

**Research Article**

# Legal Protection of Consumer Data on E-Commerce Platforms with Cash on Delivery (COD) Systems

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**Abstract.**

In order to resolve the data leakage cases in transactions using the Cash on Delivery (COD) systems, which is governed by Law Number 8 of 1999 on Consumer Protection and Law Number 11 of 2008 on Information and Electronic Transactions, this study aimed to identify the legal protections for consumers and operators of e-commerce platforms and to analyse the solution for data leakage cases. Empirical legal typologies gleaned from primary and secondary legal sources were used in this study. Using case studies and statutory approaches, the legal materials were gathered by distributing surveys and reviewing the literature on protecting e-commerce consumers in COD transactions. The findings demonstrated that harm to the consumers that occurred during transactions on e-commerce platforms with the COD systems was due to data misuse or leakage that resulted in customer data theft. Establishing consumer legal protection based on Law Number 8 of 1999 on Consumer Protection must grant customers the right to security. Personal information leaked and utilised by offenders to fulfil bogus orders misused by negligent parties could harm the sellers and the customers.

**Keywords:** Personal Data, E-Commerce, *Cash on Delivery*

## 1. Introduction

Personal Data are data of an individual, whether it is identifiable separately or directly combined with other information, either directly or indirectly through Electronic and non-electronic Systems. This has been regulated in Article 1 number 29 of Government Regulation Number 71 of 2019 on the Implementation of Electronic Systems and Transactions.[1]

The development of business is growing, one of which is doing business using technology through the internet or online. Trading activities through internet media are popularly called electronic commerce (e-commerce) or also known as electronic

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transactions. E-Commerce is a method to sell products online through internet facilities which is the most effective business. Consumers can make payments via bank transfer, e-money or [2, p. 119], [3, p. 8] Cash On Delivery (COD) system, which this form of payment is only applicable if the consumer directly pick up the goods at the store or their warehouse where the manufacturer sells their products or if the consumers are in the same area as the service provider. [4, p. 253]

The Internet makes it possible to reach consumers more widely and quickly. There are many acts of consumer data theft that cause consumer abuse such as fictitious orders using the COD payment system to the detriment of data owners. [5, p. 389]

This can be seen from the a case study in Banjarmasin City on September 19, 2018, in whcih an account named *ikkyoca* that has never before used a *Lazada* account to shop online yet it got a fictitious order package, using the COD system it did not transact before, the owner of the account refused to pay, but the delivery courier did not allow them to because it has delivered the good accordingly to his obligation and the delivery address. In the end, the owner of the account inevitably had to pay, hence suffered loss in the amount of Rp.119,000,-.[6]

## 2. Methods

This research uses an empirical legal typology obtained from primary legal materials in the form of questionnaire and secondary results such as laws and regulations and other literature such as books, journals, and theses. The legal materials were collected by conducting questionnaires-based surveys and reading literature related to consumer protection [7, p. 130]e-commerce in COD transactions using a case and legislation approach. Then the results of the analysis are described using qualitative descriptive methods.[8, p. 8]

To identify the sub-studies that have been or have not been studied in previous studies, it is necessary to make comparative efforts. Among the results of previous researches, is a study with a similar problem formulation by an alumni of the Sharia Economic Law, Faculty of Sharia, Maulana State Islamic University Malik Ibrahim Malang, named Nanda Latansa Maftukulhuda entitled, "Legal Protection of Shopee Sellers in Cash On Delivery (COD) Payment Practices Perspectives of Consumer Protection Law and Compilation of Sharia Economic Law (KHES)". The difference between that previous research with the the present one lies on the object of the former research addresses

legal protection of *Shopee* sellers in the Compilation of Sharia Economic Law (KHES), while the present research emphasizes more on Consumer Data Protection. In this writing focuses generally on legal protection of *Shopee* sellers in the Compilation of Sharia Economic Law (KHES) Case Studies in *Shopee* Online Store *Skinbae.id*, while in this study focuses on the protection of consumers' personal data through the COD payment system.

### 3. Results and Discussion

#### 3.1. Transaction Facts of Data Leakage in E-Commerce Through COD System

This research was conducted by observations using questionnaires carried out by *Google forms* with primary data methods and empirical legal research. With the process of formulating a questionnaire that aims to obtain data with good reliability and validity.[6] There are 25 (twenty-five) respondents who have received fictitious orders and suffered losses. In this matter, consumers should get security rights in accordance with Article 4 letter a of the Consumer Protection Law Number 8 of 1999 which explains consumer security rights that result in someone's data being spread and misused through fictitious orders.

