



Restructuring PayLater Regulations to Promote Consumer Justice

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Original Article

Abstract

The rapid growth of *PayLater* services as a digital financing instrument has significantly enhanced financial inclusion and facilitated consumer transactions. However, this development has also generated various legal challenges due to inadequate regulatory frameworks and insufficient consumer protection mechanisms. This study aims to analyze the implementation of *PayLater* services in Indonesia, identify legal obstacles and regulatory gaps in consumer protection, and formulate strategies for improving governance and regulatory arrangements. The study employs a normative juridical method using statutory, conceptual, and comparative approaches through a comprehensive review of primary, secondary, and tertiary legal materials. The findings reveal that the regulation of *PayLater* services remains fragmented, resulting in legal uncertainty concerning fee transparency, personal data protection, debt collection practices, and dispute resolution mechanisms. The study concludes that the establishment of specific regulations, harmonization of regulatory authority, strengthening of supervisory mechanisms, and the development of an integrated consumer protection framework are essential to ensuring legal certainty, justice, and the sustainability of Indonesia's digital financing ecosystem.

Keywords: *PayLater, Consumer Protection, Digital Financing, Legal Certainty*

Abstrak

Perkembangan layanan *paylater* sebagai instrumen pembiayaan digital telah meningkatkan penyertaan keuangan dan kemudahan transaksi, namun juga menimbulkan berbagai persoalan hukum akibat belum memadainya pengaturan dan perlindungan konsumen. Penelitian ini bertujuan menganalisis pelaksanaan layanan *paylater* di Indonesia, mengidentifikasi kendala hukum dan celah regulasi dalam perlindungan konsumen, serta merumuskan upaya perbaikan tata kelola dan regulasinya. Penelitian menggunakan metode yuridis normatif dengan pendekatan perundang-undangan, konseptual, dan komparatif melalui studi kepustakaan terhadap bahan hukum primer, sekunder, dan tersier. Hasil penelitian menunjukkan bahwa regulasi *paylater* masih terfragmentasi, sehingga menimbulkan ketidakpastian hukum terkait transparansi biaya, perlindungan data pribadi, mekanisme penagihan, dan penyelesaian sengketa. Penelitian menyimpulkan perlunya regulasi khusus, harmonisasi kewenangan regulator, penguatan pengawasan, serta pembentukan mekanisme perlindungan konsumen yang terintegrasi guna mewujudkan kepastian hukum, keadilan, dan keberlanjutan ekosistem pembiayaan digital di Indonesia.

Kata kunci: *PayLater, Perlindungan Konsumen, Pembiayaan Digital, Kepastian Hukum*

1. INTRODUCTION

Recent digital developments have transformed patterns of economic transactions through the rapid expansion of financial technology (fintech). One of the fastest-growing innovations is the Buy Now, Pay Later (BNPL), or *PayLater*, service, a financing facility that enables consumers to purchase goods and services immediately and defer payment to a later date.¹ Its ease of access, simple registration procedures, and flexible payment options have contributed to its growing popularity among Indonesian consumers, particularly younger generations and individuals who are unbanked or underbanked.

The growth of the *PayLater* industry in Indonesia demonstrates a significant upward trend. The increasing financing value and expanding user base indicate that this service has become an essential component of the national digital economy ecosystem.² Furthermore, *PayLater* services contribute to greater financial inclusion and support the expansion of e-commerce by providing fast and convenient access to financing.³

However, the rapid expansion of *PayLater* services has not been accompanied by adequate regulatory preparedness. This condition has resulted in a phenomenon commonly referred to as regulatory lag, in which technological innovation advances more rapidly than the development of legal norms. Consequently, various legal issues have emerged concerning consumer protection, information transparency, personal data protection, debt collection mechanisms, and dispute resolution.

Indonesia has enacted several regulations governing technology-based payment systems and financial services, including Law Number 8 of 1999 concerning Consumer Protection, Law Number 27 of 2022 concerning Personal Data Protection, and several regulations issued by the Financial Services Authority concerning digital financing. However, the distinctive characteristics of *PayLater* services, which involve collaboration between e-commerce platforms and financial institutions, mean that not all providers are subject to the same regulatory regime. This situation has created regulatory overlap and normative gaps, resulting in inadequate legal protection for consumers.

