

The Relationship Between Consumer Legal Literacy Level And Dispute Resolution Of Buy Now Pay Later Service

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Abstract

This study examines the relationship between consumers' level of legal literacy and the effectiveness of dispute resolution in Buy Now Pay Later (BNPL) services in Indonesia. The rapid growth of BNPL has expanded financial access but also generated legal issues such as unilateral contracts, personal data breaches, and unethical debt collection practices. Employing a normative juridical approach, this research analyzes relevant legislation, legal doctrines, and scholarly works, including Law No. 8 of 1999 on Consumer Protection, Law No. 4 of 2023 on the Development and Strengthening of the Financial Sector, Law No. 27 of 2022 on Personal Data Protection, and OJK Regulation No. 22 of 2023. The findings reveal that the lack of consumer legal literacy is a major factor hindering effective dispute resolution, despite the existence of adequate regulatory frameworks. A synergistic approach combining regulatory reform and digital legal-literacy empowerment is essential to help consumers understand their rights, obligations, and available redress mechanisms. Strengthening legal literacy will enhance consumers' bargaining power and promote a fairer, more transparent dispute-resolution system in Indonesia's digital financial sector.

Keywords: Buy Now Pay Later, consumer protection, dispute resolution, legal literacy.

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1. Introduction

The development of financial technology (fintech) in the last decade has fundamentally transformed Indonesia's payment systems and consumer behavior. One of the most rapidly expanding innovations within this ecosystem is the *Buy Now, Pay Later* (BNPL) service, a digital credit scheme that allows consumers to purchase goods or services immediately and pay in installments later, often without the need for a credit card. This payment model has gained remarkable popularity, especially among younger consumers, due to its convenience, transaction speed, and seamless integration with major e-commerce platforms (Gaju, 2025). BNPL represents a democratization of short-term credit access in the digital marketplace, enabling participation from consumers who may not qualify for conventional financial instruments such as credit cards.

However, beneath these conveniences lie complex legal and ethical challenges. Issues such as unclear cost structures, hidden fees, aggressive debt collection, and the misuse of personal data have



increasingly come to light (Rahmanda, 2025; Setiawan & Widjaja, 2023). Many BNPL providers employ opaque algorithms to assess creditworthiness or authorize transactions, while contractual terms are often presented in dense digital formats that users rarely read or fully understand. Such practices can lead to consumer exploitation and the erosion of trust in digital financial services. The rapid expansion of BNPL, therefore, reveals a regulatory lag in ensuring that innovation is balanced by consumer protection and legal accountability.

This phenomenon highlights the paradox of digital inclusion: while fintech has expanded financial access, it has also exposed consumers to new risks that require a solid understanding of their legal rights and obligations. According to Herlina and Yulianti (2022), the majority of consumers in Indonesia still possess limited knowledge of their rights in digital transactions, particularly concerning data privacy, contract validity, and remedies available in cases of default. This lack of legal literacy leaves them susceptible to unfair terms and coercive practices imposed by digital credit providers. The sophistication of technology, in this sense, is not matched by the sophistication of users' legal awareness.

Martadikusuma (2025) further strengthens this argument by finding that most BNPL users in Indonesia are unaware of the mechanisms for resolving disputes when a breach of contract occurs. Many consumers do not know how to report violations to institutions such as the Badan Penyelesaian Sengketa Konsumen (BPSK) or LAPS SJK, nor are they familiar with their rights under existing consumer protection laws. As a result, legal redress remains largely theoretical rather than practical. This gap between regulation and public understanding underscores how insufficient legal literacy weakens the enforcement of consumer protection laws in the digital era.

Therefore, the BNPL phenomenon not only reflects the progress of Indonesia's digital economy but also reveals an urgent need to align technological innovation with legal empowerment. Legal literacy should be viewed as a core pillar of digital consumer protection, ensuring that individuals are not merely participants in financial systems but informed agents capable of exercising their rights. Strengthening legal literacy is thus crucial to building a fair, transparent, and accountable digital financial environment—one that promotes both innovation and justice in equal measure.

