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Legal Regulations for Customer Protection of Financial Products in Indonesia

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ABSTRACT

The rapid and complex development of the financial services sector in Indonesia has given rise to a variety of financial products with varying characteristics and levels of risk. This situation places customers in a vulnerable position due to information asymmetry, imbalanced bargaining power, and limited understanding of the legal aspects and risks of financial products. Therefore, legal regulations regarding customer protection are a fundamental need to ensure legal certainty, justice, and the protection of customer rights. This article aims to analyze the legal regulations for customer protection for financial products in Indonesia, emphasizing the normative basis, the role of supervisory authorities, and the forms of preventive and repressive legal protection. This research uses a normative legal method with a statutory and conceptual approach. The results show that customer protection has been regulated in various regulations, but its implementation still faces obstacles in terms of financial literacy, law enforcement, and the effectiveness of dispute resolution.

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1. INTRODUCTION

The financial services sector plays a strategic role in driving national economic growth while maintaining financial system stability. Various financial products, such as banking, insurance, capital markets, and financing institutions, not only play a role in collecting and channeling public funds but also serve as a key tool in facilitating productive economic activities and national development. From an economic theory perspective, a healthy financial system is crucial for ensuring efficient resource allocation, supporting investment, and managing risks in a measured manner, enabling sustainable economic growth (Mishkin 2019). However, the rapid development of complex financial product innovations carries increased risks for customers.

In practice, many customers experience losses due to detrimental banking practices, fraud, or a lack of information transparency. According to a report by the Financial Services Authority (OJK), as of September 2025, there were 274,772 fraud cases involving 443,235 accounts, with total losses reaching IDR 6.1 trillion, of which IDR 374.2 billion had been blocked to reduce the potential for further losses (OJK 2025a). Furthermore, the OJK received more than 20,115 customer complaints from January–June 2025,

with the banking sector receiving the most reports (approximately 7,457 cases) (OJK 2025b). This fact demonstrates that legal protection for customers is a real need, not just a theoretical issue.

Doctrinally, consumer and customer protection in the financial services sector should be viewed as a form of distributive justice and a protection mechanism for the weaker party (weaker party principle). Shidarta (2016) states that consumer protection laws are not only corrective in nature to prosecute violating business actors, but must also be preventive in nature to minimize the risk of loss due to information asymmetry. Miru (2011) adds that effective legal protection must incorporate the principles of transparency, the obligation of business actors to provide clear information, and easily accessible dispute resolution mechanisms. Arief (2008) emphasizes that legal intervention is necessary when there is an imbalance of power in legal relations, such as that experienced by customers against financial institutions.

In practice, the legal relationship between financial services providers and customers is generally established through standard form contracts unilaterally drawn up by the financial services institution. These agreements often contain clauses that restrict customer rights, while the provider possesses advantages in terms of information, expertise, and economic resources. This situation renders freedom of contract formal rather than substantive, leaving customers in a weaker position. Contract law doctrine states that this imbalance requires normative intervention to create contractual justice, including through transparency, fair treatment, and effective dispute resolution (Shidarta 2016; Miru 2011).

To address this, the Financial Services Authority (OJK) has established a legal and regulatory framework for consumer protection in the financial services sector. Key regulations include Law Number 21 of 2011 concerning the Financial Services Authority, which serves as the legal basis for customer supervision and protection, and OJK Regulation Number 6/POJK.07/2022 concerning Consumer and Public Protection in the Financial Services Sector, which stipulates the obligations of business actors to provide complete, transparent, and clear information; ensure fair treatment; and provide a prompt and effective complaint and dispute resolution mechanism (OJK 2022). These regulations emphasize the need for a preventive and repressive approach, so that business actors are not only responsible for violations but are also required to apply the principles of prudence and accountability.

In addition to regulation, customer protection also requires optimizing the role of the Financial Services Authority (OJK) in supervision and education, particularly in improving public financial literacy. Low literacy rates are often the cause of high customer complaints and losses. Systematic education programs help customers understand product risks, their rights and obligations, and available complaint procedures. From a prescriptive perspective, customer protection must encompass legal instruments, dispute resolution mechanisms, regulatory oversight, and consumer education, so that a fair financial system can be realized and public trust in the financial services sector maintained.

