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LEGAL PROTECTION FOR LENDERS IN THE EVENT OF FAILURE OF CREDIT INSURANCE CLAIMS ON PEER TO PEER LENDING PLATFORMS

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Abstract

The development of *Peer to Peer (P2P) Lending* services as part of Information Technology-Based Joint Funding Services (LPBBTI) provides promising investment opportunities, but also contains significant default risks for *lenders*. In practice, risk mitigation mechanisms through credit insurance are not always effective, especially when claims cannot be realized due to the absence or unclearness of an active policy, thus creating legal uncertainty and weakening the *lender*'s position. This study aims to analyze *the lender's legal position* in the policy as well as the responsibility of the organizer for the failure of credit insurance claims. This research uses normative legal methods with a statutory and conceptual approach, and is supported by literature studies through relevant primary and secondary legal materials. The results of the study show that the failure of claims is caused by the expiration of the policy agreement and the lack of transparency of information to *the lender*, which can be qualified as default, unlawful acts, and consumer protection violations. In addition, there is confusion regarding the position of the *lender* as the aggrieved party when there is a default in making insurance claims, thus limiting *the lender*'s access to insurance protection. This study concludes that the implementation of legal protection for *lenders* is not optimal, so it is necessary to strengthen supervision, increase transparency, and reconstruct legal relationships in credit insurance schemes to ensure legal certainty and more effective protection for *lenders*.

KEYWORDS
Consumer Protection, Credit Insurance, *Peer to Peer*

Introduction

The rapid development of information technology has encouraged the birth of various innovations in the financial services sector, one of which is technology-based funding services or known as *Financial Technology (Fintech)*. In Indonesia, one of the *fintech service models* that has developed significantly is *Peer to Peer* (P2P) *Lending* which is officially regulated as Information Technology-Based Joint Funding Services (LPBBTI) based on the Financial Services Authority Regulation (POJK) Number 40 of 2024. Through this platform, the organizers bring[1] together lenders and *borrowers* directly through an electronic system, so that the source of funding comes from the community, not from the financial institution itself.

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[1] *POJK 40 Year 2024 Information Technology-Based Joint Funding Services*, n.d.

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The emergence of *Fintech Peer to Peer* (*P2P) Lending* provides attractive investment opportunities for the public because it offers competitive returns compared to conventional financial instruments. This is reflected in the development of the number of operators and transaction value in the *Peer to Peer (P2P) Lending fintech ecosystem.* Based on statistical data from the Information Technology-Based Joint Financing Institution (LPBBTI) released by the Financial Services Authority (OJK) for the August 2025 period, there are 96 *licensed Peer to Peer (P2P) Lending* companies, consisting of 89 conventional operators and 7 sharia operators.[3]

However, behind these potential profits, funding activities through *the Peer to Peer (P2P) Lending* platform cannot be separated from the various risks inherent in financing activities, especially the risk of default on the part of the recipient (*borrower*). Based on statistical data from the OJK Information Technology-Based Joint Financing Institution (LPBBTI) for the August 2025 period, of the total *outstanding* loans of IDR 87,847.03 billion, there are 2.57% or IDR 2,250.43 billion of funding that is categorized as *non-performing loans or Non-Performing Loans (NPL)* with a tenor of more than 90 days. The high potential risk is an important issue considering the legal construction *of Peer to Peer (P2P) Lending,* not to the platform operator.

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[2] *POJK 40 Year 2024 Information Technology-Based Joint Funding Services*, n.d.
[3] Financial Services Authority, *LPBBTI Statistics 2025* (2025).

This condition puts *lenders* in a financially vulnerable position if there is no adequate risk protection mechanism. Therefore, the Financial Services Authority (OJK) through POJK Number 40/POJK.05/2024 requires *Peer to Peer* (P2P) *Lending* providers to implement effective risk management, including facilitating a risk transfer mechanism through credit insurance for *lenders* as stated in Article 148 paragraph (2). In this scheme, credit insurance functions as a *risk transfer instrument,* which is a mechanism for transferring the risk of loss from the lender to the insurance company as the insurer if the *borrower* is unable to fulfill his obligations.[4]

However, from the perspective of insurance law, the enforceability of an insurance agreement is not only determined by the agreement of the parties, but must also meet the fundamental principles of insurance law. One of the most basic principles is the principle of *insurable interest*. This principle requires that the insuring party must have a legitimate economic interest in the object insured. The provisions regarding this principle are normatively regulated in Article 250 of the Commercial Law Code (KUHD) which emphasizes that an insurance agreement is only valid if the party providing coverage has an interest in the insured object.

Legal problems arise when the construction of legal relationships in the practice of P2P Lending is not fully in line with these principles. In practice, the organizer often acts as the policyholder and the party who contracts directly with the insurance company, while the lender is the party who economically bears the risk and pays the premiums indirectly. This condition creates ambiguity regarding the parties who actually have an [5]*insurable interest in the insured* object, as well as implications for the lender's legal position in the credit insurance agreement.