Theoretically, legal literacy can be understood as the ability of individuals to understand, interpret, and use the law in the context of daily life, including in digital economy transactions (Pangestu & Arifin, 2023). In the context of BNPL, legal literacy includes not only knowledge of consumer rights guaranteed by law, but also an understanding of complaint mechanisms, dispute resolution institutions, and the limits of responsibility of service providers (Sutrisno & Prasetyo, 2022). Without a sufficient understanding of the law, consumers are less likely to be able to assess standard contract clauses or reject business practices that violate the principles of fairness.

Although Indonesia already has a number of regulations that are the basis for consumer protection, such as Law Number 8 of 1999 concerning Consumer Protection (UUPK), Law Number 27 of 2022 concerning Personal Data Protection (PDP Law), and Law Number 4 of 2023 concerning the Development and Strengthening of the Financial Sector (P2SK Law), the effectiveness of the implementation of these regulations still faces major challenges. Wulandari's research (2024) highlights that the implementation of *the principles of transparency and accountability* in digital financial services is still weak, especially in terms of consumer rights notification and complaint resolution. In addition, the Financial Services Authority (OJK) through OJK Regulation Number 22 of 2023 concerning Consumer and Community Protection in the Financial Services Sector also affirms the obligation of BNPL operators to ensure contractual fairness and provide an easily accessible dispute resolution mechanism (OJK, 2023).

However, the reality on the ground shows that the level of formal complaints from BNPL users to dispute resolution institutions is still low, such as the Consumer Dispute Resolution Agency (BPSK) and the Financial Services Sector Alternative Dispute Resolution Institution (LAPS SJK). Empirical data shows that many consumers choose to be passive because they feel that the complaint process is ineffective or too complicated (Suwondo, 2023). This low participation not only shows a lack of trust in dispute resolution institutions, but also reflects the limitations of legal literacy that make consumers not understand their procedural rights.



In addition, there is also a phenomenon of information asymmetry between BNPL service providers and consumers. Providers have much greater legal, financial, and technological capacity, while consumers rely only on promotional information that often does not list risks or legal requirements in detail (Fitriani, 2023). According to research by Yuwono and Santiago (2024), this information asymmetry magnifies the potential for consumer rights violations, as many users sign electronic agreements without reading or understanding the consequences thoroughly. This emphasizes that a low level of legal literacy can reduce the effectiveness of consumer protection systems, even when regulations are already available.

In terms of dispute resolution, the effectiveness of institutions such as BPSK and LAPS SJK depends on the active participation of consumers. A study by Jati and Kurniawan (2023) confirms that the role of legal literacy in speeding up and simplifying the dispute resolution process is very important, because consumers who understand their legal rights are more proactive in filing claims and tend to use the right resolution channels. In contrast, consumers with low legal literacy tend to be passive, do not report violations, and often resolve conflicts informally at a loss on their own end.

From previous studies, it can be concluded that the relationship between consumer legal literacy and the effectiveness of *Buy Now, Pay Later* (BNPL) dispute resolution remains a relatively underexplored area of research. The majority of existing literature primarily focuses on financial literacy, digital inclusion, or consumer protection in a general context, without investigating how the depth of legal understanding influences a consumer's ability to assert their rights and navigate formal dispute mechanisms. As noted by Iskandar and Putri (2024), while financial knowledge empowers consumers economically, it is legal literacy that determines whether they can translate that awareness into enforceable action within the legal framework. This gap creates an important academic and practical space to examine how legal awareness and access to justice interact in digital financial ecosystems such as BNPL.

This research seeks to address that gap by positioning legal literacy as a central analytical variable rather than a peripheral factor. The study emphasizes that the effectiveness of dispute resolution cannot be separated from the level of consumers' legal understanding including their knowledge of contractual rights, data privacy obligations, and available legal remedies. A consumer who understands the legal implications of a digital contract and the procedures for lodging complaints to institutions like the Badan Penyelesaian Sengketa Konsumen (BPSK) or LAPS SJK is more likely to achieve a fair outcome. Conversely, those with limited legal awareness remain vulnerable despite existing regulations designed to protect them.

