

## Credit Scoring P2P Lending Fintech: Right to Explanation in AI-Based Credit

Aliya Suci Maghfirli, Thea Farina, Nuraliah Ali

Universitas Palangka Raya, Indonesia

Email: maghfirlialiya@gmail.com, thea-embang@law.upr.ac.id, nuraliahali@law.upr.ac.id

### ABSTRACT

*The advancement of artificial intelligence (AI) technology has transformed the credit scoring system in Indonesia's fintech peer-to-peer (P2P) lending sector. Automated decision-making increases efficiency and financial inclusion but also raises legal concerns, particularly regarding consumers' right to obtain explanations for decisions made solely by AI. This study analyzes the legal framework governing the right to explanation and consumer protection in AI-based automated credit assessments within Indonesian P2P lending services. A normative juridical method is applied using legislative, conceptual, and comparative approaches. The findings show that Indonesia has established several legal foundations, including Law No. 27 of 2022 on Personal Data Protection, Law No. 8 of 1999 on Consumer Protection, POJK No. 40 of 2024 on Information Technology-Based Joint Funding Services, and POJK No. 22 of 2023 on Consumer and Community Protection in the Financial Services Sector. However, specific regulation on the right to explanation for AI-generated automated decisions is still lacking. This gap creates challenges in ensuring algorithmic transparency, fairness, and accountability, especially when automated assessments potentially lead to discrimination or inaccurate risk profiling. Therefore, regulatory strengthening is required to mandate the implementation of Explainable Artificial Intelligence (XAI), ensuring that consumers receive understandable information about how decisions are made and possess the right to contest harmful outcomes. Clearer legal mandates are also needed to hold business actors accountable for risks arising from automated decision-making and to protect consumers' rights in an increasingly digital lending environment.*

### KEYWORDS



*Artificial Intelligence; Automated Decision; Credit Assessment; Fintech; Right to Explanation..*

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### INTRODUCTION

The rapid growth of financial technology (*fintech*) has fundamentally reshaped global financial systems, particularly in developing economies where traditional banking infrastructure remains limited (Ediagbonya & Tioluwani, 2023; Feyen et al., 2023). In Indonesia, the emergence of peer-to-peer (*P2P*) lending platforms has democratized access to credit, enabling millions of underserved individuals and micro, small, and medium enterprises (MSMEs) to obtain financing (Suryani et al., 2023; Tambunan et al., 2021). However, this digital transformation has introduced complex legal and ethical challenges, particularly concerning the use of artificial intelligence (AI) in automated credit decision-making (Kumar et al., 2024; Maria, 2025). The opacity of AI algorithms, coupled with inadequate regulatory frameworks, has raised concerns about consumer protection, algorithmic discrimination, and the fundamental right to understand decisions that significantly affect individuals' economic lives (Dragomir-Constantin, 2025; Prihartanto et al., 2025).

Information technology transformation has had a great impact on various aspects of life, including the financial sector, which has experienced a digital revolution through financial technology (*fintech*) innovation (Alam et al., 2025; Rahardja et al., 2025). *Fintech* is the use of technology in the financial system to create new products, services, technologies, and/or business models that have the potential to affect monetary stability, financial system stability, and improve the efficiency, smoothness, security, and reliability of the payment system (Kusuma & Asmor, 2020).

*Fintech* peer-to-peer (*P2P*) lending has grown rapidly in Indonesia since its formal regulation by the Financial Services Authority (OJK) through POJK Number 77/POJK.01/2016 concerning Information Technology-Based Money Lending Services, subsequently updated by POJK No. 40 of 2024. According to the Financial Services Authority (2025), as of January 31, 2025, there are 97 *P2P* lending *fintech* companies licensed by the OJK. The industry plays an important role in financial inclusion by providing access to credit to MSMEs and individuals that are unaffordable through traditional banking services. However, this growth is accompanied by an increase in the use of automated systems based on artificial intelligence (AI) in the assessment of creditworthiness (Ahmed & Iqbal, 2025; Farahani et al., 2025).