These problems are not only conceptual, but also have a practical impact, especially in terms of submitting and realizing insurance claims. In

[4] Harmonization of Law et al., *Proceedings of the Actual Law Seminar* (n.d.).
[5] Rinitami Njatrijani, Putri Ayu Sutrisno, and Cantika Assyifani Primastito, *The Role of the Financial Services Authority (OJK) as a Supervisory Agency for the Phenomenon of Insurance Policy Default in Indonesia*, vol. 6, no. 2 (2024).

practice, there are cases where credit insurance claims are rejected by insurers on the grounds that the policy has expired, while at the same time the organizer still offers insurance protection features and collects premiums from the lender. This condition shows that there is a discrepancy between the insurance coverage period and the funding tenor, which has the potential to cause losses for the funder and raise questions about the legal responsibility of the organizer. [6]

Normatively, platform operators are required to uphold transparency, deliver accurate and non-deceptive information, and ensure consumer protection in accordance with POJK No. 22 of 2023 and Law No. 8 of 1999 on Consumer Protection. Ambiguity regarding the validity of an insurance policy, coupled with the continued charging of premiums for coverage that is no longer effective, may constitute a breach of the operator's legal duties, both from a contractual standpoint and within the scope of tort liability.

Against this background, the study addresses two principal issues. First, it examines how the principle of insurable interest is applied in credit insurance arrangements within Peer to Peer (P2P) Lending platforms, particularly in relation to the legal standing of the parties, with emphasis on the lender as the risk-bearing party. Second, it analyzes the extent of the operator's legal liability toward lenders when credit insurance claims fail due to unclear policy status or policy expiration. The objective of this research is to develop a comprehensive legal analysis that clarifies the structure of credit insurance in P2P Lending and enhances legal protection for lenders within the digital financial sector.[7]

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[6] Wijaya Hadi Susanto and Anif Fatma Chawa, "Default Action on Fintech Companies," *JSSH (Journal of Social Sciences and Humanities)* 5, no. 1 (2021): 9, https://doi.org/10.30595/jssh.v5i1.9305.

[7] Jerry Shalmont, Grace Darmawan, and Dora Dominica, "Risk Management and Mitigation of Peer-to-Peer Lending Lenders Post-Promulgation of POJK 10/2022," *Journal of Law & Development* 53, no. 1 (2023), https://doi.org/10.21143/jhp.vol53.no1.1527.

Methods

This research uses normative legal research methods, which are research that focuses on the study of legal norms contained in laws and regulations, legal doctrines, and literature that are relevant to research problems. This research aims to analyze the principles, concepts, and legal provisions related to the issues studied so that a comprehensive understanding of the legal problems being studied is obtained. This method refers to the concept of normative legal research as explained in the book Introduction to Legal Research Methodology. The approaches used in this study include a statutory *approach* and a *conceptual approach*.

The type of data used in this study is secondary data consisting of primary legal materials, secondary legal materials, and tertiary legal materials. Primary legal material is in the form of laws and regulations related to the research topic. Secondary legal materials include legal textbooks, scientific journal articles, previous research results, and interviews with sources who have knowledge and competencies related to the research topic used as supporting data. The tertiary legal materials are in the form of legal dictionaries, encyclopedias, and other reference sources that help explain legal terms and concepts.

Data collection is carried out through library *research* by identifying, inventorying, and reviewing various legal materials relevant to research problems. In addition, interviews were conducted on a limited basis to purposively selected sources based on the relevance of knowledge to the issue being researched. The data obtained was then analyzed using qualitative analysis with a descriptive-analytical approach, namely by systematically studying, interpreting, and connecting various legal materials to answer research problems.

Result and Discussion

1. Legal Status of the Parties in the Credit Insurance Agreement on *Peer to Peer (P2P) Lending Platform*

The loan and borrowing agreement in *Peer to Peer (P2P) Lending* is different from the loan and borrowing agreement as written in Book III of the Civil Code, in *Peer to Peer (P2P) Lending* involves various parties, namely:

1. **Organizer**
   The definition of an organizer as stipulated in POJK No. 40 of 2024 refers to an Indonesian legal entity that provides, administers, and operates LPBBTI. Based on this provision, a Peer to Peer (P2P) Lending organizer must take the form of a legal entity, either a limited liability company or a cooperative, with a minimum paid-up capital of IDR 25,000,000,000. This requirement is intended to ensure legal certainty for the parties involved in P2P Lending activities, which are profit-oriented in nature and involve multiple stakeholders

2. **Lenders**
   As stipulated in Article 1 number 28 of POJK No. 40 of 2024, lenders are individuals, legal entities, and/or business entities that provide funding. Lenders in the *Peer to Peer (P2P) Lending* ecosystem are wider when compared to the organizers, individuals both Indonesian citizens and foreigners can act as *lenders*.

3. **Borrower**

As stipulated in Article 1 number 28 of POJK No. 40 of 2024, borrowers are individuals, legal entities, and/or business entities that receive Funding. However, this provision is not enough considering that the provision only states that the recipient of the funds is the party who has the debt without mentioning with whom the recipient of the funds binds themselves in the debt-receivables agreement or borrowing and borrowing. Before applying for funding, the borrower must submit personal data according to the conditions requested, and complete the various forms needed to be able to apply for a loan smoothly.[8]

Based on Article 143 of POJK No, 40 of 2024, it has been stated that there are 2 (two) types of agreements for the implementation of information technology-based joint funding services, namely:

a. the agreement between the Organiser and the Funder; and
b. agreement between the Lender and the Borrower.

As stipulated in the article, the legal relationship between the lender and the organizer is born due to the agreement outlined in the electronic document, the position of the organizer in the document is as a power of attorney which is manifested by the granting of power of attorney from the lender to enter into a loan and borrow agreement. In Article 144 paragraph (2) of POJK No. 40 of 2024, electronic documents between lenders and organizers must at least contain the agreement number, date of agreement, identity of the parties, rights and obligations of the parties, amount of funding, economic benefits, amount of commission, duration, cost details, provisions regarding fines, use of personal data, billing mechanisms, risk mitigation, dispute resolution, and mechanism for settling rights and obligations in the event of a The organizer cannot continue its operational activities.

