



Criminal Policy Against Illegal Online Loans in Perspective of Law No 8 of 1999 Concerning Consumer Protection in Pandaan District–Pasuruan District

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Abstract

The phenomenon of globalization has a very broad impact on the lives of individuals, communities and countries. The impact covers various aspects such as ideology, politics, economics, socio-culture, and defense and security. Globalization can be interpreted as a process of interaction, dependency, interconnectedness, and mutual influence between individuals, groups, and countries. In the context of globalization, the life experience, ideas, and information have become a standard that applies throughout the world. This is due to increasingly sophisticated technological advances, from communication to transportation. Therefore, globalization has changed the face of the modern world and influenced the way humans live and interact.

One of the influences of the global era that is of concern to the author is the problem of online loans which feels has really disrupted people's lives in society and the facts show that there have been so many victims as a result of this system. Online loans are money lending facilities by financial service providers that operate online. Because the system is virtual, online loans do not require collateral. Online loans are an innovation in the field of financial technology that makes it easier for people to borrow money.

Firmly, online loans are a money loan facilitated by a financial service provider that is integrated with information technology, starting from the application process, approval to disbursement of funds carried out online or via SMS or telephone confirmation. Therefore, what online loans need to be aware of are; 1) Loans without license. Online loans that are unregulated or do not have a license from a valid financial authority may be considered illegal; 2) Loans with high interest rates; 3) Aggressive or unfair billing; 4) Concealment of important information; 5) Identity falsification or fraud.

This research was conducted in Pandaan District, Pasuruan Regency, East Java. The research method used is normative juridical using secondary data generally from the library, along with case examples, supported by empirical research based on direct experience, experiments, and observations of realities that can be observed concretely.

Keywords: *criminal policy, illegal online loans*

INTRODUCTION

Globalization has had a broad impact on various aspects of life, including the development of financial technology such as online loans. Online loans, which were originally intended to facilitate financial access, are now a serious concern due to misuse in the form of illegal online loans. This phenomenon, especially in areas such as Pandaan District, East Java, has had a negative impact on society, including fraud, extortion, violation of privacy, and intimidating collection practices.

People are often trapped in very high interest rates, falsification of information, and misuse of personal data by loan service providers that are not registered with the Financial

Services Authority (OJK). The lack of strict supervision and regulation of illegal online loans causes consumers to become vulnerable victims of this practice (Zaidan, 2016).

Cases that occur due to online loans, such as suicide and violence, show that illegal online loans can damage economic and social stability. Consumers who are trapped in debt often face long-term psychological and financial problems, and do not know where to seek legal protection.

Online loans (pinjol) are now increasingly disturbing many parties, from the public to the government. Data from the Investment Alert Task Force (SWI) explains that from 2017 to July 2023, a total of 6,894 illegal financial entities have been stopped, consisting of 1,193 illegal investment entities, 5,450 illegal online loan entities, and 251 illegal pawn entities. The news also reported that one of the financial technology (fintech) service providers, namely PT Pembiayaan Digital Indonesia or known as Adakami pinjol, caused a commotion on social media as the pinjol application or platform was suspected of collecting debts until a customer ended his life.

The increasingly rampant online loan (pinjol) cases in 2023 show how serious the negative impacts of irresponsible use of pinjol services are, especially if they are not properly regulated. Two cases that emerged that year provide a real picture of the risks faced by consumers, from using pinjol for consumptive needs to the tragic consequences of being trapped in debt that leads to criminal acts.

1. Pinjol to Watch Coldplay Concert

In May 2023, the phenomenon of high public interest in Coldplay concerts triggered an increase in the use of online loans. Many people use online lending services to buy expensive concert tickets, even though they may not have enough financial ability to pay them back. Online lending companies, taking advantage of this trend, offer promotions and easy loans, which ultimately trap consumers in consumer debt. This reflects the phenomenon where online loans are often used for non-essential purposes, which has the potential to trap users in a cycle of debt that is difficult to break.

2. Pinjol for Crypto Trading Leads to Death

The second more tragic case is the murder of a University of Indonesia student by his senior who was in debt from online loans. This case was marked by the perpetrator's failure in crypto trading, which triggered stress and criminal acts to pay off his debt of IDR 15 million from online loans. This case illustrates how dangerous online loans are if they are not properly regulated and are not accompanied by a mature financial understanding from consumers. Conditions like this not only cause financial stress but also have an impact on the mental health and social life of the victims.

