

Sharia Compliance Versus Consumer Protection: Legal Ambiguities of Fintech Paylater in Muslim Societies

Halili¹, Zulfahmi², Rudiadi³, Wildan Miftahussurur⁴

^{1,4} Institut KH Yazid Karimullah, Jember, Indonesia

^{2,3} Universitas Islam Negeri Sultan Syarif Kasim Riau, Indonesia

halili@stisnq.ac.id¹ zulfahmi91@uin-suska.ac.id², rudiadi.r@uin-suska.ac.id³,
wildanmiftahus@gmail.com⁴

Korespondensi: halili@stisnq.ac.id

Abstract. *The rapid expansion of financial technology has transformed consumer credit markets in Muslim societies, particularly through the proliferation of Buy Now Pay Later (paylater) services. While these digital deferred payment schemes are often promoted as flexible and Sharia-compliant alternatives to conventional credit, their legal positioning remains deeply contested. This article examines the legal ambiguities surrounding fintech paylater by analysing the tension between Sharia compliance and consumer protection within contemporary regulatory frameworks. Drawing on qualitative doctrinal and regulatory analysis, the study engages with Islamic legal discourse, consumer protection law, and fintech governance literature to explore how legal legitimacy is constructed and contested in digital financial markets. The findings demonstrate that Sharia compliance in fintech paylater is predominantly established through contractual formalism, focusing on permissible legal forms rather than substantive economic and behavioural outcomes. This approach, while facilitating regulatory acceptance, often fails to address consumer vulnerabilities arising from information asymmetry, over-indebtedness, and penalty-based revenue structures. Moreover, the study reveals that fragmented governance characterised by the institutional separation of financial regulators, consumer protection authorities, and Sharia governance bodies plays a central role in sustaining legal ambiguity. Compliance with religious norms does not necessarily translate into effective consumer protection, allowing fintech providers to navigate regulatory boundaries selectively. By foregrounding legal ambiguity and governance fragmentation, this article contributes to scholarly debates on Islamic fintech regulation and consumer law. It challenges the assumption that formal Sharia compliance inherently ensures ethical financial practices and argues for integrated regulatory approaches that reconcile religious legitimacy with substantive consumer protection. The study offers conceptual insights relevant to legal scholars, policymakers, and regulators grappling with the complexities of digital deferred payment systems in Muslim societies.*

Keywords: *Fintech regulation, Buy Now Pay Later (BNPL), Sharia compliance, consumer protection, legal ambiguity, Islamic finance*

Abstrak. Perkembangan pesat teknologi finansial telah mentransformasi pasar kredit konsumen di masyarakat Muslim, khususnya melalui proliferasi layanan Buy Now Pay Later (paylater). Meskipun skema pembayaran tertunda berbasis digital ini sering dipromosikan sebagai alternatif kredit konvensional yang fleksibel dan patuh syariah, posisi hukumnya masih diperdebatkan secara serius. Artikel ini mengkaji ambiguitas hukum seputar fintech paylater dengan menganalisis ketegangan antara kepatuhan syariah dan perlindungan konsumen dalam kerangka regulasi kontemporer. Melalui pendekatan kualitatif berupa analisis doktrinal dan regulatif, penelitian ini mengaitkan diskursus hukum Islam, hukum perlindungan konsumen, dan literatur tata kelola fintech untuk menelaah bagaimana legitimasi hukum dibangun dan dipersoalkan dalam pasar keuangan digital. Temuan penelitian menunjukkan bahwa kepatuhan syariah dalam fintech paylater umumnya dikonstruksi melalui formalisme kontraktual, dengan menitikberatkan pada bentuk hukum yang