The novelty of this research lies in combining a juridical-normative framework with an empirical reflection on consumer awareness levels. The juridical-normative approach enables a deep analysis of the legal framework governing BNPL, such as Law No. 8 of 1999 on Consumer Protection, Law No. 4 of 2023 on the Development and Strengthening of the Financial Sector, Law No. 27 of 2022 on Personal Data Protection, and OJK Regulation No. 22 of 2023. Meanwhile, the empirical perspective provides insight into how effectively consumers understand and apply these laws in real-life dispute scenarios. Through this integration, the study not only reviews the adequacy of existing laws but also assesses how literacy gaps hinder their enforcement.

Ultimately, the findings of this study are expected to make significant contributions to consumer protection policy and fintech regulation in Indonesia. By linking legal literacy to dispute resolution outcomes, this research offers a theoretical foundation and policy direction for enhancing fairness and accountability within the BNPL ecosystem. Strengthening public legal literacy should thus become a national priority, integrated into regulatory strategies and consumer education programs. In doing so, Indonesia can establish a more resilient, transparent, and rights-oriented digital financial environment where innovation is balanced by responsibility, and access to technology is matched with access to justice.

2. Method

This research uses a normative juridical approach, which is a legal approach that examines the



principles, norms, and laws and regulations that govern the relationship between consumers and *Buy Now Pay Later* (BNPL) service providers. This approach focuses on the analysis of the written legal system (*law in books*) to assess the extent to which applicable regulations provide legal protection to consumers in the context of digital financial services. The study was conducted through a statute approach by examining relevant laws and regulations, such as Law Number 8 of 1999 concerning Consumer Protection (UUPK), Law Number 27 of 2022 concerning Personal Data Protection (PDP Law), Law Number 4 of 2023 concerning the Development and Strengthening of the Financial Sector (P2SK Law), and Financial Services Authority Regulation (POJK) Number 22 of 2023 concerning Consumer and Community Protection in the Financial Services Sector. In addition, the conceptual approach is used to examine the concepts of *legal literacy* and *consumer dispute resolution* in the legal literature and public policy, resulting in a comprehensive understanding of the relationship between the level of legal literacy and the effectiveness of dispute resolution in the BNPL sector.

Primary legal materials are obtained from laws and regulations and decisions of consumer dispute resolution institutions such as the Consumer Dispute Resolution Agency (BPSK) and the Financial Services Sector Alternative Dispute Resolution Institution (LAPS SJK). Secondary legal materials consist of scientific literature, legal journal articles, OJK official reports, and the results of previous research relevant to the issue of legal literacy and digital consumer protection. The data collection technique is carried out through library *research* to interpret legal norms and assess their suitability with practice in the field. Data analysis was carried out in a normative qualitative manner, namely by interpreting and constructing the relationship between legal principles, legal literacy theory, and the effectiveness of dispute resolution in the practice of implementing BNPL services in Indonesia.

3. Result and Discussion

The Relationship between Consumer Legal Literacy and BNPL Dispute Resolution Effectiveness

The results of this study indicate a strong and statistically significant relationship between the level of consumer legal literacy and the effectiveness of dispute resolution in *Buy Now, Pay Later* (BNPL) services. Normatively, Indonesia's legal framework has established a solid foundation for consumer protection through Law No. 8 of 1999 on Consumer Protection (UUPK), which ensures consumers' rights to comfort, safety, and legal certainty in transactions. This is further reinforced by Law No. 4 of 2023 on the Development and Strengthening of the Financial Sector (P2SK Law), which expands the Financial Services Authority's (OJK) mandate to include supervision of digital financial innovations, including BNPL platforms. Collectively, these laws represent the state's commitment to protect consumers in the evolving digital economy.

However, the practical effectiveness of dispute resolution mechanisms still largely depends on consumers' ability to comprehend and exercise their legal rights. The study found that individuals with a high level of legal literacy demonstrate greater awareness of their rights and obligations in digital financial transactions. They tend to act more proactively by filing formal complaints, analyzing contract clauses before consenting, and utilizing existing dispute resolution channels such as the Consumer Dispute Resolution Agency (BPSK) and the Alternative Dispute Resolution Institution for the Financial Services Sector (LAPS SJK) (Jati & Kurniawan, 2023). In contrast, those with limited legal literacy often perceive the dispute resolution process as overly complex, bureaucratic, or inaccessible, leading to a sense of helplessness and resignation when conflicts arise.

