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Default in Online Lending: A Legal Review of Standard Clauses and Consumer Protection Against Breach of Contract Claims

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Abstract

Introduction: *This article examines the legal challenges surrounding Default (failure to repay) in online lending agreements dominated by standard clauses. The rapid growth of digital financial services has enabled wider access to credit; however, this convenience is not matched by equitable legal protection for debtors. In practice, delayed repayments are immediately treated as default, without considering whether the agreement itself was substantively fair.*

Purposes of the Research: *The purpose of this study is to analyze the legal standing of debtors who commit galbay in contracts made using standard clauses that tend to favor creditors. This study also aims to evaluate whether such defaults can be directly categorized as breach of contract under Indonesian law, and to explore possible legal reform to enhance consumer protection.*

Methods of the Research: *This research applies normative juridical methods, with a statutory and conceptual approach. The study refers to provisions in the Indonesian Civil Code, Consumer Protection Law, constitute violations of the Electronic Information and Transactions Law, and Financial Services Authority regulations, while also applying theories such as contractual justice, good faith doctrine, and equilibrium contract theory. Data are obtained from legislation, legal doctrine, literature review, and court rulings.*

Results Main Findings of the Research: *The findings show that the debtor's legal position in online lending is structurally disadvantaged due to unequal bargaining power and the use of exploitative standard clauses. This study argues that Default cannot be directly equated with breach of contract because essential elements of valid default - such as genuine consent and proper notification - are often absent. The novelty of this research lies in its critical framing of online lending default as a structural, rather than individual, failure, thereby requiring a justice-oriented interpretation to prevent systemic exploitation.*

Keywords: Online Lending; Standard Clause; Default; Legal Protection.

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INTRODUCTION

The development of information and communication technology in recent decades has had a significant impact across various sectors of life, including the financial sector. One manifestation of this digitalization in finance is the emergence of financial technology (fintech) services in the form of online lending platforms. These services offer fast, unsecured credit with

only digital approval required, making them an attractive alternative for people, especially those without access to conventional banking services. However, this convenience also conceals a darker side that has given rise to a number of legal issues.[1]

In practice, online lending providers impose terms and conditions unilaterally through digital platforms, which consumers are required to accept without negotiation. This form of agreement is known as a standard clause (standard contract), where the contents cannot be modified by the consumer[2]. The debtor's bargaining position in such contracts is extremely weak, as they are not given the time, opportunity, or capacity to critically evaluate the contract's contents. As a result, what should be a mutually agreed contract becomes an instrument of domination by businesses over consumers.

The problem becomes more complex when the debtor fails to meet their obligations on time, resulting in default. Within a digital system, late payments are automatically treated as breach of contract (default) without any humane mechanism for clarification, mediation, or renegotiation. In some cases, online lending providers have employed unlawful and unethical collection methods such as disseminating personal data, verbal intimidation, and public shaming via social media. These practices have caused severe psychological distress to debtors and, in extreme cases, have led to suicides.

From the perspective of contract law, any debtor who fails to fulfill their performance may indeed be categorized as being in default, as regulated under Article 1243 of the Indonesian Civil Code. However, in order to impose liability for damages, a formal warning (somasi) must first be issued to urge the debtor to fulfill their obligations. In online lending practices, this formal warning is rarely issued, as the digital system automatically applies penalties without verifying the debtor's condition. This raises serious questions about the validity of default determinations in civil law contexts.

Furthermore, many online lending contracts contain clauses that violate the principle of contractual fairness. Clauses that impose excessive interest rates, grant unrestricted access to

[1] Hari Sutra Disemadi and Regent, "Urgensi Suatu Regulasi Yang Komprehensif Tentang Fintech Berbasis Pinjaman Online Sebagai Upaya Perlindungan Konsumen Di Indonesia," *Jurnal Komunikasi Hukum* 7, no. 2 (2021): 14.

[2] Abdian Saifullah, Muhammad Fadel Adhyputra, and Ziadul Fikri, "Implikasi Klausula Eksonerasi Terhadap Perlindungan Konsumen Dalam Kontrak *Financial Technology Peer-to-Peer Lending*," *Jurnal Restorasi Hukum* 7, no. 2 (2025): 236–56, https://doi.org/10.14421/zmpxcr40.

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users' personal data, or exempt the lender from all legal responsibility are exploitative and in conflict with Article 18 of Law Number 8 of 1999 on Consumer Protection. According to this provision, such clauses are null and void by law, even if the consumer has agreed to them.