The Importance of Strict Regulation and Consumer Protection

The rise in online lending cases that have triggered financial crises and even deaths shows the need for firm action from the government to control illegal online lending activities. Although online lending offers a quick financial solution, without clear and strict regulations, this service can easily be misused and has a negative impact on consumers, especially those who do not understand the risks and do not have sufficient financial capacity.

The government needs to strengthen efforts in:

1. Developing stricter regulations against lending companies, especially those offering loans with high interest rates and non-transparent payment schemes.
2. Improving public financial education so that they better understand the risks of online loans and how to manage finances responsibly.
3. Providing more effective consumer protection, including limiting unethical collection practices and ensuring fair dispute resolution mechanisms.

With these steps, it is hoped that the use of online loans can be more controlled and protect the public from the risk of detrimental and dangerous debt.

Illegal online lending cases that are rampant in society have caused various negative impacts, especially for consumers who are trapped in the practice. This situation

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increasingly requires the government's attention to regulate this problem through consumer protection efforts. With the increasing number of victims falling, illegal online lending without clear rules has created unrest in society. Therefore, strict regulations and an effective protection system are needed to stop the growth of this activity.

This study aims to provide a deeper understanding to local governments and communities regarding consumer protection against the use of illegal online loans, especially in Pandaan District, Pasuruan Regency, East Java. This area was chosen because the local community showed high enthusiasm for illegal online loans, which were carried out openly by certain groups in the community.

It is expected that the results of this study can help local governments in formulating appropriate policies to regulate illegal online lending activities and protect consumers from detrimental practices. In addition, this study is also expected to provide education to the public to be more vigilant and avoid the negative impacts of illegal online loans. Thus, this study plays an important role in building collective awareness and laying the foundation for stronger regulations and better legal protection for consumers.

Based on the description above, the author identified a number of main problems related to illegal online loans, as follows:

1. **The Rise of Fraud and Extortion**
Many unlicensed online lenders take advantage of the borrower's ignorance and emergency financial situation to commit fraud and extortion. They charge exorbitant interest rates, provide misleading information, and collect debts unethically and intimidatingly. In addition, misuse of borrowers' personal data often occurs, causing further losses.
2. **Lack of Oversight and Regulation**
Weak supervision and regulation of the online lending industry has given illegal service providers room to operate without fear of the law. Without adequate regulation, many consumers are trapped in disadvantageous situations without effective legal protection. These illegal lenders take advantage of loopholes in regulation and minimal law enforcement to run their operations freely.
3. **Privacy and Personal Data Breaches**
Violations of privacy and personal data by illegal online lenders are increasingly worrying. Sensitive data such as identity, contact information, and finances are often misused or sold to third parties without the borrower's consent. This practice not only harms the borrower financially but also disrupts the safety and mental health of the victim.
4. **Intimidating and Violent Collection Practices**
The practice of debt collection using intimidation and violence has become a serious problem. Illegal online loan providers often collect debts with threats, harassment, and physical and verbal violence. This causes significant psychological stress, reduces the mental well-being of victims, and creates excessive fear in their daily lives.
5. **Lack of Awareness and Education in Society**
Lack of public awareness of the risks of illegal online loans has caused many people to become victims of fraud and extortion. Many borrowers are tempted by the ease and speed of the loan process without understanding the consequences that come with it. The lack of information on how to recognize legitimate and illegitimate loan providers makes it easy for people to get caught in illegal loan schemes. In addition, the low understanding of personal financial management exacerbates this problem.
6. **Low Legal Understanding Among the Community**
The public's legal understanding of illegal online loans, especially in Pandaan District, is still low. Many people do not understand existing regulations, such as OJK provision Number 77/POJK.01/2016, which stipulates that every online loan provider must be registered and supervised by OJK. This ignorance makes them vulnerable to becoming victims of illegal loan providers. OJK regulation and supervision aim to protect consumers, maintain financial stability, and reduce risks in technology-based loan services.