[8] By :. Hanifati et al., *DISPUTE RESOLUTION IN PEER TO PEER LENDING (* n.d.), http://temilnas16.forsebi.org/penerapanfinanci.

Form of power of attorney from the funder (*lender)* to the Organizer including the implementation of certain legal acts or interests related to the Borrowing and Borrowing Agreement on the Platform *Peer to Peer (P2P) Lending*. Article 1797 of the Civil Code expressly regulates the prohibition of the power of attorney to act beyond his power, the consequence of if the administrator exceeds the limits of his authority is that he must be held accountable for his own actions. In the legal relationship between the funders (*lender)* with the organizer, the money handed over by the funder (*lender)* is not intended to be owned and managed by the organizer, but will be distributed to the recipient of funds (*borrower),* Donors (*lender)* will send funds using *Virtual Account* or *Paymment Gateway* which will then be passed on to *Escrow Account* belonging to the organizer, this method is also a differentiator from the deposit agreement in the bank.[9]

The legal relationship between the lender and the borrower in Peer to Peer (P2P) Lending arises from a loan agreement. Prospective borrowers are required to undergo identity verification and complete the forms provided by the organizer. These forms are then evaluated in accordance with the fintech company's standard operating procedures before being offered to potential lenders. The disbursement of funds is conducted through the organizer, who acts on behalf of the lender by utilizing an escrow account and a virtual account. In repaying the loan, the borrower makes payments through the organizer's escrow account, which are subsequently transferred to the lender's virtual account, considering that the underlying legal relationship of the loan agreement exists between the lender and the borrower.

The lender′ s obligation to the *borrower* is not to ask for back what he has lent before the period specified in the agreement, as stipulated in

[9] *CONDITIONS OF VALIDITY OF THE AGREEMENT (Reviewed from the Civil Code)* (n.d.).

Article 1759 of the Civil Code. Typically, the payback period of [10]*Peer to Peer (P2P) Lending* funding is specified in the agreement, along with the amount of the loan interest rate. From this obligation, it gives the lender the right to receive the loaned funds along with interest according to the predetermined time. The right of the recipient (*borrower)* is to receive funding according to the need. As for the obligation of the recipient ([11]*borrower)* is to return the goods in the same amount and circumstances and at the specified time, accompanied by the payment of an agreed amount of interest, within the agreed period as stipulated in Article 1763 of the Civil Code.

Insurance or coverage is an agreement whereby the insurer undertakes, in exchange for premiums, to compensate the insured for losses, damages, or loss of expected profits arising from an uncertain event, as provided in Article 246 of the Commercial Code. Furthermore, Article 1 paragraph (1) of the Insurance Law defines insurance as an agreement between two parties, namely the insurance company and the policyholder, which serves as the basis for the insurer to receive premiums in return for: (a) providing compensation to the insured or policyholder for losses, damages, incurred costs, loss of profits, or legal liability to third parties resulting from an uncertain event; or (b) making payments contingent upon the death or survival of the insured, with benefits predetermined and/or based on the results of fund management.[12]

The relationship between the insured and the insurer, both under Article 246 of the Commercial Code and the Insurance Law, is founded

[10] *CONDITIONS FOR THE VALIDITY OF THE AGREEMENT (Reviewed from the Civil Code).*
[11] Ni Made Intan Pranita Dewanthara and Made Gde Subha Karma Resen, "Legal Protection for Lenders Due to Default in Peer to Peer Lending," *Acta Comitas* 5, no. 3 (December 2022): 479, https://doi.org/10.24843/ac.2020.v05.i03.p04.
[12] Arikha Saputra and Dyah Listiyorini, "INSURANCE RESPONSIBILITY IN THE CLAIM MECHANISM IN INSURANCE AGREEMENTS BASED ON THE PRINCIPLE OF UTMOST GOOD FAITH," in *Journal of Civic Education Undiksha*, vol. 9, no. 1 (2021), https://ejournal.undiksha.ac.id/index.php/JJPP.

on the payment of premiums by the insured based on an agreement between the insurer and the policyholder or insured. In return, the insurer undertakes to provide compensation upon the occurrence of an uncertain event, including the death of the insured. Accordingly, through the payment of premiums, the insured and/or policyholder obtains coverage from the insurance company as the insurer. From these provisions, four essential elements of an insurance contract can be identified: (1) the presence of the parties, namely the insurer and the insured; (2) the payment of premiums as consideration for risk coverage; (3) the possibility of loss suffered by the insured; and (4) the occurrence of an uncertain event as the basis for the insurer's obligation.

In addition, there are other important elements that determine whether an insurance agreement is valid or not, namely the existence of *insurable interest* as stipulated in Article 250 of the Criminal Code. Without these elements, the insurance agreement will not give rise to an obligation for the insurer to provide compensation. Correspondingly, Henry Campbell Black in *Black's Law Dictionary* defines insurance as a contract in which the insurer, by accepting a premium, promises to pay a sum of money to the insured or interested party in the event of a loss or liability due to an uncertain event.[13]

In the context of credit insurance on *the Peer to Peer (P2P) Lending fintech platform*, the Minister of Finance Regulation (PMK) Number 124/PMK.010/2008 concerning the Implementation of Credit Insurance and Suretyship Business Lines defines credit insurance as part of the general insurance business that provides guarantees for the fulfillment of debtors' financial obligations if they are unable to fulfill their obligations in accordance with credit agreements. From this definition, three main elements can be drawn, namely: (1) the existence of a credit agreement as the basis of the legal relationship; (2) the debtor's failure to fulfill

[13] Saputra and Listiyorini.

obligations as a guaranteed risk; and (3) the insurer's obligation to provide compensation to creditors.

