

## Legal Issues of Paylater in the Marketplace

Nurhilmiyah<sup>1</sup>

<sup>1</sup>Department of Civil Law, Universitas Muhammadiyah Sumatera Utara, Indonesia  
E-mail: [nurhilmiyah@umsu.ac.id](mailto:nurhilmiyah@umsu.ac.id)

### ABSTRACT

Paylater services in the marketplace have grown rapidly as an alternative to credit-based payments without a card. However, this financing model raises various legal issues, including regulatory aspects, consumer protection, and fairness in determining interest and fees. This study analyzes the legal framework of Paylater in Indonesia, including regulations of the Financial Services Authority (OJK), Bank Indonesia (BI), and consumer protection in digital transactions. The study also compared Paylater regulations in several countries to identify best practices. In addition, the study explores potential legal risks, such as misuse of personal data, cost transparency, and billing practices. The results of the study show that existing regulations still have gaps in controlling aspects of fairness and risk mitigation for consumers. Therefore, stricter policies are needed to increase the transparency and accountability of Paylater services in order to realize an inclusive and equitable digital financial ecosystem.

**Keyword: Paylater; Marketplace; Regulation; Consumer Protection; Financial Justice**

### *Corresponding Author:*

Nurhilmiyah,  
Universitas Muhammadiyah Sumatera Utara,  
Jl. Kapten Muchtar Basri No.3, Glugur Darat II, Kec. Medan Tim., Kota  
Medan, Sumatera Utara 20238, Indonesia  
Email: [nurhilmiyah@umsu.ac.id](mailto:nurhilmiyah@umsu.ac.id)



## 1. INTRODUCTION

The development of financial technology or fintech has brought significant transformation in the digital payment system, one of which is through Paylater services. Paylater is a payment scheme that allows consumers to buy goods or services directly with the option of delayed payment or installments without a credit card.

This service is widely offered by e-commerce platforms and marketplaces as an alternative solution for consumers who want to transact with greater financial flexibility. Paylater's popularity is growing rapidly in Indonesia, driven by high digital penetration, growing financial inclusion, and people's preference for more practical and fast payment services. (Felix, et. al. 2024)

While it offers various advantages, such as ease of access and a faster approval process than conventional credit, Paylater also raises a number of legal issues that need attention. One of the main issues is the lack of regulations that specifically regulate the Paylater service mechanism in the marketplace ecosystem. (Saputra and Muhammad Haris Abdul Hakim, 2024).

Currently, the applicable regulations still refer to fintech regulations in general, such as the Financial Services Authority (OJK) Regulation related to information technology-based lending and borrowing services, as well as provisions from Bank Indonesia (BI) regarding digital payment systems. However, there are no specific regulations that set Paylater's operational standards, including cost transparency, interest rates, and risk mitigation mechanisms for consumers. (Rohman, 2023)

In addition to the regulatory aspect, the issue of consumer protection is also a challenge in the implementation of Paylater. Many consumers do not fully understand the terms and conditions of using this service, especially related to the amount of interest, late fees, and legal consequences in the event of a default. (Prasanti, et.al, 2024). Some Paylater operators also do not transparently convey information about the total costs that must be paid by consumers, so it has the potential to cause exploitative practices and information *asymmetry*. (Dermawan, 2021)

On the other hand, there are problems regarding fairness in determining interest and Paylater service fees. Some providers charge high interest rates and administrative fees, even higher in some cases than bank credit or credit card services. This raises questions about proportionality and fairness in digital financing schemes. (Herianti, 2024). As part of financial inclusion, Paylater services should provide wider access to the public at a reasonable cost and in accordance with consumer protection principles. (Choerudin, et.al. 2023).

At the global level, some countries have adopted stricter regulations on similar services, for example by setting interest rates, information transparency obligations, and consumer protections against misuse of personal data and aggressive billing methods. Indonesia needs to review similar policies to ensure that paylater services can develop in a healthy and sustainable manner. (Irawati, et.al, 2021)

Based on these various problems, this study aims to analyze the legal issues of paylater services in the marketplace, including applicable regulations, consumer protection, and fairness in determining fees and interest. By understanding the existing legal loopholes, this research is expected to provide policy recommendations that can be used to develop more comprehensive and equitable regulations, to support the growth of an inclusive digital economy and protect consumer rights in the paylater ecosystem.

