



P2P Lending: Legal Framework for Electronic Contracts

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ABSTRACT

This study examines Peer-to-Peer (P2P) Lending, a form of financial technology (Fintech) that directly connects lenders and borrowers through digital platforms, eliminating the traditional role of banking intermediaries. The research aims to address two key legal questions: How do electronic contracts protect the parties, and how does the electronic contract become valid and binding in P2P lending? This study employs a combination of literature review and fieldwork, utilizing secondary and primary data collected through document analysis and interviews. The data were analyzed using a juridical-qualitative method. The findings show that conventional civil law generally regulates contracts, but does not explicitly address the nature and enforcement of electronic contracts. Legal protection in digital loan agreements is established through the principles of digital governance, particularly regarding the rights, obligations, and liabilities of the parties. An electronic contract is considered valid when the essential elements of a contract are fulfilled and supported by a verifiable electronic signature, under widely accepted legal and technological standards. The study concludes that while existing contract law provides a general foundation, digital transactions require adaptive legal interpretations to ensure enforceability, accountability, and user protection in the evolving digital financial ecosystem.



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INTRODUCTION

Peer-to-peer (P2P) lending, first introduced by Zopa in the UK in 2005, has since emerged as a rapidly growing fintech innovation. Globally, transaction volumes surged by more than 50% from 2020 to 2023, driven by diverse platform models that serve borrowers and lenders directly, bypassing traditional intermediaries (Ofir & Tzang, 2021). In Indonesia, the sector has also grown sharply, with outstanding P2P financing reaching IDR 78.5 trillion in early 2025, a nearly 30% year-on-year increase, highlighting both its potential and the need for legal clarity (OJK, 2025).

While P2P lending solutions expand financial inclusion—especially for underserved small and medium-sized enterprises (Koranteng & You, 2025)—they also expose participants to risks related to regulatory gaps, contract enforceability, privacy breaches, and platform defaults (Saiedi et al., 2020; Katsamakos & Sanchez-Cartas, 2023). Studies in China and Lithuania reveal that unclear contractual frameworks and inconsistent regulations undermine both platform resilience and user trust (Moran Ofir & Tzang, 2021; Taujanskaitė & Milčius, 2022). Meanwhile, research on fintech loan agreements highlights that although legal provisions exist, their implementation often falls short of fully protecting users, exposing contractual imbalances and data vulnerabilities (Febriansyah & Sinaga, 2025; Khuan, 2024).

Despite this growing body of literature, a critical gap remains in examining the validity and enforceability of electronic contracts under conventional civil law, particularly in emerging economies such as Indonesia. Previous work has tended to focus on financial performance, technical solutions, or regulatory compliance, rather than on legal analysis of digital contract mechanisms (David, 2024; Saiedi et al., 2020). This gap motivates the current study.

This paper addresses two principal research questions:

1. How does civil contract law protect parties in electronic P2P lending agreements?
2. What are the conditions under which an electronic contract is legally valid and binding in this context?

The core argument is that electronic P2P lending contracts constitute extensions of traditional contract law, but require additional digital governance—such as verifiable electronic signatures and authentication standards—to satisfy both contractual legality and evidentiary criteria (Kusmiadi, 2025). Through a juridical-qualitative approach that combines a literature review and field interviews, this research aims to fill a key theoretical and practical gap: providing a robust legal interpretation of electronic contracts within Indonesia's fintech ecosystem.

LITERATURE REVIEW

RESEARCH METHODS

This research employs a legal analysis to examine the extent to which Indonesian civil law protects parties involved in electronic contracts in peer-to-peer (P2P) lending and assesses the legal validity of such agreements. The doctrinal aspect of this method emphasizes the interpretation and application of written legal norms through theoretical and statutory analysis, in line with established legal research methodologies practiced in Indonesia.

A normative juridical method serves as the foundation of this study, involving a close examination of primary legal sources, such as the Indonesian Civil Code (notably Articles 1320, 1338, and 1754), as well as statutory instruments on electronic transactions, consumer protection, banking, and financial technology regulation. These legal provisions are then evaluated using relevant legal doctrines and theories. Complementing this, a descriptive-analytical method is applied to describe the current legal landscape and assess its practical implementation in regulating electronic contracts within the P2P lending ecosystem.

