

## CONSUMER JUSTICE IN DIGITAL LENDING: PRICING, COLLECTION PRACTICES AND THE PROHIBITION OF RIBĀ

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| Info Articles                                                                                                                                                                                                                                                                                                                              | Abstract                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
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| <p><b>Article History</b><br/>Received : 08-13-2026<br/>Revised : 09-18-2026<br/>Published : 10-01-2026</p> <p><b>Keywords:</b><br/><i>Consumer protection; Debt collection; Digital lending; Ribā; Usury ceilings.</i></p> <p><b>Kata Kunci:</b><br/><i>Pelindungan konsumen; Penagihan utang; Pinjaman daring; Ribā; Pagu bunga.</i></p> | <p><b>Abstract</b></p> <p>Digital lending has extended credit to millions of Indonesians previously excluded from formal finance, while generating harms concentrated among low-income borrowers through compounding charges, aggressive collection and the unlicensed sector operating beyond regulatory reach. This study aims to analyse where consumer protection fails in digital lending, to assess pricing and collection practices against both consumer law standards and the Islamic prohibition of ribā, and to formulate criteria for a protective regulatory design. The research applies normative juridical research with statutory, conceptual, case and comparative approaches, supported by a reading of the prohibition of increase for deferral and of exploiting necessity, drawing on Indonesian consumer protection, financial sector and data protection legislation, regulator instruments, and comparative interest ceiling regimes. The findings show that protection is organised around disclosure and licensing rather than around substantive limits, that the effective cost of short-tenor credit remains extreme when annualised despite daily rate caps, that collection harms operate through contact data harvested at application, and that enforcement against unlicensed lenders is displacement rather than suppression. Islamic doctrine treats the increase demanded for deferral as prohibited regardless of consent, which supplies a substantive rather than procedural standard. The study recommends total cost caps, statutory collection conduct rules, contact permission limits and affordability assessment.</p> <p><b>Abstrak</b></p> <p>Pinjaman daring telah memperluas akses kredit bagi jutaan warga yang sebelumnya tidak terlayani keuangan formal, sekaligus menimbulkan kerugian yang terpusat pada peminjam berpenghasilan rendah melalui biaya berbunga-bunga, penagihan agresif, dan sektor ilegal yang berada di luar jangkauan pengawasan. Penelitian ini bertujuan menganalisis titik kegagalan perlindungan konsumen dalam pinjaman daring, menilai praktik penetapan harga dan penagihan terhadap standar hukum konsumen sekaligus larangan ribā, serta merumuskan kriteria desain regulasi yang protektif. Penelitian menggunakan metode yuridis</p> |

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|  | <p>normatif dengan pendekatan perundang-undangan, konseptual, kasus dan perbandingan, ditopang pembacaan atas larangan tambahan karena penangguhan dan larangan mengeksploitasi keterdesakan. Hasil penelitian menunjukkan perlindungan ditata di seputar keterbukaan dan perizinan, bukan batas substantif; bahwa biaya efektif kredit bertenor pendek tetap ekstrem bila disetahunkan meski ada pagu harian; bahwa kerugian penagihan bekerja melalui data kontak yang dipanen saat pengajuan; dan bahwa penindakan terhadap pemberi pinjaman ilegal bersifat memindahkan, bukan menghentikan. Doktrin Islam memperlakukan tambahan karena penangguhan sebagai terlarang tanpa bergantung pada persetujuan, sehingga menyediakan standar substantif. Penelitian merekomendasikan pagu biaya total, aturan perilaku penagihan dalam undang-undang, pembatasan izin akses kontak, dan penilaian kemampuan bayar.</p> |
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## I. INTRODUCTION

Credit is the point at which financial inclusion and consumer harm meet most directly. Digital lending platforms have reached borrowers whom banks never served, and in doing so have supplied liquidity to households with no other access to it. The same platforms have generated a distinctive pattern of harm: short-tenor loans whose annualised cost is extreme, charges that compound on default until they exceed the principal, and collection practices that reach the borrower's employer, family and acquaintances.

The Indonesian regulatory response has been built on licensing and disclosure. The financial sector authority registers and supervises information technology-based lending providers, sets conduct requirements, and has progressively imposed limits on daily charges and on the number of concurrent loans.<sup>1</sup> The financial sector development statute of 2023 consolidated supervisory powers and strengthened the consumer protection mandate.<sup>2</sup> Consumer protection legislation supplies a general framework prohibiting unfair standard terms.<sup>3</sup>

The ideal condition would combine access with substantive limits: a total cost ceiling that does not depend on borrower calculation, conduct rules governing collection with real consequences, and an affordability requirement preventing the extension of credit that cannot be repaid without further borrowing. The actual condition supplies procedural protections and partial price regulation, leaving the

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<sup>1</sup> Financial Services Authority Regulation Number 10/POJK.05/2022 concerning Information Technology-Based Joint Funding Services.

<sup>2</sup> Law Number 4 of 2023 concerning the Development and Strengthening of the Financial Sector.

