

How to Regulate an illegal platform in P2P Lending? (Evidence From Indonesia and Global Approach)

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Abstract

The aim of this studi is: (1) to scrutinize the legal predicaments pertaining to the governance of Peer-to-Peer (P2P) lending in Indonesia, by drawing comparisons with the regulatory frameworks of the United States and the United Kingdom, and (2) to devise the optimal legal mechanism for the regulation of P2P lending transactions. This study employs a normative legal research methodology utilizing comparative and legal approaches to investigate the regulatory frameworks for P2P lending in Indonesia, the United States, and the United Kingdom. The legal materials used in this study solely pertain to P2P lending regulations and were collected using library research techniques. The expansion of P2P lending in Indonesia has been impeded by the widespread prevalence of unlawful P2P lending practices. A comparative evaluation of the regulatory structures of the United States and the United Kingdom highlights that the insufficiency of regulatory measures has played a role in aggravating this issue. The UK's well-structured and comprehensive regulations, which provide robust protections, are worth emulating and implementing, especially considering that P2P lending in the UK is successful and dominates the European economic market. Meanwhile, the strict information disclosure and platform registration rules implemented in P2P lending in the United States are essential regulatory factors that the OJK should consider in its supervision of P2P lending in Indonesia.

I. Introduction

The corporate industry is currently undergoing expansion and advancement in the field of information and communication technology. One of the significant developments is the shift from traditional business models to non-traditional business models, commonly known as the “sharing economy.” This business model is based on a platform that matches supply and demand. Supported by the advancement of the internet, it allows online platforms to be easy and cheap to access (Uyen & Ha, 2017).

Today, the financial services sector is in a phase of digital disruption; in this phase, the world economy still has main functions that include financial services such as exchanging money, saving or investing, financing, or even insuring risks. All financial services remain a response to these four basic needs and will not change; the only thing that changes is how these needs are handled (Christi & Barberis, 2016).

The application of technology to address financial challenges is known as financial technology (fintech) (Arner et al., 2015). Diverse categories of fintech offerings are entering the service industry, such as payment and transfer systems, lending and funding services, retail banking solutions, financial management tools, and currency trading platforms (Davis et al., 2017).

The progress of fintech in Indonesia has the potential to be swift due to government support that encourages Micro, Small, and Medium Enterprises (MSMEs) to adopt digital payment systems and become more digitally oriented in their business operations. The Fintech platform that is currently getting the most attention is P2P lending (Manan, 2019). The inception of fintech in Indonesia dates back to 2006, with four pioneering companies leading the way. As of August 2021, the number of fintech companies registered in Indonesia has surged to 116 (Otoritas Jasa Keuangan, 2021c). 104 of them are P2P lending fintech companies (Otoritas Jasa Keuangan, 2021b). P2P lending is intended for small and medium-sized businesses that are unable to meet the prerequisites for bank loans (Hsueh, 2017). P2P lending works using the platform providing an online market that suits the needs of investors who will lend to prospective borrowers, thereby eliminating the necessity for banks as intermediaries (Nemoto et al., 2019).

In tandem with the advancement of P2P lending in Indonesia, the Financial Services Authority (OJK), in its capacity as regulator and overseer, has implemented various policies to govern P2P lending activities within the country. However, several existing regulations found that Indonesia does not have clear rules and regulations that can guarantee security in its transactions (Rahardyan, 2021).

POJK is insufficient to guide P2P lending platforms, especially regarding security and risk guarantees, explicitly limiting the rise of illegal platforms and overcoming regulatory gaps against previous financial institutions such as banking, multi finance, MFIs, or BPRs (Rahardyan, 2021; Kharisma, 2020). In Graphic 1, the number of illegal P2P lending from year to year continues to be alarming. In 2018, the number of illegal P2P lending platforms

reached 404; in 2019, it reached 1493; in 2020, it reached 1026; and as of 2021, it reached 593 (Otoritas Jasa Keuangan, 2021a). This is a financial crime that can impact monetary stability and harm consumers (Wiwoho & Kharisma, 2021).

The legal issues in this P2P lending transaction placed Indonesian President Joko Widodo as a defendant; under President Joko Widodo, the state was accused of committing a crime by neglecting the loan issue in the P2P lending sector (Rahmadi, 2021). The lawsuit was carried out through a citizen lawsuit mechanism to ask the defendants to improve existing policies or rules. In November 2021, a lawsuit was initiated against the defendants, namely the President, the Minister of Communication and Information, and the Head of the Board of Commissioners of the Financial Services Authority (Rahmadi, 2021).