## 2. RESEARCH METHOD

The type of research used in this study is normative legal research. As for legal research, it is to find the truth of coherence, namely whether there are legal rules according to legal norms and whether there are norms in the form of orders or prohibitions in accordance with legal principles, as well as whether a person's actions (acts) are in accordance with legal norms (not just according to legal rules) or legal principles. (Marzuki, 2017)

The legal issue of paylater in a marketplace is examined whether there are legal rules according to the norms that govern its existence. Whether the existence of this paylater is in accordance with or contrary to existing legal norms.

## 3. RESULTS AND DISCUSSION

### A. *Concepts and Characteristics of Paylater in the Marketplace*

Paylater service is a payment scheme that allows consumers to purchase goods or services with payment options that are deferred or paid in installments within a certain period of time. Unlike credit cards issued by banks, Paylater is generally provided by fintech companies or marketplace platforms in collaboration with financial institutions. (Amelia, et.al, 2023).

The paylater mechanism in the marketplace works in the following ways: (1). Registration and approval, users who want to use the paylater service must register and get approval from the service provider. This process involves a creditworthiness analysis based on user transaction data, financial history, and other personal information. (Scott, et.al, 2024)

Regarding the use and transactions of paylater, once approved, users can choose the paylater option as a payment method when shopping on the marketplace. Debtors can choose to pay in one installment or installments over a certain period of time, such as 30 days, 3 months, or 6 months. For payment and fines, consumers are required to pay according to the specified schedule. In case of delays, they may be subject to additional interest or penalties according to the service provider's policy.

The difference between paylater and conventional credit and fintech lending is that conceptually, paylater has similarities with other financial products, such as credit cards and online loans (peer-to-peer lending). However, there are some key differences that make it unique in the marketplace ecosystem.

Table 1. Comparison Object

Aspects	Paylater	Credit card	P2P Lending
<b>Provider</b>	Fintech/Marketplace	Bank	Platform P2P Lending
<b>Accessibility</b>	Easy, without a physical card	Requires bank approval and physical card	Requires strict verification
<b>Interest</b>	Tends to be higher	Lower than Paylater	Varies, depending on the borrower's risk
<b>Payment Mechanism</b>	It can be a short-term fix.	It can be a long-term fix.	Direct installment payments to lenders
<b>Data Security</b>	High risk of misuse of personal data	Relatively safer because it is supervised by OJK & BI	High risk depending on the platform

This table shows that paylater offers greater convenience than credit cards, but with a higher level of risk, especially related to interest rates and consumer protection. The parties involved in the paylater ecosystem are as follows, marketplace operators to provide platforms, financial service providers (fintech or banks), consumers/users/debtors, and regulators in this case OJK, BI, relevant ministries.

The advantages that make it popular among marketplace users include ease of access, no credit card or guarantee required, so more users can access this service. Payment flexibility, consumers can choose installment tenors according to the debtor's needs. Increasing consumer purchasing power with delayed payment options, consumers can buy goods that they previously could not buy directly. Increasing merchant marketplace sales benefits from increased transaction numbers due to more flexible payment options. (Amatullah, et. al, 2024)

Paylater challenges, behind their advantages, paylater services also face several main challenges, namely: inadequate regulations, the absence of specific regulations makes the risk of abuse even higher. The risk of default is high, due to easy access, many users do not have adequate financial capacity to pay installments on time. (Sepriano, 2023)

Lack of transparency of fees and interest was also found in some service providers, not explaining in detail interest rates and additional fees to consumers. (Nurhilmiyah, 2024) Misuse of personal data Consumer data used in the approval process can be misused if not properly supervised. (Asmadi, et. al. 2024)

#### **B. Laws and Regulations Governing Paylater in the Marketplace**

Paylater services have become a key feature in digital transactions, especially in marketplaces. However, despite its rapid development, its regulatory aspects are still not specifically regulated in Indonesian law. In contrast to conventional credit services that have clear regulations, such as credit cards regulated by Bank Indonesia (BI) and consumer loans supervised by the Financial Services Authority (OJK), paylater is still in the gray domain of regulations. (Syarofah, 2023)

To understand how paylater services in the marketplace are regulated, it is necessary to examine various regulations that are currently in force, including regulations related to payment systems, consumer protection, information technology-based lending services (P2P lending), and policies related to digital finance.

