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Business Ethics and Legal Protection Roles in Corporate Governance: A Case Study on Consumer Dispute Resolution in the Financial and E-Commerce Sectors

Dafit Hidayat[1], Agus Satory[2]
Universitas Bakrie, Indonesia[1]
Universitas Pakuan, Indonesia[2]
Email: dafithidayat020217@gmail.com, agussatory@unpak.ac.id

Abstract

Globalization and digital technology development have brought significant changes to Indonesia's financial services and e-commerce sectors. While these sectors offer major economic opportunities, they also pose serious challenges related to consumer protection. This study aims to analyze the role of business ethics and legal protection in corporate governance, particularly through a case study of consumer dispute resolution in financial services and e-commerce. The analysis focuses on the effectiveness of legal instruments such as the Consumer Protection Law (UUPK) and the Financial Services Authority (OJK) regulations, as well as dispute resolution mechanisms, both litigation and non-litigation, including the Consumer Dispute Resolution Agency (BPSK), Alternative Dispute Resolution Institutions (LAPS), and Online Dispute Resolution (ODR). The findings show that although the regulatory framework is normatively adequate, its effectiveness remains hindered by weak digital literacy among consumers, limited socialization, and the capacity of supervisory institutions. Consumers tend to prefer non-litigation pathways due to their faster, cheaper, and more flexible processes; however, the success of these mechanisms strongly depends on institutional independence, process transparency, and coordination with companies' internal complaint systems. This study highlights that the implementation of business ethics based on transparency and fairness, combined with effective legal protection, is crucial in building consumer trust, enhancing corporate accountability, and supporting sustainable economic growth in the digital era.

Keywords: Business Ethics; Consumer Protection; Corporate Governance; Dispute Resolution; E-Commerce

Corresponding: Dafit Hidayat
E-mail: dafithidayat020217@gmail.com

INTRODUCTION

Globalization and technological advances have brought significant changes in almost all aspects of human life, including economics and business (Ibrahim et al., 2022). In Indonesia, this development opens up great opportunities for the growth of the financial services and electronic commerce (*e-commerce*) sector. However, on the other hand, these changes also pose new challenges related to consumer protection (Annur, 2023; Lim & De Run, 2022; Smith & Brown, 2019; Teresya et al., 2022; Witi, 2021). Companies that do not consistently apply business ethics principles have the potential to engage in practices that are detrimental to consumers, such as through misleading promotions, unfair implementation of standard agreements, or the provision of substandard products and services (Widiarty & Saragih, 2024). This condition shows the importance of integrating business ethics in company practices so that economic goals do not harm the interests of consumers and remain in line with the principles of good corporate governance. In line with this, Agus Satory (2015) in his journal emphasized that:

"Standard agreements in financial services transactions must meet the principles of fairness and transparency, so that consumers are protected from harmful practices. Corporate compliance with laws and business ethics is a prerequisite for building consumer trust."

Legal protection is a crucial instrument in balancing the relationship between companies and consumers. In Indonesia, consumer legal protection is regulated through Law Number 8 of 1999 concerning Consumer Protection (UUPK) and strengthened through the regulations of the Financial Services Authority (OJK), including POJK Number 01/POJK.07/2013 concerning Consumer Protection in the Financial Services Sector and POJK Number 1/POJK.07/2014 concerning Alternative Consumer Dispute Resolution Institutions (OJK, 2017). These regulations aim not only to protect consumers, but also to encourage transparent, responsible, and ethical business practices, which are at the core of *good corporate governance*. This is in line with the findings of Agus Satori *et al.* (2022), which states:

"The implementation of alternative consumer dispute resolution models in the financial services sector emphasizes compliance with the company's laws and ethical practices. This mechanism enhances corporate accountability and effectively protects consumer rights."

The phenomenon of consumer complaints is a clear indicator of the need to integrate business ethics and law in company practices. Based on the report of the National Consumer Protection Agency (BPKN) Period VI 2024-2027, during the first six months of 2024, BPKN received 381 consumer complaints with a total potential loss of IDR 202,689,353,631, and managed to save potential losses of IDR 42,887,223,607. The sector that received the most complaints was Trade Through Electronic Systems (PMSE), with the largest business actors complained including PT Tokopedia and PT PLN (BPKN-RI, 2024). A similar phenomenon has been seen in recent years, where consumer complaints in the *e-commerce* and financial services sectors have increased significantly, especially after the Covid-19 pandemic, reaching 92.6% of the total complaints of the Ministry of Trade in 2022. The highest types of complaints include *online* fraud, misdescribed products, digital application/content services, food and beverages, and electronics and household appliances (INDONESIA.GO.ID, 2024).