The implementation of AI in credit scoring mechanisms by *fintech* service providers raises crucial issues in personal data protection and consumer protection (Iqbal & Sano, 2025; Salami et al., 2025). The main challenges that arise include aspects of transparency, legal basis, and the rights of data subjects to automated decisions (Grant et al., 2025). Credit granting or denying decisions resulting from AI algorithms are often complex, non-transparent, and difficult to understand by the decision subject (borrower) and related parties (Cristine et al., 2025).

Despite growing academic attention to AI ethics and consumer protection in *fintech*, existing studies have primarily focused on general data protection frameworks without specifically addressing the right to explanation in automated credit decisions (Odumuwagon, 2025). For instance, Harahap et al. (2025) examined ethical and legal aspects of AI in legal decision-making but did not explore *fintech*-specific contexts. Maharani et al. (2023) analyzed consumer protection in *fintech* financing, yet their analysis remained limited to contractual aspects without addressing algorithmic transparency. Similarly, Sulaeman (2025) discussed AI use in *P2P* lending credit assessment from a consumer protection perspective but did not comprehensively examine the legal basis for the right to explanation. International literature, such as Wachter et al. (2017) and Gacutan & Selvadurai (2020), has extensively discussed the right to explanation under GDPR, yet comparative analysis of its applicability in Indonesia's legal context remains underexplored. This research fills this gap by providing a comprehensive normative juridical analysis of Indonesia's legal framework specifically addressing the right to explanation in AI-based credit scoring within *P2P* lending *fintech*.

This phenomenon raises fundamental questions about consumer rights and procedural justice in the era of digital automation (Arianti & Prastyanti, 2025). The right to explanation is a concept developing within international law as part of efforts to protect personal data and consumer rights. This concept has been regulated in the General Data Protection Regulation (GDPR) of the European Union, specifically in Article 22, which states that "The data subject shall have the right not to be subject to a decision based solely on automated processing, including profiling, which produces legal effects concerning him or her or similarly significantly affects him or her." This provision basically gives every individual the right to obtain an explanation of decisions made through automated processing mechanisms.

Although Indonesia has issued various regulations related to *fintech* lending and personal data protection, there are still loopholes in the existing legal framework. Indonesia's legal protection against personal data processing and profiling is still relatively weak compared to international standards. Furthermore, the massive use of personal data in the AI credit scoring process also raises questions about its compatibility with Law Number 27 of 2022 concerning Personal Data Protection (PDP Law), which regulates various data subject rights, including the right to obtain access to personal data, the right to obtain an explanation related to the processing of personal data, the right to demand the termination of processing, deletion, and/or destruction of personal data, as well as the right to withdraw consent. The PDP Law also regulates the principles of personal data processing, one of which is the principle of

transparency, requiring that personal data be processed openly and accountably. However, the current PDP Law does not explicitly regulate the right to explanation in the context of automated decision-making; there is no special provision requiring personal data controllers or data processors to provide meaningful explanations about the logic involved in automated decision-making, nor is there a provision regarding the right of individuals to reject fully automated decisions or to request human intervention in the decision-making process.

The absence of clear regulation on the right to explanation creates legal uncertainty and potential abuse of power by *fintech* operators. Consumers who are denied credit applications do not have a clear mechanism to understand and challenge the decision, potentially violating the fundamental principles of justice and due process. Furthermore, the lack of clarity about consumer rights in the context of automated decision-making can result in significant information asymmetry between *fintech* operators and consumers, which in turn can harm consumers economically and legally, potentially violating Law Number 8 of 1999 concerning Consumer Protection.