This introduction emphasizes that customer protection is not merely a theoretical issue but a pressing real need. The integration of economic and legal theory, empirical data on customer complaints, legal doctrinal opinions, and OJK regulations forms a normative and practical foundation for strengthening customer protection. The proposed prescriptive approach emphasizes improving the effectiveness of supervision, financial literacy, and law enforcement, so that customer rights can be optimally protected and the national financial services sector remains credible and stable.

The state, as an entity that plays a central role in law enforcement and protecting public interests, has a fundamental responsibility to ensure justice and legal certainty in every economic transaction, including in the financial services sector (Mulyadi, 2019). This protection is not only normative through the formulation of laws and regulations, but also operational through effective oversight and enforcement of regulations (Mulyadi, 2019).

From a legal perspective, customer protection can be explained through several main theories.

1. First, the weaker party principle emphasizes that the law should protect the party with the lower bargaining position in a contractual relationship (Akerlof 1970, 488). In the context of financial services, financial institutions generally have access to and control over much more comprehensive information than customers, creating an information asymmetry (Akerlof, 1970).

2. Second, the theory of distributive justice emphasizes the importance of a fair distribution of rights, obligations, risks, and benefits between businesses and consumers (Rawls 1971, 54). Rawls states that a just society must balance imbalances in bargaining power through rules that ensure an equal distribution of rights and reduce disproportionate risks (Rawls 1971).
3. Third, the prudential principle demands preventive action from the state or relevant authorities to prevent practices that harm customers and the financial system (Borio 2008, 9). This principle emphasizes that supervision and regulation must be proactive, not merely reactive to violations (Borio 2008).

In Indonesia, customer protection is regulated through various laws and regulations. Generally, Law No. 8 of 1999 concerning Consumer Protection serves as the initial legal umbrella, guaranteeing consumers' rights to accurate, clear, and honest information (Law of the Republic of Indonesia 1999). This provision also applies to the relationship between customers and financial service providers, although the financial sector has unique characteristics that require additional regulation.

Sectorally, the Banking Law, the Capital Market Law, and the Insurance Law stipulate more detailed provisions regarding transparency, risk management, and dispute resolution mechanisms for customers (Law of the Republic of Indonesia 1992; Law of the Republic of Indonesia 1995; Law of the Republic of Indonesia 2014).

The establishment of the Financial Services Authority (OJK) in 2011 through Law No. 21 of 2011 concerning the OJK was a significant milestone in strengthening consumer supervision and protection in the financial services sector (Law of the Republic of Indonesia 2011). The OJK has a dual function: overseeing financial institutions' compliance with regulations and protecting customer interests through complaint mechanisms, dispute resolution, and public education (OJK 2024, 45). For example, the Consumer Complaints Service System (SLPK) allows customers to report harmful practices and obtain prompt dispute resolution (OJK, 2024).

Furthermore, financial literacy is a crucial aspect of customer protection. Customers who understand their rights, obligations, and risks of financial products can make more rational decisions and are protected from harmful practices (Lusardi and Mitchell 2014, 2). Studies show that low financial literacy correlates with less than optimal financial decisions (Lusardi and Mitchell 2014). An example of customer protection is the principle of full disclosure in mutual fund products, where investment managers are required to provide prospectuses and periodic reports on portfolio composition, costs, and investment risks (Lusardi and Mitchell 2014, 7). In banking, transparency regarding fees and loan interest rates must also be disclosed to customers so they understand their financial rights and obligations (OJK, 2023).

The integration of legal theory, prudential principles, and sectoral regulations forms the normative and operational foundation for customer protection. The government, through the Financial Services Authority (OJK), strives to create a fair, preventative, and sustainable protection system, maintaining the integrity, stability, and public trust in the national financial system (Mulyadi 2019, 20). Based on this background, this article discusses the legal regulations for customer protection of financial products in Indonesia and their effectiveness in providing legal guarantees for customers.