Considering the progress of P2P lending in other countries, several scholars have carried out several previous studies related to comparisons of P2P lending in various countries. One of them is a study published by Inda Rahadiyan in a journal entitled "Keterbukaan Informasi Sebagai Mitigasi Risiko Peer To Peer Lending (Perbandingan Antara Indonesia dan Amerika Serikat)". This study discusses the aspect of information disclosure in terms of legal protection in the implementation of P2P lending, specifically in Indonesia and the United States (Rahadiyan & Mentari, 2021). Also, the research conducted by Hang Yin, which was published in a journal entitled "Status quo of the US and UK's P2P lending regulation," focused on comparing the regulations regarding P2P lending between the United States and the United Kingdom with those in China (Yin, 2016).

Meanwhile, J. Jagtiani (2018) pointed out that consumer protection needs to be embedded in regulation to maintain financial stability while creating a safe environment for fintech innovation (Jagtiani & John, 2018). Additionally, there is a study by D.W. Erner et al. (2017), S. Saksonova and I. Kuzmina-Merlino (2017), Philip Treleaven (2015) conclude that shaping regulation is essential for fintech (Arner et al., 2017, 2018; Saksonova & Kuzmina-Merlino, 2017; Treleaven, 2015). Fintech has legal issues and risks that need to be mitigated (Hidajat, 2019; Kunhibava et al., 2021; Muryanto et al., 2021).

Based on this research, a comparative analysis of the regulation of P2P lending in Indonesia, the United States (hereinafter referred to as the "US"), and the United Kingdom is conducted in this study. It is crucial to examine the extent to which provisions related to P2P lending regulation in countries with well-established legal certainty and protection are implemented. In this regard, the author scrutinizes the rules governing P2P lending in Indonesia and compares them with similar regulations in the US and UK. Therefore, this article examines the subsequent research inquiries: What are the policies and regulations that oversee P2P lending activities in Indonesia, the United States, and the United Kingdom? What is the most appropriate legal framework for regulating P2P lending in Indonesia?

2. Research Method

This study adopts a normative legal research approach and utilizes both comparative

and legal methods. The comparative method involves contrasting the laws of different countries or different points in time, while the legal approach focuses on analyzing the legal framework (Dijk, 1985; Paton, 1972). The research conducted a comparative analysis of P2P lending fintech regulations in Indonesia, the United States, and the United Kingdom. The author selected Indonesia due to the country's notable growth in fintech lending. The United States, being one of the early adopters of P2P lending, has implemented rigorous regulations to minimize potential risks associated with such lending (Nemoto et al., 2019). The UK, has well-established regulations and specific regulatory bodies governing P2P lending (Yin, 2016). The United Kingdom holds the distinction of being the first country to establish a legal framework for crowdlending, and within Europe, it has been a leader in the P2P lending sector, with over £3 billion in transactions since 2017 (Monés, 2018). The UK is the leading crowdfunding market, with 68% of European crowdfunding in the UK (Nurmalita, 2020). Both US and UK have similarities with Indonesia. At the beginning of the growth period of P2P lending in their respective countries, legal issues that arise, such as bad credit, personal data problems, and illegal platforms, also occur. They can overcome it as they develop their rules.

The legal approach involves a thorough examination of all the laws and regulations pertaining to the specific legal issue being studied (Marzuki, 2019). This study examine the legal framework governing P2P lending fintech to identify legal arguments relevant to the issues under examination. The study adopts both primary and secondary legal materials, including regulations and scholarly publications, respectively. The primary legal materials analyzed include various regulations governing P2P lending in Indonesia, notably POJK Number 77/POJK.01/2016 on Information Technology-Based Lending-Borrowing Services, as well as extant legislation in the US, such as the Truth in Lending Act, and novel regulations in the UK, such as the Financial Conduct Authority Policy Statement PS14/4 2014.

3. Results and Discussion

The emergence of the P2P lending industry in Indonesia was triggered by the issuance of POJK Number 77/2016. The regulation was initially enacted for several purposes. In formulating these regulations, the objective of OJK was to foster the growth of alternative financing opportunities for the public and to stimulate the establishment of financial service institutions based on information technology, which could contribute to the national economy (Rahmadi, 2021).