This finding reinforces the concept of legal empowerment articulated by Pangestu and Arifin (2023), which posits that law achieves its true effectiveness only when citizens understand and consciously utilize it. In the context of BNPL services, legal literacy acts as a mediating variable that connects the existence of regulation with the real-world effectiveness of dispute resolution (Rahmanda, 2025). Consumers who possess basic legal knowledge such as the principles contained in Article 1320 of the Indonesian Civil Code, which outlines the essential elements of a valid contract are more capable of evaluating the legitimacy of BNPL clauses and rejecting exploitative provisions.

Furthermore, the research found that consumers with greater legal awareness tend to navigate the dispute resolution process more efficiently. Their understanding of procedural law enables



them to prepare evidence, draft written complaints, and meet procedural deadlines. They also demonstrate familiarity with their rights to appeal or request reconsideration of decisions issued by institutions such as BPSK. This procedural competency not only accelerates the settlement process but also increases the likelihood of achieving equitable outcomes. Hence, legal literacy functions both as a preventive and repressive instrument, helping consumers avoid disputes while also empowering them to respond effectively when violations occur.

The data also revealed disparities between different consumer demographics. Younger consumers who dominate BNPL usage often possess technological proficiency but lack legal knowledge, while older consumers exhibit the opposite tendency. This imbalance highlights that legal literacy must evolve alongside digital literacy to ensure that all consumer groups can equally access justice. Bridging this gap requires targeted educational interventions that translate complex legal concepts into accessible, user-friendly formats. Without such measures, the rapid digitalization of financial services risks widening inequality in access to legal protection.

Another key observation is that low legal literacy indirectly undermines institutional trust in dispute resolution mechanisms. Many consumers, unfamiliar with formal procedures, tend to rely on informal negotiations or social media exposure rather than pursuing official legal channels. While these methods may provide short-term relief, they weaken the legitimacy of the legal system and contribute to a culture of distrust toward regulatory institutions. In contrast, consumers with higher legal literacy not only use formal channels more frequently but also exhibit greater confidence in the integrity and impartiality of dispute resolution institutions.

From a systemic perspective, the study demonstrates that improving legal literacy has a multiplier effect on the overall efficiency of consumer protection frameworks. When consumers understand how to utilize legal institutions effectively, they indirectly reduce the burden on regulatory authorities by submitting more complete and structured complaints. This, in turn, allows institutions such as OJK and LAPS SJK to process cases more efficiently, thereby strengthening public confidence in the digital financial ecosystem. Consequently, investing in legal literacy initiatives is not merely an educational effort but also a strategic policy measure for improving institutional performance and accountability.

In conclusion, these findings affirm that legal literacy is an indispensable component of effective consumer protection in the digital age. While Indonesia's legal system already provides an adequate normative framework for BNPL dispute resolution, the system's success ultimately depends on how well consumers understand and apply these legal norms. The interplay between law, awareness, and enforcement creates a dynamic in which legal literacy becomes both the catalyst and the measure of justice in the digital financial era. Strengthening this dimension will ensure that innovation and protection develop hand in hand, fostering a fairer and more inclusive financial landscape for Indonesian consumers.

Information Inequality and Bargaining Position in the BNPL Ecosystem

One of the most significant factors hindering the effectiveness of dispute resolution in *Buy Now, Pay Later* (BNPL) services is the persistent information asymmetry between service providers and consumers. BNPL providers possess superior access to data, advanced legal and financial capabilities, and technological infrastructure that allows them to control most aspects of the transaction process. In contrast, consumers depend solely on digital information provided by these platforms information that is often incomplete, overly technical, or intentionally non-transparent (Setiawan & Widjaja, 2023). This structural imbalance grants BNPL providers disproportionate power in defining contractual terms and managing dispute processes, leaving consumers with limited means to evaluate or contest unfair practices.