In December 2023, the Ministry of Communication and Information issued Circular Letter Number 9 of 2023 concerning Artificial Intelligence Ethics, emphasizing ethical values including transparency, accountability, and personal data protection. In December 2024, the OJK issued POJK Number 40 of 2024 concerning Information Technology-Based Joint Funding Services, demonstrating regulatory commitment to *fintech* oversight. However, clarity on the extent to which these regulations govern aspects of AI-based automated decision-making still requires further research. The lack of transparency in AI-based credit scoring has generated serious societal impacts, including financial exclusion of vulnerable populations, predatory lending practices targeting low-income borrowers, and algorithmic discrimination based on non-financial data patterns. Cases of unjustified loan rejections, excessive interest rates determined through opaque algorithms, and debt collection practices based on automated risk profiling have proliferated, creating systemic threats to consumer welfare and financial stability. These issues underscore the urgent need for comprehensive legal frameworks that ensure algorithmic accountability and protect fundamental consumer rights in digital financial services. These initiatives show that the Indonesian government is beginning to recognize the urgency of regulating AI in the financial sector, but there is still no comprehensive and specific regulatory framework that explicitly accommodates the protection of the right to explanation in the context of automated decision-making for *fintech* credit assessment.

Based on the description above, there is an urgency to conduct an in-depth juridical study on how the legal arrangements regarding the right to explanation in automated decisions generated by artificial intelligence in *fintech* peer-to-peer lending credit assessments in Indonesia can protect consumer law in the use of AI automated decisions for fair *fintech P2P* lending credit assessment in Indonesia. The urgency of this research lies in the need to ensure legal certainty and fair consumer protection amid increasingly complex financial technology developments. Without a clear legal basis regarding the right to explanation, consumers risk harm due to the lack of transparency of the algorithm in the credit decision-making process.

Therefore, this research is expected to contribute to realizing a balance between financial technology innovation and the protection of consumer rights within the framework of Indonesian law. Theoretically, this study contributes to the development of legal doctrine regarding algorithmic accountability and the right to explanation within Indonesia's civil law tradition, bridging international principles with domestic legal frameworks. Practically, the research provides concrete recommendations for policymakers to strengthen regulatory mechanisms, offers guidance for *fintech* operators to implement explainable AI systems, and empowers consumers with knowledge of their legal rights in automated decision-making processes.

## RESEARCH METHOD

This study used normative juridical research, which involves examining primary legal materials such as laws and regulations, as well as legal theories, concepts, and principles relevant to the topic. This approach was selected because the focus of the research was on analyzing legal norms governing the right to explanation in AI-based automated decisions on *fintech* peer-to-peer lending credit assessment in Indonesia.

The research examined primary, secondary, and tertiary legal materials through literature review. Primary materials included relevant laws and regulations such as Law Number 27 of 2022 concerning Personal Data Protection, Law Number 8 of 1999 concerning Consumer Protection, POJK Number 40 of 2024 concerning Information Technology-Based Joint Funding Services, POJK Number 22 of 2023 concerning Consumer and Community Protection in the Financial Services Sector, and the Circular Letter of the Minister of Communication and Information Technology Number 9 of 2023 on Artificial Intelligence Ethics. Secondary materials consisted of literature, scientific journals, research findings, and expert opinions related to AI protection, consumer rights, and *fintech*.

The study employed a statute approach, conceptual approach, and comparative approach. The statute approach examined the consistency and gaps of norms within Indonesia's legal framework. The conceptual approach clarified the principles and theories related to the right to explanation in automated decision-making. The comparative approach compared Indonesian regulations with international standards, particularly the European Union's General Data Protection Regulation (GDPR). All materials were analyzed qualitatively using deductive reasoning to draw conclusions on the state of legal regulation and the adequacy of consumer protection in Indonesia.

## RESULT AND DISCUSSION

### **Legal Arrangements Regarding the Right to Explanation in Automated Decisions Generated by Artificial Intelligence in Fintech P2P Lending Credit Assessment in Indonesia**

The development of artificial intelligence technology (AI) in the financial sector, especially in Fintech P2P Lending services has brought significant changes to the credit scoring mechanism. In practice, AI systems are used to assess creditworthiness based on algorithms and big data without direct human intervention. Although efficient, the use of automated systems raises new legal issues related to the right to an explanation for consumers who are the subject of the decision.

Conceptually, the right to explanation is the individual's right to obtain clear, meaningful, and understandable information about the basis of logic, parameters, and factors used by automated systems in making decisions that have a significant impact on a person. This concept has its roots in Article 22 of the European Union's GDPR, which prohibits completely automatic decision-making against individuals, unless accompanied by safeguards such as the right to a meaningful explanation.