The phenomenon of should not be viewed solely as a legal violation by the debtor, but must be examined in light of the structurally imbalanced nature of the contract. Most debtors come from economically and legally vulnerable groups who are forced to agree to the contract out of urgent necessity. [3] Hence, the background of this study stems from concern over the contractual imbalance in online lending practices, particularly regarding the legal standing of debtors who experience default. This study is important to critically examine how Indonesian contract law addresses digital agreements based on standard clauses that may violate the principle of fairness, and how legal protection can be provided to debtors so that they are not criminalized simply due to their inability to perform under exploitative contractual structures. Such an approach is necessary to build a more responsive civil law system in the face of digital realities and the socio-economic conditions of society.[4]

Several previous studies have highlighted the legal issues arising in online lending practices. Lestari and Utomo, for example, found that the dominance of standard clauses in fintech contracts undermines the principle of freedom of contract, leaving consumers with no real bargaining power.[5] In a similar vein, Eleanora and Dewi emphasized that digital finance requires adaptive legal frameworks, particularly to prevent exploitative contractual practices and safeguard consumer rights in the digital economy. These findings demonstrate that online lending is not only a technological phenomenon, but also a pressing legal concern that demands critical examination.[6]the Indonesian context revealed that the existing consumer protection regime has not been effective in ensuring fair treatment for fintech borrowers. Their research showed that contract enforcement mechanisms remain weak, particularly in relation to the prohibition of abusive clauses under Law Number 8 of 1999 on Consumer Protection.

[3] Brian H. Bix, *Contract Law: Rules, Theory, and Context* (New York: Cambridge University Press, 2012).
[4] M. Yahya Harahap, *Segi-Segi Hukum Perjanjian* (Bandung: Alumni, 1986).
[5] Ade Putri Lestari and St. Laksanto Utomo, "Kepastian Perlindungan Hukum Pada Klausula Baku Dalam Perjanjian Pinjaman Online Di Indonesia," *SUPREMASI Jurnal Hukum* 3, no. 1 (2020): 77–93, https://doi.org/10.36441/supremasi.v3i1.124.
[6] Fransiska Novita Eleanora and Aliya Sandra Dewi, "Pelaksanaan Perjanjian Baku Dan Akibat Hukumnya Bagi Konsumen," *Jurnal Mercatoria* 15, no. 1 (2022): 19–27, https://doi.org/10.31289/mercatoria.v15i1.6812.

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Likewise, Hidayat and Susanto observed that cases of unlawful debt collection practices by online lenders continue to rise, indicating a structural gap between legal norms and their enforcement. These studies suggest that while the issue of fintech regulation has been widely discussed, the position of debtors experiencing Default within the framework of Indonesian contract law has not been specifically and comprehensively analyzed.[7] In addition to referring to statutory provisions, this study also draws on supplementary legal theories that critically address unequal bargaining positions in standard-form contracts - such as the Relational Contract Theory, which emphasizes the structural dependency and power asymmetry inherent in modern digital contracting. Incorporating these theoretical perspectives provides a deeper analytical foundation to evaluate the fairness of online lending agreements and further strengthens the argument that default in such contexts must be interpreted beyond a narrow, formalistic application of contract law.

Therefore, this research seeks to fill the gap by critically examining the contractual imbalance between online lending providers and debtors, with particular attention to the legal status of debtors in cases of Default. This focus represents the novelty of the study, as it situates the discussion within the broader framework of contract law, fairness principles, and consumer protection in Indonesia's digital finance landscape. Identifying the problem in this way is crucial to formulate clear research objectives, namely to analyze how Indonesian contract law addresses standard digital agreements and to propose legal protection mechanisms that prevent debtors from being criminalized under exploitative contractual structures.

LITERATURE REVIEW

The issue of legal inequality in online lending agreements involving standard clauses (boilerplate clauses) has been the subject of extensive scholarly discussion. Galant, Irawan, and Yusuf emphasize that most fintech contracts are drafted unilaterally, with terms that are non-negotiable and often exploitative toward consumers. Their study shows that the legal force of such contracts must be examined in light of consumer protection laws and contract fairness

[7] Chusnul Maulidina Hidayat et al., "Perlindungan Konsumen Dalam Perkembangan Financial Technology Di Indonesia," *Jurnal Manuhara : Pusat Penelitian Ilmu Manajemen Dan Bisnis* 1, no. 3 (2023): 299–305, https://doi.org/10.61132/manuhara.v1i3.228.