In the practice *of fintech Peer to Peer (P2P) Lending* in Indonesia, which is regulated as Information Technology-Based Joint Funding Services (LPBBTI) based on POJK Number 40 of 2024, credit insurance has different characteristics compared to conventional banking models. In the conventional system, the legal relationship is relatively simple because the bank is also a creditor as well as an insured who is directly related to the insurance company. On the other hand, in [14]*peer to peer lending* there are additional parties, namely platform operators who act as intermediaries between lenders and insurance companies.

The difference between credit insurance in *fintech Peer to Peer (P2P) Lending* and conventional credit insurance can be seen from several aspects. First, in terms of subject, there is a separation between the policyholder, namely the organizer, and the party that economically bears the risk of loss, namely the lender. Second, in terms of objects, what is insured is receivables arising from the funding relationship between the lender and the *borrower*, not the receivables belonging to the organizer. Third, in terms of premiums, economically the burden of premiums is borne by lenders through yield deductions, even though they are formally paid by the organizer to the insurance company. Fourth, in terms of benefits, claim payments are basically intended to compensate the lender *for losses*, not losses experienced by the organizers.

In practice, there is a power of attorney clause in the agreement between lenders and the organizer to carry out all matters related to the process of granting and repaying loans. With the granting of this power of attorney, the organizer also has the right to do things related to the

[14] sofa laela, *LEGAL PROTECTION FOR FINTECH BUSINESS ACTORS PEER TO PEER LENDING*, 2022.

closure of the credit insurance policy such as signing agreements, paying premiums, and submitting insurance claims.

A person's legal position in an agreement determines the extent to which he is bound by the agreement, as well as determining the rights and obligations that arise from it. In the ecosystem *Peer to Peer (P2P) Lending*, credit insurance agreements do not stand alone as agreements that directly involve the funder (*lender)* as a party, but formed between the organizers *Peer to Peer (P2P) Lending* as the policyholder with the insurance company as the insurer, so that the position of the funder (*lender)* Such a construction requires an in-depth juridical analysis.[15]

The analysis of the lender's legal position begins with the principle of privity of contract as regulated in Articles 1315 and 1340 of the Civil Code. Article 1315 provides that, in general, a person may only enter into an agreement for their own benefit, while Article 1340 stipulates that a contract binds only the parties who conclude it and cannot impose obligations or confer rights upon third parties, except as provided in Article 1317. In the context of credit insurance agreements within Peer to Peer (P2P) Lending platforms, the organizer and the insurance company are the parties that formally conclude and sign the contract. Meanwhile, the lender, who does not take part in the formation of the agreement, is in principle considered a third party and therefore does not have direct rights to enforce the contract, including the right to submit a claim to the insurer.[16]

The legal position of the funder (*lender)* in an insurance agreement is to place the funder (*lender)* as an insured or beneficiary (*beneficiary*). In this construction, the organizer is positioned as the policyholder, while

[15] Nintha Soehaiya, *Locus: Journal of Legal Concepts Juridical Analysis of the Application of the Principle of Insurable Interest in Life Insurance Practice (Study on PT. Prudential Life Assurance Medan Branch) a,**, n.d., https://doi.org/10.56128/jkih.v2i1.178.
[16] Rahmat Adam and Saiful Anwar, *LEGAL STANDING JOURNAL OF LEGAL SCIENCE OF THE POSITION OF THE INSURED IN CREDIT LIFE INSURANCE,* 5, no. 1 (2021).

the financier (*Lender*) is the party entitled to receive claim payment if the insured risk occurs. However, in practice, not all funding in *Peer to Peer (P2P) Lending* It is mandatory to use credit insurance as a risk mitigation instrument, but rather depends on the choice of the lender (*lender).* Credit insurance is generally offered as an additional feature or optional protection that the lender can choose from (*lender)* at the time of funding. If the funder chooses the protection scheme, the insurance premium can be paid through the organizer at the beginning of the funding transaction along with the distribution of funds to the recipient or the payment of the premium can also be done through the mechanism of deducting part of the refund or the return received by the funder (*lender)* from the installment payment of the recipient (*borrower).* This construction is in line with the provisions of Article 264 of the Criminal Code, where the organizer insures the interests of the funder (*lender)*, and the claim benefits are aimed at protecting the funder (*lender)* from the risk of the funder's default (*borrower).*

The position of the lender as an insured has specific juridical characteristics, namely the rights of the lender are derivative and depend entirely on the existence and validity of the policy held by the organizer, so that if the policy ends because the insurance coverage period has ended, the rights of the lender as an insured are also lost even though the lender was never informed of the end of the policy.[17]

The implementation *of peer to peer (P2P) lending* formulates that the organizer acts as a power of attorney from the lender in the funding agreement. Matters related to the closure of this credit insurance policy such as signing agreements, paying premiums, and submitting claims are carried out by the organizer with the power of attorney from the lender. Seeing these interests, the organizer is seen as having an *insurable*