Additional concerns relate to the use of personal data and debt collection practices. In practice, users frequently consent to data processing without fully understanding its legal implications. Moreover, debt collection practices that potentially infringe upon consumers' rights to privacy and security remain prevalent. The

¹ Rahmania Diva Siswana et al., "Tinjauan Ekonomi Syariah Terhadap Paylater (Bnpl): Inovasi Finansial Atau Praktik Riba Modern?," *Jurnal Media Akademik* 4, no. 6 (2026): 1–12, <https://doi.org/10.62281/8w189834>.

² Afrisa Panca Aditiya, *Analisis Layanan Buy Now Pay Later (BNPL) dalam Perspektif Inklusi Keuangan dan Risiko Kredit Konsumtif di Indonesia*, 2025, <https://doi.org/10.13140/RG.2.2.11581.22240>.

³ Muhamad Muslih et al., "Analisis Multi-Dimensi Dampak Ekonomi, Perilaku Konsumsi, Dan Risiko Sosial Penggunaan Paylater Di Indonesia," *Jurnal Impresi Indonesia* 4, no. 10 (2025): 3858–66, <https://doi.org/10.58344/jii.v4i10.7083>.

continued expansion of *PayLater* services also poses economic risks, including over-indebtedness and excessive dependence on digital consumer financing.

Research conducted by Anggraini and Iskandar demonstrated that Shopee *PayLater* user agreements tend to be one-sided, as they primarily regulate users' obligations while providing limited provisions regarding the responsibilities of service providers. Furthermore, there are no clear regulations governing the misuse of personal data and provider liability in cases of default.⁴

Ningrum found that although several *PayLater* platforms have implemented principles of transparency and consumer protection, significant weaknesses remain in risk disclosure, dispute resolution mechanisms, and personal data protection. The study emphasizes the importance of strengthening regulatory frameworks and supervisory mechanisms for digital financing services.⁵

Similarly, Juwita et al. identified a regulatory gap arising from the existence of BNPL services in a gray area between banking law and consumer protection law. The study highlighted several issues, including inadequate fee transparency, the absence of user eligibility standards, and limited guidelines regarding data protection and ethical debt collection practices.⁶

From a civil law perspective, Rositasari et al. examined the validity of *PayLater* agreements under Article 1320 of the Indonesian Civil Code. The study revealed that the service activation process still permits legally incompetent individuals to access financing facilities, potentially rendering such agreements null and void.⁷

Meanwhile, Sulubara et al. argued that, although legal protection for *PayLater* users is normatively provided under various laws and regulations, its implementation remains suboptimal.⁸ Likewise, Asyiah et al. examined the abuse of *PayLater* services through the phenomenon of cash withdrawal services (*gesek tunai* or *gestun*), which further demonstrates the weakness of regulatory oversight in the digital financing sector.⁹

From the perspective of Islamic law, Apriansyah and Umar, Atmayani, and Fauziah et al. concluded that *PayLater* practices potentially involve elements of *riba*

⁴ Sania Puspita Anggraini and Hardian Iskandar, "Perlindungan Hukum Konsumen Dalam Pembayaran Menggunakan Sistem Paylater," *Pleno Jure* 11, no. 1 (2022): 69–86, <https://doi.org/10.37541/plenojure.v11i1.701>.

⁵ Klara Sundari Ningrum, "Perbandingan Regulasi Syarat Dan Ketentuan Pada Fitur PayLater Di E-Commerce Yang Sesuai Kebijakan OJK Dan Undang Undang," *Jurnal Ilmu Hukum, Humaniora Dan Politik* 6, no. 1 (2025): 656–71, <https://doi.org/10.38035/jihhp.v6i1.6150>.

⁶ Kiki Juwita et al., "Kesenjangan Regulasi Dan Tanggung Jawab Hukum Dalam Penyelenggaraan Layanan Buy Now Pay Later Di Indonesia," *Al-Zayn: Jurnal Ilmu Sosial & Hukum* 3, no. 6 (2025): 8817–27, <https://doi.org/10.61104/alz.v3i6.2668>.