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principles.[8] Ariyani explores the exoneration clauses in online lending agreements and argues that such clauses, when they excessively limit the liability of service providers or impose disproportionate burdens on consumers, are contrary to Indonesian consumer protection law, especially Article 18 of Law Number 8 of 1999. She notes that many digital loan contracts contain clauses that would be considered null and void under this provision.[9]

From a theoretical standpoint, Charles Fried's classical theory of contract, *Contract as Promise*, provides an important lens to analyze the ethical and legal foundations of contractual obligations. Fried argues that contracts should reflect mutual commitment and not merely formal consent, particularly in situations where one party holds significantly more power than the other. [10] This view supports the notion that default must be contextualized within the broader issue of contractual justice, especially in digital environments. These studies collectively highlight the urgent need for a more equitable legal framework to govern online lending contracts. They also call attention to the role of legal theory in reshaping how default is understood in contexts marked by structural inequality and limited access to legal recourse.

METHODS OF THE RESEARCH

This method is written in descriptive and should provide a statement regarding the methodology of the research, include the type of research, research approach, a source of data and analysis method[11]. This research employs a normative juridical method, focusing on the study of doctrinal legal materials derived from statutory regulations, legal principles, and the opinions of legal scholars.[12] The study is conducted to explore the classification of default as a breach of contract within online lending practices dominated by standard clauses. The statute approach is used to analyze positive law provisions, particularly the Indonesian Civil Code Articles 1243 and 1320, Law Number 8 of 1999 on Consumer Protection, Law Number 11 of 2008 on Electronic Information and Transactions, and Financial Services Authority Regulation

[8] Galant Nanda Alamsyah et al., "Analisis Hukum Terhadap Keabsahan Klausula Baku Dalam Kontrak Financial Technology (Fintech)," *Jurnal Ilmu Hukum, Humaniora Dan Politik* 5, no. 2 (2015): 955–971, https://doi.org/10.38035/jihhp.v5i2.3239.

[9] Novi Dewi Ariyani, "Klausula Eksonerasi Pada Perjanjian Pinjam Meminjam Uang Dalam Layanan Pinjaman Online (Fintech Peer To Peer Lending)," *Zaaken: Journal of Civil and Business Law* 4, no. 2 (2023): 317–31, https://doi.org/10.22437/zaaken.v4i2.24050.

[10] Charles Fried, *Contract as Promise: A Theory of Contractual Obligation* (Cambridge, MA: Harvard University Press, 1991).

[11] Fernando Tantaru, "Consumer Legal Protection Against 'Oto' Public Transport Practices in Ambon City: A Case Study of Premature Passenger Drop-off Before Destination," *TATOHI: Jurnal Ilmu Hukum* 5, no. 3 (2025): 145, https://doi.org/10.47268/tatohi.v5i3.3097.

[12] Peter Mahmud Marzuki, *Penelitian Hukum,* (Jakarta: Kencana, 2007), h. 56. https://doi.org/340.072.

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Number: 10/POJK.05/2022 concerning ethical digital lending practices. The conceptual approach is employed to examine central legal doctrines including breach of contract, standard contract clauses, freedom of contract, proportionality, and the principle of good faith. In addition, a case approach is used to review actual legal incidents involving Default and unlawful debt collection by online lenders, sourced from media reports, the Indonesian Consumers Foundation, and Financial Services Authority records[13]. Legal materials consist of primary sources (statutes), secondary sources (legal literature such as the works of Subekti and Yahya Harahap), and tertiary sources such as legal dictionaries and encyclopedias[14]. The collected materials are analyzed qualitatively to evaluate the enforceability of exploitative standard clauses and assess the fairness of classifying Default as contractual default under Indonesian civil law.