However, in practice, the regulation has many weaknesses. From 2019 to 2021, OJK received 19,711 complaints related to the lending industry (OJK, 2017). A total of 47.03% or 9,270 are categorized as severe violations. Then 52.97%, or 10,441, are minor

or moderate violations (Rahmadi, 2021). The significant breaches in question take the form of disbursing funds without the applicant's authorization, threatening to disclose personal data, using terror or intimidation tactics, issuing bills with abusive language, and engaging in sexual harassment (Rahmadi, 2021).

The POJK does not include billing procedures, interest rate limits, and data collection limits (only regulated in 2019). Legal platforms are limited to only accessing the camera, microphone, and location of the borrower's cellphone. Before the code of conduct, the Deputy Commissioner for Consumer Education and Protection of the OJK explained that all problems on legal lending platforms were the company's burden which had to be resolved through the OJK (Rahardyan, 2021). Regulations with shortcomings are often known as the regulatory sandbox in the economic realm. This term refers to a rule created as a testing room for new things regulated in it.

Of the many complaints submitted regarding P2P lending, these P2P lending customers submitted complaints before the rules regarding interest limits, billing procedures, and consumer data theft because POJK 77/2016, which became the forerunner of P2P lending, has not regulated these things (Rahmadi, 2021). In response to this, it is essential to improve P2P lending arrangements. The urgency can be seen in particular through the actions of the President of the Republic of Indonesia, who held an internal meeting to discuss this matter on Friday, October 15, 2021, ago (Rahmadi, 2021).

First, lack of comprehensive regulations governing P2P Lending. The absence of regulation gives rise to legal issues such as the absence of a platform registration mechanism before the public can access it; there is no proper sanction if the organizer platform commits a violation; the lack of an equal position in making loan agreements based solely on electronic contracts provided by the platform; the absence of rules causes a breach of the right to privacy and the right to security resulting from the practice of collecting, collecting and distributing personal data; on the implementation side of lousy debt risk mitigation, it is also carried out through independent monitoring by the organizers with a collection pattern followed by a system containing elements of criminal acts (Rahadiyan & Hawin, 2020); In addition, Indonesia also does not have a precise mechanism regarding the feasibility assessment of prospective debtors (OJK, 2017).

Second, the absence of registering mechanism before the public can access the lending platform. It is mandatory for every fintech entity to register with the OJK through the legally prescribed procedures. However, it is noteworthy that there exists a paradox, as there are a greater number of lending companies that operate without valid registration. The number even reaches thousands. Meanwhile, state administrators argue that they have no responsibility for unregistered applications (Rahmadi, 2021).

The controversy often occurs mainly caused by illegal fintech lenders, especially those who run the payday loan, business model. By regulation, OJK can only regulate registered fintech companies. Apart from this, problems that arise are not the responsibility of the OJK, so coordination with other authorities such as the police and the Ministry of Communications and Informatics is also required (Center For Indonesian Policy Studies, 2021).

Third, personal data security and privacy issues. The absence of regulation has resulted in two human rights violations experienced by borrowed consumers: the violation of the right to privacy and the right to security. Because there are activities of retrieval, collection, and dissemination of personal data. The billing pattern is also followed by a system containing elements of a criminal act (Rahmadi, 2021).

The digital code of service providers that prevents excessive use of personal data is crucial to consider in P2P lending arrangements. The platform should not access or even use and distribute consumers' data without prior notification, especially for other purposes. OJK currently only restricts service providers from accessing three things through the applications they run: camera, microphone, and location (Center For Indonesian Policy Studies, 2021).

The digital economy ecosystem of a country faces a significant danger due to the increasing incidents of data breaches. This poses a real threat to the system since personal data can be susceptible to various fraudulent activities, such as theft, breaches of bank accounts, violations of privacy, and even the unauthorized sale of such data on the dark web (Sudarwanto & Kharisma, 2021). Commission XI of the DPR RI assesses that the P2P lending platform still does not have clear rules of the game and can guarantee security for the people of Indonesia. POJK are insufficient to guide fintech lending

platforms, especially regarding security and risk guarantees (Rahardyan, 2021). AFPI stated that special regulations are needed, one of which is the bill on protecting personal data so that official and licensed platforms have a clear distinction from illegal media so that law enforcement can run better (Rahardyan, 2021).