⁷ Noviarasta Dewi Rositasari et al., "Kelayakan Perjanjian S Paylater Ditinjau Kitab Undang-Undang Hukum Perdata," *Jurnal Sosial Teknologi* 4, no. 12 (2024): 1064–72, <https://doi.org/10.59188/jurnalsostech.v4i12.31772>.

⁸ Seri Mughni Sulubara et al., "Legality of Shopee Paylater Payments for Shopee Platform E-Commerce Transactions In Conventional Law," *De Lega Lata: Jurnal Ilmu Hukum* 9, no. 2 (2024): 10.30596/dll.v9i2.20414.

⁹ Siti Asyiah et al., "Perlindungan Konsumen Terhadap Praktik Gesek Tunai Pada Layanan Shopee PayLater," *Jurnal USM Law Review* 8, no. 3 (2025): 1799–822, <https://doi.org/10.26623/julr.v8i3.12290>.

(usury) and *gharar* (excessive uncertainty), while also encouraging consumptive behavior.¹⁰

Despite these studies, the existing scholarship on *PayLater* services remains partial and fragmented. Only a limited number of studies have comprehensively examined the implementation of *PayLater* services by mapping legal constraints, identifying regulatory gaps, and proposing integrated governance improvement models. Therefore, further research is necessary to formulate an adaptive legal framework capable of ensuring legal certainty, justice, and more effective legal protection within Indonesia's *PayLater* service ecosystem.

Accordingly, this study aims to analyze the implementation of *PayLater* services in Indonesia, identify legal constraints and regulatory gaps related to consumer protection, and formulate a model for regulatory and governance reform through regulatory harmonization, strengthened supervisory mechanisms, and enhanced legal protection measures to promote legal certainty, justice, and the sustainability of digital financing.

2. RESEARCH METHODOLOGY

This study employs a normative legal research method that focuses on examining legal norms, principles, and rules governing the implementation of *PayLater* services in Indonesia. This method was selected because the issues under investigation concern regulatory disharmony, normative gaps, and the need to establish a more comprehensive legal framework to ensure adequate legal protection for *PayLater* users.

The research adopts statutory, conceptual, comparative, and case approaches. The statutory approach involves analyzing various regulations related to consumer protection, electronic transactions, personal data protection, and digital financing services. The conceptual approach is used to examine legal doctrines and theories concerning financial technology (fintech) and legal protection. Meanwhile, the comparative and case approaches are employed to identify best practices and analyze legal issues arising from the implementation of *PayLater* services.

The legal materials used in this study consist of primary, secondary, and tertiary sources, all of which were collected through library research. The data were subsequently analyzed qualitatively using a prescriptive-analytical approach through the identification, synchronization, and harmonization of relevant laws and regulations. Furthermore, this study employs deductive reasoning and legal interpretation to

¹⁰ Apriansyah Apriansyah and Muhammad Abdullah Umar, "Penggunaan Shopee Paylater Di Era Society 5.0 Perspektif Hukum Ekonomi Syariah," *Journal of Islamic Economic and Law* 1, no. 2 (2024): 25–32, <https://doi.org/10.59966/jiel.v1i2.1182>; Iin Tyas Atmayani Atmayani, "Tinjauan Hukum Islam Terhadap Skema Pembiayaan Digital Berbasis Kredit: Studi Kasus OVO PayLater," *Ecobis: Journal of Economics and Business* 1, no. 1 (2025): 31–55; Ifa Nurul Fauziah et al., "Tinjauan Hukum Ekonomi Syariah Terhadap Praktik ShopeePayLater Sebagai Produk Fintech Kontemporer," *Jurnal Pelita Ilmu Ekonomi Syariah* 2, no. 1 (2025): 81–87, <https://doi.org/10.71195/fb3n6w67>.

formulate recommendations for the regulation of *PayLater* services that can promote legal certainty, justice, and effective legal protection.