RESULTS AND DISCUSSION

1. Indonesian Electronic P2P Lending Contracts

Although the Indonesian Civil Code offers a foundational structure for contractual relationships, it remains insufficient to address the legal complexities posed by electronic peer-to-peer (P2P) lending arrangements in the digital age (Kartika, 2020). Traditional interpretations of lending agreements, particularly under Article 1754, are rooted in the exchange of tangible, consumable goods—typically money—requiring an equivalent return by the borrower. However, this classical framework does not adequately capture the nuances of digital financial interactions, where the objects of exchange and their equivalents can be abstract, algorithm-driven, and subject to manipulation (Busro & Adhi, 2019). Furthermore, the essential elements of Article 1320 for contract validity—mutual consent, legal competence, a defined object, and a lawful purpose—face substantial challenges in virtual contexts, where verifying consent and legal capacity can be highly problematic (Riandini, 2021).

Article 1338, which upholds the principle of good faith in contract enforcement, is also strained in digital transactions. The anonymity and automation inherent in online platforms often obscure unethical conduct, making it challenging to detect breaches of trust or misrepresentation (Utomo, 2020). Consent mechanisms, such as click-wrap agreements, are widespread but often bypass genuine agreement, raising questions about the authenticity and voluntariness of acceptance. The lack of robust identity verification and digital authentication protocols further undermines the legal enforceability of such contracts.

Moreover, the gap between the theoretical application of Civil Code provisions and the actual implementation of P2P contracts reveals systemic legal shortcomings. While Article 1320 continues to serve as the dominant standard for assessing contractual validity (Tsani & Umam, 2020), many platforms fail to adopt necessary technological safeguards, leaving such contracts vulnerable to annulment under Article 1321 in cases of defective consent. This mismatch exposes parties—particularly consumers—to legal ambiguity and exploitation. As Bakshi (1999) and Howells (2019) suggest, the shift toward digital goods and services, including digital payments, calls for an evolved understanding of consumer rights within the digital economy. Barakatullah (2016) further emphasizes that, in the context of e-commerce, preserving consumer dignity and consent is crucial.

In practice, the good-faith obligation in Article 1338 is routinely undermined by aggressive and intrusive collection practices observed in some P2P platforms. These include public shaming, misuse of personal data, and threats that compromise borrower privacy and dignity, violating both legal and ethical expectations. The absence of specific rules regulating data protection and ethical debt collection in electronic lending transactions contributes to a permissive environment where platforms operate with limited oversight. The lack of accessible dispute resolution procedures exacerbates borrower vulnerability, particularly for those with limited legal awareness or insufficient economic means to defend their rights. Tian (2022) notes the asymmetrical flow of information between lenders and borrowers as a further contributor to this imbalance.

The meteoric rise of P2P lending presents both promise and peril for economic development. On the one hand, these platforms provide alternative financing sources for underserved individuals and MSMEs, thereby supporting economic inclusion and innovation. On the other hand, they also introduce risks involving data privacy, financial fraud, systemic instability, and weak consumer protections (Vijayagopal et al., 2024). Cross-country comparisons reveal a wide disparity in regulatory strategies: some jurisdictions have embraced light-touch regulation, exposing markets to heightened risk, while others impose stringent controls that may stifle innovation and restrict access to alternative finance (Nemoto et al., 2019).

To address these multidimensional challenges, regulators are urged to strike a careful balance between promoting technological innovation, safeguarding consumer rights, and maintaining the integrity of the financial system. Considering the transnational character of digital finance, stronger international regulatory coordination is essential, particularly in addressing cross-border lending, data governance, and harmonization of compliance frameworks. Such coordination would mitigate risks of regulatory arbitrage and ensure a level competitive landscape for P2P platforms operating globally.

2. Validity and Binding Nature of Electronic Contracts in P2P Lending

The validation of electronic contracts within the Indonesian peer-to-peer (P2P) lending ecosystem hinges on a dual compliance framework, necessitating adherence to both traditional civil law principles and contemporary fintech-specific regulations (Riandini, 2021). This intricate interplay ensures that digital lending agreements possess the legal fortitude and operational integrity required to govern financial transactions in an increasingly digitized landscape. Article 1320 of the Indonesian Civil Code lays the groundwork for contract validity, stipulating four essential conditions: mutual consent between parties, the legal capacity of the involved parties to enter into an agreement, a clearly defined subject matter, and a lawful cause or objective for the agreement.

