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Research Paper

Role Of The Financial Services Authority (OJK) To Protect The Community On Illegal Fintech Online Loan Platforms

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ABSTRACT:*This article describes the duties, functions and authorities of the Financial Services Authority (OJK) in providing supervision and regulation of the development of types of businesses in the financial services sector in Indonesia, one of which is regulating Financial Technology (Fintech). The fintech concept adapts technological developments in the Industrial Age 4.0 combined with the financial sector, which later is expected to facilitate more practical and secure financial transaction processes. The role of the Financial Services Authority (OJK) in protecting the public against illegal fintech online lending platforms (Peer to Peer Lending). Online loans are increasingly spreading during the Covid-19 pandemic, so OJK has a very important role in preventing and protecting the public against illegal online loans. OJK provides education and socialization so that people can be more selective and wise when they want to make loans online.*

KEYWORDS: *OJK, Fintech, Online Loans, Peer to Peer Lending*

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I. INTRODUCTION

Human activities in the life of the Industrial 4.0 and Society 5.0 era, which is also known as the millennial era, the needs of life are very dependent on the development of technology and information. The development of information and technology in various fields affects the development of the pattern of activities of most people. One of the countries affected by technological advances is Indonesia. The increasingly rapid progress in the field of information technology has created a very complex financial system and has interrelationships between the financial sub-sectors, both in terms of products and institutions themselves. Technological progress in the national economy is increased to achieve people's welfare to realize a better economic life. (Wahyuni & Hartono, 2019).

The financial sector is now starting to be integrated with the electronic system platform. In this modern-globalization era, with developments in technology, the government must be able to keep pace with the regulations that need to be applied as guidelines in a country. In-Law no. 11 of 2008 junto Law no. 19 of 2016 related to electronic & information transactions as a consideration in Bank Indonesia Regulations in determining regulations for the implementation of fintech (financial technology).

Bank Indonesia (BI) asserts that digital transformation through Fintech (Financial Technologist) is hybrid engineering in financial services and technology which ultimately becomes a business role model in the Industrial 4.0 era by converting payments directly into digital system payments or via TJJ (distance transactions). away) very quickly. Article 1 of Bank Indonesia Regulation Number 19/12/PBI/2017 concerning the Implementation of Financial Technology states that financial technology is the use of technology in the financial system that produces new products, services, technology, and/or business models and can have an impact on monetary stability, system stability financial, and/or efficient, smooth, secure, and reliable payment system.

Starting in 1980 in the world, banking institutions began to implement data-based recording through digitalization that could be accessed on a computer. This is where the forerunner of digitalization through fintech begins. Beginning in 1982, e-trade brought fintech to a more advanced direction by allowing an electronic banking system for potential investors. In 1990 with the rapid growth of the internet, it was also followed by the emergence of several online stocks that made it easier for potential investors to invest (Suharini

& Hastasari, 2020). Along with the development of the financial industry with the use of technology, of course, it creates various problems that can disrupt the community, such as the proliferation of business entities that can facilitate the community in financial services sector activities but do not have official permission from the competent authority. So that activities in the financial services sector carried out by actors in the financial services sector are illegal.

Fintech has a role to make it easier for people to carry out financial transactions. In addition, it is necessary to make services that are as comfortable as possible for the fintech user community. So it is necessary to make and establish regulations that can regulate the terms of using fintech so that losses can be avoided both by consumers or the public as well as the organizers or fintech companies themselves. The Financial Services Authority (OJK) which in this case is an independent and integrated institution to carry out the duties, functions and authorities in regulating and supervising activities in the financial services sector, namely in the Insurance, Capital Market, Financing Institutions, and other financial institutions sector. Minister of Finance, Capital Market and Financial Institution Supervisory Agency (Bapepam-LK) and previously transferred from Bank Indonesia to the Financial Services Authority on December 31, 2012. One of the establishments of the Financial Services Authority (OJK) is to meet the needs and protect the public the other is in terms of using fintech to protect the needs and interests of the community.

Throughout 2018, credit disbursement by financial technology business companies reached Rp. 22 trillion (Budiyanti, 2019). One of the financial services platforms offered by fintech businesses is online loans. Online lending business practices (Peer to Peer Lending) connect lenders with borrowers online. The existence of the Covid-19 pandemic has made the economy during society increasingly volatile, not a few people are experiencing difficulties in their economy. So that people are forced to meet their economic needs which make online loan offers increasingly widespread (Peer to Peer Lending).