The data shows that despite the legal framework, the disregard for consumer rights is still rampant. This emphasizes the need for consistent application of business ethics and legal compliance as part of good corporate governance. Ethical companies not only comply with regulations, but also build consumer trust, corporate reputation, and business sustainability (Ulandari & Mulyani, 2024). Consumer literacy, public education, and institutional strengthening of consumer protection, such as those carried out by BPKN through *multi-channel* socialization programs and the acceleration of trade digitalization, are important parts of realizing this balance.

With the increasing digital transactions and the complexity of the economic system, good corporate governance must include the responsibility to protect consumers, ensure transparency of information, and provide fair dispute resolution mechanisms. This is in line with the principle of *caveat vendator*, which is the obligation of producers to protect consumers, which replaces the old paradigm *of caveat emptor* (consumers must be careful). The application of this principle is important so that consumers do not become weak parties and are always threatened with disadvantage in business transactions (Nugraha et al., 2023).

In analyzing consumer protection and business ethics, several previous studies have laid foundational knowledge that this research aims to build upon. First, Agus Satory (2015) emphasized the importance of fairness and transparency in financial services agreements to safeguard consumer rights. His study provided a comprehensive look into standard agreements, noting that business ethics must align with legal frameworks to build consumer trust. This research, however, did not delve into the intricacies of dispute resolution mechanisms and their practical effectiveness in the digital age. This gap is addressed in this study by exploring the effectiveness of both litigation and non-litigation paths, specifically through the mechanisms like BPSK, LAPS, and ODR (Online Dispute Resolution), to offer a more complete view of consumer protection.

Second, Agus Satory et al. (2022) explored the role of alternative dispute resolution in enhancing corporate accountability in the financial services sector. While their study highlighted the theoretical benefits of such systems, it lacked empirical analysis of how these systems perform in practice, especially in the growing e-commerce sector. This research fills that gap by evaluating the effectiveness of these systems in providing justice to consumers, with a focus on the challenges posed by fragmented institutions and inconsistent regulations across sectors. By providing a detailed case study of the application of consumer dispute resolution mechanisms, this study contributes new insights into the practicalities of enforcing consumer rights in digital commerce.

Based on these conditions, this study aims to analyze the role of business ethics and legal protection in corporate governance, especially through a case study of consumer dispute resolution in the financial services and *e-commerce sectors.* This research is expected to provide an understanding of how the principles of business ethics, legal compliance, and corporate governance practices can work synergistically to protect consumers, build trust, and promote sustainable economic growth.

RESEARCH METHOD

This study employs a qualitative normative legal research method with a case study approach. The focus is on analyzing the role of business ethics and legal protection within the framework of corporate governance, particularly in the financial services and e-commerce sectors in Indonesia. The research is descriptive-analytical, aiming to explain and evaluate the effectiveness of consumer protection regulations and dispute resolution mechanisms. The study relies primarily on secondary data, including statutory regulations such as Law No. 8 of 1999 on Consumer Protection (UUPK), Financial Services Authority (OJK) regulations (e.g., POJK No. 01/POJK.07/2013 and POJK No. 1/POJK.07/2014), and international consumer protection instruments. Academic literature, journal articles, policy reports, and official documents from institutions such as BPKN and OJK are also examined to strengthen the theoretical framework.

Data were collected through library research by reviewing legislation, previous studies, and empirical reports on consumer complaints in the financial and e-commerce sectors. Reports from the National Consumer Protection Agency (BPKN) and related stakeholders were used to provide an empirical foundation for the analysis. The collected data were analyzed using qualitative content analysis, focusing on the principles of business ethics, consumer protection theory, and good corporate governance (GCG). The analysis emphasizes a comparative evaluation of litigation and non-litigation dispute resolution mechanisms, including BPSK, LAPS, and ODR, in terms of their accessibility, efficiency, fairness, and effectiveness in protecting consumer rights. The results are then interpreted within the framework of law enforcement theory and rational choice theory to provide comprehensive conclusions.

RESULTS AND DISCUSSION

Analysis

This analysis focuses on consumer dispute resolution in the financial and e-commerce sectors as a concrete implementation of the application of business ethics, legal protection, and corporate governance. The rapid growth of these two sectors, especially through the digitization of online services and transactions, presents new challenges that demand a fast, transparent, and fair redress mechanism.