[17] *LEGAL PROTECTION FOR LEANDER WHO EXPERIENCES BAD LOANS AT ONLINE/ELECTRONIC FINANCING INSTITUTIONS IS ASSOCIATED WITH THE PRINCIPLE OF PRUDENCE* (n.d.), www.hukumonline.com,.

interest in the repayment of debtors' credit obligations channeled through its platform. This interest arises because if there is a default by the *borrower*, it will have an impact on the management of funding facilitated by the organizer. Therefore, the organizer is seen as having *an insurable interest* in the repayment of obligations by the recipient (*borrower)* through the platform it manages.[18]

If the insured risk really occurs, the payment of claims from credit insurance is made to the organizer, which is then forwarded to the lender as the creditor. Therefore, in a credit insurance policy in *fintech peer to peer (P2P) lending*, the position of the insured is formulated as a QQ organizer or for and on behalf of the lender. In this construction, the first named organizer acts in the capacity of representing the next named party, so that substantially the organizer performs the function of representation in the interests of the lender (*lender)*.

Based on this analysis, the application of *the principle of insurable interest* in credit insurance in *fintech peer to peer (P2P) lending* is rooted in the legal relationship born from an agreement. A loan agreement between the *borrower* and the *lender*, which in practice is represented by the organizer, creates a financial interest for the insured to insure the credit value. The agreement has the same binding force as the law for the parties who make it. Therefore, if the borrower defaults by not fulfilling the obligation to pay installments and interest, then losses will arise to the insured.[19]

2. Legal Responsibility of *Peer To Peer Lending* Providers Against *Lenders* for Rejection of Credit Insurance Claims

[18] Dharu Triasih, Dewi Tuti Muryati, and A. Heru Nuswanto, *Legal Protection for Consumers in Online Loan Agreements*, n.d., https://doi.org/10.15294/snhunnes.v7i2.732.
[19] The Parties et al., *PRINCIPLES OF TREATY LAW IN DISPUTE SETTLEMENT AGREEMENTS* (n.d.).

In insurance law, there is the concept of an *event* (evenement), often understood as an uncertain occurrence. It refers to an incident that, although it may happen, cannot be predicted with certainty as to its timing and is not expected by the parties, particularly the insured. If such an event occurs while the insurance agreement is still valid, the insurer is obligated to fulfill its duty to compensate the insured for the resulting loss. Conversely, if the insured has prior knowledge that the event will occur, the insured is not entitled to claim compensation from the insurer.

Accordingly, events that have not yet occurred are treated as a fundamental element in the formation of an insurance contract. An insurance agreement is characterized as an aleatory and conditional contract, in which the insurer's obligation depends on the occurrence of an uncertain event, even though the insurer's performance itself is predetermined. The insurer's obligation arises only when the stipulated condition has been fulfilled. Insurance contracts are regarded as special agreements governed specifically under the Commercial Code, while still adhering to the general requirements for valid agreements under the Civil Code, as set out in Article 1320. In addition, Articles 250 and 251 of the Commercial Code establish particular requirements for insurance contracts, emphasizing the necessity of an insurable interest and the duty of utmost good faith. Based on these provisions, there are six essential legal elements required for the validity of an insurance agreement, namely:

1. There is an agreement between the parties, namely the insurer and the insured, as stipulated in Article 1338 of the Criminal Code.
2. The existence of proficiency from the parties.
3. The existence of a certain thing, the object in insurance can be in the form of wealth, as well as the interests attached to the property.
4. Because it is halal, the interest in making an agreement does not contain clauses that are prohibited by law.

5. Interests that can be insured, the existence of a financial interest in the insured object.
6. Notice, the insured party informs the insurer regarding the condition of the insurance object correctly.

Losses arising from an *event* in principle give rise to an obligation for the insurer to provide compensation. However, these obligations are limited by the provisions of the policy, in particular regarding the scope of risk and the period of coverage. The expiration of the insurance policy is basically the end of the legal relationship between the insurer and the insured which results in the removal of the insurer's obligation to bear the risk. Normatively, the policy ends when the coverage period expires, an event occurs, there is a cancellation, or the insured interests are lost.[20]

The expiration of the insurance policy is basically the end of the legal relationship between the insurer and the insured which results in the removal of the insurer's obligation to bear the risk. Within the framework of the Criminal Code, although it is not explicitly regulated regarding the term "policy closure", the provisions regarding the elements and content of the policy provide a basis for determining when a policy ends. Normatively, an insurance policy can be said to end if:

1. The coverage period has expired.
2. The occurrence of an indeterminate event (*event)*.
3. There is a cancellation of the policy.
4. Loss of *insurable interest.*

In the context of credit insurance in *peer to peer lending,* a default committed by the borrower can be qualified as *an event,* because basically the event is a risk that is specifically guaranteed in the policy, because it meets the specification as an uncertain risk that can cause

[20] Rinitami Njatrijani, Putri Ayu Sutrisno, and Cantika Assyifani Primastito, *The Role of the Financial Services Authority (OJK) as a Supervisory Agency for the Phenomenon of Insurance Policy Default in Indonesia*, vol. 6, no. 2 (2024).

financial losses for the lender (*lender*)). But in cases where the default occurs after the insurance policy ends, a different legal issue arises. The expiration of the insurance policy in this condition is not due to the occurrence of an uncertain event (*event),* but because the contractual relationship between the insurer and the insured has ended due to the expiration of the coverage period.[21]

