

LEGAL ASPECTS OF CONSUMER PROTECTION IN THE USE OF ARTIFICIAL INTELLIGENCE TECHNOLOGY IN INDONESIA

ARTIFICIAL INTELLIGENCE/AI

Oleh :

Asuan

Fakultas Hukum, Universitas Palembang
asuan.okay@gmail.com

R. Sondang L. Tobing

Fakultas Hukum, Universitas Palembang
rsondangltobing@unpal.ac.id

M. Haris Fadhila

Fakultas Hukum, Universitas Palembang
notarisspattmaharis@gmail.com

ABSTRACT

The development of artificial intelligence (AI) technology has brought significant changes to transaction patterns between businesses and consumers in Indonesia. The use of AI in various sectors, such as e-commerce, digital banking, and data-driven services, offers convenience and efficiency, but also raises the potential for violations of consumer rights.

Issues such as the misuse of personal data, automated decisions that harm consumers, and a lack of algorithmic transparency present new challenges for the consumer protection legal system. This article aims to analyze how aspects of consumer protection law in Indonesia respond to the use of AI technology and review the effectiveness of existing regulations, including Law Number 8 of 1999 concerning Consumer Protection and Law Number 27 of 2022 concerning Personal Data Protection.

Using a normative juridical approach, this research highlights the need for regulatory reform to anticipate the legal risks arising from the use of AI, while ensuring a balance between technological innovation and the protection of consumer rights.

Keywords: *Consumer Protection, Artificial Intelligence (AI)*

1. INTRODUCTION

The development of Artificial Intelligence (AI) technology has become one of the main drivers of digital transformation across various sectors of life, including trade, financial services, healthcare, transportation, education, and government. In Indonesia, the utilization of AI has increased rapidly along with the growing penetration of the internet, the expansion of the digital economy, and the increasing demand from businesses and government institutions for faster, more efficient, and more accurate services. AI technology is now widely applied in the form of recommendation systems on e-commerce platforms, customer service chatbots, digital health applications, biometric verification systems, as well as large-scale data analytics in the banking and cybersecurity sectors.

Despite offering numerous benefits, the use of AI also gives rise to new challenges, particularly in terms of consumer protection. AI technology operates by processing vast amounts of data and relying on complex algorithms, which often makes it difficult for consumers to fully understand how decisions are generated by such systems. This condition creates potential risks, including personal data breaches, algorithmic bias, digital discrimination, prediction errors, and financial losses resulting from automated actions beyond the user's control. These issues indicate that while AI brings innovation, it also introduces uncertainty and the potential violation of consumer rights.

Technologies such as AI are developing rapidly and influencing various sectors, including the legal sector; however, legal regulations have not always been able to keep pace with such technological dynamics. In the context of advances in artificial intelligence technology, laws are often left behind due to the extraordinary speed of innovation. This trend is highlighted by progressive legal theory, which views such developments as challenges that must be addressed by contemporary legal systems.

Based on the foregoing, law should not be regarded as a rigid and formalistic system, but rather as a dynamic instrument to achieve welfare, peace, and justice in society. According to this perspective, legislation must be flexible and capable of adapting to changing times, technological developments, and the evolving needs of society. Law must continue to grow in line with social and technological changes. In this regard, the development of Artificial Intelligence (AI) technology in Indonesia has indeed increased significantly in recent years, with applications across sectors such as finance, healthcare, education, agriculture, and transportation. To address the challenges associated with technological and cybernetic evolution, a progressive approach proposes solutions by emphasizing that the law must be more flexible, humane, and adaptive, while remaining focused on achieving substantive justice for society.

Within the Indonesian legal framework, consumer protection is essentially regulated through several laws, including Law Number 8 of 1999 on Consumer Protection, Law Number 19 of 2016 concerning Amendments to Law Number 11 of 2008 on Electronic Information and Transactions (ITE Law), and Law Number 27 of 2022 on Personal Data Protection (PDP Law). However, these regulations remain general in nature and have not specifically addressed the unique characteristics of AI, which is autonomous, adaptive, and often difficult to attribute responsibility to. Consequently, there is an urgent need to strengthen the legal basis and regulatory framework to ensure that the use of AI remains safe, transparent, ethical, and does not harm consumers.

Discussion of the legal aspects of consumer protection in the use of Artificial Intelligence technology has therefore become increasingly important in order to ensure legal certainty, reduce the potential violation of consumer rights, and encourage the creation of a responsible innovation ecosystem. Furthermore, the strengthening of regulations and policies is necessary to maintain a balance between technological advancement and public protection, so that the development of AI in Indonesia can provide optimal benefits without compromising consumer safety and fundamental rights. Accordingly, this study aims to provide an overview of the legal challenges faced as well as the direction of future regulatory arrangements.