3. RESEARCH RESULT AND DISCUSSION

3.1. The Implementation of *PayLater* Services in Indonesia: A Positive Law and Financial Technology Perspective

The implementation of *PayLater* services in Indonesia currently operates within a legal framework dispersed across several laws and regulations. From the perspective of payment systems law, *PayLater* services are closely associated with Bank Indonesia Regulation No. 23/6/PBI/2021 concerning Payment Service Providers (PJP), which governs the classification of payment service providers, cooperation mechanisms, risk management, and consumer protection in digital payment systems. Although this regulation does not explicitly recognize *PayLater* as a distinct financing instrument, substantively, the service falls within the regulatory scope governing payment transaction processing, the use of payment instruments, and payment system security.

In Indonesia, the operational model of *PayLater* services is implemented through two principal schemes. First, a partnership model exists between e-commerce platforms and banks or financing companies, in which the digital platform acts as the payment service provider while the credit facility is provided by a financial institution.¹¹ Second, some *PayLater* services are operated directly by fintech companies licensed as payment service providers or financing institutions.¹² These two models demonstrate the hybrid legal characteristics of *PayLater* services, which combine elements of payment systems, consumer financing, and electronic transactions within a single digital service mechanism.

The majority of *PayLater* users in Indonesia are millennials and members of Generation Z, accounting for nearly 70 percent of all users. The predominance of individuals aged 18–35 years indicates that *PayLater* services are no longer perceived merely as conventional credit instruments but have become an integral part of the digital lifestyle of contemporary society.¹³ From a legal perspective, this phenomenon has important implications for the design of consumer protection regulations. Although most young consumers satisfy the legal requirements for contractual capacity, many remain in the process of achieving financial stability, making them more vulnerable to the risks associated with consumer financing and over-indebtedness.

¹¹ Ningrum, “Perbandingan Regulasi Syarat Dan Ketentuan Pada Fitur PayLater Di E-Commerce Yang Sesuai Kebijakan OJK Dan Undang Undang.”

¹² Haidar Dhiyaulhaq et al., “Persepsi Kegunaan Dan Kemudahan Penggunaan Terhadap Minat Penggunaan Ulang Spaylater Dengan Moderasi Literasi Keuangan Syariah” (Universitas Pendidikan Indonesia, 2025), <https://repository.upi.edu/139409/>.

¹³ Tharisya Alvita Cahyarani et al., “Faktor-Faktor Penentu Minat Generasi Z Dalam Penggunaan Buy Now Paylater Pada Mahasiswa Universitas Dian Nuswantoro Semarang,” *El-Mal: Jurnal Kajian Ekonomi & Bisnis Islam* 7, no. 3 (2026): 1254–73, <https://doi.org/10.47467/elmal.v7i3.11115>.

This finding is consistent with the argument advanced by Juwita et al., who contend that BNPL services have emerged as a new form of consumer financing operating within a regulatory gray area between banking law and consumer protection law.¹⁴ Likewise, it reinforces Ningrum's finding that consumer protection in *PayLater* services continues to face significant shortcomings, particularly with respect to information transparency and risk disclosure.¹⁵ Nevertheless, the present study differs fundamentally from previous research because it not only identifies deficiencies in consumer protection but also examines how the legal framework governing payment systems, particularly Bank Indonesia Regulation No. 23/6/PBI/2021, indirectly establishes the operational foundation for *PayLater* services in Indonesia.

In practice, the implementation of *PayLater* services incorporates the fundamental principles of payment systems regulation, including transaction security, risk management, and user data protection. Bank Indonesia Regulation No. 23/6/PBI/2021 requires all payment service providers to implement risk management mechanisms, fraud detection systems, Know Your Customer (KYC) procedures, and measures to ensure consumer data security. Furthermore, the integration of *PayLater* services with the QRIS and BI-FAST systems demonstrates that these digital financing instruments have become an integral component of the modernization of Indonesia's national payment system.

The implementation of legal protection for *PayLater* users remains suboptimal. One of the primary concerns relates to information transparency. Most service providers display only basic information regarding interest rates, repayment periods, and late payment penalties on their application interfaces, while more detailed information concerning legal consequences and fee structures is disclosed only after users agree to the electronic contract. From a legal perspective, this practice creates information asymmetry, namely an imbalance of information between business actors and consumers.

From the perspective of Law No. 8 of 1999 concerning Consumer Protection, this practice has the potential to violate consumers' right to receive accurate, clear, and honest information regarding the terms and guarantees of a service. This lack of transparency also affects the validity of consumer agreements because consent is not based on a comprehensive understanding of the legal and financial risks associated with the use of *PayLater* services. Consequently, the principles of freedom of contract and informed consent have not been fully satisfied.