Legal problems in this context become even more complex when there is a mismatch between the insurance coverage period and the *lender*'s funding period in *peer to peer lending*. This situation is reflected when the insurance policy ends due to the expiration of the coverage period, while the organizer does not renew, even though the funding period from the lender to the *borrower* based on the loan agreement in the *Peer to Peer (P2P) Lending* platform is still ongoing. In such conditions, when there is a default by the *borrower,* the claim submitted is rejected by the insurance company on the grounds that the policy is no longer valid. The discrepancy between the insurance coverage period and the funding tenor in *the Peer to Peer (P2P) Lending* platform not only reflects administrative weaknesses, but also shows the failure of the organizer to carry out the risk mitigation function as required by the regulations. Within the framework of POJK Number 40 of 2024, the use of credit insurance is a risk mitigation instrument that must be adjusted to the characteristics and duration of funding. Therefore, the non-renewal of the insurance policy while the funding is still ongoing is a form of negligence of the organizer in ensuring the sustainability of risk protection.[22]

The obligation to mitigate risks in the implementation of information technology-based funding services has been expressly regulated in Article

[21] Febrianti Nazwa and Lubis Fauziah, *LEGAL PROTECTION FOR CREDITORS DUE TO DEFAULT IN PEER TO PEER LENDING-BASED FINANCING FROM A POJK PERSPECTIVE NO. 22 OF 2023*, 2024.
[22] Retno Wulansari, "THE MEANING OF THE PRINCIPLE OF INTEREST IN INSURANCE LAW IN INDONESIA," *Jurnal Panorama Hukum* 2, no. 1 (2023).

148 of POJK Number 40 of 2024. In this provision, the organizer not only plays the role of a facilitator, but is also burdened with the responsibility to ensure that all funding activities take place safely and measurably. This is realized through the obligation to implement risk management effectively, including conducting credit [23]*scoring* assessments for potential recipients to minimize the potential for default. In addition, the organizer is also obliged to provide a protection mechanism for funders as a form of security against risks that may arise, as well as ensuring transparency of risk information to all users.

In practice, risk mitigation in *Peer to Peer (P2P) Lending* is carried out through various complementary instruments. Organizers conduct *credit scoring* and *risk profiling* of funders to assess the ability and level of credit risk, while lenders are encouraged to diversify funding to reduce risk exposure to one party. In addition, the use of *escrow accounts* and *virtual accounts* aims to ensure the security of fund flow, and is supported by a structured *collection system* to optimize loan repayments. In addition, credit insurance is used as a risk transfer mechanism for the possibility of default by the recipient of funds.

Credit insurance is one of the complementary risk mitigation instruments, not the only form of protection. Its existence serves to complement the risk control system that has been built by the organizers. Therefore, if credit insurance is offered as part of a funding scheme, the operator is obliged to ensure that the protection runs effectively, including ensuring the compatibility between the period of insurance coverage and the period of risk arising from funding activities. In Article 148 paragraph (6) of POJK No. 40 of 2024, it is explained that the shortest credit insurance coverage period is the same as the funding

[23] Windi Eka Oktaviani et al., *RESPONSIBILITY OF BUSINESS ACTORS FOR CONSUMER LOSSES DUE TO DEFECTIVE PRODUCTS* (n.d.).

period. By not extending the insurance coverage period, the organizer can be said to have violated the provisions in the article.[24]

Legal problems in the implementation of *Peer to Peer (P2P) Lending* often arise when there is a discrepancy between the insurance coverage period and the funding tenor in the loan and borrowing agreement. This inconsistency creates a gap in legal protection, especially when credit risk is still ongoing, but insurance protection has actually ended. In such conditions, if the organizer does not extend the policy coverage even though the payment obligation of the borrower has not fully ended, it reflects a failure to carry out the risk mitigation function optimally.

In such a situation, the assessment of the validity of the expiration of the policy needs to be seen from two sides, namely formally and materially. Formally, the expiration of the policy can be considered valid if the coverage period has indeed expired in accordance with the provisions stated in the policy as stipulated in Article 256 of the Criminal Code, there is no clause that regulates automatic renewal, and there is no contractual obligation for the insurer to continue or extend the coverage. Thus, the denial of a claim by the insurer has a legal basis because the default event occurs outside the agreed coverage period.

However, when viewed materially, the validity is still questionable, especially if it is linked to the principles of legal protection and good faith in insurance agreements. The asynchrony between the coverage period and the risk period, in this case the funding tenor from *peer to peer (P2P) lenders (P2P) lending*, indicates a potential weakness in the design of insurance protection. In addition, if the lender as an interested party does not obtain adequate information about the expiration of the policy, then this condition can be categorized as a violation of the principle of

[24] Sandra Indah Wulandari, C. Nike Septivani, and Trisakti Insurance Management College, *Analysis of Claim Adjustment with Indemnity and Reinstatement Methods in Fire Insurance Products at PT Asuransi XYZ* (n.d.).

transparency. Denial of a claim by an insurance company is legally justified because it occurs outside the coverage period. However, this condition does not necessarily remove the responsibility of the organizer. Instead, the focus of legal liability shifts to organizers who fail to ensure alignment between the insurance protection period and the guaranteed credit risk period.[25]

Inone of the cases that occurred in *Peer to Peer (P2P) Lending* providers in Indonesia, credit insurance claims for projects that experienced default could not be realized because the insurance company stated that the insurance policy had ended because the coverage period had ended so that there was no active policy that could be used as a basis for disbursing claims. However, at the same time the platform still collects premium fees for the protection. The situation indicates the existence of a condition in which the funder has paid a premium over a certain period of protection for which there is no legal basis for the policy. The organizer also does not refund the premium, which should still be given when an insurance claim is made.[26]