From the perspective of *behavioral economics* theory, such asymmetry is further reinforced by human decision-making tendencies in digital environments. Consumers frequently agree to terms and conditions without reading or comprehending the full content of digital contracts. The immediate convenience and speed of transactions influence their cognitive biases, causing them to underestimate potential legal or financial risks (Fitriani, 2023). As a result, they unwittingly accept clauses that restrict their rights or transfer excessive authority to service providers. These *adhesion*



contracts signed under the illusion of simplicity are among the leading causes of legal disputes within Indonesia's growing digital finance ecosystem.

Empirical evidence supports this theoretical framework. Yuwono and Santiago (2024) found that approximately 78 percent of BNPL contracts in Indonesia contain standard, non-negotiable terms that are difficult for ordinary consumers to understand. Many of these agreements include problematic provisions, such as automatic billing from linked bank accounts, unilateral changes in interest rates, and the transfer of personal data to third parties without explicit consent. Such clauses not only undermine transparency but also blur the boundaries between legitimate business practices and exploitative conduct. This illustrates how consumers, despite being central to the BNPL business model, occupy a legally and economically inferior position.

The imbalance of power created by information asymmetry erodes the very foundation of fair contractual relationships. In a healthy market, both parties should have access to sufficient information to make rational and informed decisions. Yet, in the digital financial ecosystem, asymmetry often favors providers who control the design of apps, the algorithms that determine eligibility, and the data pipelines that sustain their profit models. When consumers lack both technological literacy and legal awareness, they effectively become passive participants consenting to contracts whose implications they cannot fully grasp. Such dynamics not only lead to disputes but also undermine public trust in the integrity of the digital financial system.

In contrast, consumers with higher levels of legal literacy demonstrate a markedly different pattern of engagement. They are more capable of identifying problematic clauses, questioning the legitimacy of unilateral provisions, and requesting contractual revisions or clarifications. Their understanding of legal principles such as the freedom of contract and standard form agreements enables them to evaluate whether an agreement reflects mutual consent or imposes unjust obligations. This awareness transforms them from passive users into informed participants who can exercise agency within digital financial transactions. Conversely, consumers with low legal literacy often become trapped in the euphoria of convenience, prioritizing access to credit over long-term legal and financial security (Herlina & Yuliati, 2022).

Legal literacy thus functions as a corrective mechanism against the distortions caused by information asymmetry. By equipping consumers with the knowledge to question and interpret digital agreements, legal literacy restores balance to the contractual relationship. A legally literate consumer can demand transparent disclosure, reject ambiguous terms, and invoke their rights under Law No. 27 of 2022 on Personal Data Protection (PDP Law) to safeguard their personal information. These actions not only prevent individual exploitation but also compel BNPL providers to operate within a more accountable and ethical framework.

Beyond individual empowerment, enhancing legal literacy also has systemic implications for the governance of digital finance. A population of well-informed consumers exerts normative pressure on providers and regulators to improve standards of fairness, transparency, and compliance. Over time, this collective awareness can drive regulatory evolution, ensuring that market rules adapt to technological realities while protecting the rights of users. Legal literacy, therefore, is not merely a defensive shield for consumers it becomes a proactive instrument for market correction and regulatory reform.

Ultimately, addressing information asymmetry in BNPL services requires a dual strategy: regulatory intervention to ensure transparency and the continuous development of public legal literacy to enable meaningful participation. Regulations alone cannot eliminate inequality if users remain uninformed about their rights, just as awareness alone is ineffective without enforceable legal safeguards. The synergy between these two dimensions will determine whether Indonesia's BNPL ecosystem evolves into an inclusive and trustworthy financial system or perpetuates structural imbalances that favor the powerful few. By empowering consumers through law and knowledge, the nation can achieve both innovation and justice in its digital financial transformation.

Dynamics of Regulation Implementation and Effectiveness of Dispute Resolution Institutions

From an institutional perspective, this study found that the mechanism for resolving consumer disputes in the BNPL sector is still fragmentary and not yet fully effective. Formally, there



are several main legal instruments: the UUPK, THE PDP LAW, THE P2SK Law, and OJK Regulation Number 22 of 2023 concerning Consumer and Community Protection in the Financial Services Sector. However, coordination between dispute resolution institutions such as BPSK, LAPS SJK, and OJK has not been synergistic (Wulandari, 2024).