<sup>3</sup> Law Number 8 of 1999 concerning Consumer Protection, Article 18.

substantive question of how much a lender may charge largely to competition in a market where borrowers are typically in urgent need and poorly placed to compare.

Three features of the harm pattern are analytically significant. First, daily rate caps applied to very short tenors produce annualised costs that remain extraordinary, so a cap expressed per day communicates moderation while permitting severity. Second, collection harm depends on data: access to the borrower's contact list, granted at application, converts default into a social event. Third, enforcement against unlicensed platforms removes applications without removing operators, who reappear under new identities, so the measured effect of enforcement is displacement.

Three literatures bear on this. Consumer credit scholarship has examined interest ceilings, affordability regulation and the distributional effects of restricting high-cost credit, with a persistent debate about whether ceilings protect borrowers or push them to worse alternatives.<sup>4</sup> Behavioural analysis has established that borrowers under financial stress systematically underestimate rollover probability. Islamic legal scholarship has developed the prohibition of *ribā*, which addresses precisely the increase demanded for deferral that characterises this market.

The gap addressed here is the absence of an analysis that treats the Islamic prohibition as a source of substantive regulatory standards rather than as a sectoral rule for Islamic finance products. This article asks: where does Indonesian digital lending regulation fail to protect; what standards does the prohibition of *ribā* supply for conventional consumer credit policy; and what criteria would produce protection that does not depend on borrower vigilance?

## II. RESEARCH METHODS

The research is normative juridical, applying statutory, conceptual, case and comparative approaches.<sup>5</sup> The statutory approach examines consumer protection legislation, the financial sector development statute, the personal data protection statute and the regulator instruments governing digital lending. The conceptual approach reconstructs theories of consumer vulnerability and unconscionability alongside the Islamic doctrines of *ribā*, *gharar* and the prohibition of exploiting necessity. The case approach analyses disputes concerning collection practices and standard terms. The comparative approach considers the United Kingdom, Japan and Kenya, selected because each imposes a different form of cost limitation on short-term credit.

Primary materials comprise legislation, regulator instruments, decisions and classical Islamic legal sources on *ribā* and sale contracts. Secondary materials consist of peer-reviewed scholarship and institutional reports from the last fifteen

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<sup>4</sup> Iain Ramsay, *Personal Insolvency in the 21st Century: A Comparative Analysis of the US and Europe* (Oxford: Hart Publishing, 2017), 61–74.

<sup>5</sup> Peter Mahmud Marzuki, *Penelitian Hukum*, rev. ed. (Jakarta: Kencana, 2017), 55–60.

years. Analysis proceeds by qualitative content analysis, comparative tabulation of cost limitation designs, and normative evaluation against constitutional and maqāṣid criteria. The study relies on published complaint and market data and does not conduct original borrower surveys.

### **III. RESULTS AND DISCUSSION**

#### **A. Disclosure and Licensing as the Regulatory Core**

The first finding concerns the regulatory model. Indonesian digital lending is regulated principally through entry control and information duties: platforms must be licensed, must disclose costs, must obtain agreement to standard terms, and must report. This model presupposes a borrower who compares offers, understands disclosed costs and selects rationally.

The presupposition fails systematically in this market segment. Borrowers approaching a digital lender typically face an immediate obligation, have already exhausted informal sources, and choose under time pressure. Disclosure improves the record of what was communicated without improving the conditions of choice. Where the constraint is urgency rather than ignorance, information remedies address the wrong variable.

Price regulation expressed as a daily rate compounds the difficulty. A cap framed per day on a tenor of two or three weeks produces an annualised figure that most borrowers never compute and that the disclosure format does not require to be presented prominently. Requiring an annualised total cost figure, expressed in currency as well as in percentage, would not by itself solve the urgency problem but would at least align the disclosed number with the magnitude of the obligation.

#### **B. Collection Harm as a Data Problem**

The second finding reframes collection abuse. The distinctive harm of digital lending default is not the demand for payment but its distribution: contacts harvested at application are used to inform employers, relatives and acquaintances of the debt. This converts a private obligation into public shaming, and the harm it produces is reputational and psychological rather than financial.

Framed this way, the problem is soluble through data law rather than through collection guidance alone. Access to a borrower's contact list is not necessary for the assessment or performance of the loan; it serves only collection leverage. Under the purpose limitation and necessity principles of the personal data protection statute, processing that is not necessary for the stated purpose lacks a lawful basis, and consent obtained as a condition of receiving credit under urgency is not freely given.<sup>6</sup>

The regulatory implication is a prohibition rather than a conduct standard: platforms should be barred from requesting contact list permissions at all, with

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<sup>6</sup> Law Number 27 of 2022 concerning Personal Data Protection, Articles 16 and 20.

technical compliance verifiable through application store review. Conduct rules governing what collectors may say are necessary but insufficient, because they require detection of each violation, whereas removing the data access removes the capability.