2. METHODS

This study uses a normative legal research method, emphasizing the analysis of legal documents and academic literature as primary sources (Soekanto and Mamudji, 2011). The research approach includes a statute approach to examine applicable legal norms, as well as a conceptual approach to explore the legal principles underlying customer protection in the financial services sector (Marzuki, 2010). The legal sources used consist of primary legal materials, namely laws and regulations related to customer protection and financial products; secondary legal materials, in the form of books, scientific journals, and relevant previous research; and tertiary legal materials, such as legal dictionaries and referential publications (Marzuki, 2010). The analysis was conducted qualitatively, by interpreting legal provisions and linking them to the concept of legal protection for customers. The research results are presented

descriptively and analytically, outlining the implications of legal norms on customer protection practices and financial system stability.

3. FINDINGS AND DISCUSSION

The Concept of Customer Protection in Financial Products

Customer protection is a specific aspect of consumer protection applied to the financial services sector. Theoretically, this protection aims to ensure that customer rights are fulfilled, avoid harmful practices, and maintain public trust in the financial system (Mulyadi, 2019). This concept emphasizes a balanced relationship between financial institutions as service providers and customers as consumers, in line with the doctrine of the principle of contractual fairness, which states that contracts must be made fairly and not place either party at a disadvantage (Simamora, 2017).

In practice, customer protection can be divided into two main categories: preventive and repressive. Preventive protection is anticipatory, aimed at reducing risks before violations occur. This includes strict regulation of financial products, oversight of financial institution operations, and financial education or literacy for customers (Soekanto and Mamudji 2011, 20). For example, Law Number 21 of 2011 concerning the Financial Services Authority (OJK) authorizes the authority to regulate and supervise all activities of financial services institutions, including their obligation to provide clear and transparent information regarding rights, obligations, risks, and product costs (Law of the Republic of Indonesia 2011, Article 4).

In addition, Law Number 8 of 1999 concerning Consumer Protection regulates the rights of consumers, including customers, to receive accurate, clear, and honest information regarding the products or services they use (Law of the Republic of Indonesia 1999, Article 4). This principle is in line with the due diligence doctrine in business law, which emphasizes the obligation of service providers to exercise caution so as not to harm others (Borio, 2008).

Repressive protection is implemented through complaint and dispute resolution mechanisms when customer rights are violated. This is consistent with business law doctrine on contract enforcement, which emphasizes legal certainty for the injured party and the obligation of the violating party to bear the consequences (Hadiputranto, 2015). In practice, the Financial Services Authority (OJK) provides services such as SLPK (Regional Legal Aid) and mediation, which enable rapid, effective, and transparent dispute resolution (OJK, 2024). These mechanisms strengthen the bargaining position of customers, who are weaker than financial institutions, and maintain market integrity.

Business law doctrine also emphasizes the principle of prudent operation, which requires financial institutions to act carefully in designing, offering, and managing products to minimize risks to customers (Borio, 2008). For example, banks must assess creditworthiness before disbursing financing, and insurance companies are required to provide complete information on policies, premiums, and risk coverage. Thus, the principle of prudence and strict regulation form a comprehensive legal framework for customer protection.

In addition to legal regulations and business principles, financial literacy is also a crucial component. Research shows that low literacy increases the risk of customers making detrimental financial decisions (Lusardi and Mitchell, 2014). Therefore, the Financial Services Authority (OJK) and financial services institutions actively conduct educational programs and literacy campaigns to help customers better understand products, their rights and obligations, and the inherent risks (OJK, 2023).

From a civil law perspective, contracts between financial institutions and customers must adhere to the principle of freedom of contract while also being limited by the principle of good faith, which emphasizes that freedom of contract must not harm the other party. Contractual clauses that unilaterally burden customers can be revoked through legal mechanisms (Simamora, 2017). For example, in banking credit practices, non-transparent interest or penalty provisions can be grounds for lawsuits if proven to unfairly harm customers.

Customer protection is also regulated in the capital markets sector through Law No. 8 of 1995, which requires issuers and investment managers to provide complete and accurate information so that

investors can make decisions based on an adequate understanding of risk (Law of the Republic of Indonesia 1995, Article 22). Meanwhile, in the insurance sector, Law No. 40 of 2014 requires insurance companies to clearly disclose policy, premium, and risk information to the insured (Law of the Republic of Indonesia, 2014, Article 20).