These stipulations, deeply rooted in established legal doctrines, provide a foundational framework for evaluating the legitimacy of any contractual arrangement within the Indonesian jurisdiction. Further solidifying the binding nature of legally executed agreements, Article 1338 of the Indonesian Civil Code asserts that such agreements possess the force of law between the contracting parties, underscoring the principle of *pacta sunt servanda*. Complementing this, Article 1339 emphasizes the importance of custom, propriety, and legal norms in shaping the interpretation and enforcement of contractual obligations, ensuring that agreements are not only legally sound but also aligned with societal expectations and ethical standards. The rapid growth of peer-to-peer lending poses both opportunities and challenges to Indonesia's existing legal and economic landscape (Busro & Adhi, 2019).

Digital peer-to-peer lending platforms are designed to align with established civil law principles, utilizing structured formats for presenting electronic loan agreements that facilitate transparency and comprehension. The Financial Services Authority Regulation 10/POJK.05/2022 mandates specific provisions for electronic documents used in P2P lending, ensuring they contain essential elements such as unique contract numbers, precise timestamps, comprehensive identity details of the parties involved, clearly defined rights and obligations, specific funding amounts, transparent fee structures, applicable penalties, explicit data usage policies, and well-defined dispute resolution mechanisms. The regulatory framework aims to mitigate risks and foster trust in the burgeoning fintech sector (Simbolon & Puteri, 2020). The integration of mandatory electronic signatures serves as a cornerstone for ensuring authentication and traceability in digital transactions, aligning with established digital transaction standards and providing a secure means of verifying the identities of the parties involved.

The features inherent in digital P2P lending platforms and the regulatory mandates imposed by POJK 10/POJK.05/2022 collectively contribute to compliance with Articles 1320–1339 of the Indonesian Civil Code. The demonstration of mutual consent is facilitated through the documented digital approval processes embedded within the platforms, providing an audit trail of agreement and acceptance.

Capacity verification is achieved through logged identities and age confirmation mechanisms, ensuring that parties entering into agreements possess the legal capacity to do so. The subject matter and economic terms of the loan are clearly outlined in the electronic agreement, leaving no ambiguity regarding the obligations and entitlements of each party. The inclusion of disclaimers and legal clauses ensures that the agreement has a lawful cause, mitigating the risk of illicit or unethical activities.

These observations are consistent with broader scholarly discourse, which emphasizes the need for digital contracts to satisfy both conventional civil law criteria and the specific standards governing electronic transactions (Amri & Fatmawati, 2023). Consumer protection in P2P lending requires legal safeguards against potential issues, such as data misuse during collection, which can lead to legal repercussions if not adequately addressed (Rahmi, 2020).

However, operational risks persist within the P2P lending landscape, as highlighted by interviews revealing instances of inadequate fraud protection and insufficient authentication protocols on some platforms.

While the role of the Financial Services Authority in preventing illegal fintech through education and socialization has been effective (Firmansyah et al., 2022), some platforms inadequately guard against fraud or lack robust authentication.

CONCLUSION

While Indonesia's Civil Code provides a foundational legal framework for contractual agreements, it is ill-equipped to fully address the complexities and risks associated with electronic peer-to-peer (P2P) lending transactions. The rigid application of traditional provisions—such as those in Articles 1320, 1338, and 1754—fails to account for the challenges

posed by digital consent, authentication, data protection, and power imbalances between parties in online environments. The absence of clear legal standards for electronic contracts, combined with inconsistent enforcement mechanisms and weak borrower protections, exposes parties—especially consumers—to legal uncertainty and potential exploitation.

The study highlights the urgent need for regulatory reforms that adapt conventional civil law to the realities of digital finance. This includes the development of specific legal instruments to ensure the validity, fairness, and enforceability of electronic contracts, robust mechanisms for consent verification, standardized ethical practices for debt collection, and stronger data protection rules. Furthermore, given the global nature of digital lending, international cooperation is crucial for harmonizing regulatory approaches, preventing cross-border legal gaps, and ensuring a level playing field across jurisdictions.

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