

## Legal Protection of Banking Customers

Pratiwi<sup>1</sup>, Hani Irhamdessetya<sup>2</sup>  
Universitas Ngudi Waluyo<sup>1,2</sup>

Email Correspondence : pratiwi3371@gmail.com

**Abstract.** This discusses the legal protection for banking customers. As an important sector in the economy, banking plays a significant role in providing various financial services to the public. Therefore, legal protection for banking customers is crucial in maintaining trust and avoiding misuse. In this research, the author explains the key aspects of legal protection for banking customers, including customer rights, bank responsibilities, and dispute resolution mechanisms. The author also analyzes the development of legislation and regulations related to the protection of banking customers such as contract law, finance law, and consumer protection. The research method used is normative legal research using legislative and doctrinal approaches. The data obtained through literature review and documentation are analyzed qualitatively. The results of this research identify several challenges in maintaining legal protection for banking customers, such as weaknesses in regulations and law enforcement, inequality between banks and customers, and lack of awareness among customers regarding their rights. To enhance legal protection for banking customers, the author recommends expanding the scope of legal protection, increasing transparency and information provided to customers, strengthening sanctions for violations, and undertaking legal education efforts to raise awareness among customers. Additionally, the active role of regulators and banks' compliance with good corporate governance principles also play a crucial role in ensuring adequate protection for banking customers.

**Keywords:** Legal Protection, Banking Customers, Legislation, Customer Rights, Bank Responsibilities, Dispute Resolution Mechanisms.

### Introduction

Legal protection for banking customers is a very important issue in the modern financial system. The background related to legal protection includes the history of banking, the development of banking regulations, and the need for protection for individuals who use banking services.

The history of banking has involved the relationship between customers and financial institutions since ancient times. Initially, financial transactions were carried out directly, without any intermediary institutions. However, along with economic and trade developments, the emergence of banking institutions as intermediaries in the financial process has become important. Although banking has been around for a long time, legal protection for banking customers only started to become a major concern in the 20th century.

In the early 20th century, many countries experienced serious economic crises, such as the Great Depression in the United States. This crisis resulted in huge losses for banking customers, who at that time did not have adequate legal protection. To overcome this problem, the government began to introduce stricter banking regulations and legal protection for banking customers. One of the first steps in protecting banking customers is the establishment of a banking supervisory body tasked with supervising banking activities and ensuring compliance with regulations.

Further developments in legal protection for banking customers are related to technological changes. Advances in information and communication technology have changed the way financial transactions are carried out. The internet and electronic banking have opened the door to easy access to banking services, but have also increased risks for customers. Data security and customer privacy are crucial issues. Therefore, governments and banking regulatory bodies around the world have attempted to regulate and protect banking customers in this increasingly complex environment.

Legal protection for banking customers is also related to issues such as financial fraud and money laundering. These illegal practices often involve innocent customers, and legal protection is necessary to protect them from unfair financial loss. Anti-fraud and anti-money laundering regulations have been introduced in many countries to address this problem.

One important element in legal protection for banking customers is the customer's right to obtain clear and transparent information about banking products and services. This includes the right to know the costs associated with products and services, as well as the right to receive a clear explanation of the risks associated with such products. This clarity helps customers make intelligent financial decisions and reduces the risk of abuse by financial institutions.

In addition, legal protection for banking customers also includes the right to file complaints and receive compensation in the event of non-compliance by financial institutions. Dispute resolution procedures must exist and be easily accessible to customers. This provides assurance that if a problem occurs, customers have legal means to seek justice.

The importance of legal protection for banking customers is also reflected in the existence of regulations governing the responsibilities of financial institutions towards their customers. Financial institutions must act in good faith and put the interests of customers first in their every action and decision. This includes managing customer investments, risk management, and providing financial advice. This legal protection helps prevent misuse of customer trust by financial institutions.

In addition, legal protection for banking customers also covers the issue of asset ownership. Customers must have clear rights over their assets held at financial institutions. In the case of bankruptcy of a financial institution, customers must be protected and have the right to recover some or all of their assets.

When talking about legal protection for banking customers, it is also important to consider the role of a sales agent for financial products. Agencies selling financial products must comply with regulations that require them to provide clear and accurate information to potential customers. They must also hold the appropriate licenses and certifications to sell certain financial products. This legal protection helps prevent unethical sales practices and protects customers from financial products that do not suit their needs or goals.