*Corresponding author, halili@stisnq.ac.id

diperbolehkan alih-alih dampak ekonomi dan perilaku secara substantif. Pendekatan ini, meskipun memudahkan penerimaan regulatif, sering kali gagal merespons kerentanan konsumen yang muncul akibat asimetri informasi, risiko kelebihan utang, dan struktur pendapatan berbasis denda. Lebih lanjut, penelitian ini mengungkap bahwa tata kelola yang terfragmentasi yang ditandai oleh pemisahan institusional antara regulator keuangan, otoritas perlindungan konsumen, dan lembaga tata kelola Syariah memainkan peran sentral dalam mempertahankan ambiguitas hukum. Kepatuhan terhadap norma keagamaan tidak secara otomatis berujung pada perlindungan konsumen yang efektif, sehingga memungkinkan penyedia fintech melakukan kepatuhan selektif terhadap rezim regulasi yang berbeda. Dengan menempatkan ambiguitas hukum dan fragmentasi tata kelola sebagai fokus analisis, artikel ini berkontribusi pada perdebatan akademik mengenai regulasi fintech syariah dan hukum perlindungan konsumen. Artikel ini menantang asumsi bahwa kepatuhan syariah secara formal secara inheren menjamin praktik keuangan yang etis, serta menegaskan urgensi pendekatan regulatif terintegrasi yang mampu menjembatani legitimasi keagamaan dan perlindungan konsumen yang substantif. Temuan penelitian ini relevan bagi akademisi hukum, pembuat kebijakan, dan regulator yang bergulat dengan kompleksitas sistem pembayaran tertunda berbasis digital di masyarakat Muslim.

Kata Kunci: Regulasi fintech Buy Now Pay Later (BNPL), kepatuhan Syariah, perlindungan konsumen, ambiguitas hukum, keuangan Islam

INTRODUCTION

The rapid expansion of financial technology (fintech) has fundamentally reshaped contemporary financial landscapes, particularly in emerging economies and Muslim-majority societies. Digital financial services such as peer-to-peer lending, mobile payments, and deferred payment schemes have significantly increased financial inclusion while simultaneously generating complex legal and ethical challenges (Penzo, 2022). Among these innovations, Buy Now Pay Later (BNPL) services commonly referred to as paylater have gained remarkable traction due to their promise of instant access to goods and services without upfront payment (Kiran & Mishra, 2024). While such schemes are often promoted as consumer-friendly alternatives to conventional credit, their legal positioning within Islamic financial and regulatory frameworks remains deeply contested.

In Muslim societies, the proliferation of fintech paylater services raises a critical tension between Sharia compliance and consumer protection. On the one hand, Islamic legal discourse places strong emphasis on the prohibition of *riba* (usury), excessive uncertainty (*gharar*), and unjust enrichment, all of which are central considerations in the evaluation of deferred payment and credit-based transactions (El-Gamal, 2006; Kamali, 2017b). On the other hand, modern legal systems increasingly prioritise consumer protection principles such as transparency, fairness, risk disclosure, and prevention of over-indebtedness, especially within digital financial markets characterised by information asymmetry and algorithmic decision-making (Kelly-Louw & Damar-Blanken, 2025). Fintech paylater thus occupies an ambiguous legal space where compliance with Islamic commercial norms does not always translate into effective consumer protection, and vice versa.

Existing regulatory approaches to fintech in Muslim societies often rely on formalistic interpretations of Sharia compliance, focusing primarily on contractual structures and nominal classifications of transactions. In practice, paylater schemes are frequently framed as *murabaha*, *bay' bi al-taqsit* (instalment sales), or service-based contracts to avoid explicit interest-bearing elements (Todorof, 2020). However, critics argue that such formal compliance may obscure substantive

consumer risks, including hidden fees, punitive late-payment charges, behavioural manipulation through digital interfaces, and the normalisation of debt-driven consumption (Ahmed et al., 2019). This disconnect has generated increasing concern among legal scholars and regulators regarding whether Sharia-compliant labelling alone is sufficient to safeguard consumers in digitally mediated financial environments.

From a consumer protection perspective, fintech paylater services pose challenges that extend beyond traditional credit regulation. Digital onboarding processes, automated credit scoring, and seamless user interfaces may reduce consumers' capacity to fully assess financial obligations and long-term risks (Abidin, 2025). Empirical studies in consumer law highlight that deferred payment schemes can encourage impulsive spending, exacerbate household indebtedness, and disproportionately affect younger and financially vulnerable users (Cho & Park, 2021). In Muslim societies, these risks are compounded by the perception that Sharia-compliant products are inherently ethical and safe, potentially diminishing consumers' critical scrutiny of contractual terms and financial consequences.