This credit insurance arrangement indicates that the insurance company does not engage directly with the insured as the party bearing the coverage; instead, it maintains a direct relationship with the peer-to-peer (P2P) lending organizer in its capacity as the policyholder. The organizer acts on behalf of the lender based on a granted power of attorney. Within the policy, the organizer is identified as the party providing the platform or facility used by borrowers to obtain credit and by lenders to extend funding. Consequently, from a consumer protection perspective, the principles of benefit, fairness, balance, and legal certainty, as well as the objective of establishing a consumer protection

[25] Suhaila Zulkifli, Margareth Christiana Philip, and Josua Hasiholan Purba, *LEGAL STANDING JOURNAL OF JURIDICAL ANALYSIS ON THE APPLICATION OF THE PRINCIPLE OF INDEMNITY AND INSURABLE INTEREST IN FIRE INSURANCE AT PT. TOKIO MARINE INSURANCE*, vol. 6, no. 1 (n.d.).
[26] Candrika Radita Putri, *LIABILITY OF PEER TO PEER LENDING ORGANIZERS IF THE BORROWER DEFAULTS* (n.d.).

system that ensures transparency and access to information as stipulated in Article 3 of Law No. 8 of 1999 on Consumer Protection, have not been fully realized.

Article 32 paragraph (1) of POJK 22 of 2023 expressly requires the organizer to convey accurate, honest, clear, and non-misleading information to the organizer *Lender* about everything related to the services it provides. This obligation also includes notification of any material events that have an impact on the interests of the *Lender*, including the denial of the insurance claim and the legal background behind the denial. Thus, if the organizer finds out that the insurance claim *Lender* rejected by the insurance company, the organizer must immediately inform the *Lender* in writing and can be accounted for.

Furthermore, based on Article 32 paragraph (1) POJK 22 of 2023, it is explained that business actors are obliged to provide information about products and/or services that are clear, accurate, honest, accessible, and not potentially misleading in accordance with the provisions of laws and regulations and/or agreements. In this case, the lender as a consumer has the right to know in full why the claim was rejected and what steps the organizer will take as a follow-up. The absence of adequate notice from the organizer may meet the element of the organizer's fault and may qualify as a violation of consumer rights protected by law.[27]

The negligence fulfills the elements of unlawful acts as stipulated in Article 1365 of the Civil Code, because there are unlawful acts in the form of non-fulfillment of transparency obligations, errors in the form of negligence, losses to lenders (*lenders),* and there is a causal relationship between the negligence and the losses that occur. Furthermore, the action of the organizer who continues to collect premiums even though there is

[27] Saputra and Listiyorini, "INSURANCE RESPONSIBILITY IN THE CLAIM MECHANISM IN INSURANCE AGREEMENTS BASED ON THE PRINCIPLE OF UTMOST GOOD FAITH."

no active policy can be categorized as a form of profit acquisition without legal basis (*unjust enrichment),* because the lender pays for protection that does not exist legally. In such conditions, the lender has the right to demand a refund of the premium along with compensation for the losses incurred as stipulated in Article 7 letter g of Law Number 8 of 1999 concerning Consumer Protection. The fact that the organizer continues to withdraw premiums from the lender even though the insurance policy has ended reinforces the element of error. This action not only fulfills the element of unlawful acts, but also has the potential to enter the criminal realm if it meets the element of fraud, because there is profit obtained by misleading other parties about the existence of insurance protection.[28]

The obligation to notify the end of the credit insurance policy coverage period to the lender can be based on Article 49 paragraph (1) POJK Number 22 of 2023 which requires the lender to notify the *lender* regarding changes in provisions that affect the agreement regarding products and/or services from the lender, then the operator is obliged to inform the Consumer who in this case is the *lender*. In addition, Article 1338 of the Civil Code, which contains the principle of good faith in the implementation of the agreement, requires each party not to harm other parties affected by the implementation of the agreement. An organizer who lets *a lender* not know the end of credit insurance protection can be categorized as an act contrary to the principle of good faith.[29]

According to Satjipto Rahardjo, legal protection refers to efforts to safeguard individuals by aligning values and norms as reflected in behavior and actions in order to create order within society. He further explains that legal protection operates through two forms: preventive protection, which is provided by the state through legislation, and repressive protection, in which law enforcement mechanisms serve as a

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[28] Njatrijani, Sutrisno, and Primastito, *The Role of the Financial Services Authority (OJK) as a Supervisory Agency for the Phenomenon of Insurance Policy Default in Indonesia* (2024), vol. 6.
[29] Hanifati et al., *DISPUTE RESOLUTION IN PEER TO PEER LENDING (ONLINE LENDING).*

means of redress for funders (lenders), including through civil claims, administrative sanctions imposed by the OJK, and potential criminal liability. Accordingly, the responsibility of the organizer extends beyond contractual obligations to also encompass administrative and criminal aspects.[30]

Although normatively POJK No. 22 of 2023 has provided protection for consumers by providing information about products and/or services that are clear, accurate, honest, accessible, and not potentially misleading regarding the Organizer, the Organizer can be held contractually liable on the basis of default for failing to fulfill the obligation to maintain the continuity of insurance protection that has been promised. In addition, consumers are also entitled to get insurance claim benefits in accordance with the offer promised by the organizer and/or in accordance with the provisions of laws and regulations after the *lender* fulfills its obligations, namely paying premiums, as stipulated in Article 92 paragraph (2) letter c POJK No. 22 of 2023. Delituously on the basis of unlawful acts for leaving the lender in a state of ignorance while the insurance protection is no longer valid, regulatively on the basis of violation of the obligation of information disclosure based on OJK regulations, and functionally as a party that has marketed insurance products to *lenders* but fails to provide correct and complete information regarding the change in the status of the product.