RESULTS AND DISCUSSION

A. The Legal Status of Debtors in Online lending Agreements Based on Standard Clauses

The rise of financial technology (fintech) has introduced a new form of contracting known as electronic contracts. Online Lending agreements, commonly executed via fintech applications, have legal standing as per Article 1 point 17 of Law Number 11 of 2008 concerning Electronic Information and Transactions, which defines electronic contracts as agreements formed through electronic systems.[15]

Despite being legally recognized, online lending contracts must still fulfill the requirements of Article 1320 of the Indonesian Civil Code (ICC): consent, capacity, a specific object, and lawful cause. Yet, consent is often reduced to clicking "agree," offering no space for negotiation, thus resulting in forced consent[16]. These contracts typically rely on standard clauses—unilateral terms set by service providers. Although not prohibited, such clauses may be deemed void under Article 18 paragraphs (1) and (3) of Law No. 8 of 1999 on Consumer Protection if

[13] Yayasan Lembaga Konsumen Indonesia, "Praktik Penagihan Utang Oleh Fintech Lending: Pelanggaran Terhadap Etika Dan Hukum Perlindungan Konsumen" (Jakarta, 2022).

[14] Subekti, *Hukum Perjanjian* (Jakarta: Intermasa, 2008).

[15] Rommy Hardyansah, Didit Darmawan, and Dharma Setiawan Negara, "Agreements in Online Loans and Consumer Legal Protection in Online Loan Services in Indonesia," *Jurnal Akta* 12, no. 2 (2025): 388, https://doi.org/10.30659/akta.v12i2.44593.

[16] Helena Primadianti Sulistyaningrum, "E-Contract Consensus in Indonesian Contract Law," *Batulis Civil Law Review* 5, no. 2 (2024): 89, https://doi.org/10.47268/ballrev.v5i2.1930.

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they unfairly eliminate consumer rights.[17] Therefore, while formally valid, online lending agreements may lack substantive fairness, necessitating an interpretation that emphasizes good faith and consumer protection.

Online lending agreements in the digital era are often constructed using standard clauses—pre-determined terms drafted solely by the fintech service provider. These clauses, sometimes referred to as "boilerplate provisions," are presented on a take-it-or-leave-it basis, leaving the debtor with no opportunity to negotiate or alter the terms. While this format offers efficiency and consistency for providers, it effectively strips borrowers of their contractual agency. As a result, the contract lacks the mutual consensus that is central to the classical notion of contractual fairness.

Although the use of standard clauses is not inherently unlawful, their contents can be problematic. According to Indonesian consumer protection laws, particularly Article 18 paragraphs (1) and (3) of Law Number 8 of 1999, any clause that limits or waives essential consumer rights - such as the right to dispute, seek redress, or receive accurate information - may be deemed null and void. This legal safeguard exists precisely because standard clauses can be used as instruments of exploitation, especially when the weaker party is unaware of their rights or lacks the means to enforce them.

Many standard clauses in fintech contracts include terms that are excessively burdensome, such as unreasonably high interest rates, vague penalty structures, mandatory access to personal data, and disclaimers that absolve the provider of responsibility. Such provisions undermine the balance of the contractual relationship, creating a structure in which the debtor is held liable for all risks while the creditor is shielded from accountability. This one-sided arrangement not only contradicts the principle of contractual justice but may also contravene the principle of proportionality recognized in civil and consumer law.

Furthermore, the digital interface used in online lending often conceals these clauses behind dense, technical language or in lengthy user agreements that few consumers read in full.

[17] Yuminuna Bilghaiby Putri, Maslihati Nur Hidayati, and Nisa Istiani, "Perlindungan Hukum Atas Klausula Baku Yang Merugikan Debitur Pada Pinjaman Online Kredit Pintar," *INNOVATIVE: Journal Of Social Science Research* 4, no. 3 (2024): 16473–87.

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Consent, in this case, is reduced to a mere click, which the courts should not always interpret as fully informed agreement. When the borrower lacks bargaining power and does not fully understand the implications of the terms, the ethical legitimacy of the contract becomes questionable - even if it remains formally valid under positive law.

For this reason, legal interpretation must evolve beyond strict formalism to account for the substantive fairness of such agreements. Judges, regulators, and policymakers must emphasize good faith as a core principle when assessing the validity of fintech contracts. Contracts must be seen not merely as procedural instruments but as moral and social tools that govern relationships. Upholding fairness, transparency, and reciprocity - especially in asymmetrical digital lending arrangements - is essential to preserving justice in the modern financial system.

Standard clauses often grant excessive power to fintech providers by imposing unilateral terms, high interest rates, mandatory access to user data, and disclaimers of liability. Such provisions are in conflict with the spirit of fair contract law and violate Article 18 of the Consumer Protection Law.