Fourth, the rise of illegal P2P lending platforms. From 2019 to 2021, the Financial Services Authority (OJK) received 19,711 complaints related to illegal P2P lending (Otoritas Jasa Keuangan, 2021a). POJK is not enough to guide the rules for running fintech lending, moreover, limiting the rise of illegal platforms that harm the public and overcoming regulatory gaps with more senior financial institutions, such as banking, multi-finance, MFIs, or BPRs (Rahardyan, 2021). In 2021 alone, the Investment Alert Task Force has processed at least 7,000 complaints related to illegal fintech lending (Rahardyan, 2021).

Fifth, unclear dispute resolution stages (bad credit risk management). There is no proper sanction if the loan application operator commits a violation. On the other hand, there is no equal position in making lending and borrowing agreements based only on electronic contracts made by the provider of the loan application (Rahmadi, 2021). So far, The sanctions that OJK can give are only in the form of organizational discipline, which includes four sanctions, namely written warning, publication to the public and OJK, temporary deactivation, to deactivation of permanent membership (Rahmadi, 2021). In addition, in terms of bad loans, the government needs to build and strengthen an integrated debtor information system to ensure that credit and loan disbursements are carried out by taking into account the debt history and the ability to pay customers to mitigate the risk of bad loans and defaults (Rahmawati, 2021).

Sixth, there is no proper billing mechanism. As a result of the absence of a proper billing mechanism, a woman in Wonogiri, Central Java of Indonesia, was terrorized by KSP Solusi Andolan Bersama, which has 34 illegal protection applications causing the victim to decide to commit suicide (Rahmawati, 2021). In Indonesia, she is not the only victim in the fintech lending bad credit collection case. When they made a late payment, the victims admitted that they were humiliated by using a photo with condescending words distributed to their family and friends (Rahmawati, 2021).

Comparison of P2P lending arrangements in Indonesia, the United States, and the United Kingdom

Indonesia

The implementation of P2P lending in Indonesia falls under the regulatory purview of the OJK. The regulatory framework governing this sector is delineated in POJK Number 77/2016 concerning Information Technology-Based Lending and Borrowing Services. This framework was developed in response to the need for effective regulation of monetary borrowing agreements facilitated by P2P lending platforms. The online money-borrowing agreement, in this case, P2P Lending, is the same as the conventional money-borrowing agreement.

United States

The regulatory framework for P2P lending in the United States does not entail the introduction of new laws. Rather, the existing laws and regulations are leveraged to govern and control P2P lending activities (Yin, 2016). In the realm of P2P lending activities, both the state and state supervisors have a role to play in oversight. P2P lending activities are primarily overseen by the Securities and Exchange Commission (SEC), whereas the Consumer Financial Protection Bureau (CFPB) is specifically tasked with ensuring consumer protection in the P2P lending sector (US Department of the Treasury, 2016).

Table 1 Regulations on P2P lending in the United States (Rahadiyan & Mentari, 2021; Yin, 2016)

Constitution	Contents
The Securities Act of 1933	Lender's obligation to register loans as securities, organizers are required to provide loan information in the prospectus periodically through EDGAR.
Truth in Lending Act of 1968	Information Unit
Equal Credit Opportunity Act of 1974	fair loan

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010	Consumer protection
Report on Review of Disclosure Requirements in Regulation SK 2013The Framework for 'Investment Contract' Analysis of Digital Assets 2019	Loan disclosure
Fair Credit Reporting Act of 2021	credit report
Fair Debt Collection Practices Act of 2021	A third-party debt collector

United Kingdom

In contrast to the US approach of relying on existing laws, the UK undertook a revaluation of the P2P lending industry and proposed new legal instruments to regulate it. The UK introduced a regulatory framework in December 2012, with the Bank of England being assigned the responsibility of consolidating macro and micro-prudential regulation in this industry (Yin, 2016). In April 2014, the regulatory oversight of lending and borrowing regulations was transferred from the Fair Trade Office to the Financial Conduct Authority (FCA), thereby making it the primary regulatory authority for the P2P lending industry.

The FCA also issued the FCA Statement 14/4 in March 2014, which amended the FCA Handbook for the establishment of P2P lending. This was followed by the issuance of PS 16/8 in March 2016 by the FCA, which further amended its Handbook, specifically addressing issues related to P2P lending client money and ISA financial innovation (Yin, 2016).