The creditworthiness assessment mechanism employed by *PayLater* providers also tends to be administrative and algorithm-based. Such assessments are primarily oriented

¹⁴ Juwita et al., "Kesenjangan Regulasi Dan Tanggung Jawab Hukum Dalam Penyelenggaraan Layanan Buy Now Pay Later Di Indonesia."

¹⁵ Ningrum, "Perbandingan Regulasi Syarat Dan Ketentuan Pada Fitur PayLater Di E-Commerce Yang Sesuai Kebijakan OJK Dan Undang Undang."

toward users' digital data rather than their actual financial capacity and level of credit risk. This condition reflects the inadequate implementation of the prudential principle, which should constitute the foundation of all financing facilities. In banking and financing law, the prudential principle is intended not only to protect financial institutions from the risk of default but also to serve as a form of preventive consumer protection by preventing consumers from becoming burdened with debt that exceeds their economic capacity.¹⁶

The development of *PayLater* services in Indonesia has progressed considerably faster than the regulatory framework governing them. This condition has resulted in a phenomenon of regulatory lag characterized by normative gaps concerning credit limits based on actual repayment capacity, mandatory digital financial literacy programs, standards for cost transparency, and protection mechanisms for vulnerable consumer groups. These regulatory deficiencies ultimately provide service providers with substantial discretion to expand their business models aggressively without being subject to adequate legal protection obligations.

The implementation of *PayLater* services in Indonesia has gained legal legitimacy through various positive legal instruments, particularly in the areas of payment systems and electronic transactions. Nevertheless, the existing regulatory framework remains fragmented and is incapable of adequately addressing the complex legal relationships arising from these digital financing services. Therefore, there is an urgent need to strengthen and harmonize a more comprehensive and integrated regulatory framework, not only to ensure legal certainty for business actors but also to provide effective consumer protection amid the rapid expansion of financial technology and the digital economy in Indonesia.

3.2. Legal Obstacles and Regulatory Gaps Contributing to Inadequate Legal Protection for PayLater Service Users

The first legal obstacle concerns the validity and structure of electronic contracts, which constitute the legal basis of the relationship between consumers and *PayLater* service providers. Legally, electronic contracts are recognized as valid under Article 1320 of the Indonesian Civil Code and Article 46(2) of the Law on Electronic Information and Transactions (EIT Law). However, in practice, *PayLater* agreements are generally drafted as standard-form contracts entirely designed by service providers. Consumers are merely given the option to accept or reject the agreement in its entirety, without any opportunity for negotiation. This situation creates an imbalance in bargaining power between business actors and consumers.

¹⁶ Nurul Hasanah and Cory Vidiati, "Implementasi Prinsip Kehati-Hatian Untuk Mencegah Gagal Bayar Dan Fraud Dalam Fintech Syariah: Studi Kasus Pada Layanan PayLater," *Jurnal Mirai Management* 11, no. 1 (2026): 142–53, <https://doi.org/10.37531/mirai.v11i1.10497>.

Most users do not carefully review the contractual provisions, particularly those relating to interest charges, service fees, late payment penalties, and the legal consequences of default.¹⁷ This practice is inconsistent with the principle of transparency embodied in Article 7(b) of Law No. 8 of 1999 concerning Consumer Protection, which requires business actors to provide accurate, clear, and honest information. Substantively, this condition also gives rise to information asymmetry, potentially undermining the quality of consumer consent because such consent is provided without an adequate understanding of the risks inherent in the service.

This finding is consistent with the study by Anggraini and Iskandar, which concluded that Shopee *PayLater* agreements impose significantly more obligations on users than responsibilities on providers.¹⁸ However, the present study extends these findings by demonstrating that the contractual imbalance stems not only from the use of standard clauses but also from the absence of specific regulations governing the minimum content requirements of electronic contracts for *PayLater* services.