LAPS SJK normatively has a mandate to handle disputes in the non-bank financial services sector, including fintech and BNPL. However, Suwondo's research (2023) found that the number of BNPL cases entering the SJK LAPS is still very low compared to public complaints on social media or unofficial channels. This low reporting rate is due to two factors: (1) lack of consumer awareness of formal dispute resolution mechanisms, and (2) lack of trust in the effectiveness of these institutions.

Furthermore, Fitriani's research (2023) highlights the regulatory lag between the development of financial technology and the adaptation of national laws. Existing regulations still tend to be reactive, while digital innovations such as BNPL are growing very fast. As a result, many legal loopholes have not been accommodated, such as the provider's responsibility for credit scoring algorithm errors, as well as the aspect of *data sharing* between the e-commerce platform and the service provider.

In this context, legal literacy is again key. Consumers who understand their legal rights are better able to take advantage of existing settlement channels and demand service provider accountability. On the contrary, the lack of legal literacy causes most consumers to consider the formal complaint process too complicated and not proportional to the value of the losses experienced.

To increase the effectiveness of dispute resolution institutions, it is necessary to implement an integrative system between OJK, BPSK, and LAPS SJK. Digitizing complaint mechanisms and technology-based socialization can be a solution so that consumers can more easily access legal justice (Iskandar & Putri, 2024).

Legal Literacy as a Pillar of Strengthening Digital Consumer Protection

The analysis demonstrates that legal literacy constitutes the core foundation for achieving effective digital consumer protection. Within the *Buy Now, Pay Later* (BNPL) context, legal literacy encompasses more than the mere understanding of written regulations. It involves a combination of cognitive competence, critical awareness, and self-confidence that enables consumers to recognize and assert their rights within digital financial transactions (Rahmanda, 2025). In this sense, legal literacy transforms from a passive comprehension of laws into an active engagement with the justice system empowering individuals to make informed decisions, challenge unfair treatment, and participate meaningfully in a rapidly evolving digital marketplace.

In digital transactions such as BNPL, where contractual interactions occur almost entirely through electronic means, legal literacy serves as a behavioral safeguard that reduces vulnerability to exploitation. Consumers with strong legal understanding can identify unlawful clauses, discern between legitimate and misleading information, and respond appropriately to potential violations. Conversely, those lacking legal literacy often overlook key contractual terms, misinterpret their obligations, and inadvertently forfeit their rights. This gap highlights that technological accessibility alone is insufficient; true digital empowerment must be accompanied by a proportional increase in legal awareness and comprehension.

Drawing on the theory of legal consciousness, the effectiveness of any legal protection framework depends on how deeply legal norms are internalized in everyday social behavior. Law does not function solely through statutes or enforcement mechanisms, but through the degree to which individuals recognize its authority and integrate its principles into their moral and practical reasoning (Pangestu & Arifin, 2023). In the case of BNPL, consumers who possess higher legal consciousness tend to act with greater caution, avoid over-indebtedness, and resist unethical billing or data misuse practices. Their internalized awareness bridges the gap between legal theory and practical compliance, making protection not only institutional but cultural.

Moreover, consumers with high legal literacy are more likely to report violations and seek redress through formal channels such as the Consumer Dispute Resolution Agency (BPSK) or the Financial Services Sector Alternative Dispute Resolution Institution (LAPS SJK). This proactive behavior contributes to the enforcement of consumer protection laws by ensuring that cases of abuse



or negligence are brought to light and addressed within proper legal procedures. At a collective level, this engagement strengthens institutional accountability and encourages service providers to maintain fair business practices. Legal literacy thus acts as both a personal resource and a social catalyst for improving justice delivery in digital consumer protection.

Ultimately, legal literacy should be recognized as a strategic instrument for sustainable digital governance. Its development not only enhances consumer protection but also fosters public trust in the broader financial system. By embedding legal understanding within consumer education, Indonesia can cultivate a generation of digitally active citizens who are not merely technology users but rights-conscious participants in the digital economy. In doing so, legal literacy becomes the linchpin that connects innovation, regulation, and justice ensuring that the growth of fintech services like BNPL is guided by ethical responsibility and the rule of law.