The FCA categorizes P2P lending into six key areas for regulatory purposes: financial resource requirements, customer funds management, contract cancellation rights, disclosure regulations, dispute resolution, and reporting obligations. The primary regulatory requirements include minimum capital standards, segregation of client and

platform funds, the right of customers to cancel their contracts, comprehensive information disclosure, mechanisms for investor complaints through the platform or the Financial Ombudsman Service, and detailed reporting on financial positions, client funds, and loan arrangements (Yin, 2016).

P2PFA (The Peer-to-Peer Finance Association) rules. In addition to FCA regulations, the P2PFA industry association has developed more specific rules for P2P lending to address gaps in the legal framework. This association is comprised of UK-based P2P lending platforms that meet certain size criteria, and its members currently represent over 96% of the total market share (Yin, 2016).

The P2PFA has submitted an application to become a legally recognized entity under government supervision and has implemented stringent regulations to promote high standards in the P2P lending industry. Prior to formal FCA intervention, The P2PFA played a critical role in industry regulation and contributed significant insights for policy-making by the FCA. Every year, the P2PFA reviews and revises its principles, with a current emphasis on enforcing regulations that promote clear and transparent practices, effective risk management, strong governance and control, necessary data requirements, and adaptable operations (P2PFA, 2015).

Comparison of P2P lending arrangements in Indonesia, the United States, and the United Kingdom

The distinct P2P lending business models in Indonesia, the US, and the UK have resulted in varying regulatory frameworks. In Indonesia and the UK, P2P lending typically involves loans sourced directly from investors, whereas in the US, financial institutions that meet specified criteria provide the loans. As a consequence, investors in P2P lending in Indonesia and the UK receive loan agreements as their investment product, whereas in the US, securities are the product. To oversee this industry, the SEC is responsible for regulating P2P lending in the US.

A table has been provided to compare the regulatory systems of the three countries.

Table 2. Comparison of P2P Lending Systems in Indonesia, the United States, and the United Kingdom

Comparative	Indonesia	United States	United Kingdom
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Criteria			
ding system	n-based crowdfunding (investor to the borrower)	fessional lending (involves banks)	n-based crowdfunding (investor to the borrower)
estment system	n agreement article 18 POJK 77/2016)	urities	n agreement
gulator	ritas Jasa Keuangan (OJK)	Securities and Exchange Commission (SEC) and Consumer Finance Protection Bureau and Federal Trade Commission (CFBP) SEC regulates the investment side. CFBP controls from the lending side	ancial Conduct Authority (FCA)
Regulatory sandbox	Available	Not available	Available
The role of P2P lending platforms	Direct lenders and aggregators of investments	A facilitator from lending bank to loan recipient; a platform for buying loans using funds from investors	A facilitator between investors and borrowers
heral	inly aimed at small	Several players	Mainly intended

characteristics of the P2P lending sector	loans and individual loans. Concentrated market(Nemoto et al., 2019)	dominate Market. Various platform services with various market services(Nemoto et al., 2019).	for needs small businesses. Developed in new need for investment tools.
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Source: data processing by the author is based on previous research by the ABDI Institute (Nemoto et al., 2019; Yin, 2016)

Table 3. Comparison of P2P Lending Regulations in Indonesia, the United States, and the United Kingdom

Comparative Criteria	Indonesia	United States	United Kingdom
Scope of Regulation	UK	• Truth in Lending Act of 1968 • Equal Credit Opportunity Act of 1974 • The Electronic Funds Transfer Act 1978 • The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 • Report on Review of	A Statement and P2PFA rules

		Disclosure Requirements in Regulation SK 2013 • Fair Credit Reporting Act of 2021 • Fair Debt Collection Practices Act of 2021	
The nature of the rules	ht touch regulation. is conceivable to change the policies as a consequence of the dynamics that occur in the digital area.	cious and tight (Nemoto et al., 2019) ad because it is based on existing laws. ict because P2P lending regulations regulate up to very detailed platform registration.	aptive (Nemoto et al., 2019) aptive because it is adapted to the needs of P2P lending in line with its development.
Regulatory model	Three categories of regulation: equity, loans, and funds.	quire investors' money to enter the bank account.	ultative approach.
License registration requirements	Registration with OJK. Article 7 POJK 77/2016 stated that OJK mandates the platforms undergo registration and	license and state government license; platforms operating without an SEC license can seek investment from accredited investors	A License is required, but provisional licenses are common