Another legal obstacle concerns the ambiguous legal status of *PayLater* as a hybrid financial product. Normatively, *PayLater* cannot be fully categorized as conventional credit, nor can it be regarded merely as a digital payment instrument. Consequently, the regulation of *PayLater* services is dispersed across multiple legal regimes, including consumer protection law, payment systems law, financing law, and electronic transaction law. This regulatory fragmentation has created a regulatory gray area, resulting in uncertainty regarding liability in cases involving system failures, fraud, or unsuccessful transactions.

This finding reinforces the argument advanced by Juwita et al. that BNPL services operate in a gray area between banking law and consumer protection law.¹⁹ However, the present study suggests that the more fundamental issue lies in the absence of a clear legal classification of *PayLater* as an independent digital financing instrument. As a consequence, prudential principles, transparency obligations, and consumer protection standards cannot be implemented effectively.

Another significant issue concerns the lack of transparency regarding service fees and interest charges. Most providers disclose only the installment amount and repayment period, while information concerning effective interest rates, administrative fees, and potential penalties is not comprehensively communicated to users. This practice increases the risk of over-indebtedness, particularly among young consumers who generally possess relatively low levels of financial literacy.

¹⁷ Ahmad Subhan, "Problematika Hukum Ekonomi Islam Pada Skema Buy Now Pay Later Dan Pinjaman Digital: Kajian Pustaka Terhadap Praktik Dan Regulasi Kontemporer," *Opinia De Journal* 6, no. 1 (2026): 1–13.

¹⁸ Anggraini and Iskandar, "Perlindungan Hukum Konsumen Dalam Pembayaran Menggunakan Sistem Paylater."

¹⁹ Juwita et al., "Kesenjangan Regulasi Dan Tanggung Jawab Hukum Dalam Penyelenggaraan Layanan Buy Now Pay Later Di Indonesia."

Available data indicate that Indonesia's financial literacy rate remains approximately 49.68%, while the non-performing loan ratio for *PayLater* services has reached 7.61%. These figures demonstrate a close relationship between low levels of financial literacy and the increased risk of default. Therefore, the problem of non-performing loans cannot be attributed solely to consumer behavior but must also be understood as a consequence of the inadequate obligations imposed on providers to ensure financial education and information transparency for users.

Another significant legal obstacle concerns the inadequate protection of the personal data of *PayLater* users. Most providers require access to various categories of personal information, including contact lists, geolocation data, and application usage histories. This practice persists despite Articles 20–22 of Law No. 27 of 2022 concerning Personal Data Protection (PDP Law), which require personal data processing to be based on valid consent and conducted only for specific and informed purposes.

In practice, many consumers provide consent without fully understanding the legal consequences of such data processing. Moreover, personal data are frequently used for aggressive debt collection purposes, including contacting third parties who have no legal relationship with the *PayLater* agreement. This situation indicates that the principles of legality, data minimization, and purpose limitation in personal data processing have not been effectively implemented.

This finding is consistent with the study by Ningrum, which identified weaknesses in the protection of personal data within *PayLater* services.²⁰ However, the present study reveals a more fundamental problem, namely the absence of sector-specific technical guidelines governing the processing of personal data by *PayLater* providers. Consequently, enforcement mechanisms for personal data violations remain ineffective.

Equally concerning are the existing debt collection and dispute resolution mechanisms. Debt collection practices are still frequently carried out through threats, intimidation, and the dissemination of users' personal information to emergency contacts or other third parties. Such practices are inconsistent with Article 4 of the Consumer Protection Law, which guarantees consumers' rights to comfort, security, and safety in the use of goods and services.

Indeed, Financial Services Authority Regulation No. 35/POJK.05/2018 prohibits intimidating debt collection practices. However, this regulation applies only to formal financing companies and does not encompass all *PayLater* service providers. As a result, a regulatory vacuum has emerged, enabling third parties and debt collectors to engage in collection practices that violate consumers' privacy and fundamental rights.

With respect to dispute resolution, the currently available mechanisms remain inadequate for addressing disputes arising within the digital economy. Although the

²⁰ Ningrum, "Perbandingan Regulasi Syarat Dan Ketentuan Pada Fitur PayLater Di E-Commerce Yang Sesuai Kebijakan OJK Dan Undang Undang."