The number of people who prefer to make online loans is a relatively easier administrative requirement when compared to formal financial service loans. In addition, the Indonesian people themselves have the potential to become a large enough market for online lending business practices (Peer to Peer Lending). Not a few people can become customers who can meet bank requirements so that not a few people turn to the financial technology business illegally, the process can be said to be easier and faster.

Many attempts have been made to block illegal fintech, but there are still many illegal fintech applications that are still operating. This illegal fintech is very aggressively offering loans either through short messages, the internet, as well as offering easier credit terms by including an application link address so that not a few people are tempted by the offers given by business actors. Problems that occur in the community regarding illegal fintech, one of which is illegal online loans (Peer to Peer Lending) of course, makes people nervous about the impact of illegal online loans (Peer to Peer Lending) and raises a concern.

II. LITERATURE REVIEW

1. Financial Technology

The word fintech comes from the words financial and technology which refers to financial innovation with a touch of modern technology. According to the World Bank (2016), Financial Technology/Fintech is an industry consisting of companies that use technology to make the financial system and delivery of financial services more efficient (Ma Chung & Wicaksono, 2020). According to the Financial Services Authority (OJK), Fintech is an innovation in the financial services industry that utilizes the use of technology. Fintech products are usually in the form of a system built to carry out specific financial transaction mechanisms. So it can be concluded that Fintech is a technological innovation in financial services.

Fintech itself is an adjustment to the advancement of technology in the financial sector which later is expected to provide facilities in the process of modern financial transactions to make it more practical and safe. (Muchlis, 2018) Fintech is a type of company in the financial services sector that is a combination of technology. Fintech can also be regarded as a startup that can help maximize the use of technology to sharpen, transform, and accelerate various aspects of services in the financial services sector. Such as payment methods, fund transfers, loan funds, fundraising, to asset management that can be done quickly and practically with the use of this technology.

The fintech concept adapts technological developments that are combined with the financial sector in banking institutions, so that it is expected to facilitate a more practical, safe and modern financial transaction process, which includes digital-based financial services that are currently developing in Indonesia, namely payment channel systems, digital banking, online digital insurance, Peer to Peer (P2P) Lending, and crowdfunding. (Ma Chung & Wicaksono, 2020) This fintech can provide inclusion in emerging markets and also bridge the gap between people and technology.

2. Fintech Regulations in Indonesia

The implementation of fintech in Indonesia is listed in government regulations through Bank Indonesia (BI). The following is the legal basis for implementing fintech in the payment system in Indonesia:

a. Bank Indonesia Regulation No. 18/40/PBI/2016 concerning the Implementation of Payment Transaction Processing.

b. Bank Indonesia Circular Letter No. 18/22/DKSP regarding the Implementation of Digital Financial Services.

c. Bank Indonesia Regulation No. 18/17/PBI/2016 concerning Electronic money. (www.bi.go.id)

As a first step, the Financial Services Authority (OJK) has issued POJK No. 77/POJK.01/2016 concerning Information Technology-Based Lending and Borrowing Services (POJK P2P Lending) which further has a derivative regulation, namely the Financial Services Authority Circular Letter (SEOJK) No. 18/SEOJK.02/2017. This POJK regulates one type of fintech that is developing in Indonesia, namely Peer Peer Lending (P2P Lending). The presence of these provisions is due to the culture of borrowing and borrowing (debt) of the Indonesian people which is still strong. So that the OJK sees the urgency of the provisions governing fintech lending and borrowing.

Based on POJK P2P Lending Article 2 paragraph (2), fintech companies or the so-called organizers are declared as Other Financial Services Institutions with the form of a company in the form of a Limited Liability Company or Cooperative. Then, article 5 states that business activities that can be carried out by the provider are in the form of providing, managing, and operating Information Technology-Based Borrowing-Lending Services from the Lender to the Borrower whose source of funds comes from the Lender and/or the organizer can work together. with information technology-based financial service providers following the provisions of laws and regulations. Article 6 states that the operator is required to meet the provisions on the maximum limit for total lending of funds to each loan recipient with a limit for granting loans of Rp. 2,000,000,000.00 (two billion rupiahs) and OJK can review the maximum limit for total lending.