Legal protection concerning Artificial Intelligence (AI) in Indonesia is further examined through a deeper exploration of the concept of the “rule of law,” emphasizing the importance of legal protection as a fundamental element of a fair and equitable legal system. This involves recognizing and safeguarding the basic rights of individuals. Legal protection also reflects the essential function of law in ensuring justice, legal certainty, and societal benefit. Through legal protection, individuals or groups who feel threatened can seek justice and obtain adequate remedies or compensation. Thus, legal protection constitutes a fundamental principle within the legal system, aimed at ensuring that legal legitimacy is genuinely upheld. Based on this framework, this study discusses how legal protection for consumers using Artificial Intelligence (AI) technology is regulated under Indonesia’s positive legal framework, particularly the Consumer Protection Law, as well as the obstacles encountered in its implementation.

This research employs a normative juridical (legal research) approach, focusing on the examination of legal norms contained in statutory regulations and general principles of law. This approach is chosen because the objective of the research is to analyze the legal response to the use of Artificial Intelligence (AI) technology and to assess the effectiveness of existing regulations. The normative juridical approach is complemented by a statutory approach, examining Law Number 8 of 1999 on Consumer Protection, Law Number 11 of 2008 in conjunction with Law Number 19 of 2016 on Electronic Information and Transactions (ITE), Law Number 27 of 2022 on Personal Data Protection (PDP), as well as relevant government regulations, ministerial regulations, and court decisions related to the issues discussed.

2. DISCUSSION

2.1 The Current Legal Framework of Consumer Protection in Indonesia in Regulating the Use of Artificial Intelligence (AI)

Artificial Intelligence (AI) plays an increasingly important role in various sectors such as e-commerce, financial services, healthcare, and application-based transportation. However, the use of AI also raises the potential for violations of consumer rights, including behavioral manipulation through algorithms, bias in automated decision-making, misuse of personal data, and a lack of transparency in AI-driven decision-making processes. Therefore, an examination of the adequacy of national regulations is essential to ensure that consumer interests remain protected.

In the context of consumer protection for AI-based products, several previous studies have highlighted the urgency of establishing specific regulations governing the use of AI technology in Indonesia. The growing use of AI services, such as AI chatbots and generative AI, may have adverse impacts on consumers if not accompanied by adequate accountability on the part of service providers. These studies emphasize that, to date, there is no specific legislation regulating the use of AI services, resulting in a legal vacuum that weakens legal protection for users. Furthermore, AI’s ability to process large volumes of personal data raises serious concerns regarding data accuracy and security. This demonstrates that consumer protection in AI-based products extends beyond contractual aspects or business liability and includes personal data protection, algorithmic transparency, and legal certainty regarding information generated by AI systems.

The application of the Consumer Protection Law in the context of business transactions involving Artificial Intelligence is crucial to ensuring consumer safety, fairness, and legal protection. One key aspect within consumer protection law is the principle of liability. Careful analysis is required to determine which parties can be held accountable and the extent of responsibility imposed on those parties in the event of consumer rights violations. To protect consumers from AI-based misconduct or crimes, clear and effective legal regulations are necessary.

In this regard, there is a significant risk of misleading information in digital advertising practices involving AI. AI technology enables the creation of promotional content tailored to consumers' behavioral profiles, but at the same time opens opportunities for manipulating consumer perceptions and decisions. Consumers' lack of understanding of how AI algorithms function makes them vulnerable to misleading or deceptive advertising content. Unfortunately, the current legal framework has not sufficiently regulated this issue, particularly concerning the liability of AI providers for the informational impacts generated by their systems.

Law Number 8 of 1999 on Consumer Protection represents the government's commitment to providing legal certainty for all parties, both consumers and service providers, in relation to existing violations. Consumer protection is necessary to enhance consumer awareness, knowledge, concern, capability, and independence in defending their rights, while also fostering ethical behavior among business actors.

According to Article 1 paragraph (2) of the Consumer Protection Law, a consumer is defined as any person who uses goods and/or services available in society for personal, family, other persons, or other living beings, and not for resale. Consumer protection refers to all efforts that guarantee legal certainty in providing protection to consumers.