According to research that has been carried out by Wachter *et.al.*, (2017) states that the right to explanation is not the right to access source code or algorithms, but the right to obtain meaningful information about the logic used by the system, so that individuals can understand and judge the fairness of the decisions generated by machines. This right has a dual function, namely (1) ensuring algorithmic transparency and accountability, and; (2) protect individuals from potential discrimination or injustice resulting from automated decision-making.

This view is expanded by Gacutan & Selvadurai (2020), who state that the right to explanation should be viewed as a legal right guaranteed by law. Where an automated decision using AI often poses a risk of violating the principle of due process of law because the decision subject does not understand the basis for his or her assessment. Therefore, the right to an

explanation is needed as a mechanism for correction and objection to unilateral decisions. This right also protects the public from the black box decision-making phenomenon, which is a condition when AI systems produce decisions without transparency that can be audited or legally accounted for.

In the context of personal data protection, Papadimitriou (2023) explains that the right to explanation is part of the right to privacy that guarantees data subjects to know how their data is used in automated decision-making. The form of explanation given to individuals must be user-oriented (human-centered) and not purely technical, so that the principles of transparency and fairness can be realized effectively. This right is an important instrument to prevent profiling that is discriminatory and violates human rights in the digital ecosystem.

Meanwhile, Fritz (2024) highlights the importance of establishing a scope that is proportional to the right to explanation. According to the authors, this right should be applied mainly to automated decisions that have a significant impact on an individual's life, such as access to loans, employment, or public services. In addition, the right to explanation should not only be granted after a decision has been made, but also before a decision is made so that the individual understands from the outset that he or she is the object of automated processing.

When associated with the legal context in Indonesia, similar principles have actually been recognized in Law Number 27 of 2022 concerning Personal Data Protection (PDP Law). The PDP Law is a basis related to the fundamental principles of personal data processing such as the lawfulness of processing, restriction of purposes, accountability, transparency, and data security of legal subjects. This provision shows that normatively, Indonesia has recognized the right of individuals to obtain an explanation related to the data processing process, including decisions generated by automated systems. However, the implementation of these rights in the digital financial sector is still not regulated in detail, especially at the stage of assessing creditworthiness using AI. As a result, there is still a regulatory gap that has the potential to weaken consumer legal protection in the fintech sector (Sulaeman, 2025).

In Indonesian laws and regulations, the legal arrangements regarding the right to explanation in AI-generated automated decisions have not been explicitly regulated, but a number of regulations have provided relevant normative grounds, as listed in the following table:

**Table 1. Basis of Legal Regulation of the Right to Explanation in Indonesia**

| <b>Laws and Regulations</b>                                                                          | <b>Article</b>                       |
|------------------------------------------------------------------------------------------------------|--------------------------------------|
| Law Number 27 of 2022 concerning Personal Data Protection (PDP Law)                                  | Article 5<br>Article 7<br>Article 10 |
| Law Number 8 of 1999 concerning Consumer Protection (UUPK)                                           | Article 4<br>Article 7               |
| POJK Number 40 of 2024 concerning Information Technology-Based Joint Funding Services (LPBBTI)       | Articles 130-132<br>Article 179      |
| POJK Number 22 of 2023 concerning Consumer and Community Protection in the Financial Services Sector | Article 3<br>Article 4               |

In the context of the table above, it can be explained that the PDP Law is the main basis for guaranteeing the right to explanation for data subjects who are the object of automatic processing. Article 5 of the PDP Law states that "the subject of personal data has the right to obtain information about the clarity of identity, the basis of legal interests, the purpose of the request and use of the Personal Data, and the accountability of the party requesting the Personal Data" and Article 7 of the PDP Law states that, "The Personal Data Subject has the right to access and obtain a copy of Personal Data about himself in accordance with the provisions of

laws and regulations". Furthermore, Article 10 paragraph (1) of the PDP Law states that, "The Personal Data Subject has the right to object to decision-making actions that are only based on automated processing, including profiling, which has legal consequences or has a significant impact on the Personal Data Subject". This provision suggests that Indonesian law is beginning to recognize the potential risks that arise from the use of automated systems such as AI, and provides a mechanism for individuals to reject or review decisions made without human involvement. These three articles systematically strengthen the principles of transparency, accountability, and fairness in the processing of personal data, as well as provide a clear legal basis for data subjects to obtain explanations, access, and right to object to automated decisions affecting their interests.