In addition, other regulations related to fintech in Indonesia are Law Number 11 of 2008 concerning Information and Electronic Transactions, Regulation of the Minister of Communication and Information of the Republic of Indonesia Number 4 of 2016 concerning Information Security Management Systems, Regulation of the Minister of Communication and Information of the Republic of Indonesia Number 20 of 2016 concerning Protection of Personal Data in Electronic Systems, and Regulation of the Minister of Communication and Information of the Republic of Indonesia Number 5 of 2016 concerning Trials of Communication, Information and Broadcasting Technology. One of the consumer protections regulated in the ITE Law is the protection of personal data.

3. Types of Fintech

The development of increasingly sophisticated technology makes the types of fintech increasingly diverse, such as financial technology innovations related to payments and transfers, financial service institutions, and fintech start-up companies that use new technology to provide services that are faster, cheaper, and more convenient. Based on the data, the types of fintech developed by start-up companies in Indonesia are quite diverse. According to data obtained from the Indonesian Fintech Association, in mid-2017 there were 90 fintech start-up companies joined and the number increased to 362 fintech start-up companies and 24 Financial Institutions that have obtained licenses from BI/OJK.

Each type of fintech has benefits and potential risks according to its business processes. In general, the risks that may arise from fintech companies in Indonesia are the risk of fraud (Fraud), data security risk (Cybersecurity), and the risk of market uncertainty (Market Risk). Here are some types of fintech that have developed in Indonesia along with the benefits and potential risks of each type. (Sudaryo, Sofiati (Efi), Yosep, & Nurdiansyah, 2020)

a. Digital Payment

Digital payment fintech companies provide service benefits in the form of online transaction payments so that the process becomes more practical, fast, and cheap. These service providers are generally in the form of virtual wallets equipped with various features to facilitate online transactions between consumers and business owners or between business actors (B2B). In Indonesia, fintech digital payment companies usually cooperate with various parties in providing promotions including telecommunication companies (Telcos), convenience stores, and banks to be able to provide online transaction services with various variations.

b. Financing and Investment

Financing and Investment companies include fintech companies that provide crowdfunding services and Peer to Peer Lending (P2P Lending) or fintech companies a combination of the two. Fintech Crowdfunding generally raises funds for a project or social fundraising. In the mechanism, the company will display a proposal for a

project, business, event, or social activity proposed by a person or party through the website or application of the Fintech Crowdfunding company. Fintech companies will invite other parties to become investors or funders. The investor will transfer the funds to the company's account to then be distributed to the party who proposes.
In addition, Fintech P2P Lending has different business models and processes. Fintech P2P Lending usually facilitates parties who need loan funds with parties who want to invest by providing loans. Loans provided by Fintech P2P Lending companies in Indonesia vary widely, ranging from business capital loans, motor vehicle loans, Unsecured Loans (KTA), People's Housing Loans (KPR), home renovation loans, wedding expenses, maternity loans, Umrah travel loans. . Fintech in the field of P2P Lending in Indonesia also accommodates people who want to become investors or become funders to get returns in the future. This facility is widely used by users because it makes it easy to invest. This makes the lender or investor feel more secure and comfortable investing.

c. Account Aggregator
This type of Fintech Account Aggregator will offer services that can accommodate all these banking transactions through only one platform. Users of this platform are given the convenience of verifying financial reporting transactions because the process is fast and short. The mechanism is that consumers who have multiple banking accounts can register their accounts on this platform, which can then be used to monitor all banking transactions through that one platform.

d. Information and Feeder Site
This type of fintech company provides services regarding the information needed by potential consumers who want to use a product and service in the financial services sector. The information provided can be in the form of information such as credit cards, interest rates, mutual funds, insurance premiums, and so on. Information regarding these matters is obtained from information provided by the Financial Services Providers in the fields of banking, capital markets, insurance, financing institutions, and so on.

e. Personal Finance
Personal finance fintech companies through their platforms can help consumers from making good financial reports to choosing wise funds processing, thus saving time and will get a comprehensive bookkeeping system report.

III. METHOD

This study uses a qualitative descriptive method with a descriptive approach. Qualitative research is a process of understanding human or social problems by creating a comprehensive and complex picture presented in words, reporting detailed views obtained from information sources, and carried out in a natural setting. (Gunawan 2015)

The descriptive approach is research that seeks to describe a symptom, event, or event that is currently happening. (Noor 2011) The type of data used is secondary data in the form of evidence, notes, or historical reports that have been neatly arranged in archives using literature, documentary, discussion, and intuitive-subjective study techniques. And, researchers are directly involved as participants.