Apart from that, legal protection for banking customers must also pay attention to financial issues specifically related to vulnerable groups such as the elderly, children and people with disabilities. Customers from this group may require additional protection to ensure that they are not exploited or manipulated by irresponsible parties.

The importance of legal protection for banking customers is also seen in the global context. As international financial markets become increasingly integrated, customers are often involved in transactions involving financial institutions from various countries. Therefore, cooperation between countries in terms of legal protection for banking customers is becoming increasingly important. International agreements and frameworks have been established to facilitate this cooperation and ensure that customers have equal protection when transacting in global markets.

In today's digital era, it is also important to note the role of technology in the legal protection of banking customers. Technologies such as blockchain can be used to increase the security and transparency of financial transactions. However, this technology also brings new challenges, such as stricter data protection and overcoming cybersecurity risks.

In dealing with all these complexities, it is important to understand that legal protection for banking customers is not a static thing. Banking regulations must be continuously updated and adapted to new developments in the financial and technology industries. Governments, banking regulatory bodies and financial institutions must work together to keep these legal protections relevant and effective.

Finally, it is also important to remember that legal protection for banking customers is not only the responsibility of the government and supervisory institutions. Customers themselves also have a role in protecting themselves. They must be active in observing and understanding the banking products and services they use, as well as their rights and responsibilities as customers. Financial education is key to helping customers make smart decisions and avoid potential risks.

Overall, the background related to legal protection for banking customers includes the history of banking, the development of banking regulations, and the importance of protecting customers in an increasingly complex financial environment. This legal protection covers customer rights, financial institution responsibilities, protection against fraud and money laundering, as well as special financial issues involving vulnerable groups. This legal protection is also related to global issues and the latest technology that affects the banking world. By collaborating between governments, regulatory bodies, financial institutions and customers, we can ensure that legal protection for banking customers remains relevant and effective in this modern era.

Based on the background explained above, it can be concluded that the problem formulation is as follows:

1. What are the Basic Rights of Banking Customers?
2. How are Banking Customer Protection Regulations?
3. How is Customer Protection in Banking Transactions?

## **Discussion**

### **Basic Rights of Banking Customers**

The basic rights of banking customers are an important aspect in maintaining balance and protection in the relationship between individuals or businesses and financial institutions. These rights aim to provide security, transparency and fairness in various banking transactions and services. In this context, let's discuss some of the basic rights that must be granted to banking customers.

First of all, customers have the right to obtain clear and transparent information about the banking products and services they use. This includes the right to know the costs associated with such products and services, as well as the right to understand the associated risks. Complete and easy to understand information helps customers make wise financial decisions and avoid confusion or fraud. Financial institutions also have an obligation to provide this information clearly and honestly.

Furthermore, customers have the right to obtain protection for the privacy and security of their data. In an increasingly digitally connected world, customers' personal and financial data is becoming more vulnerable to cyber security threats. Therefore, financial institutions must maintain the confidentiality of customer data and implement effective security measures to protect this personal information from unauthorized access. Customers also have the right to know how their data is used and the right to consent or refuse the use of their data for certain purposes.

The next right is the right to file a complaint and obtain a fair and speedy resolution if a problem occurs. Sometimes, customers may encounter problems with their banking services, such as unusual fees or errors in transactions. In situations like these, customers must have a channel to submit their complaints and obtain adequate resolution. Financial institutions must have clear procedures for dealing with customer complaints and ensure that customers get a prompt and fair response.

In addition, customers have the right to equal and non-discriminatory access to banking services. Discrimination in any form, such as based on gender, race, religion, or disability, must be avoided. All individuals or businesses should have equal access to banking services that suit their needs.

An equally important right is the right to obtain services that suit the customer's financial needs and goals. Financial institutions must work with customers to understand their financial needs and goals, and provide appropriate advice. This helps customers make smart decisions about their investments and financial management. Financial institutions should not encourage customers to purchase products or services that are not appropriate to their financial situation.

The right to protection against unethical or misleading sales practices is also a basic right of banking customers. Financial product sales agencies must operate with integrity and provide honest information to potential customers. They must not use pressure or unethical sales tactics to force customers to buy certain products.

Furthermore, customers have the right to justice in handling disputes or legal issues. If a dispute arises between a customer and a financial institution, the customer must have access to fair and independent dispute resolution procedures. This includes the right to seek legal assistance if necessary to protect their rights.