Legal protection for consumers in Indonesia is closely linked to the recognition of consumer rights as part of the welfare state concept enshrined in the 1945 Constitution of the Republic of Indonesia. Through the Consumer Protection Law, nine (9) consumer rights are established, namely:

1. The right to comfort, security, and safety in consuming goods and/or services;
2. The right to choose goods and/or services and to obtain such goods and/or services in accordance with the exchange value, conditions, and guarantees promised;
3. The right to correct, clear, and honest information regarding the condition and guarantees of goods and/or services;
4. The right to have opinions and complaints heard regarding goods and/or services used;
5. The right to advocacy, protection, and proper consumer dispute resolution;
6. The right to consumer education and guidance;
7. The right to be treated or served properly, honestly, and without discrimination;

8. The right to compensation, indemnification, and/or replacement if the goods and/or services received are not in accordance with the agreement or are not as they should be;
9. Other rights regulated by laws and regulations.

The Consumer Protection Law is not intended to hinder commercial activities. On the contrary, it aims to create an environment that encourages competitive businesses by offering high-quality goods and/or services. At the same time, the law provides special consideration to small-scale business actors during its implementation by promoting fair enforcement and proportional sanctions for violations.

The application of the Consumer Protection Law in AI-based business transactions is therefore essential to ensure consumer safety, fairness, and protection. One critical aspect is the principle of liability, which requires careful identification of parties who can be held responsible and the scope of their legal obligations in cases of consumer rights violations.

To protect consumers from AI-based crimes or abuses, clear and effective legal regulations are required. Although some countries have incorporated AI-related issues into their consumer protection laws, there remains a need to further develop and strengthen existing regulations. Such regulations must acknowledge the necessity of protecting consumers from AI-based misconduct and impose strict sanctions on violators. Law Number 8 of 1999 on Consumer Protection reflects the government's effort to ensure legal certainty for both consumers and service providers in relation to violations.

Consumers refer to individuals who use goods or services for personal, family, or household needs, rather than for production or resale. Consumer transactions involve the transfer of goods or services from providers to consumers for use or enjoyment. Consumer rights and obligations are clearly regulated in Articles 4 and 5 of the Consumer Protection Law, which define the position and bargaining power of consumers within business transaction mechanisms.

On the other hand, Article 7 of the Consumer Protection Law stipulates the obligations of business actors, including providing accurate, clear, and honest information regarding the condition and guarantees of goods and/or services, as well as explanations concerning their use, repair, and maintenance; and providing compensation, indemnification, and/or replacement if the goods and/or services received do not conform to the agreement.

Along with technological developments, the Consumer Protection Law is considered insufficient to address issues arising from digital transactions, particularly those mediated by AI. Therefore, amendments are necessary to prevent further consumer losses. Under Article 1 point 8 of Law Number 19 of 2016 concerning Amendments to Law Number 11 of 2008 on Electronic Information and Transactions (ITE Law), AI falls within the definition of an electronic agent. Consequently, developers or providers of AI systems are responsible for fulfilling all legal requirements and obligations. An electronic agent is defined as a device within an electronic system designed to automatically perform actions on specific electronic information under the operation of a person.

The regulation of electronic agents in electronic transactions is addressed in Article 21 of the ITE Law. Operators of electronic agents are essentially electronic system operators

under the ITE Law, as electronic agents constitute a form of electronic system administration. Therefore, electronic agent operators have the same rights and obligations as electronic system operators and are responsible for ensuring that systems are operated responsibly, securely, and effectively. As a result, electronic agent operators are legally responsible for any consequences arising from their actions.

Based on Government Regulation Number 71 of 2019 on the Implementation of Electronic Systems and Transactions, electronic agent (AI) operators are subject to specific obligations related to consumer protection, namely:

- a. Providing or disclosing specific information;
- b. Ensuring that AI systems possess certain features; and
- c. Establishing and implementing standard operating procedures based on principles of user data security control and electronic transaction integrity.

These obligations are directly related to consumer protection in the use of AI. Information disclosure enhances transparency in AI-related business practices, enabling consumers to identify potential errors or mismanagement. Functional requirements provide consumers with greater choice and control in commercial activities. Additionally, AI service providers are obligated to protect user data as part of their responsibility as electronic agents and are therefore subject to Law Number 27 of 2022 on Personal Data Protection (PDP Law).

Electronic agent operators may act as Data Controllers or Data Processors in the collection and processing of personal data. Data Controllers are responsible for determining processing purposes and ensuring compliance with data protection principles, while Data Processors must process data according to the instructions of the Controller. Liability rests with the Controller unless the Processor acts beyond authorized instructions or purposes.

Article 1 paragraph (4) of the PDP Law defines a Personal Data Controller as any individual, public body, or international organization acting independently or jointly in determining the purposes and control of personal data processing. In this context, AI chatbot service providers qualify as Personal Data Controllers and are responsible for determining processing objectives, methods, and data security. The risk of data breaches in AI chatbot systems is significant, as regulated under Article 46 of the PDP Law.