IV. RESULTS AND DISCUSSION

The Financial Services Authority (OJK) is an independent institution that has the task, function and authority to regulate many regulations that can provide supervision and regulation of the development of business types in the financial services sector, one of which is by using technological advances, namely Financial Technology/fintech. OJK has the authority by the provisions of Law Number 21 of 2011 concerning the Financial Services Authority (OJK). The development of fintech in Indonesia is growing rapidly, one of which is Peer Peer Lending (P2P Lending). This can be proven by the distribution of fintech lending loans reaching Rp. 116 trillion as of July 2020. As of August 14, 2020, OJK statistical data shows that there are 157 fintech lending providers in Indonesia registered and licensed at OJK. (www.ojk.go.id) This shows a fairly large number and is predicted to continue to grow in number from time to time.

Currently, the use of fintech lending is increasingly widespread. The ease of borrowing funds is one of the advantages of this financial service when compared to banking. In just a few days, funds can be immediately disbursed without the hassle of coming to the bank. However, the problem in the practice of fintech lending, especially illegal fintech lending, is the misuse of consumer data belonging to borrowers without permission by the lender, namely by accessing data on cellular phone devices as a way to collect debts from debtors. personal contact on the consumer's number to sexual harassment. The various allegations, one of which comes from the results of public complaints received by the Jakarta Legal Aid Institute (LBH). (Wahyuni & Turisno, 2019)

Many illegal fintechs are not registered with the OJK. In April 2020, the Investment Alert Task Force found 81 illegal fintech lending with a total of 2,486 illegal fintech lending entities handled by the task force from 2018 to April 2020. The Task Force also stopped 18 business activities suspected of conducting business activities without a permit from the competent authority and potentially harming the community by using the lure of giving very high and unreasonable returns and duplicating the websites of other companies with permits. This large number will certainly change even more if there is no firm action from the authorities.

In this case, the OJK has the authority to supervise and regulate the fintech industry and also protect the people who use the fintech service. The supervision carried out by the OJK is only on legal fintech companies, namely those that have been registered and received permission from the OJK, but supervision of illegal fintech companies will be handled by the Investment Alert Task Force.

The Investment Alert Task Force is a place to coordinate with fellow regulators, law enforcement agencies, supervisory agencies and other parties who are members of the Investment Alert Task Force to handle allegations of violations of the law in public fundraising and investment activities. OJK is an institution that is part of the Investment Alert Task Force. Other institutions that are members of the Investment Alert Task Force include the Ministry of Trade, Banking, the Ministry of Cooperatives and Small and Medium Enterprises, the Investment Coordinating Board (BKPM) as the regulator. The Attorney General's Office and the Indonesian Police as law enforcers. Ministry of Communication and Information Technology as a supporting institution. This Investment Alert Task Force undertakes handling efforts starting from blocking sites, conducting joint inspections of business activities suspected of being illegal investigations, asking parties who have illegal investments to stop their business activities, as well as improving coordination in handling cases with relevant agencies.

The Financial Services Authority (OJK) urges people who make decisions to make online loans to be advised to use fintech lending that has been registered and licensed by the Financial Services Authority (OJK). Here are the differences between Legal Fintech and Illegal Fintech.

Table of Legal and Illegal Fintech Differencestech

Fintech Legal	Fintech Ilegal
1. Registered and supervised by OJK	1. Do not have official permission.
2. The identity of the management and office location is clear	2. There is no clear identity of the management and office location.
3. Loans are strictly selected and require documents for credit scoring	3. Loans are very easy.
4. Only allowed to access Camera, Microphone and Location (CEMILAN) on the borrower's cellphone	4. Access to all data on the consumer's mobile phone.
5. The maximum loan is 0.8% per day and the total cost including fines is 100% of the loan principal	5. Information on interest or borrowing costs and penalties is not clear and the total return (including penalties) is not limited.
6. Consumers can submit complaints through AFPI and OJK. In the event of a dispute, the borrower can be facilitated by the OJK or the Alternative Dispute Resolution Institution	6. Not responding to user complaints properly.
7. Maximum billing 90 days.	7. Billing has no time limit.
8. The risk of borrowers who do not pay off after the 90-day deadline will be blacklisted by the Fintech Lending Data Center (Pusdafil). Pusdafil contains information about non-performing loans from users with non-performing loans to fintech lending providers who have been registered and licensed at the OJK.	