Debtors who experience payment difficulties face automatic default, inflated penalties, and unethical collection methods. This legal imbalance contravenes the ideals of equality before the law. A truly binding contract must ensure mutuality, transparency, and fairness. One of the most concerning practices is the unauthorized access and misuse of borrowers' personal data — such as contact lists, photographs, and private messages - stored on their mobile devices. Many fintech lending apps mandate this access as a condition for loan approval. When borrowers default, this sensitive information is often weaponized: debt collectors send defamatory or intimidating messages to the borrower's friends, family, or colleagues. This form of digital harassment causes severe emotional distress and can irreparably harm personal relationships and reputations.

Although some fintech companies claim that these actions are justified by user consent, such consent is not absolute. In consumer protection law, any clause that facilitates harmful, excessive, or deceptive practices may be declared void. Consent obtained under coercive or

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non-transparent conditions cannot be considered valid. Furthermore, debt collection practices are legally required to uphold principles of dignity and fairness. The use of intimidation and public shaming violates these standards and undermines trust in the financial system.

The psychological toll on debtors can be profound. Victims of abusive collection tactics often experience anxiety, depression, and social withdrawal. In some tragic cases, individuals have reported suicidal thoughts or attempts as a result of extreme pressure and humiliation. This reality elevates the issue from a mere regulatory concern to a matter of human rights. The protection of mental health must be a core component of financial consumer protection efforts.

A comprehensive response is urgently needed. Regulatory bodies must enforce stricter oversight and impose substantial penalties on violators. At the same time, clear channels for reporting and redress should be accessible to all debtors. Public education initiatives are essential to inform consumers of their rights and to guide fintech providers in ethical compliance. As financial innovation expands, it must be anchored in principles that prioritize human dignity and justice.

Under Article 1243 ICC, default requires a warning (somasi). However, in digital loan agreements, default is often declared automatically without legal due process. Standard contracts exclude negotiation, undermining the doctrine of good faith and the Equilibrium Contract Theory, which insists on fairness and balance. Debtors are typically in vulnerable positions, lacking financial or legal leverage. Thus, their consent is not genuinely free. The psychological toll from threats and data breaches further illustrates the unfairness. Courts must look beyond formalistic contract elements and consider social justice dimensions in debtor-creditor relations. Digital loan agreements, while technically valid under contract law, often bypass essential legal procedures meant to protect weaker parties. According to civil law principles, a debtor must be formally notified through a warning (somasi) before being declared in default. However, most fintech platforms automate the default process, declaring a borrower in breach immediately upon a missed payment. This automation removes any opportunity for explanation, negotiation, or defense—thus violating the debtor's procedural rights and the spirit of due process.

Standardized digital contracts leave no room for negotiation, and this imbalance is especially problematic in financial agreements where the stakes are high. The absence of mutual dialogue contradicts the doctrine of good faith, which is a foundational element of contract law. More broadly, the Equilibrium Contract Theory emphasizes the need for fairness, reciprocity, and equal bargaining power. In fintech lending, however, the creditor—usually a powerful institution - retains all the control, while the debtor remains vulnerable, often accepting terms out of necessity rather than informed, voluntary consent.

The problem is not just legal but structural. Debtors, especially from low-income or digitally underserved populations, often lack both financial literacy and access to legal resources. Their agreement to contract terms is frequently based on urgency, rather than understanding or fairness. This renders their consent illusory, as it is driven more by desperation than by free will. As a result, what appears to be a contract between equals is, in reality, a tool that reinforces socio-economic inequality.

Furthermore, the psychological burden borne by debtors cannot be overstated. Facing constant threats, data exposure, and reputational attacks, many borrowers suffer severe emotional distress. The digital nature of the abuse—persistent, invasive, and publicly humiliating - amplifies its impact. These stressors disproportionately affect those who already occupy marginalized positions in society, exacerbating their vulnerability. The debtor's disadvantaged status is therefore not merely financial but also emotional and psychological.

To address this imbalance, legal interpretation must evolve beyond a narrow, formalistic reading of contracts. Courts and regulators should take into account the lived realities of debtors and recognize the inherent inequality in these transactions. Social justice must inform the assessment of digital lending practices, ensuring that consumer protection laws are applied with empathy and context. Only then can the law fulfill its role in safeguarding those most at risk of exploitation.