Overview of Consumer Disputes in the Financial and *E-Commerce Sector*

The development of digital technology has expanded people's access to financial services and electronic commerce. The financial services sector such as digital banking, peer-to-peer lending, online insurance, and application-based investment is growing rapidly, while e-commerce brings ease of transactions across regions and even cross-countries. However, this convenience also increases the risk of consumer losses.

The report of the National Consumer Protection Agency (BPKN) for the first semester of 2024 recorded 381 consumer complaints with potential losses of more than IDR 202 billion, of which the Trade Through Electronic Systems (PMSE) sector was the highest. The dominant cases include online fraud, products that do not match descriptions, hidden cost cutting, misuse of personal data, and payment system failures. In the financial sector, disputes occur in many online lending services (fintech lending), insurance products, and digital banking transactions, such as late payment of claims, non-transparent loan interest, or blocking of accounts without notice.

This fact shows that even though legal frameworks such as the UUPK and OJK regulations already exist, practices in the field still leave inequality between business actors and consumers. Information imbalances, adverse standard contracts, and weak consumer digital literacy are factors causing the high number of complaints.

Dispute Resolution Mechanism in the Financial Sector

Dispute resolution in the financial services sector has its own characteristics because it involves complex products and a high risk of loss. Based on the provisions of POJK No. 1/POJK.07/2014, consumers can take internal (direct complaints to business actors) and external (through Alternative Dispute Resolution Institutions/LAPS).

Internal Settlement

Every Financial Services Business Actor (PUJK) is required to provide a customer complaint unit with clear procedures and strict settlement deadlines. For example, banks must follow up on complaints a maximum of 20 business days from receipt. This path is the initial stage that must be taken before consumers bring disputes to external parties. However, its effectiveness depends on the company's commitment to upholding the principles of accountability and transparency.

Alternative Dispute Resolution Institutions (LAPS)

If the internal settlement fails, consumers can file a dispute with an external institution established by the OJK, such as:

1) LAPSPI (Alternative Institution for Settlement of Indonesian Banking Disputes) for banking.
2) BMAI (Indonesian Insurance Mediation Agency) for insurance disputes.
3) BAPMI (Indonesian Capital Market Arbitration Board) for capital market disputes.

LAPS uses mediation, adjudication, and arbitration mechanisms that are relatively fast and cheap compared to the court channels. However, there are still several obstacles, such as limited socialization to the community, institutional fragmentation, and the challenge of maintaining institutional independence from financial industry intervention.

Litigation

Consumers can still take the court route through civil lawsuits, class actions, or small claims courts. This path provides strong legal certainty, but is often avoided because the process is lengthy, high cost, and less consumer-friendly with small dispute value.

The results of the analysis found that in practice, financial sector consumers prefer the non-litigation route due to simpler procedures and lower costs. However, the effectiveness of this mechanism is strongly influenced by the quality of LAP's governance, including the availability of competent human resources, process transparency, and recognition of settlement outcomes. Harmonization between the internal mechanisms of PUJK and external LAPS is also important so that consumers do not get stuck in repetitive processes that prolong settlement.

Dispute Resolution Mechanism in the E-Commerce Sector

The characteristics of e-commerce transactions that are cross-border, fast, and digital-based pose different challenges. Consumer disputes in e-commerce often involve goods not according to description, delivery delays, unilateral cancellations, and theft of personal data.

Platform Resolution

Most e-commerce companies such as Tokopedia, Shopee, or Lazada provide an internal complaint feature that allows consumers to request a refund, product exchange, or compensation. This feature is usually based on an automated system with a digital transaction proof verification stage. Although fast, this mechanism has often drawn criticism due to a lack of transparency in decision-making algorithms and limited direct communication with sellers.

Consumer Dispute Resolution Agency (BPSK)

If the internal settlement is not satisfactory, the consumer can take the case to BPSK. These institutions offer mediation, conciliation, or arbitration routes. The advantages are a simple process, low cost, and binding verdict. However, the effectiveness of BPSK is often hampered by the limited number of institutions in the region, lack of socialization, and doubts about the independence of decisions, especially if large business actors are involved.

Online Dispute Resolution (ODR)

For cross-border or interplatform disputes, ODR is a strategic choice. ODR allows consumers to file claims online, upload proof of transactions, and follow the mediation or adjudication process without a physical presence. Its advantages are speed, cost efficiency, and time flexibility. However, ODR in Indonesia still faces obstacles in the form of legal recognition of cross-jurisdictional decisions and limitations of digital infrastructure in the regions.