Currently, there are no specific regulations that explicitly regulate paylater services. However, this service intersects with several legal provisions that apply in Indonesia, namely: Law No. 8 of 1999 concerning Consumer Protection, Law No. 4 of 2023 concerning the Strengthening and Development of the Financial Sector, these two laws and regulations play an important role in regulating transactions between paylater service providers and consumers. (Harahap RZ, 2016)

Several aspects of the UUPK that are relevant to paylater services include consumer rights contained in Article 4) which states that consumers have the right to get clear and honest information about the services they use, including interest rates, administrative fees, and potential risks that arise. Article 7, the obligation of business actors reads, paylater operators must act transparently and must not mislead consumers with incomplete or unclear information.

Article 18 mentions the prohibition of standard clauses that are detrimental to consumers, some paylaterp providers include standard clauses that can be detrimental to consumers, such as unilateral changes to interest and late fees. Although the Consumer Protection Act provides general protection for consumers, its application to paylater services still requires further interpretation as there is no regulation that specifically regulates the transparency of fees and interest rates in paylater schemes.

In addition to the two previous laws and regulations, related to the paylater of the Financial Services Authority Regulation (POJK) on Fintech and Online Loans, namely POJK No. 10/POJK.05/2022 concerning Information Technology-Based Joint Funding Services. Some of the provisions in this regulation that are relevant to paylater include Article 3 regarding registration obligations and operational permits. All P2P lending providers are required to be registered with the OJK. However, many paylater providers are not clear about their licensing status, especially those that work with marketplaces.

Article 12 concerning the maximum limit of p2p lending funding has a maximum funding limit for borrowers, while paylater does not have a similar limit. Article 32 on user data protection Technology-based financial service providers must ensure that users' personal data is not misused. Due to their similar characteristics, many parties argue that paylater should be subject to the same regulations as P2P lending, especially in terms of fee and interest transparency. (Novendra & Aulianisa, 2020)

Another rule that can be associated with paylater is the Bank Indonesia (BI) Regulation on Digital Payment Systems. As a payment system regulator in Indonesia, Bank Indonesia has issued several regulations related to digital transactions, including: Bank Indonesia Regulation No. 22/23/PBI/2020 concerning Payment Systems, regulating digital transactions, including credit services integrated in the digital payment system. Paylater can be categorized as a digital payment instrument that has financial risks for users. Bank Indonesia Regulation No. 19/12/PBI/2017 concerning the Implementation of Financial Technology, stipulates the obligation for fintechs operating in Indonesia to register with BI. mentioned the importance of financial innovation that continues to prioritize aspects of transparency and consumer protection. (Rahmanto, 2024)

BI's regulation focuses more on the payment system aspect, while paylater-based credit services still need to be regulated in more detail to ensure compliance with sound financial principles. Law No. 1 of 2024 jo Law No. 11 of 2008 jo. Law No. 19 of 2016 concerning the Electronic Information and Transaction Law (ITE Law). Because paylater is a digital-based service, the aspect of protecting user data is an important issue. Article 26 of the ITE Law regulates the obligation to protect personal data, user data collected by paylater providers must obtain user consent and must not be misused. As for Articles 30-32, sanctions are regulated for data security violations. Misuse of consumer data in paylater services can be subject to criminal sanctions if proven to violate the ITE Law.

In particular, there is already Law No. 27 of 2022 concerning Personal Data Protection which can be further examined regarding paylater user data. Several cases of data leakage of paylater service users have occurred, so the implementation of this regulation is very important to avoid misuse of consumers' personal information.

#### 4. CONCLUSION

Paylater services in the marketplace still face significant regulatory challenges in Indonesia. Although there are various regulations that can be used as a legal basis, there are no specific regulations that directly regulate the paylater aspect, especially related to interest rates, cost transparency, and consumer protection. Therefore, the following steps are needed: (1) drafting special paylater regulations that include cost transparency, interest rate limits, and consumer protection mechanisms. (2). Increase supervision by OJK and BI on paylater service providers so that they do not implement practices that are detrimental to consumers. (3). Strengthening consumer data protection regulations, considering the risk of data misuse in digital transactions is getting higher. With more specific arrangements, paylater services can develop in a healthy and sustainable manner without harming consumers and Indonesia's digital financial ecosystem.

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Law No. 1 of 2024 jo Law No. 11 of 2008 jo Law No. 19 of 2016 concerning the Law on Information and Electronic Transactions.

Law No. 4 of 2023 concerning the Strengthening and Development of the Financial Sector.

Law No. 8 of 1999 concerning Consumer Protection.

Law No. 27 of 2022 concerning Personal Data Protection.