These findings reaffirm the analytical gap identified in the introduction by demonstrating that unlawful collection practices, automated default classifications, and exploitative standard

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clauses persist largely because existing enforcement mechanisms remain ineffective. The analysis highlights that debtor vulnerability is not merely a by-product of digital lending but a consequence of weak regulatory implementation and inadequate procedural safeguards. Thus, this study contributes novelty by reframing default within the broader structural context of regulatory failure and by emphasizing the urgent need for stronger, more debtor-oriented protection frameworks capable of addressing both the substantive unfairness of standard clauses and the procedural injustices inherent in current fintech practices.

B. Implications of Default in Imbalanced Digital Contracts

Default, under Article 1243 ICC, requires prior notification. Yet many fintech platforms impose immediate default without somasi, violating this principle. Debtors affected by force majeure - such as unemployment - face harsh penalties without proper assessment. Digital systems that categorize default without review contravene civil law principles and moral fairness. In the context of Indonesian civil law, default is not automatically assumed upon the failure to fulfill a contractual obligation. According to Article 1243 of the Indonesian Civil Code (ICC), a debtor is considered in default only after receiving a formal notification or warning, known as *somasi*.

This requirement ensures that the debtor is given a fair opportunity to fulfill their obligations before being subjected to legal consequences. However, many fintech lending platforms bypass this legal safeguard by instantly labeling a borrower as being in default once a payment is missed, without issuing any prior warning or consideration of the underlying circumstances.

The digital nature of these platforms allows for automatic and impersonal classifications of default, often triggered by algorithmic timelines rather than human assessment. As a result, debtors who may have missed payments due to temporary hardships, such as job loss, illness, or emergencies, are subjected to severe penalties immediately. These include excessive late fees, interest rate hikes, and in some cases, public shaming or data exposure. The failure to account for *force majeure* events in the enforcement of these contracts is not only legally problematic but also morally questionable.

This situation undermines one of the core values of civil law: fairness in contractual relations. Contracts, although binding, must be executed in good faith and with a sense of justice. Automatically imposing default disregards the social and economic vulnerabilities of debtors, especially in the informal and gig economies where income is unpredictable. It also erodes public trust in financial systems that are meant to empower, not exploit. In cases o Default, it is crucial that platforms differentiate between deliberate refusal to pay and genuine inability to pay.

Moreover, this approach contradicts the principle of *pacta sunt servanda* - that agreements must be honored - as it fails to equally respect the rights and obligations of both parties. While debtors are expected to meet their commitments, creditors must also adhere to the legal procedures governing enforcement. A system that swiftly punishes debtors without respecting procedural safeguards risks becoming a tool of coercion rather than justice. The imposition of default must, therefore, be rooted in a balanced legal framework that protects both creditor interests and debtor rights.

To resolve this issue, regulatory intervention is necessary to enforce compliance with civil law standards. Fintech platforms should be required to integrate a *somasi* mechanism into their systems, allowing for human review and reasonable grace periods before penalties are imposed. At the same time, public awareness should be raised to ensure borrowers understand their legal protections. Without these steps, the continued misapplication of default in online lending will deepen inequality and legal disenfranchisement.

Debt collection methods such as data misuse, threats, and online shaming are rampant. These violate Article 26 of the constitute violations of the Electronic Information and Transactions Law, and Article 51 of Financial Services Authority Regulation Number: 10/POJK.05/2022, which demands respectful and non-violent collection practices.11 Consent to data access, if used to justify abusive methods, is void under Article 18 of the Consumer Protection Law. Such practices cause immense psychological harm, sometimes leading to depression or suicidal ideation. The widespread nature of these tactics reveals a systemic failure to enforce ethical standards in the digital finance sector.

A major issue is the unauthorized access and exploitation of personal contact lists, photographs, and other private information stored on a borrower's mobile device. Some fintech apps require users to grant access to their phone data as a precondition for loan approval. Once a debtor falls into default, this data is often weaponized, with collection agents sending defamatory messages to the borrower's family, friends, or colleagues. This form of digital harassment inflicts deep emotional distress and can irreparably damage reputations and social relationships.

While some fintech providers justify these actions by citing user consent to data access, such consent is not absolute. Under principles of consumer protection, any clause that enables harmful, excessive, or unfair practices can be declared null and void. Consent obtained under pressure or through unclear terms cannot be considered legitimate. Furthermore, the law requires that debt collection be conducted in a manner that respects human dignity. Using fear and shame as instruments of enforcement fundamentally contradicts these legal standards.