Meanwhile, the UUPK also strengthens the aspect of protection for fintech service users. Article 4 letter c of the UUPK gives consumers the right to obtain true, clear, and honest information about the condition and warranty of goods and/or services. Furthermore, Article 7 letter b emphasizes the obligation of business actors to provide such information appropriately and accountably. In the context of AI-based credit scoring, this provision can be interpreted as an obligation of fintech operators to explain the algorithmic basis or parameters used in decision-making, so that consumers are not harmed by decisions generated by automated systems without adequate explanation.

In terms of sectoral regulations, the regulation of Fintech P2P Lending in Indonesia was first determined through the Financial Services Authority Regulation (POJK) Number 77/POJK.01/2016 concerning Information Technology-Based Money Lending Services. This provision was then strengthened by POJK Number 10/POJK.05/2022 and subsequently updated through POJK Number 40 of 2024 concerning Information Technology-Based Joint Funding Services (POJK 40/2024), providing more comprehensive arrangements for technology-based funding activities, especially in articles 150-152 which discuss provisions regarding (credit scoring). Then in article 179 paragraph (1) PJOK 40/2024 it is emphasized that, "The organizer applies the principle of consumer and community protection in conducting business in accordance with the provisions of laws and regulations regarding the protection of consumers and the public in the financial services sector". This regulation serves as a legal guideline for the growth and supervision of fintech businesses in Indonesia that emphasizes the legal obligation for fintech operators to ensure that all business processes, including creditworthiness assessments, are conducted in a transparent, accountable, and fair manner. However, although POJK 40/2024 has expanded the scope of consumer protection, this regulation has not explicitly regulated the right to explanation for consumers of automated decisions generated by Artificial Intelligence (AI) systems in the credit assessment process. The absence of this specific regulation creates a vacuum of norms related to the mechanism for providing information and the right to clarify the results of automated decisions, thus potentially causing legal uncertainty and the risk of violating consumer rights in the AI-based fintech ecosystem.

In addition, POJK Number 22 of 2023 concerning Consumer and Community Protection in the Financial Services Sector emphasizes the basic principles of consumer protection, namely transparency, fair treatment, system reliability, and the responsibility of financial services business actors for decisions made by automated systems. This principle implicitly contains the recognition of the consumer's right to obtain an explanation of automatic decisions that affect his rights and obligations in legal relations with financial institutions.

Several Indonesian academics also highlighted similar issues, Harahap *et.al.*, (2023) explained that the use of AI in the legal and economic decision-making process poses ethical and juridical challenges in the form of a lack of transparency and accountability of algorithmic systems. It is explained that the importance of an ethical and legal approach to ensure AI decisions are explainable and accountable before the law. Similarly, Maharani *et.al.*, (2023)

highlights that the legal protection of fintech consumers in Indonesia still focuses on contractual aspects and has not touched the technological realm such as the clarity of the logic of the risk assessment system.

From a civil law perspective, the legal relationship between LPBBTI operators and service users is built based on electronic agreements that are subject to the principle of good faith and the principle of balance of the parties. Therefore, the obligation to provide an explanation of the credit risk assessment mechanism is part of the principle of information disclosure in the contract. If the organizer does not provide sufficient and accurate information, it can be categorized as a default or unlawful act that violates the consumer's right to obtain a reasonable explanation for a decision that affects his economic rights.