Despite the growing relevance of this issue, scholarly literature on Islamic fintech has tended to address Sharia compliance and consumer protection as largely separate domains. Studies focusing on Islamic finance often prioritise doctrinal analysis of permissibility, contractual validity, and alignment with classical jurisprudence (Soni, 2023). Conversely, research within fintech regulation and consumer law typically examines digital credit through secular regulatory frameworks, with limited engagement with Islamic legal norms or the realities of Muslim consumer markets (Abdurrahman & Iska, 2024). As a result, there remains a notable gap in the literature concerning the legal ambiguities that arise at the intersection of Sharia compliance and consumer protection in fintech paylater services.

This article seeks to address this gap by critically examining how fintech paylater schemes are positioned within Islamic legal discourse and contemporary regulatory frameworks in Muslim societies. Rather than adopting a purely normative or theological approach, the study situates Sharia compliance within

broader debates on legal pluralism, regulatory governance, and consumer welfare. It interrogates whether current legal and regulatory practices adequately respond to the substantive risks faced by consumers, or whether they prioritise formal compliance at the expense of effective protection.

The concept of legal ambiguity is central to this analysis. Legal ambiguity in fintech paylater arises from overlapping normative orders Islamic law, state regulation, and market-driven technological practices that do not always align coherently. In many Muslim jurisdictions, fintech regulation is fragmented across financial authorities, religious advisory bodies, and consumer protection agencies, each operating with distinct mandates and evaluative criteria. This fragmentation can result in regulatory blind spots, inconsistent enforcement, and uncertainty for both providers and users (Ali, 2016). By foregrounding legal ambiguity, this study moves beyond binary assessments of permissibility or prohibition and instead explores the structural tensions embedded within existing legal frameworks.

Methodologically, the article employs a qualitative doctrinal and regulatory analysis, drawing on primary legal sources, regulatory instruments, policy documents, and selected case studies from Muslim-majority jurisdictions. The analysis is complemented by critical engagement with interdisciplinary literature on fintech governance and consumer law. This approach enables a nuanced examination of how fintech paylater is conceptualised, regulated, and experienced across different legal contexts, while remaining attentive to the normative concerns specific to Islamic commercial ethics.

The contribution of this study is threefold. First, it offers a conceptual clarification of the legal ambiguities surrounding fintech paylater in Muslim societies by systematically mapping the points of tension between Sharia compliance and consumer protection. Second, it challenges the assumption that formal Sharia compliance necessarily ensures ethical and consumer-friendly outcomes in digital finance. Third, it contributes to broader debates on the regulation of fintech by highlighting the need for integrated legal frameworks that reconcile religious norms with contemporary consumer protection standards.

In an era where digital finance increasingly shapes everyday economic behaviour, the stakes of this discussion are significant. Fintech paylater services are not merely technical financial products; they reflect evolving relationships between law, technology, religion, and consumption. By critically examining these dynamics, this article aims to advance scholarly discourse on Islamic economic law and fintech regulation, while offering insights relevant to policymakers, regulators, and legal practitioners navigating the complexities of digital finance in Muslim societies.

RESEARCH METHOD

Research method explains about: the approach, scope or object, operational definition in each variable/description of research focus, place, population and sample/informant, main source and tool, technique of data collection, and technique of data analysis (Font Palatino Linotype 12 pt Bold).

This study adopts a qualitative legal research design aimed at examining the legal ambiguities surrounding fintech paylater services in Muslim societies, particularly at the intersection of Sharia compliance and consumer protection. A qualitative approach is deemed appropriate given the normative, interpretative, and regulatory nature of the research problem, which cannot be adequately captured through quantitative measurement alone. Legal ambiguity in fintech contexts is best explored through doctrinal analysis and critical examination of regulatory frameworks, legal texts, and scholarly interpretations (McCrudden, 2010).

The research primarily employs a doctrinal legal method, complemented by regulatory and policy analysis. Doctrinal legal research focuses on the systematic analysis of legal norms, principles, and rules as articulated in statutes, regulations, judicial decisions, and authoritative legal opinions (Hutchinson, 2015). In this study, doctrinal analysis is used to assess how fintech paylater arrangements are classified and justified within Islamic commercial law discourse, as well as how they are addressed within existing consumer protection and financial regulatory regimes in Muslim-majority jurisdictions.