To overcome these various problems, several steps that can be taken are:

1. Tightening regulations and supervision of online loan providers so that only official platforms registered with the OJK are allowed to operate.
2. Increasing public awareness and education regarding the risks of illegal online loans, as well as providing guidance on how to choose a legitimate loan provider.
3. Strengthening protection of consumer privacy and personal data through clearer rules and stricter enforcement against data breaches.
4. Take firm action against intimidating and violent debt collection practices with severe sanctions for loan companies that violate the rules.
5. Developing financial literacy programs which can help people understand the importance of personal financial management and the risks of debt.

With these steps, it is hoped that cases of illegal online loans can be reduced, and the public can get better protection from the dangers of irresponsible loan services.

This study aims to improve understanding of consumer protection against illegal online loans, by highlighting the importance of socialization and public education about the risks of using unlicensed services. In this case, the role of OJK is very important in supervising and regulating to minimize the negative impacts of the rampant illegal online loans (Ernama, 2017).

Stronger regulation, education, and outreach regarding legal and safe lending services are needed to protect the public from the dangers of illegal online loans, especially in areas such as Pandaan District which are prone to this phenomenon.

METHOD

The research method used is normative legal research (normative juridical), namely research that focuses on the analysis of library materials or secondary data. This method includes research on legal principles and vertical and horizontal synchronization, meaning that the problems studied are based on existing laws and regulations (Soekanto & Mamudji, 2001). The method of presenting data in this study uses a normative legal method which will be presented in the form of a description that is arranged systematically, logically, and rationally. In the sense that all the data obtained will be connected to each other according to the main problem being studied, so that it forms a complete unity (Sudarto & Santoso, 2019)

The method approach in this research uses a statute approach and also a case approach. The regulatory approach and case approach are very important in examining the problem of illegal online loans in Pandaan District. The regulatory approach is used to examine the Constitution, laws, and implementing regulations related to consumer protection and online loans, providing a relevant legal framework for understanding the issues being studied. The case approach helps to examine concrete cases related to illegal online loans, so that we can see how the law is applied in practice, including how consumer protection is implemented.

This approach allows the use of empirical findings from other legal disciplines without changing the normative nature of legal science itself (Marzuki, 2013). Through this approach, we can identify legal loopholes, challenges in law enforcement, and get a real picture of the impact of regulations on consumers trapped in illegal online loans.

RESULTS AND DISCUSSION

The concept of a State of Law, where law should be the commander in state life, is very relevant to controlling the increasingly rampant phenomenon of illegal online loans. In a State of Law, government is run based on a functional legal system, not on the basis of individual political or economic interests. Law must be the main guideline in regulating

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relations between citizens and the government, as well as guaranteeing justice in social, economic, and political life.

Illegal online loans are one of the new challenges that have emerged in the era of globalization. This activity has caused many victims in society, both economically and socially. However, until now, formal legality that can strictly regulate illegal online loan activities is still inadequate. In the context of the Rule of Law, this condition indicates a legal vacuum that needs to be addressed immediately.

Building a strong legal system, starting from the constitution as the highest law, is very important in dealing with this situation. The government, together with related institutions, need to develop clear and effective regulations to protect the public from the trap of illegal online loans. Thus, the development of rational, impersonal, and just laws can be used as a basis for regulating the rampant illegal online loan activities and protecting the rights of the public in accordance with the principles of the Rule of Law.

The importance of law enforcement in overcoming the rampant illegal online lending activities, especially in the context of Pandaan District, Pasuruan Regency, East Java. As a country of law, Indonesia should place the law as the commander in state life. However, globalization and technological developments have accelerated the rampant illegal online lending, causing many victims in society due to the lack of clear regulations and complicated bureaucracy.

The theory of legal certainty suggests that the law must provide justice and certainty to the community. In the case of illegal online loans, firm and clear regulations are needed to protect consumers from detrimental practices. Clear laws will create certainty for the community so that they can adjust their actions according to existing regulations. Legal certainty as a fairly important legal identity is considered to play a very important role in maintaining the stability of the law in force in a government.

Based on the analysis using Middle Range Theory, especially the Legal Certainty Theory, it can be concluded that the rampant cases of illegal online loans in society, especially in the Pandaan District, Pasuruan Regency, East Java, indicate a lack of adequate law to control these activities. This condition reflects the inadequacy of regulations that are able to protect society from the negative impacts of illegal online loans.