Overall, customer protection in the financial services sector can be viewed as a multidimensional system, combining various legal instruments, supervisory mechanisms, business principles, and public education. First, sectoral regulations serve as a normative foundation governing the rights, obligations, and disclosure of financial product information. These regulations encompass a number of laws and regulations binding financial services institutions, ranging from the Banking Law, the Capital Market Law, to the Insurance Law, as well as the Consumer Protection Law, which requires financial institutions to provide clear, accurate, and transparent information to customers (Law of the Republic of Indonesia 1992; Law of the Republic of Indonesia 1995; Law of the Republic of Indonesia 2014; Law of the Republic of Indonesia 1999). Theoretically, these sectoral regulations reflect the principle of distributive justice in business law, which emphasizes the need for a balanced distribution of rights and obligations to minimize risks to customers (Rawls, 1971).

Second, repressive mechanisms play a strategic role in ensuring legal certainty and real protection for customers. These mechanisms include complaints, mediation, dispute resolution, and contract enforcement by competent authorities (Hadiputranto 2015, 78; OJK 2024, 52). In addition to providing compensation to injured customers, these mechanisms affirm that financial institutions are legally responsible for fulfilling their obligations. Thus, repressive mechanisms establish legal certainty, a crucial pillar of contemporary legal theory, protecting parties with weaker bargaining positions, such as customers (Soekanto and Mamudji 2011).

Third, the principle of prudence and business law doctrine serve as the operational basis for implementing customer protection. The principle of due diligence requires financial institutions to systematically assess and manage risks before offering products or services, while the principle of prudent operation emphasizes management's responsibility to conduct financial activities with prudence and professionalism (Borio, 2008). These principles are related to the doctrine of fiduciary duty, which requires financial managers to act in the interests of customers, not solely for the institution's profit (Simamora, 2017). The implementation of these principles ensures that customer protection is not merely a legal formality but is implemented in practice in financial institutions' operations.

Fourth, financial education and literacy are crucial preventative tools. Customers' knowledge of products, their rights and obligations, and the risks inherent in each product enables them to make wiser financial decisions, while reducing the potential for losses due to inadequate information or fraudulent practices (Lusardi and Mitchell, 2014). Financial literacy also strengthens the principle of self-protection, namely the ability of customers to consciously protect their own interests, so that the role of regulation is synergistic, rather than entirely paternalistic (Mulyadi 2019, 36).

The integration of these four elements—sectoral regulations, repressive mechanisms, prudential principles, and financial literacy—makes customer protection comprehensive, preventative, operational, and sustainable. This approach emphasizes not only formal compliance with the law but also ensures its practical implementation on the ground, maintaining financial system stability, and strengthening public trust. Theoretically, this aligns with the concepts of good governance and risk management in business law, which emphasize the need for a balance between protecting the vulnerable, legal certainty, and the sustainability of financial institution operations (Borio 2008, 11).

Forms of Legal Protection for Financial Product Customers

Legal protection for financial product customers is a fundamental pillar of the modern financial services system, which aims not only to fulfill consumer rights but also to maintain stability and public trust in the national financial system. This concept arises from the recognition that customers tend to be in a weaker bargaining position economically and informationally than financial institutions, so the

law exists to balance this contractual relationship, in line with the principle of consumers as the weaker party (Mulyadi, 2019). In general, legal protection for customers can be divided into two major approaches: preventive protection and repressive protection, both of which are strengthened by the supervision of independent institutions such as the Financial Services Authority (OJK), and supported by business law doctrine and consumer law theory.

Preventive protection aims to prevent customer losses before a transaction or dispute occurs. One key element of preventive protection is the obligation of financial institutions to provide accurate, clear, and non-misleading information regarding financial products, including details of costs, risks, customer rights, and obligations (Law of the Republic of Indonesia 1999, Article 4). This obligation affirms the doctrine of due care in business law, which requires institutions to act professionally and transparently to protect others from undue risk (Borio, 2008). It is also related to the doctrine of fiduciary duty, where financial managers must prioritize customer interests over the interests of the institution (Simamora, 2017). Furthermore, the principle of contractual fairness requires that the terms and conditions in contracts be fair and not burdensome for customers, so that disproportionate clauses can be canceled (Rawls, 1971). This principle is reinforced through sectoral regulations, ranging from the Banking Law, Capital Markets, Insurance, to the Consumer Protection Law, which regulates the rights, obligations, and transparency of financial products.