#### 3.2. Consumer Data Security Mechanisms in E-Commerce Transactions

E-commerce determines the agreement between the parties by directly using the internet. In previous e-commerce transactions, consumers must have a registered account in first place if they wish transact on the e-commerce platform, then register their personal data of names, phone numbers, and addresses that match their ID (e-KTP). One of the e-commerce platforms that is widely used by respondents in the questionnaire is *Shopee*. [9, p. 434]

Consumer protection has become a topic that has been widely discussed in recent years. Building consumer trust is important, as well as transparency and integrity of transactions to reduce the risk and uncertainty of purchases, this is what the law needs to ensure through the institution in carrying out its supervisory function. [10, p. 38] Consumer protection exists in many fields, one of which is in e-commerce, which is not

limited to a particular country but also poses significant impact on economic growth and trade.[11, p. 745] As the cost of information decreases and distance becomes less important, the market develops in size and competition increases. While consumers clearly benefit from market expansion and more intensive competition, the effect on sellers is more ambiguous although consumers benefit from market expansion.[12, p. 197]

Consumer protection is a whole regulation and law that regulates the rights and obligations of consumers and producers in meeting their needs and regulates efforts to ensure the realization of legal protection of consumer interests. In the provisions that have been stated in Article 14 paragraph (1) letter e of Government Regulation Number 71 of 2019 on the Implementation of Electronic Systems and Transactions, electronic system operators are required to implement the principle that personal data is carried out by protecting the security of personal data from loss, misuse of unauthorized access and disclosure, as well as alteration or destruction of personal data in addition to that in accordance with the provisions contained in Article 4 letter a of the Law Number 8 of 1999 on Consumer Protection, which addresses the consumers rights.

The development is increasing rapidly and the number of small and medium entrepreneurs is growing larger, including their ability to produce goods and services.[13, p. 1447] The development of information technology has changed habits of the people in performing their sale and purchase transactions, but at the price of the increasing number of irresponsible parties.[14, p. 91] The presence of e-commerce provides many benefits of solutions as well as extraordinary helpers to consumers but many are disadvantaged with fictitious orders on e-commerce through the COD system.[15, p. 3] The development of information technology has changed people's habits in making buying and selling transactions.[16]

In fact, based on the results obtained by the author with the results of research on April 26, 2022-April 30, 2022, the results of a questionnaire filled out by 38 people, 25 respondents had losses due to receiving fictitious order on e-commerce applications. The respondent did not fulfill security rights as a consumer in the e-commerce platform. A data is personal data related to a person, hence it can be used to identify the person that is the owner of the data.[17, p. 93] In this case, it is evident that there are still consumers who do not enjoy the rights that should be obtained in accordance with Article 2 of the Consumer Protection Law, there are 5 (five) relevant principles, one of which is the principle of security.[18] Therefore, reforms to regulations regarding consumer

protection and unfair business competition need serious attention considering that, society, requires massive efforts and must be based on the fixed value background of the implementing organization, and with sufficient flexibility to react to actual changes, especially with regard to political actors and business actors. [19, p. 77]

### **3.3. Cases of Consumer Data Leakage in Transactions on E-commerce in COD System**

This problem has harmed consumers in e-commerce transactions, after providing the data, it turns out that the owner of the account has never made any transactions but they still get fictitious order that must be paid a certain amount of money according to the price of the package that has been delivered, 25 people who have registered the account suffer fictitious order, followed by data leak, hence the security rights of the consumers' personal data are not fulfilled. Based on the results of the questionnaire, it is conclusive that there are consumers who still experience losses and enjoy no security rights. Personal data is a component of privacy data. As for the factors that affect consumers reluctant to fight for their rights, consider it a trivial matter and are considered things that may not happen often even though the right to data security in e-commerce is crucial and must be considered mentioned in Article 43 paragraph (1) letter c in Government Regulation Number 71 of 2019 on the Implementation of Electronic Systems and Transactions. [20, p. 94]

In the united states the law is used as an instrument in services such as The American Home provides consumers with a measure of protection, but unfortunately consumers do not have the same standards that can be used to assess, because each agent has its own method of testing and approving its standards this is similar to what happens in Indonesia, this is due to the difficulty of regulating the team regarding the highest and lowest value standards in a trade. [21, p. 21] Consumers eventually become confused, because personal assumptions will be included in many decisions and standards are relative and not absolute in the final analysis, so consumers are in confusion as to which one is most appropriate for their interests, so consumers do not have a valuation scale to assess their good and bad and do not know what to choose so as to get the best value for the money that has been spent.[21] Consumers who are unfamiliar at all times with market conditions and have insufficient information will be able to be utilized by other parties, if consumers cannot assess quality, that is to say and the potential can be exploited through product counterfeiting or through incorrect depictions of products,

uses and results, then the development of standards is one of the best ways to protect consumers at this point.[22, p. 25] Consumer protection has been part of the treaty at the European Economic Community in 1957. [23, p. 345]Consumer protection has also been implemented in the UK through the British Standards Institution.[24, p. 135]

## 4. Conclusion

The transaction mechanism on e-commerce begins with registration, account creation, and confirmation of the account. However, since previously the consumers had never transacted hence did not place any order on anything in their transaction account on e-commerce, yet they still suffer fictitious order of a package that must be paid according to the stated amount, therefore there is a leak of consumer data. As a result of the leakage of personal data, more and more consumers are harmed, therefore consumers must be protected and their rights must be fulfilled. Consumers who are harmed by personal data leakage events on e-commerce platforms through the COD system demand guarantees for security due to their unfulfilled consumer protection rights as protected by Article 4 letter a of the Consumer Protection Law which says that consumers have the right, namely the right to security.

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