Sources: www.bi.go.id

Based on the results of interviews at the Cirebon OJK Office with OJK Consumer Education and Protection officers regarding the most consumer complaints at the Cirebon OJK Office as of August 2020 via telephone, including Credit Restructuring, Financial Information Service System Consultation (SLIK), Credit Issues, Online Loans, and Insurance. (Fadilah, Interview, September 30, 2020) So considering the many reports submitted by people claiming to be victims of online loans, the OJK made various efforts through the Investment Alert Task Force to be able to break the chain of illegal fintech lending. The Investment Alert Task Force is expected to accelerate the handling of illegal cases. The efforts made are:

1. Make efforts to prevent violations by collecting and processing data on illegal online loans. Then coordinate with the Investment Alert Task Force to call the illegal fintech and provide an explanation for registering the fintech or stopping operational activities as long as the fintech is still illegal. If there is no response from the fintech, the OJK will announce to the public a list of the names of the illegal fintech.
2. OJK through the Investment Alert Task Force routinely coordinates with the Minister of Communication and Information to block websites and applications from illegal online loans. The cyber patrol carried out by the Minister of Communication and Information regarding the findings regarding illegal online

loans was then given to the Investment Alert Task Force for verification and blocking. The goal is that these illegal online loans cannot be free to carry out their activities.

3. Various reports of information from the public if proven to have received terror,threats, intimidation or others that contain criminal elements willbe reported to law enforcement officers, namely the police for furtherthe law enforcement process is carried out or the community personally can also directly report to the police if they feel they are victims of an actillegal online loan crimes.

4. OJK through the Investment Alert Task Force also coordinates withbanks to conform to the OJK if anyaccounts suspected of being used in illegal online lending activities. In addition, banks are also asked not to accept requests for account openings without a recommendation from the OJK.

5. OJK through the Investment Alert Task Force also asks banks to break the chain of illegal online loans from the beginning at the time of registrationnew account. This can be done by conducting a more stringent examination of requests for opening new accounts by asking prospective customers to show a license to be registered as an online loan company from the OJK.

6. If the violation is carried out by a legal online loan, the public can immediately report it to the OJK equipped with evidence for further processing by the OJK based on the sanctions contained in POJK No. 77 in the form of a warning sanction up to the revocation of membership status.

Another effort that can be done is by educating the public to be more selective and not in a hurry when they want to make loans online. The public is asked to be wiser in using Peer Peer Lending (P2P Lending) services that have been registered and licensed by the OJK. This is because all Peer to Peer Lending (P2P Lending) services that have been registered and licensed by the OJK has been confirmed to be legal by the OJK so that they pay great attention to aspects of consumer protection.

V. CONCLUSION

Fintech is a technological innovation in financial services. In this case, the Financial Services Authority (OJK) has the duty, function and authority to provide supervision and regulation of the development of types of businesses in the financial services sector, one of which is Financial Technology/fintech. The fintech concept adapts technological developments combined with the financial sector, which later is expected to facilitate more practical and secure financial transaction processes. The implementation of fintech in Indonesia is listed in government regulations through Bank Indonesia (BI), namely Bank Indonesia Regulation No. 18/40/PBI/2016 concerning Implementation of Payment Transaction Processing, Bank Indonesia Circular Letter No. 18/22/DKSP regarding the Implementation of Digital Financial Services, and Bank Indonesia Regulation No. 18/17/PBI/2016 concerning Electronic money.

In addition, OJK has also issued POJK No. 77/POJK.01/2016 concerning Information Technology-Based Lending and Borrowing Services (POJK P2P Lending) which further has a derivative regulation, namely the Financial Services Authority Circular Letter (SEOJK) No. 18/SEOJK.02/2017. This POJK regulates one type of fintech that is developing in Indonesia, namely Peer Peer Lending (P2P Lending). During the Covid-19 pandemic, online loans became one of the community's alternatives to meet their economic needs, not a few people were caught in illegal online loans. Efforts made by OJK in overcoming illegal online loans are by cooperating with several government institutions to form an Investment Alert Task Force with one of its tasks being to oversee illegal fintech. Another effort made by OJK is to conduct education and socialization to the public so that people are more selective and wise when making decisions to make online loans.

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