Data sources for this study consist of both primary and secondary legal materials. Primary sources include national laws and regulations on fintech, consumer protection statutes, financial authority guidelines, and official regulatory

documents issued by central banks or financial supervisory bodies in selected Muslim-majority countries (Abbas, 2017). Where applicable, policy statements and regulatory frameworks governing digital credit and deferred payment schemes are also examined. These materials provide insight into how states formally regulate fintech paylater services and the extent to which consumer protection considerations are embedded within such regulations.

In parallel, the study engages with Islamic legal sources and scholarly writings relevant to deferred payment, credit sales, and debt-based transactions. Rather than treating Islamic law as a monolithic system, the analysis draws on contemporary fiqh scholarship, fatwas, and academic interpretations that address modern financial practices. This allows for a critical assessment of how Sharia compliance is constructed and operationalised in fintech contexts, particularly in relation to contractual form, risk allocation, and ethical claims (Kamali, 2017a).

Secondary sources include peer-reviewed journal articles, academic monographs, and policy reports on Islamic finance, fintech regulation, and consumer protection law (Jegerson et al., 2025). Particular attention is given to interdisciplinary literature that explores behavioural aspects of digital credit, regulatory governance of fintech, and the socio-legal implications of consumer debt (Mittal & Singh, 2025). This body of literature provides the analytical lens necessary to situate Islamic fintech within broader global debates on financial regulation and consumer welfare.

The analytical framework of the study is grounded in normative and critical legal analysis. Normative analysis is employed to identify and interpret the legal principles governing Sharia compliance and consumer protection within their respective domains. Critical analysis is then used to interrogate the coherence, limitations, and unintended consequences of these principles when applied to fintech paylater services (Alshater et al., 2022). This dual approach enables the study to move beyond descriptive accounts and to critically assess whether existing legal frameworks adequately address the risks posed by digital deferred payment systems.

To enhance analytical depth, the study incorporates selected jurisdictional illustrations from Muslim-majority countries where fintech paylater services are prevalent. These jurisdictions are not treated as exhaustive case studies but as contextual examples that illuminate broader regulatory patterns and legal tensions (Abat Ninet, 2015). The selection is based on the visibility of fintech paylater in national markets and the availability of regulatory documentation. This comparative sensitivity allows the study to identify common challenges while avoiding overgeneralisation.

Data analysis follows a thematic legal analysis process. Legal materials and scholarly sources are examined to identify recurring themes such as contractual classification, disclosure obligations, debt enforcement mechanisms, and consumer vulnerability. These themes are then analysed in relation to the core research question concerning legal ambiguity between Sharia compliance and consumer protection. By organising the analysis thematically, the study ensures conceptual coherence and facilitates cross-jurisdictional comparison. To ensure rigour and credibility, the research applies triangulation across different types of legal sources and scholarly perspectives. The use of multiple sources helps mitigate interpretative bias and strengthens the validity of the findings. Furthermore, all sources are critically evaluated for relevance, authority, and contextual applicability, in line with established standards of qualitative legal research (Creswell, 2013).

While this study does not involve empirical data collection from human participants, it remains attentive to ethical considerations in legal scholarship, particularly the responsible interpretation of religious norms and regulatory practices. The methodological limitations of doctrinal research such as its reliance on available texts and its inability to capture lived consumer experiences directly are acknowledged. Nevertheless, the chosen methodology is well suited to achieving the study's objective of clarifying legal ambiguities and contributing to normative debates on fintech regulation in Muslim societies.

FINDINGS AND DISCUSSION

Contractual Formalism and the Construction of Sharia Compliance in Fintech Paylater

One of the most salient findings of this study concerns the central role of contractual formalism in the construction of Sharia compliance within fintech paylater services. In many Muslim societies, the legitimacy of fintech-based deferred payment schemes is predominantly assessed through the lens of contractual form rather than substantive economic effects. Fintech providers frequently structure paylater products using contracts that are formally recognised within Islamic commercial law, such as instalment sales (*bay' bi al-taqṣīt*), cost-plus financing, or service-based fee arrangements (Bhanurasmi & Fisnawati, 2024). Through this approach, compliance is established by aligning the outward structure of transactions with permissible contractual categories, even when the underlying economic function closely resembles consumer credit (Katterbauer et al., 2023).