### **Consumer Legal Protection in the Use of Artificial Intelligence Automated Decisions in Fintech P2P Lending Credit Assessment in Indonesia That Is Fair**

The development of the use of AI in credit scoring on P2P lending fintech platforms is driving financial efficiency and inclusion. The use of AI systems in credit decision-making processes offers high efficiency, rapid risk analysis, and the ability to reach segments of society that were previously underserved by conventional financial institutions. However, behind these benefits arise legal risks such as the potential for algorithmic discrimination, a lack of transparency due to the black box nature of AI, and the absence of an objection mechanism for consumers to adverse automated decisions. Therefore, the issue of consumer legal protection is central to ensuring that AI-based innovations in the financial sector continue to run fairly and responsibly (Nallakaruppan *et al.*, 2024).

In Indonesia's positive legal system, consumer protection is generally regulated through Law Number 8 of 1999 concerning Consumer Protection (PK Law). Article 1 number 2, defines that "a consumer is any individual who uses goods and/or services available in society, whether for personal interests, family, other parties or other living things, with the purpose not to be traded". The PK Law also establishes a strong normative foundation for the fulfillment of consumers' rights to obtain accurate, clear, and honest information about the goods or services used, as well as guarantees for the quality and condition of the goods/services. This is regulated in Article 4 letter c of the Criminal Court Law, which states that "the right to true, clear, and honest information regarding the condition and guarantee of goods and/or services." Furthermore, Article 7 letter b of the PK Law stipulates that business actors are obliged to "provide true, clear, and honest information about the condition and guarantee of goods and/or services, as well as provide explanations regarding use, repair, and maintenance." This provision emphasizes that business actors are obliged to provide accurate and transparent information as a form of protection for consumer rights. This provision can be extended in the context of digital financial services, including credit decisions generated by artificial intelligence (AI) algorithms, which are part of financial services and must be accountable to consumers. Therefore, the use of AI cannot be used as an excuse to eliminate the responsibility of business actors for the truth and fairness of decisions that have an impact on consumers' economic rights.

Article 2 of the Criminal Court Law states that "Consumer protection is based on benefits, justice, balance, consumer security and safety, and legal certainty". These principles contain a philosophical meaning rooted in the goals of national development and the ideology of Pancasila, where social justice for all Indonesian people must be reflected in the relationship between producers and consumers. Business actors in the digital ecosystem such as AI-based fintech are obliged to prioritize the principles of fairness and information transparency to prevent manipulative or discriminatory practices in the automated decision-making process (Jaang, 2023).

In addition, the PDP Law strengthens the normative basis for legal protection against automated decision-making practices. Article 21 paragraph (1) of the PDP Law which reads: "In the event of processing personal data based on the agreement as referred to in article 20 paragraph (2) letter a, the Personal Data Control is obliged to convey information regarding:

- a. The legality of the processing of personal data;
- b. Purposes of personal data processing;
- c. The type and relevance of the personal data to be processed;
- d. The retention period of documents containing personal data;
- e. Details of the information collected;
- f. The period of processing of personal data; and
- g. The rights of the subject of personal data."

This provision can be interpreted as an implicit recognition of the consumer's right to meaningful explanation, namely the right to obtain a logical and understandable explanation for an automatic decision that affects his legal interests. This principle is in line with the spirit of transparency and accountability which is also affirmed in POJK Number 22 of 2023 concerning Consumer and Community Protection in the Financial Services Sector, which requires financial service providers to provide accurate and non-misleading information to customers. So in fact, Indonesia's legal arrangements have provided a basic framework that can be used as a basis to demand justice and openness in the use of AI in the financial sector.

In addition to these regulatory aspects, consumer legal protection in the context of AI is not enough to be based only on the fulfillment of formal aspects of regulation, but must also ensure substantive justice for those affected by automated decisions. The principle of fairness here is not only interpreted as equal treatment, but also as a guarantee that the decisions generated by AI systems do not give rise to hidden discrimination against certain groups, such as individuals with limited financial histories or those from regions with low levels of digital access. Algorithmic bias can arise from historical data that is not neutral, resulting in decisions that systematically disadvantage certain groups despite their appearance as technically objective.