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Therefore, in addition to providing socialization and information to the public about the dangers and consequences of being caught in illegal online loans, the Pasuruan Regency Government needs to take more concrete and strategic steps. These steps can include the preparation of stricter local regulations to supervise and control illegal online loan activities, strengthening cooperation with law enforcement authorities, and providing legal aid services for people who have become victims.

By ensuring strong legal certainty, it is hoped that the public can be protected from the dangers of illegal online loans, while increasing their awareness and understanding of the risks lurking from unofficial and illegal financial practices.

The theory of justice asserts that the law must serve to realize justice, especially in terms of consumer protection. With the increasing activity of illegal online lending, it is important for the state to protect consumers from exploitation and fraudulent practices. Law number 8 of 1999 concerning consumer protection is an important basis for protecting consumer rights in a fairer and more balanced economic system.

Thus, the Indonesian economic system is an economic system that is oriented towards the Almighty God; Just and civilized humanity; (does not recognize extortion or exploitation); Indonesian Unity (the application of togetherness, the principle of family, socio-nationalism and socio-democracy in the economy); Democracy (prioritizing the economic life of the people and the livelihood of many people); and social justice

(equality/emancipation, social prosperity. From the points above, justice is the main thing in the Indonesian economic system.

The theory of the purpose of law explains that the purpose of law is not only to achieve justice, but also to provide benefits to the wider community. In the context of illegal online loans, the law must function to achieve social order and protect consumers from the negative impacts of such activities. Public order and welfare must be the main priority.

In the study of legal philosophy, there are three main schools of thought that discuss the purpose of law: Ethical, Utility, and Mixed. Each school has a different approach and view on the purpose of law and its role in society. Here is a further explanation of each school of thought:

1. Ethical Theory

Ethical Theory emphasizes that the main purpose of law is to achieve justice. This school of thought holds that good law is law that prioritizes the principle of justice, where the law must be applied fairly and evenly to all individuals in society, regardless of status, power, or wealth. According to this theory, law is not just a rule that must be obeyed, but also a tool to achieve social harmony and protect individual rights.

- a. Purpose of law: Achieving ideal justice for all society.
- b. Justice: Justice must be universal, apply to everyone, and protect the interests of society in general.
- c. Implementation of law: The law must be applied impartially, to ensure that everyone is treated fairly and equally before the law.

Ethical theory is associated with philosophers such as Aristotle, who believed that law should reflect justice and morality, and Immanuel Kant, who argued that law should be based on universal and rational moral principles.

2. Utility Theory

Utilitarianism, pioneered by figures such as Jeremy Bentham and John Stuart Mill, focuses on the idea that the purpose of law is to achieve the greatest happiness or benefit for the greatest number of people. This school views law as a means to maximize the general welfare, where the interests of the majority should be the primary consideration in the creation and application of law.

- a. Purpose of law: Producing the greatest happiness for the greatest number of people.
- b. Pragmatic approach: Law is measured by its impact on the welfare and happiness of society as a whole, not merely on the basis of ideal justice.
- c. Implementation of law: The application of law must prioritize utility, namely the extent to which the law is able to provide real and significant benefits to the wider community.

This theory places more emphasis on the practical benefits of law and its influence on the lives of society, ignoring aspects of individual morality if it does not have an impact on general happiness.

3. Mixed Theory

Mixed Theory is an approach that combines elements of Ethical and Utility theories. This school of thought recognizes that the purpose of law should include both justice (as proposed by Ethical theory) and social benefits (as advocated by Utility theory). This approach seeks to find a balance between the idealism of justice and pragmatism in creating functional and beneficial laws.

- a. Purpose of law: Achieving a balance between justice and social benefits. The law must be fair but also take into account the welfare of society as a whole.
- b. Balance: The law must not only be fair, but also efficient and provide positive results for society at large.
- c. Implementation of law: The law is applied by considering aspects of morality and utility, where these two factors complement each other.

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In Ethical theory, the purpose of law is solely to achieve justice, with the belief that society will feel protected if the law is applied fairly. Meanwhile, the Utility theory places more emphasis on social benefits that can be produced by law. Mixed Theory tries to harmonize these two views by combining justice and social benefits as the goals of law.