The psychological impact on debtors can be severe. Victims of harassment often suffer from anxiety, depression, and social isolation. In extreme cases, individuals have been driven to suicidal ideation or even attempts due to the unbearable pressure and humiliation. This underscores the need to recognize abusive debt collection not just as a regulatory infraction, but as a violation of human rights. Protection of mental health must be considered a central element in the enforcement of financial regulations.

To address this, a multi-pronged response is necessary. Regulatory agencies must strengthen oversight and impose meaningful sanctions on violators. There should also be clear and accessible reporting mechanisms for debtors to seek protection. Public awareness campaigns must educate both consumers and fintech providers on the legal boundaries of debt collection. Ultimately, fintech growth must be accompanied by a commitment to ethical conduct, ensuring that innovation does not come at the expense of basic human dignity.

Debtors may file complaints with the Financial Services Authority or seek mediation through Alternative Dispute Resolution Institutions in the Financial Services Sector. If informal

resolution fails, legal action may be taken under Article 1320 and 1338 of the ICC or Article 18 of the Consumer Protection Law to annul unfair clauses and claim compensation for moral damages. These avenues are designed to facilitate quick and accessible resolutions without the need for lengthy court processes. However, their effectiveness often depends on the good faith of the fintech providers and the institutional strength of the dispute resolution mechanisms.

If informal means fail, debtors may take legal action by challenging the validity of the loan agreement in court. Such actions typically invoke the Indonesian Civil Code, especially Article 1320 concerning the essential elements of a valid contract, and Article 1338 on the principle of freedom of contract. Debtors can argue that their consent was not truly voluntary due to the take-it-or-leave-it nature of standard clauses. Furthermore, provisions in the Consumer Protection Law allow courts to annul unfair terms and grant compensation for non-material damages, especially when the debtor has suffered psychological harm due to aggressive collection practices.

Despite these available mechanisms, access to justice remains a significant hurdle for most debtors. Legal literacy among consumers of fintech services is generally low, especially among those in rural or economically disadvantaged regions. Many are unaware of their rights or the legal processes available to them. As a result, they often submit to abusive practices or accept unfair settlements due to fear, pressure, or ignorance. This creates a systemic imbalance in legal power between debtors and fintech providers.

Another major issue is the lack of affordable and accessible legal assistance. While the right to legal aid exists, it is not evenly distributed or well-publicized. Law enforcement and regulatory agencies often lack the capacity to respond quickly to the massive volume of complaints arising from fintech platforms. Additionally, the stigma associated with debt and the fear of public shaming further discourage debtors from seeking help or taking legal action.

Addressing these challenges requires comprehensive reforms. Fintech regulation must be updated to ensure greater fairness, transparency, and accountability. At the same time, legal aid services must be expanded, especially through partnerships with civil society

organizations, legal clinics, and universities. Public education campaigns on digital and legal literacy are also essential to empower consumers. Only through a multifaceted approach can the legal system provide effective protection for debtors facing the growing risks of digital lending.

CONCLUSION

This study concludes that the legal standing of debtors who experience default in online lending cannot be viewed solely as individual negligence. The widespread use of standard clauses creates structural inequality that deprives debtors of bargaining power, so the contractual relationship is not balanced. Debtors often accept these terms out of urgent necessity rather than genuine consent, which weakens the substantive fairness of the agreement. The analysis further shows that default should not automatically be classified as a breach of contract. Defaults in online lending are frequently the result of economic hardship, lack of legal literacy, and exploitative contractual terms rather than deliberate refusal to fulfill obligations. In this context, debtors should be recognized as disadvantaged parties within a system that prioritizes efficiency and profit, instead of being stigmatized as mere defaulters. The findings also highlight the importance of developing a justice-oriented and contextual interpretation of digital contracts. Legal protection mechanisms must evolve to balance the interests of creditors and debtors, while ensuring that financial innovation aligns with principles of fairness, proportionality, and good faith. Such an approach would prevent exploitative practices and strengthen consumer trust in digital financial services. Accordingly, this research affirms that the phenomenon of default requires a more humane and proportionate legal response. By examining the contractual imbalance, questioning the automatic classification of default, and proposing stronger protection for debtors, this study successfully addresses the research problems and achieves its objectives. The contribution lies in offering a perspective that positions debtors not as criminals, but as parties in need of equitable legal safeguards in the digital era.

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