The use of AI-based automated decisions also demands the application of principles transparency, interpretability, intelligibility and fairness as an ethical and legal foundation in automated decision-making. Principle transparency ensuring the openness of data processing processes and algorithmic logic in AI systems so that they can be known and audited by authorities and consumers. Interpretability guarantees that the results of AI decisions can be explained rationally, while intelligibility ensures that the explanation can be reasonably understood by humans without having to master the technical aspects of the system. Thus, the consumer's right to obtain true, clear, and honest information as stipulated in Article 4 letter c of the PK Law can really be realized (Watchman *et.al*, 2017).

Furthermore, the principle of fairness is an essential element in realizing fair legal protection for consumers. Fairness in an algorithmic context means that the decisions generated by AI systems should not be discriminatory or biased against a particular group. In credit scoring practice, algorithmic bias can arise when the training data used is sourced from historical data that reflects past socio-economic inequality, so that AI can systematically reject borrowers from a particular group even if it appears technically objective.

The concept of Explainable Artificial Intelligence (XAI) is very relevant in this context, because XAI demands that every decision result of an AI system can be explained logically and can be legally accountable to consumers and regulators. This principle supports the implementation of the principles of transparency and accountability as stipulated in Article 2 of the Criminal Court Law and strengthened by Article 21 of the PDP Law (Nasman *et.al*, 2024). With the implementation of XAI, fintech business actors not only fulfill formal legal obligations, but also apply the principle of good faith as stipulated in Article 1338 of the Civil

Code, because it allows consumers to understand the basis for credit rejection or approval openly and rationally and in line with the Circular Letter of the Minister of Communication and Information Technology Number 9 of 2023 concerning Artificial Intelligence Ethics which establishes fundamental ethical values that include transparency and accessibility, which is in line with the concept of XAI. However, this circular is non-binding and only serves as an ethical guide without binding legal force like regulations in other countries.

Normatively, the application of the principle can be explained (explainable) and can be understood (intelligible) and is also directly correlated with the constitutional right of citizens to fair treatment and legal certainty as guaranteed by Article 28D paragraph (1) of the Constitution of the Republic of Indonesia of 1945. Automatic credit decisions that cannot be explained intelligibly can be categorized as a violation of the principle of procedural fairness, because it prevents individuals from understanding the basis of decisions that affect their economic rights. Therefore, the integration of the principle of intelligibility in AI regulation in the financial sector is a fundamental step to uphold the principles of justice and legal certainty in the Indonesian national legal system.

The principle of justice can be related to the principle of responsibility of business actors as stated in Article 19 of the PK Law, stating that "Business actors are responsible for providing compensation for damage, pollution, and/or loss to consumers due to consuming goods and/or services produced or traded". This means that business actors are responsible for providing compensation for consumer losses due to the use of inappropriate services. If the AI system automatically rejects credit applications based on biased data, the P2P lending service provider must still be held responsible, as legal responsibility cannot be transferred to the system or algorithm provider. Justice in this context is not only normative, but also operational, namely ensuring that business actors have mechanisms to verify, explain, and correct automated decisions that harm consumers.

In order to ensure the effectiveness of legal responsibility, the national legal system has actually also provided various types of sanctions that can be imposed on business actors who violate consumer rights in the context of the use of artificial intelligence. The sanctions include administrative, civil, criminal, and ethical aspects, which can be applied according to the level of violation and the supervisory authority. Details of the types of sanctions can be seen in the following table:

**Table 2. Types of Consumer Protection in AI Credit Scoring**

| Types of Sanctions | Legal Basis                                                        | Subject subject                                 | Forms of Sanctions                                                                                         |
|--------------------|--------------------------------------------------------------------|-------------------------------------------------|------------------------------------------------------------------------------------------------------------|
| Administrative     | OJK No. 40 of 2024;<br>PDP Law Article 57                          | Fintech Organizer                               | Written warning, administrative fines, temporary suspension of business activities, revocation of licenses |
| Civil              | Articles 19-23 of the Criminal Code                                | Business actors                                 | Compensation to consumers for losses suffered                                                              |
| Punishment         | Article 62 of the Criminal Court Law;<br>Article 70 of the PDP Law | Business actors or controllers of personal data | Imprisonment and fines                                                                                     |

The table above shows that legal protection against consumers in AI-based credit scoring systems has a multi-layered character involving various supervisory authorities. The application of administrative and criminal sanctions shows that the state not only regulates normatively, but also enforces the legal responsibilities of business actors in a concrete way. However, the practice of violating consumer rights is still common today.