Based on the analysis conducted using legal theory related to the efforts of Pandaan District - Pasuruan Regency in dealing with illegal online lending activities from the perspective of Consumer Protection according to Law No. 8 of 1999, it can be concluded that concrete steps are needed to protect consumers. This law emphasizes the need for protection of consumer rights, including in terms of security and safety from unauthorized business practices, such as illegal online loans.

Illegal online loans have created significant social unrest and caused many victims in society. Therefore, it is very important for the Pasuruan Regency Government to take action by drafting regional regulations that can provide a clear and strong legal basis in regulating this activity. Formal legality in the form of specific regulations will provide legal force for enforcement and supervision efforts, so that it can prevent similar cases from recurring.

Political will and serious attention from the District Government are also needed to ensure that the welfare and safety of the community are maintained. This step can be in the form of cooperation with relevant authorities for law enforcement, socialization, and provision of legal assistance for victims of illegal online loans. With clear regulations and strong law enforcement, it is hoped that more effective protection can be created for consumers, in accordance with the mandate of the Consumer Protection Law.

Overall, strict law enforcement and regulation are needed to address the problem of illegal online loans in Pandaan District. The local government must be proactive in creating clear formal legality, conducting socialization, and increasing public awareness of the dangers of illegal online loans, so that the public can avoid detrimental practices.

While theoretical analysis is easy to discuss, its implementation in the field is often much more complicated. In the context of Pandaan District, Pasuruan Regency, although the Regency Government has conducted socialization regarding the dangers of illegal online loans, the community is still tempted by the financial convenience offered. This shows that the main problem lies in the lack of public awareness and knowledge of the risks faced.

Based on criminology theory, especially the Anomie Theory proposed by Emile Durkheim and Robert K. Merton, it is explained that the state of deregulation or normlessness in society causes behavioral deviations. Durkheim stated that in a state of deregulation, the rules in society are not obeyed and cause people to no longer know what is expected of others, so they tend to violate the rules without thinking about the impact.

Merton added that in every society there are certain goals that must be achieved, but not all individuals have the same means to achieve them. Limited access to legitimate means often drives individuals to use illegitimate means. In the case of illegal online loans, this fraudulent practice can be seen as the actions of irresponsible people who take advantage of people's needs in an illegitimate way, causing victims to be trapped in misleading debt.

The author concludes that the phenomenon of illegal online loans can be categorized as a form of social deviation due to social and economic pressures. Many people, due to their inability to access legitimate resources, choose shortcuts that ultimately harm themselves and others. This criminology theory illustrates that there is a kind of "social disease" that causes people to experience pressure and eventually fall into a cycle of financial crime, such as illegal online loans.

CONCLUSION

Pandaan District's Efforts to Overcome Illegal Online Loans Pandaan District has made efforts to prevent illegal online loans by providing counseling, direction, and information about Financial Technology (Fintech). This education includes an explanation of legal Fintech regulated by the Financial Services Authority (OJK) and illegal Fintech that has the potential to ensnare the community. However, due to limited legal understanding

among the community and being tempted by the lure of easy profits, many residents remain trapped in the circle of illegal online loans.

The Role of Victims in Illegal Online Loan Crimes Based on Victimology Theory. Victimology theory explains that victims can have a role in the occurrence of crime, either consciously or unconsciously. According to Stephen Schafer, one form of victim role is participating victims, where the victim inadvertently encourages the occurrence of crime. In the context of illegal online loans, there are members of society who consciously seek online loan services despite knowing the risks, which then makes them involved in legal problems and become victims of a fraudulent loan system.

The Need for More Proactive Legal Protection ActivitiesThe local government in the Pandaan area, Pasuruan Regency, East Java, is expected to be more active in paying attention to legal protection for its citizens, especially those who do not understand the legal aspects. This is important to ensure that the public is aware of their rights, especially in dealing with phenomena such as illegal online loans. By increasing access to legal information, the public can be protected from various forms of fraud and violations of the law.

Increasing Information and Economic Socialization for People in Difficulty. The Pandaan Regency Government is also expected to be more proactive in providing information and socialization related to safe and legal financial solutions, especially for people who are experiencing economic difficulties. This can prevent residents from falling into illegal online lending practices that are detrimental. Financial education programs and alternative economic solutions need to be introduced to help people manage their finances wisely and avoid the trap of illegal debt.

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