

Based on the discussion, it can be concluded that the development of online lending (fintech lending) in Indonesia is part of digital financial innovation that provides fast and practical access to financing. This convenience is

widely utilized by society, especially Generation Z, who are closely connected to digital technology and prioritize speed and efficiency in meeting financial needs.

However, behind this convenience lie various risks, such as high interest rates, lack of transparency, misuse of personal data, and inhumane debt collection practices. Easy digital access, non-face-to-face processes, and rapid disbursement also encourage impulsive and consumptive borrowing behavior, increasing the risk of debt traps, particularly among Generation Z.

From a legal policy perspective, the regulation of fintech lending through POJK and related laws has provided a sufficient legal foundation. However, in practice, there remains a gap between norms and reality, as indicated by the proliferation of illegal lending, weak supervision, and suboptimal law enforcement.

This condition shows that fintech lending is essentially a short-term financial solution with high risks if not used wisely. Therefore, strengthening adaptive and responsive legal policies is necessary to improve legal protection and prevent debt-trap phenomena in society.

Recommendations

1. The government should strengthen supervision and regulation of fintech lending providers through adaptive legal policies.
2. The Financial Services Authority (OJK) should intensify law enforcement against illegal fintech lending platforms through digital monitoring and inter-agency cooperation.
3. Financial literacy programs should be enhanced, particularly for Generation Z, to reduce impulsive borrowing behavior.
4. The implementation of personal data protection laws should be strengthened to prevent the misuse of consumer data.
5. Policies regarding interest rate limitations and transparency of lending costs should be strictly enforced to ensure consumer protection.

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