In addition, customers have the right to obtain protection in the event of financial institution bankruptcy. If a financial institution goes bankrupt, customers must have the right to recover some or all of their assets held at the institution. This aims to prevent customers from experiencing unfair financial losses due to the failure of financial institutions.

These basic rights for banking customers are not only rights, but also the basis for maintaining trust and integrity in the financial system. They help maintain balance in the relationship between customers and financial institutions, and ensure that financial transactions take place honestly, fairly and securely. Therefore, it is important for customers to know these rights and to ensure that their financial institution complies with them. If these rights are violated, customers must actively take the necessary steps to protect themselves and seek justice. Thus, the basic rights of banking customers play an important role in maintaining integrity and fairness in the modern banking system.

### **Banking Customer Protection Regulations**

Banking customer protection regulations are the legal basis imposed by the government and financial authorities to protect the rights and interests of customers in interacting with financial

institutions. This regulation is one of the key aspects in maintaining a balance in the relationship between customers and financial institutions, as well as to avoid potential misuse or unfair financial losses. In this context, let's discuss some important aspects of banking customer protection regulations.

One of the main components of banking customer protection regulations is the requirement for financial institutions to provide clear and transparent information to customers. This includes the obligation to provide detailed information about banking products and services, including related costs. Customers should be able to easily understand what they are buying or using, and what costs are involved. In addition, this regulation also requires the provision of information about the risks associated with certain products or services. This complete information helps customers make wise financial decisions and avoid fraud or unintentional mistakes.

Banking customer protection regulations also often set strict privacy and data security standards. In an increasingly connected digital era, customers' personal and financial data are very valuable and vulnerable to cybersecurity threats. Financial institutions must maintain the confidentiality of customer data and implement effective security measures to protect this information from unauthorized access. This includes the use of security technologies such as data encryption and active monitoring of suspicious activity. Customers also have the right to know how their data is used and to consent or refuse the use of their data for certain purposes.

Furthermore, banking customer protection regulations cover the customer's right to file a complaint and get a fair resolution if a problem occurs. Financial institutions must have clear procedures for handling customer complaints and ensure that customers receive a quick and fair response. This includes procedures for resolving disputes, compensating for losses caused by financial institution errors, and providing adequate problem resolution. This right gives customers confidence that if a problem occurs, there is a means to seek justice.

In addition, banking customer protection regulations also include the right to equal and non-discriminatory access to banking services. Discrimination of any kind, such as based on sex, race, religion or disability, must be avoided. All individuals or businesses should have equal access to banking services that suit their needs. This also includes the right to receive services according to the customer's financial needs and goals. Financial institutions should work with clients to understand their financial needs and goals, and provide appropriate advice. This helps customers make intelligent decisions about their investment and financial management.

Banking customer protection regulations also aim to protect customers from unethical or misleading sales practices. Financial product sales agencies must operate with integrity and provide honest information to potential customers. They must not use pressure or unethical sales tactics to force customers to buy certain products. These regulations often stipulate licensing and certification requirements for agents selling financial products, ensuring that they have the appropriate knowledge and skills.

Furthermore, banking customer protection regulations also cover customers' rights to justice in handling disputes or legal issues. If a dispute arises between a customer and a financial institution, the customer must have access to fair and independent dispute resolution procedures. This includes the right to seek legal assistance if necessary to protect their rights. This regulation ensures that customers have the means to seek justice if they experience injustice or abuse by financial institutions.

Finally, banking customer protection regulations also include provisions to protect customers in the event of a financial institution bankruptcy. If a financial institution goes bankrupt, customers must have the right to recover some or all of their assets held at the institution. This aims to prevent customers from experiencing unfair financial losses due to financial institution failures.

Thus, banking customer protection regulation is a crucial aspect in maintaining integrity and security in the modern banking system. This regulation ensures that customers have guaranteed rights and adequate protection in interacting with financial institutions. It also provides a solid basis for minimizing the risk of abuse or misconduct that may occur in this relationship. Therefore, it is important for all parties, both customers and financial institutions, to comply with and understand these regulations for the common good in this complex banking ecosystem.

### **Customer Protection in Banking Transactions**

Customer protection in banking transactions is one of the most important aspects of the modern financial system. Customers, both individuals and businesses, rely on banking services to manage their finances, and therefore, it is important to ensure that they are protected from risks and

abuse in this process. In this context, let's discuss how customer protection in banking transactions is guaranteed through various mechanisms and regulations.