Consumer Protection Law provides for dispute resolution through the Consumer Dispute Resolution Agency (Badan Penyelesaian Sengketa Konsumen or BPSK), this institution lacks adequate instruments to resolve cross-platform and cross-jurisdictional disputes, which constitute a defining characteristic of *PayLater* services. Furthermore, the absence of a mandatory dispute resolution mechanism specifically designed for fintech disputes often deprives consumers of access to timely, affordable, and effective remedies.

The high incidence of non-performing loans, the exploitation of young consumers, the misuse of personal data, and aggressive debt collection practices are not isolated phenomena. Rather, they constitute direct consequences of regulatory fragmentation and the absence of comprehensive norms governing *PayLater* services. As long as *PayLater* is not explicitly classified as a distinct digital financing product, prudential principles, transparency obligations, personal data protection standards, and accountability mechanisms cannot be implemented effectively. Therefore, legal protection for *PayLater* users in Indonesia remains inadequate and requires comprehensive, integrated, and adaptive regulatory reform in response to the rapid development of financial technology. Without such reforms, *PayLater* services risk evolving from instruments of financial inclusion into sources of systemic risk and digital debt traps for the public.

3.3. Efforts to Improve the Regulation and Governance of PayLater Services in Indonesia

The principal challenge in the implementation of *PayLater* services in Indonesia lies not merely in the absence of regulation but rather in the fragmentation of regulations across various legal regimes, including consumer protection law, payment systems law, financing law, electronic transaction law, and personal data protection law. This sectoral approach has resulted in overlapping regulatory authority, an ambiguous legal status for service providers, and weak accountability mechanisms in cases involving violations of consumer rights.

The first measure that should be undertaken is the enactment of specific regulations governing *PayLater* services. Such regulations should clearly classify *PayLater* as an independent digital financing instrument with characteristics distinct from both conventional credit and ordinary payment systems. The regulatory framework should address licensing requirements, operational standards, cooperation arrangements between digital platforms and financial institutions, credit assessment mechanisms, consumer protection measures, and procedures for supervision and law enforcement.

This approach extends the arguments advanced by Kiki Juwita, Hamzah, and Sepriyadi Adhan S., who recommended the harmonization of banking and consumer

protection laws.²¹ Such harmonization should be realized through the establishment of an integrated legal framework specifically governing Buy Now, Pay Later (BNPL) services. In the absence of specific regulations, *PayLater* services will continue to operate within a regulatory gray area, thereby creating legal uncertainty for both consumers and business actors.

The state must establish a robust institutional framework to protect society from power imbalances between digital corporations and individuals. Regulation functions not merely as an instrument of market control but also as a mechanism for fostering more equitable and transparent socio-economic relationships within the digital ecosystem. Accordingly, the enactment of specific regulations governing *PayLater* services constitutes an urgent necessity to ensure that financial innovation develops in accordance with the principles of justice and the protection of consumer rights.

The second measure involves reforming electronic contracts, which constitute the legal foundation of the relationship between users and service providers. Most *PayLater* agreements are drafted as standard-form contracts that create an imbalance in the parties' bargaining positions. Consequently, the government should establish minimum standards for electronic contracts that are binding on all *PayLater* providers. These standards should require providers to disclose clearly and comprehensively information regarding interest rates, service charges, late payment penalties, default risks, and other legal consequences at the pre-contractual stage.

This recommendation is consistent with Ningrum's emphasis on the importance of transparency in *PayLater* services.²² However, the present study further argues that transparency cannot be achieved merely through the formal disclosure of information; rather, it must ensure informed consent by requiring consumers to fully understand their rights and obligations before entering into an agreement. Digital legal relationships should not be based solely on formal assent but must also guarantee that the parties possess equal decision-making capacity.²³

The third measure involves strengthening dispute resolution mechanisms. The Consumer Dispute Resolution Agency (Badan Penyelesaian Sengketa Konsumen or BPSK) is currently ill-equipped to address the complexity of disputes arising from *PayLater* services, particularly those involving cross-platform and cross-jurisdictional transactions. Therefore, the establishment of an online Digital Financial Dispute Resolution Center, mandatory for all *PayLater* service providers, is essential.