### C. Ribā as a Substantive Standard

The third finding is doctrinal. The Qur’ānic prohibition of ribā is categorical and is framed in terms of the increase demanded above the principal, with the text preserving the creditor's entitlement to the capital sum itself.<sup>7</sup> Classical elaboration distinguishes the ribā of deferral, in which an increase is charged for time, from the ribā of excess in exchanges of fungible goods, and treats the former as the paradigm case of the pre-Islamic practice the prohibition abolished: the debtor unable to pay was given more time in exchange for an increase in the debt.<sup>8</sup>

That paradigm case is precisely the structure of rollover lending. A borrower unable to repay at maturity is offered an extension at additional cost, and the obligation grows with each extension until it exceeds the original advance. Whatever position is taken on the broader question of conventional bank interest, the compounding extension of a consumer's unpayable debt is the historical practice the prohibition names, and this convergence is the doctrinally strongest ground available in Indonesian debate for substantive limits on charges after default.

Two associated doctrines extend the point. Consent does not validate a prohibited exchange, which means that agreement to terms is irrelevant to their legality, a position that maps onto the concept of unconscionability in consumer law but is stronger, since it does not require proof of procedural defect. And the prohibition on exploiting the necessity of another treats urgency as a factor vitiating rather than confirming voluntary agreement. Together these supply a substantive standard: the question is what may be charged, not whether the borrower was told.

### D. Comparative Cost Limitation Designs

**Table 1. Comparative Limits on High-Cost Short-Term Credit**

| Jurisdiction   | Form of limitation                                        | Distinctive feature                                      | Observed effect                                          |
|----------------|-----------------------------------------------------------|----------------------------------------------------------|----------------------------------------------------------|
| Indonesia      | Daily charge cap with concurrent loan limits              | Regulator instrument rather than statute                 | Annualised cost remains high; unlicensed sector persists |
| United Kingdom | Initial cost cap plus absolute total cost cap             | Total repayable may not exceed twice the amount borrowed | Market contraction with reduced borrower detriment       |
| Japan          | Statutory interest ceiling with borrowing-to-income limit | Aggregate borrowing capped relative to income            | Reduced multiple borrowing; informal lending concerns    |

<sup>7</sup> Qur’ān 2:278–279.

<sup>8</sup> Muḥammad b. Jarīr al-Ṭabarī, *Jāmi‘ al-Bayān ‘an Ta’wīl Āy al-Qur’ān*, ed. ‘Abd Allāh b. ‘Abd al-Muḥsin al-Turkī (Cairo: Dār Hajar, 2001), 5:38–44.

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|-------|----------------------------------------------------|--------------------------------------|--------------------------------------------------|
| Kenya | Licensing of digital lenders with pricing approval | Regulator approval of pricing models | Formalisation of a previously unregulated market |
|-------|----------------------------------------------------|--------------------------------------|--------------------------------------------------|

Source: Processed from primary legal materials and comparative literature, 2026.

The British total cost cap is the most transferable feature identified. A rule that the total repayable may never exceed a defined multiple of the amount borrowed is intelligible without calculation, immune to circumvention through fee restructuring, and functionally equivalent to the doctrinal position that the creditor is entitled to the capital and that unbounded increase for deferral is impermissible. It also addresses the rollover spiral directly, since the cap applies cumulatively rather than per contract.

### **E. Criteria for a Protective Design**

Five criteria follow. First, an absolute total cost cap expressed as a multiple of principal, applied cumulatively across extensions and refinancings, so that no borrower can owe several times what was advanced. Second, a prohibition on requesting contact list and gallery permissions, removing the technical basis of collection shaming rather than regulating its expression. Third, statutory collection conduct rules with defined sanctions, elevated from regulator guidance to legislation so that breach carries consequences beyond licence risk. Fourth, mandatory affordability assessment using available income data, with the lender bearing the loss where credit was extended without it. Fifth, enforcement against unlicensed operators directed at payment channels and distribution platforms rather than at applications alone, since operators reconstitute while payment rails do not.

## **IV. CONCLUSION**

Indonesian digital lending regulation protects through disclosure and licensing in a market where the operative constraint on borrowers is urgency rather than information. Daily rate caps understate the cost they permit; collection harm operates through contact data whose collection is unnecessary for the loan; and enforcement against unlicensed lenders displaces rather than suppresses them.

The prohibition of *ribā* supplies a substantive standard that consumer law reaches only through the harder route of unconscionability. Its paradigm case is the increase demanded from a debtor unable to pay at maturity, which is the structure of rollover lending; consent does not cure a prohibited exchange; and necessity vitiates rather than validates agreement. The doctrinal position therefore converges with the total cost cap adopted in comparative practice.

The study recommends an absolute cumulative cost cap, prohibition of contact list permissions, statutory collection conduct rules, mandatory affordability assessment with lender-borne loss, and enforcement directed at payment channels. Further research should measure the distribution of total amounts repaid relative

to principal across completed loans, since that ratio is the single most informative indicator of whether the current regime limits detriment or merely documents it.

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