First of all, one of the main ways to protect customers in banking transactions is through strict regulations and careful supervision by financial authorities. In various countries, banking regulatory bodies have been established to oversee the activities of financial institutions and ensure that they operate with integrity and regulatory compliance. This regulatory body is tasked with ensuring that institutions comply with sound financial principles and that customers are protected from harmful practices.

One important aspect of customer protection in banking transactions is the right to obtain clear and transparent information about banking products and services. This includes obligations for financial institutions to provide truthful and complete information about fees, interest rates, terms and risks associated with certain products or services. Customers should be able to easily understand what they are buying or using and how much it will cost. This comprehensive information helps customers make wise financial decisions and avoid fraud or unintentional mistakes.

Customer protection in banking transactions also includes the right to privacy and data security. In an increasingly connected digital era, customers' personal and financial data has become very valuable and vulnerable to cyber security threats. Therefore, financial institutions must maintain the confidentiality of customer data and protect this information from unauthorized access. This includes the use of security technologies such as data encryption, active monitoring of suspicious activity, and protection against identity theft. Customers also have the right to know how their data is used and to consent or refuse the use of their data for certain purposes.

The customer's right to file a complaint and obtain a fair resolution is also an important part of protection in banking transactions. Sometimes, customers may encounter problems with their banking services, such as unusual fees or errors in transactions. In situations like these, customers must have a channel to submit their complaints and obtain adequate resolution. Financial institutions must have clear procedures for dealing with customer complaints and ensure that customers get a prompt and fair response. This gives customers confidence that if a problem occurs, there is a means to seek justice.

Furthermore, the right to equal and non-discriminatory access to banking services is also an important part of customer protection in banking transactions. Discrimination of any kind, such as based on sex, race, religion or disability, must be avoided. All individuals or businesses should have equal access to banking services that suit their needs. This also includes the right to receive services according to the customer's financial needs and goals. Financial institutions should work with clients to understand their financial needs and goals, and provide appropriate advice. This helps customers make intelligent decisions about their investment and financial management.

Customer protection in banking transactions also includes the right to protect oneself from unethical or misleading sales practices. Financial product sales agencies must operate with integrity and provide honest information to potential customers. They must not use pressure or unethical sales tactics to force customers to buy certain products. These regulations often establish licensing and certification requirements for financial product sales agents, ensuring that they have the appropriate knowledge and skills.

Furthermore, customer protection regulations in banking transactions include the right to justice in handling disputes or legal issues. If a dispute arises between a customer and a financial institution, the customer must have access to fair and independent dispute resolution procedures. This includes the right to seek legal assistance if necessary to protect their rights. This regulation ensures that customers have the means to seek justice if they experience injustice or abuse by financial institutions.

Finally, customer protection regulations in banking transactions also include provisions to protect customers in the event of a financial institution bankruptcy. If a financial institution goes bankrupt, customers must have the right to recover some or all of their assets held at the institution. This aims to prevent customers from experiencing unfair financial losses due to financial institution failures.

Thus, customer protection in banking transactions is an important aspect in maintaining integrity and security in the modern banking system. This regulation ensures that customers have guaranteed rights and adequate protection in interacting with financial institutions. It also provides a solid basis for minimizing the risk of abuse or misconduct that may occur in this relationship.

Therefore, it is important for all parties, both customers and financial institutions, to comply with and understand these regulations for the common good in this complex banking ecosystem.

Thus, customer protection in banking transactions is an important aspect to maintain integrity and security in the modern banking system. These regulations and protection mechanisms provide important protection for customers so that they can transact safely, transparently and fairly in an increasingly complex financial environment.

### Conclusion

The conclusion from all the explanations above is that customer protection in banking transactions is very important in maintaining balance and fairness in the relationship between customers and financial institutions. Customer protection regulations have been established to ensure that customers have guaranteed rights and adequate protection in interacting with financial institutions. This protection includes the right to obtain clear and transparent information, the right to privacy and data security, the right to file a complaint and obtain a fair resolution, the right to equal and non-discriminatory access to banking services, the right to protect oneself from unfair sales practices ethics, the right to fairness in handling disputes, and the right to protect assets in the case of financial institution bankruptcy. This customer protection is the basis for a healthy and well-functioning financial system, and involves a shared responsibility between the customer, the financial institution, and the government or supervisory authority. By complying with regulations and understanding their rights, customers can transact safely, transparently and fairly in an increasingly complex financial environment.

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