²¹ Juwita et al., "Kesenjangan Regulasi Dan Tanggung Jawab Hukum Dalam Penyelenggaraan Layanan Buy Now Pay Later Di Indonesia."

²² Ningrum, "Perbandingan Regulasi Syarat Dan Ketentuan Pada Fitur PayLater Di E-Commerce Yang Sesuai Kebijakan OJK Dan Undang Undang."

²³ Lisa M. Austin, "Enough About Me: Why Privacy Is About Power, Not Consent (or Harm)," in *A World without Privacy*, 1st ed., ed. Austin Sarat (Cambridge University Press, 2014), <https://doi.org/10.1017/CBO9781139962964.004>.

The creation of such an institution is necessary to ensure meaningful access to justice for consumers. A dispute resolution mechanism that is expeditious, affordable, and transparent would reduce the imbalance of power between consumers and service providers. Furthermore, all *PayLater* platforms should be required to provide an internal complaint-handling mechanism integrated with the supervisory systems of the Financial Services Authority and Bank Indonesia, thereby ensuring that dispute resolution no longer depends solely on the goodwill of service providers.

The fourth measure involves reforming debt collection practices. Aggressive debt collection remains one of the most serious issues within the *PayLater* ecosystem. Accordingly, uniform regulations are needed to establish ethical debt collection standards applicable to all providers, including digital platforms that are not formally classified as financing companies. Such regulations should address permissible communication practices, prohibit intimidation and harassment, prohibit the use of emergency contacts as a means of psychological pressure, and establish reporting mechanisms for violations that are directly connected to regulatory authorities.

Furthermore, the protection of personal data must be strengthened through the development of sector-specific technical guidelines governing the processing of *PayLater* users' data. The implementation of the Personal Data Protection Law has not provided sufficient protection due to the absence of detailed technical regulations concerning the principles of data minimization, purpose limitation, algorithmic auditing, and the use of digital credit scoring systems. Within the digital economy, personal data can no longer be regarded merely as information; rather, it constitutes an economic resource capable of creating significant power imbalances between service providers and consumers.

In addition to regulatory reform, enhancing legal and digital financial literacy is equally essential. Low levels of financial literacy mean that many users do not fully understand the risks associated with interest charges, the legal consequences of default, and the broader impact of *PayLater* usage on their financial well-being. Therefore, regulators and service providers should be required to implement digital financial education programs as part of their corporate social responsibility and preventive consumer protection obligations.

Efforts to improve the governance of *PayLater* transactions cannot be achieved solely through stricter supervision; rather, they require comprehensive and integrated legal reform. Regulatory harmonization, the strengthening of supervisory institutions, the establishment of digital dispute resolution mechanisms, more robust personal data protection, and the enhancement of financial literacy constitute essential prerequisites for creating an accountable and sustainable *PayLater* ecosystem. Through these measures, *PayLater* services can continue to develop as instruments of financial inclusion that promote digital economic growth without compromising legal certainty, contractual fairness, and the protection of consumer rights in Indonesia.

4. CONCLUSION

PayLater has evolved into a digital financing instrument that promotes financial inclusion and enhances transaction efficiency. However, its regulatory framework remains fragmented and dispersed across multiple legal regimes, thereby failing to provide adequate legal certainty. Several significant issues have also been identified, including insufficient transparency regarding fees and interest charges, inadequate protection of personal data, abusive debt collection practices, and ineffective digital dispute resolution mechanisms. These conditions reflect both regulatory fragmentation and normative gaps that may transform *PayLater* from an instrument of financial inclusion into a source of systemic risk and a digital debt trap.

This study highlights the importance of establishing specific regulations governing *PayLater* services, harmonizing regulatory authority among relevant institutions, strengthening supervisory mechanisms, and developing digital-based consumer protection frameworks. From a practical perspective, the findings of this study may serve as a reference for policymakers in developing a more adaptive legal framework for digital financing.

Nevertheless, this study is subject to certain limitations, particularly its reliance on a normative juridical approach without the support of empirical data concerning user experiences and provider practices. Accordingly, future research should adopt empirical and comparative approaches to evaluate the effectiveness of the implementation of *PayLater* regulations and to formulate supervisory and consumer protection models that are more responsive to the evolving dynamics of financial technology in Indonesia.

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