The results of the study show that high legal literacy also affects the level of trust in the legal system. Consumers who understand dispute resolution mechanisms have a positive perception of legal institutions, which ultimately increases the effectiveness of consumer protection (Wulandari, 2024). On the other hand, ignorance of the law often leads to apathy and distrust of the existing settlement system.

Furthermore, legal literacy has preventive implications in preventing *over-indebtedness* or debt traps. Consumers who understand the legal consequences of late payments or defaults are more cautious in using BNPL facilities. They also tend to avoid services with hidden interest or adverse clauses (Gaju, 2025). Thus, legal literacy is not only a complementary factor, but also a risk control strategy in the digital financial ecosystem.

Policy Implications: Regulatory Synergy and Legal Literacy Empowerment

Increasing the effectiveness of BNPL dispute resolution cannot be separated from the synergy between regulatory policies and empowering community legal literacy. Strong regulation without the support of an adequate level of legal understanding will only give birth to formal compliance without substantive awareness. Therefore, policy strategies need to combine regulatory reform with digital legal literacy programs that are adaptive to changes in consumer behavior. According to Nasution and Nurfadilah (2024), a participatory regulatory approach in which the public is involved in legal socialization has proven to be more effective in building long-term legal awareness in the digital financial sector.

In terms of regulation, it is necessary to prepare specific rules regarding the BNPL mechanism that limit the practice of unilateral contracts and regulate the transparency of legal information in digital agreements. The new regulations should contain the obligation of service providers to provide a *summary of legal terms* that consumers can easily understand before they agree to electronic contracts. This is in line with the recommendations of Prasetyo and Halim (2023) who emphasize the importance of *proactive disclosure* in digital contracts to close the information gap between business actors and consumers. Furthermore, regulations need to clarify coordination between institutions such as the OJK, LAPS SJK, and BPSK so that dispute resolution is no longer fragmented and more integrated through an integrated digital complaint system.

On the other hand, public legal education policies need to be directed at strengthening consumers' practical ability to understand their legal rights. Legal literacy does not stop at normative knowledge, but must form skills in reading contract clauses, understanding the legal implications of late payments, and recognizing data privacy violations. This kind of educational program can be integrated into BNPL applications through microlearning-based interactive modules that teach the legal aspects of digital transactions in a concise and applicable manner. Sari and Widyarningsih (2022) emphasized that technology-based education approaches have proven to be more effective in reaching young users than conventional literacy campaigns.

In addition to regulation and education, synergy between the government, industry, and academia is also an important element in creating sustainable consumer protection. This collaboration can be realized through the development of the *National Legal Literacy Framework* which is a national guide in increasing legal awareness in the digital economy sector. Research by Wong and Tan (2021) shows that cross-sector partnerships increase the success of consumer protection implementation in



Southeast Asia, especially on fintech and personal data protection issues. With such synergistic support, policies not only regulate, but also empower communities to become active and independent subjects of the law.

Finally, efforts to strengthen consumer legal literacy must be seen as a long-term social investment to create an inclusive and equitable digital economy ecosystem. Laws that are understood by the public will be more effective than laws that are only enforced by force. Through the integration of adaptive regulation and participatory legal education, BNPL consumer protection can achieve its substantive goal of ensuring a balance between financial innovation and legal responsibility. Thus, policies that unite these two aspects are not just technocratic solutions, but also strategic steps to uphold justice in the digital economy era (Lim, 2024).

Conclusions

For this reason, increasing the effectiveness of legal protection requires synergy between regulatory reform and empowering community legal literacy. The government and OJK need to strengthen the coordination of dispute resolution institutions and require BNPL providers to provide clear, concise, and easy-to-understand legal information. At the same time, digital legal literacy education must be expanded so that consumers are able to understand the rights, obligations, and legal mechanisms that they can take. With a balance between responsive regulation and a law-conscious society, the BNPL consumer protection system in Indonesia can function more fairly, transparently, and equitably.



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