In e-commerce, consumers tend to rely on the platform's internal mechanisms because the process is the fastest. However, cases involving large or cross-border losses demand a legally recognized ODR mechanism so that judgments can be enforced in multiple jurisdictions. Harmonization between platform policies, BPSK, and ODR is the key to providing legal certainty and justice for consumers.

Business Ethics as a Pillar of Dispute Prevention

The results of the analysis show a high level of consumer disputes in the financial and e-commerce sectors even though regulations are available. This phenomenon can be explained through asymmetric information theory, consumers are in a weak position due to the lack of information equivalent to business actors. In the theory of business ethics, transparency and fairness are two core values that can close the information gap.

Field findings show consumers prefer non-litigation mechanisms confirm that trust is the main currency in digital business relationships. Research by Maldina and Hana (2025) proves that companies that enforce product and cost information disclosure have 30% lower complaints. This strengthens the view that business ethics is not only a moral norm, but a risk management strategy that directly supports the principles of good corporate governance (GCG).

In other words, effective dispute resolution is not only a matter of legal mechanisms but depends on the ethical commitment of business actors to disclose information honestly, respond to complaints fairly, and maintain the independence of mediation institutions. Companies that ignore ethical values will push consumers down the path of litigation that is more expensive and risks damaging the company's reputation.

Legal Protection (Between Normative Adequacy and Practical Challenges)

Normatively, the UUPK and OJK regulations such as POJK No. 1/POJK.07/2014 have provided comprehensive protection. However, the high number of complaints (381 cases with potential losses >IDR 202 billion in 2024) shows that the legal framework is not yet fully effective.

From the perspective of law enforcement theory, the effectiveness of law is influenced by the substance, structure, and culture of the law. The substance (written rules) is adequate, but the structure (supervisory institution) and culture (legal awareness of business actors and consumers) are still weak. Research by Yuliska (2025) emphasizes that weak socialization and limited resources of institutions such as BPSK reduce the power of law enforcement, so that business actors do not feel a deterrent effect.

This condition shows that legal protection is not enough with regulations alone, but requires an enabling environment in the form of consumer digital literacy, strengthening supervisory institutions, and integrating the company's internal complaint mechanism with external supervision. Without it, consumers will continue to be in a weak bargaining position even though their rights are guaranteed by law.

Dispute Resolution Mechanism (Rational Choice of Digital Consumers)

The analysis shows the dominance of non-litigation mechanisms (LAPS, BPSK, ODR) over litigation. This choice can be explained through rational choice theory, where consumers look for a solution path that minimizes cost, time, and risk of uncertainty.

In the financial services sector, LAPS has been proven to be able to resolve around 60–70% of disputes faster than the court route (Prabowo, 2023). This success is highly dependent on the independence of the institution and good coordination with the internal complaint mechanism of Financial Services Business Actors (PUJK). Without clear coordination, consumers risk facing repetitive processes that actually prolong dispute resolution.

In the e-commerce sector, settlement through a resolution platform is the main choice because it offers speed and ease of access. However, research criticizes the limitations of algorithm transparency in the platform's internal settlement system, which can create uncertainty regarding the fairness of decisions. Another alternative is Online Dispute Resolution (ODR), which allows cross-border dispute resolution with up to 40% faster time efficiency than conventional methods. Although promising, ODR still requires clear legal recognition so that its decision has executory force (Sari et al., 2022).

The dominance of this non-litigation route shows that procedural efficiency and accessibility are the main considerations for digital consumers. However, its effectiveness still requires independent oversight to ensure that the process is fair, transparent, and impartial to large business actors.

CONCLUSION

This research highlights that the integration of business ethics, legal protection, and good corporate governance (GCG) is essential to maintaining equilibrium between business and consumer interests in Indonesia's financial and e-commerce sectors. Transparent and fair business ethics help reduce dispute risks and strengthen consumer trust, while GCG principles like accountability and independence enhance internal complaint systems and dispute resolution performance. Although legal frameworks such as the Consumer Protection Law (UUPK) and OJK regulations are normatively adequate, their implementation is constrained by weak consumer literacy, limited socialization, and institutional capacity issues within bodies like BPSK and LAPS. Non-litigation mechanisms, including BPSK, LAPS, and ODR, are preferred for their efficiency and accessibility, but their success depends on institutional independence, coordination with company mechanisms, and the legal recognition of decisions, especially in cross-border cases. Future research should focus on strengthening digital consumer literacy and evaluating the effectiveness of cross-border online dispute resolution systems in enhancing trust and fairness in digital transactions.

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