In general, consumer protection regulations applicable to electronic agent operators using AI also apply to other types of electronic agents. However, a more comprehensive legal framework governing AI usage is still required, as existing provisions primarily address transactional aspects of AI implementation.

The above analysis indicates that while AI has begun to be widely applied in Indonesia, its use in business activities presents challenges not fully addressed by the current Consumer Protection Law. AI-based offering systems combined with large-scale personal data collection create significant information asymmetries for consumers. First, consumers may not understand pricing and offering mechanisms. Second, they may be unaware that their personal preferences are being profiled through AI-based procedures. Moreover, Article 28 of the Consumer Protection Law adopts a reversed burden of proof, which weakens consumers' bargaining position, as business actors or developers possess superior knowledge of AI systems.

This situation highlights the need for responsive, accountable, and transparent oversight and reporting mechanisms, accompanied by notification obligations and traceability of cause-and-effect relationships in AI decision-making. Regulatory reform is therefore essential, not only to recognize AI as advanced technology, but also to clearly assign legal responsibility for the consequences of AI-generated decisions.

2.2 Obstacles in Legal Protection for Consumers Using Artificial Intelligence (AI)

If Artificial Intelligence (AI) is considered a product, manufacturers or developers may be held legally liable for damages suffered by consumers. In this case, AI products must meet adequate safety and quality standards. Article 19 of the Consumer Protection Law provides that companies are responsible for damages caused by the use of goods or services they produce or sell. In the AI context, if an AI product such as an autonomous vehicle or intelligent robot causes harm to consumers, developers or manufacturers may be held liable under this provision. Losses resulting from software errors, system failures, or product defects may serve as grounds for consumer claims, requiring producers to provide repairs, replacements, or compensation.

In addition to product liability, legal responsibility may also arise from negligence. If harm caused by AI results from errors in design, testing, or implementation, developers or users may be held accountable. This includes insufficient security measures before market release or failure to update AI systems, leading to technical issues.

The principle of negligence under Article 1365 of the Indonesian Civil Code stipulates that any unlawful act causing harm to another obliges the responsible party to compensate for the loss. In the AI field, if evidence shows that developers or users failed to ensure adequate system security or risk assessment, they may be held legally liable. For example, if an intelligent robot causes harm due to flawed decision-making algorithms and the developer failed to conduct proper testing, liability may arise from such negligence.

Overall, although Indonesia does not yet have specific legislation explicitly regulating AI liability, existing principles in consumer protection law, personal data protection law, and civil law can be applied to AI-related damages. Future regulations are likely to be developed to address more complex issues, such as liability in autonomous vehicle accidents or AI system failures in the public sector. In addition to developers and manufacturers, AI users may also bear responsibility if negligence occurs in operation or maintenance, depending on contractual arrangements and applicable regulations.

Currently, Indonesia lacks comprehensive legislation governing the development, deployment, and supervision of AI technology. Although several laws exist, such as consumer protection and personal data protection laws, significant legal gaps remain regarding AI complexity. Issues such as legal liability, AI ethics, and data protection in AI applications remain unclear, resulting in legal uncertainty for developers, users, and consumers.

Globally, AI development has prompted many countries to introduce regulations ensuring ethical and responsible use. For instance, the European Union has developed the EU Artificial Intelligence Act, which classifies AI risks and establishes security and transparency standards for developers.

Indonesia's national regulations must align with international trends and standards. Delays in regulatory development risk the importation of AI technologies that fail to meet expected safety or ethical standards, potentially undermining domestic technological competitiveness in the global market.

Finally, a major legal debate in AI law concerns whether AI should be regarded as a legal subject or merely as a technological tool. Currently, both nationally and internationally, AI is still considered a human-made tool without legal personality equivalent to that of individuals or legal entities.

3. CONCLUSION

Law Number 8 of 1999 on Consumer Protection in Indonesia has not yet adequately provided legal protection for consumers who use Artificial Intelligence (AI)-based technologies. The regulation does not specifically address the risks arising from the use of AI, such as automated decision-making that may disadvantage consumers and the lack of transparency in AI systems. In addition, the protection of consumers' personal data has not been fully guaranteed, as the provisions under the ITE Law remain limited and do not sufficiently accommodate the complexity of data processing within AI technologies. As a result, data security and privacy in the AI-driven digital ecosystem are not yet fully ensured.

The implementation of Artificial Intelligence (AI) technology presents significant challenges and obstacles due to legal gaps or unclear regulatory frameworks, difficulties in determining the parties responsible for consumer losses particularly with respect to data security and the limited understanding of consumers regarding how AI systems operate. Furthermore, the rapid pace of technological development is not aligned with regulatory updates. These challenges arise across various sectors, including private companies, government institutions, and educational organizations.

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