The normative vacuum in regulating the right to explanation of AI-based automated decisions has caused real legal consequences, as reflected in the Supreme Court Decision Number 1206 K/Pdt/2024 which states that the government has committed an unlawful act by allowing the practice of fintech P2P lending to operate without adequate supervision and regulation. This ruling granted citizen lawsuits from 19 citizens, identifying 14 types of systematic violations in the online lending industry, including the lack of transparency in creditworthiness assessment mechanisms, the exploitation of consumers' personal data, and the absence of effective objection mechanisms for consumers harmed by automated decisions. The Supreme Court in its ruling expressly ordered the government to immediately establish comprehensive regulations that guarantee the principles of transparency, accountability, and procedural fairness in the implementation of fintech, including interest restrictions, personal data protection, and accountable credit scoring standards. This ruling shows that the court has recognized the urgency of consumer legal protection in the era of digital automation and affirmed that financial technology innovations cannot override the fundamental principles of justice and due process of law.

Practically, a form of legal protection for consumers harmed by AI automated decisions can be realized through a mechanism for the right to object to automated decisions. Although Indonesia has not explicitly regulated this mechanism, the concept can be adopted from international practice, such as those set out in the European Union General Data Protection Regulation (GDPR), which gives individuals the right not to be subject to automated decisions that cause significant legal consequences without human intervention. In the national context, institutions such as the Financial Services Authority (OJK) and the National Consumer Protection Agency (BPKN) can act as complaint receiving authorities, where consumers can request an audit of algorithmic decisions that are considered unfair. The audit can include verification of input data, algorithm logic, and the process of validating results.

Thus, fair consumer legal protection in the use of AI automated decisions in P2P lending fintech credit assessment in Indonesia requires a holistic approach that integrates regulations, technology, and institutions. This approach must emphasize transparency, clarity, comprehension and fairness as the main principles to ensure public trust and legal certainty in the digital economy era.

## CONCLUSION

The development of Artificial Intelligence in credit scoring within fintech P2P lending services in Indonesia presents both opportunities and challenges. While AI enhances efficiency and financial inclusion, it simultaneously creates legal risks concerning transparency, fairness, and consumer protection. This research concludes that Indonesia's legal framework—comprising Law Number 27 of 2022 on Personal Data Protection, Law Number 8 of 1999 on Consumer Protection, POJK Number 40 of 2024 on Information Technology-Based Joint Funding Services, POJK Number 22 of 2023 on Consumer and Community Protection in the Financial Services Sector, and Circular Letter Number 9 of 2023 on Artificial Intelligence Ethics—provides foundational principles for transparency and accountability but lacks explicit provisions mandating the right to explanation for AI-generated automated decisions with significant consumer impacts. This regulatory gap undermines consumer legal protection, particularly when algorithmic decisions are discriminatory or unjustifiably opaque. The

Supreme Court Decision Number 1206 K/Pdt/2024 affirms this concern, recognizing government liability for inadequate fintech regulation and identifying 14 systematic consumer rights violations, thereby establishing the right to explanation as a judicially recognized component of fair consumer protection. Therefore, regulatory strengthening is imperative through adoption of Explainable Artificial Intelligence (XAI) principles, ensuring algorithmic accountability both legally and ethically. The government, in collaboration with OJK and consumer protection agencies, must establish robust objection mechanisms and algorithmic audit systems as forms of procedural and substantive consumer protection. Only through balanced implementation of AI in financial services—grounded in transparency, fairness, intelligibility, and accountability—can Indonesia achieve just consumer legal protection consistent with due process of law principles. Future research should empirically examine the implementation effectiveness of XAI in Indonesian fintech platforms and explore comparative regulatory models from jurisdictions with advanced AI governance frameworks to inform evidence-based policy recommendations.

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