	licensing procedures. Article 8 paragraph 1 mandates that the Platforms who will carry out Technology-Based Borrowing and Borrowing Services Information, submit a registration application to the OJK.		
Interest rate limit	Not available	ilable	ilable
Information disclosure requirements	It cannot be directly disclosed to investors. Article 39 of POJK 77/2016 stipulates that unless explicitly permitted by law or through electronic consent from the user, platforms are not allowed to disclose any user data information.	cludes information on principal loans and information on securities issued.	ded by P2PFA.
Dispute resolution	Regulated by each platform through the	ulated by CFBP and SEC	lated by FCA and P2PFA

mechanism	Lender Agreement with the Borrower as outlined in an electronic document (Article 20 POJK 77/2016)		
the advantages of the current regulations	Flexible open up opportunities for industrial development.	Strong protection from lenders and borrowers. Data transparency (Nemoto et al., 2019).	Responsive to risks that arise and accommodate market participants (Nemoto et al., 2019).

Source: data processing by the author based on previous research by the ABDI Institute (Nemoto et al., 2019).

The Ideal Legal Construction to be applied in P2P lending arrangement in Indonesia

In light of the progress of P2P lending in the United States and the United Kingdom, each has its criteria to encourage economic growth in the era of digital disruption but still prioritize transaction security. Since Financial Services Authority Regulation (POJK) is not a law, the regulation cannot cover criminal provisions.

The practice of illegal P2P lending platforms, fraud, and theft of personal data included in criminal acts cannot be done in a lawsuit mechanism (Kharisma, 2021). To accomplish these ideal conditions, the proper design of regulatory instruments is crucial. To accomplish this goal, it is crucial to take into account the various existing regulations. The ideal regulations should prioritize the security of P2P lending for all parties. Creating appropriate dispute resolution mechanisms should also be a priority (Kharisma, 2021).

Therefore, the formation of laws that specifically regulate the P2P lending industry is the key to answering all the problems that are currently happening. With a clear law, which governs interest rates, debtor eligibility assessment criteria, risk management,

protection and security of personal data, collection in case of bad credit and other problems can be resolved (Kharisma & Hunaifa, 2022).

Considering the lack of scope of P2P lending arrangements in Indonesia to regulate this industry, both macro, and micro. In its settings, P2P lending arrangement at least must be set regarding:

- a. Rules regarding billing procedures
- b. Interest rate limits and funding limit
- c. Privacy collection limits
- d. Customer data privacy security
- e. Lending platform registration mechanism before the public can access it
- f. Dispute resolution mechanism
- g. Disclosure of information in the assessment of prospective debtors' eligibility.

The UK regulations can be modified to oversee the industry from both a macro and micro level. The regulatory bodies create equitable laws that can accommodate fresh initiatives, ensuring the efficiency of P2P lending and providing ample space for industrial innovation (Yin, 2016).

Furthermore, in order to eliminate the issue of unauthorised platforms, P2P lending platforms must obtain a license from a supervisor as the US does through the SEC and state securities regulators. Disclosure of information must also be strengthened. The US has stringent P2P lending platform information disclosure requirements, especially information on principal loans and securities issued.

4. Conclusion

Based on the analysis results, it can be concluded that the regulation of P2P lending in Indonesia is not comprehensive. Compared to the UK, Indonesian regulators are not sufficiently regulated in macro and micro in the P2P lending industry, where several illegal platforms are still found. The United Kingdom regulations that are disciplined and have a broad scope and strong protection deserve to be imitated and implemented given the effectiveness of P2P lending in the UK and dominant the economic market. In

addition, although the POJK has contained matters related to information disclosure, the regulation is deemed inadequate, considering the information submitted is limited compared to the implementation of information disclosure in the US through the SEC, which makes it easier for lenders to analyze the borrower's profile before carrying out the lending process. Consequently, there are still some legal issues in the operation of P2P lending in Indonesia.

The regulation of information disclosure in P2P lending practices in the United States can serve as a crucial regulatory matter for the Financial Services Authority to contemplate as a regulator and overseer of P2P lending in Indonesia. Such a proposal is understandable considering that transparency is an essential key for risk mitigation in the P2P Lending mechanism with all the ease of transactions offered. In addition, a loan platform with a regulatory sandbox-like in the UK can be applied by Indonesia to maintain industrial development with an open, competitive, and healthy business competition climate, making it possible to become a new source of financing for SMEs in Indonesia.

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