The entire form of responsibility confirms that the organizer is the most responsible party for the loss of the lender in the situation of failure of insurance claims due to the undisclosed expiration of the insurance policy, as affirmed in Article 26 paragraph (4) POJK 20/2023 concerning Insurance Products Linked to Sharia Credit or Financing and Sharia Suretyship or Suretyship Products which stipulates that In the event that

[30] Yuni Asih, Anjar N. Sri Cipto, and Emmy Latifah, *LEGAL PROTECTION OF LENDERS FOR DEFAULT IN FINTECH PEER TO PEER LENDING* (n.d.).

in the event of a There is a refund of premiums/contributions for the insurance period that has not passed, premiums/contributions are paid to the party to whom the premium/contribution is charged, in addition to that it is also emphasized in Article 92 paragraph (2) letter c of POJK No. 22 of 2023 that the right of prospective Consumers and/or Consumers is to get products and/or services in accordance with the promised offer and/or in accordance with the provisions of laws and regulations, which means that the Consumer is entitled to get the benefit of an insurance claim in accordance with the offer promised by the Organizer and/or in accordance with the provisions of laws and regulations after the Consumer fulfills his obligations. The[31] most appropriate and juridically based legal remedy for lenders is to direct their liability demands to the organizer, not to insurance companies that formally do not have a direct contractual relationship with the lender. More than that, the responsibility of the organizers does not only stop at the civil realm. By continuing to withdraw premiums even though the insurance coverage period is not extended, the organizer fulfills the elements of fraud. Therefore, the organizer can also be subject to Article 378 of the Criminal Code for his actions that still collect premiums from lenders (*lenders*).[32]

In general, these law enforcement pathways can be used simultaneously and complement each other. Dispute resolution also does not directly require consumers to take the litigation route, as is the case through civil lawsuits or criminal sanctions. However, the OJK also facilitates consumers to submit non-litigation dispute resolution to the Financial Services Sector Alternative Dispute Resolution Institution (LAPS). Based on this legal construction, it can be affirmed that the failure of insurance claims in this context is the main responsibility of the

[31] Dewanthara and Subha Karma Resen, "Legal Protection for Lenders Due to Default on Peer to Peer Lending."
[32] Njatrijani, Sutrisno, and Primastito, *The Role of the Financial Services Authority (OJK) as a Supervisory Agency for the Phenomenon of Insurance Policy Default in Indonesia* (2024), vol. 6.

organizer. This is due to negligence in ensuring the sustainability of insurance protection, failure to comply with transparency obligations, and violations of risk mitigation principles required in financial services sector regulations.

Conclusion

The legal position in *the Peer to Peer (P2P) Lending* ecosystem indicates the construction of complex and indirect relationships. The organizer acts as a policyholder as well as a power of attorney from the lender (*lender*), while the insurance company is positioned as the insurer. The *lender*, even though it is not a direct party to the insurance agreement, is substantively positioned as an interested party or *beneficiary* of the policy. This position makes the rights of the lenders derivative and depend on the applicability of the policies held by the maintainers. Thus, legal protection for lenders in credit insurance is highly determined by the validity, sustainability, and implementation of the policy by the operator, including conformity with the principles *of insurable interest* and the principle of good faith.

A claim rejection by an insurance company can be formally justified if it occurs outside the policy coverage period. However, materially, the responsibility shifts to the organizer if there is negligence in ensuring the suitability between the insurance coverage period and the funding tenor. The inconsistency is a form of failure to mitigate risks and violations of information transparency obligations to lenders by the organizers. In addition, the actions of organizers who continue to withdraw premiums without an active policy meet the elements of unlawful acts and have the potential to qualify as *unjust enrichment*, and can even lead to criminal acts if there are elements of fraud. Therefore, the organizer is contractual, delicate, administrative, and potentially criminal liable for the losses suffered by the lender due to the rejection of the claim.

The implications of this finding show the need to strengthen the legal construction that gives a firmer position to lenders as parties who have *direct right of claim* in credit insurance agreements. The Financial Services Authority also needs to tighten regulations regarding the obligations of the organizer in ensuring the enforceability of policies and transparency of information to lenders (*lenders).* In addition, normative reconstruction is needed in the form of the obligation to include *the lender*'s direct claim rights in policies or funding agreements, as well as increased supervision of the operator's practices. Thus, legal protection for *lenders* is not only formal, but also substantive in ensuring legal certainty and justice in the digital financial ecosystem.

Based on the results of the discussion that has been described, there are several suggestions addressed to various parties in the *Peer to Peer (P2P) Lending ecosystem*. First, the OJK needs to immediately issue a derivative technical regulation from Article 148 paragraph (8) of POJK Number 40 of 2024 which specifically regulates the mechanism for monitoring the continuity of credit insurance protection, including the obligation to report periodically by the organizer regarding the active status of the policy to the OJK and to lenders (*lenders*), as well as to encourage the acceleration of the development of insurance products specifically designed for *the Peer to Peer* (*P2P)* ecosystem) *Lending* considering the products currently available have not fully accommodated the unique characteristics of relationships in *Peer to Peer (P2P) Lending*.

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