In addition to regulatory aspects, financial literacy and education are important preventative instruments. Financial literacy enhances customers' ability to understand product risks, rights and obligations, and the consequences of their financial decisions, thereby minimizing potential losses due to inadequate information or misleading practices (Lusardi and Mitchell 2014). This concept reinforces the principle of self-protection, where customers have the capacity to consciously protect their own interests, so that regulation is not merely paternalistic but synergistic between the state, financial institutions, and customers (Mulyadi, 2019).

Meanwhile, repressive protection emphasizes the customer's right to remediation after a violation or loss occurs. This mechanism includes complaints, mediation, dispute resolution through the financial institution's internal mechanisms or through Alternative Dispute Resolution (ADR), and contract enforcement. Repressive mechanisms emphasize the financial institution's responsibility for any breach of contractual obligations or negligence that results in a loss, in accordance with the principles of contract enforcement and legal certainty, which are key pillars of contemporary law in protecting the weaker party in terms of bargaining power (Hadiputranto, 2015). Furthermore, the provision of compensation is a manifestation of the principle of remedial justice, which aims to restore the customer's condition after a violation (Hadiputranto 2015, 85). This repressive protection is reinforced by the role of the Financial Services Authority (OJK) as an independent supervisory agency with the authority to regulate, supervise, and impose administrative sanctions on financial institutions that violate customer protection provisions, ranging from written warnings, administrative fines, suspension of activities, to revocation of business licenses (Law of the Republic of Indonesia, 2011). The OJK's role reflects the integration of regulatory oversight, law enforcement, and consumer education, which together form a comprehensive, preventive, and repressive legal protection system.

The responsibility of financial services institutions in protecting customers is also dual, namely contractual responsibility and tort liability. Contractually, financial institutions are required to fulfill all obligations agreed in the contract with customers; violations can be the basis for lawsuits or claims for damages (Simamora, 2017). In delict, financial institutions are also responsible if their negligence causes losses to customers, even if there is no explicit breach of contract, so that the principles of accountability and fiduciary duty are still upheld (Borio, 2008). This approach emphasizes the balance between legal certainty, protection of vulnerable parties, and the sustainability of financial institution operations.

The integration of preventive protection, repressive protection, OJK supervision, and legal responsibility of financial institutions forms a holistic legal and practical framework, in line with the principles of good governance and risk management in business law. Customer protection is not only

related to compliance with formal legal norms, but also includes actual implementation in financial institution operations, customer education, and the provision of effective dispute resolution mechanisms. This approach makes customer protection comprehensive, sustainable, and able to maintain public trust in the financial services system. Overall, customer legal protection is an integration of legal theory, business doctrine, sectoral regulations, public education, and independent oversight, which together create a fair, transparent, and sustainable financial services system (Mulyadi, 2019).

4. CONCLUSION

Legal protection for financial product customers in Indonesia is based on strong regulations, including the Consumer Protection Law, Banking Law, Capital Markets Law, Insurance Law, and the Financial Services Authority Law. This protection is preventive in nature, requiring financial institutions to provide accurate and transparent information and improving customers' financial literacy to understand their risks and rights. Repressive protection is implemented through complaint mechanisms, internal and alternative dispute resolution, contract enforcement, and compensation for injured customers. The application of the principles of fiduciary duty, due care, and prudent operation, along with supervision by the Financial Services Authority (OJK), makes this protection comprehensive, operational, and sustainable. However, the effectiveness of this protection is still limited by low financial literacy, access to dispute resolution mechanisms, and suboptimal law enforcement. Synergy between regulators, financial institutions, and the public is key to strengthening compliance, institutional responsibility, and customer awareness. With this approach, customer protection is not only formal but also practical, reflecting contractual fairness, good governance, and risk management, while maintaining stability, transparency, and public trust in the national financial services sector.

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