This reliance on contractual form reflects a broader tendency within contemporary Islamic finance to prioritise juridical classification over economic substance. Sharia compliance assessments typically focus on the absence of explicitly prohibited elements such as interest clauses or uncertainty in contract wording. As long as the transaction avoids overt references to interest (*riba*) and maintains a formally valid sale or service structure, it is often deemed acceptable (Moqbel & Ahmed, 2020). In the context of fintech paylater, this has led to widespread acceptance of deferred payment arrangements that embed profit margins, late fees, or service charges, provided these elements are contractually framed as permissible mark-ups or administrative costs (Kamali, 2008).

However, the findings indicate that such formal compliance does not necessarily resolve deeper legal and ethical concerns. From a functional perspective, many paylater schemes operate as short-term consumer credit instruments, enabling users to defer payment while incurring additional financial obligations (Lahsasna, 2014). The economic reality of these transactions particularly the accumulation of fees and penalties in cases of delayed payment raises questions about whether formal contractual compliance sufficiently captures the risks imposed on consumers. Scholars of Islamic finance have long criticised this phenomenon as a form of form-over-substance reasoning, where legal

permissibility is secured through technical structuring rather than substantive justice (Dusuki, 2008; Haneef & Smolo, 2019).

The digital nature of fintech paylater further amplifies the limitations of contractual formalism. Unlike traditional financing arrangements, paylater transactions are embedded within digital platforms that prioritise speed, convenience, and minimal user friction. Contractual terms are often presented through standardised digital interfaces, lengthy terms and conditions, and automated consent mechanisms (Abidin, 2025). Although these contracts may be legally valid and Sharia-compliant in form, the manner in which they are communicated raises serious concerns regarding informed consent and transparency. Consumer law scholarship consistently demonstrates that digital contracting environments exacerbate information asymmetry and reduce consumers' capacity to meaningfully engage with contractual obligations (Howells et al., 2017).

In Muslim societies, the invocation of Sharia compliance can further complicate this dynamic. The findings suggest that the religious legitimacy associated with Sharia-compliant branding may generate a heightened level of consumer trust, potentially discouraging critical scrutiny of contractual details (Mohd Noor et al., 2019). Consumers may assume that a Sharia-compliant label inherently guarantees fairness and ethical soundness, even when the transaction exposes them to financial risks comparable to conventional credit products. This phenomenon underscores a key limitation of contractual formalism: while it may satisfy doctrinal requirements, it does not necessarily ensure substantive consumer protection (Kiran & Mishra, 2024; Soni, 2023).

Another significant aspect of contractual formalism lies in the treatment of fees and penalties within fintech paylater arrangements. Many providers justify late payment charges or service fees by framing them as compensation for administrative costs or as deterrents against default, rather than as interest (Kane, 2002). From a formal legal perspective, this distinction allows such charges to be accommodated within permissible contractual frameworks. Nevertheless, consumer protection analysis reveals that these fees can accumulate rapidly,

disproportionately affecting financially vulnerable users and reinforcing patterns of debt dependency (Latham, 1996).

The findings also highlight a lack of consistency in how Sharia compliance is evaluated across jurisdictions and institutions. In some contexts, religious advisory bodies play a central role in certifying fintech products, while in others, compliance assessments are conducted internally by providers or outsourced to private consultants (Abat Ninet, 2015; Ahmad, 2003). This variability contributes to fragmented standards of compliance and reinforces the dominance of contractual formalism as a convenient, easily verifiable benchmark. The absence of harmonised criteria for assessing the consumer impact of Sharia-compliant fintech products further entrenches legal ambiguity and regulatory uncertainty (Auda, 2008; Fauzi, 2020).

Importantly, contractual formalism is not inherently incompatible with Islamic legal reasoning. Classical Islamic jurisprudence has long emphasised the importance of contractual clarity and mutual consent (Gul et al., 2025). However, the findings suggest that contemporary applications of contractual reasoning in fintech contexts often neglect broader considerations of fairness, proportionality, and harm prevention. When contractual validity becomes the sole measure of legitimacy, the law risks becoming disconnected from the lived realities of consumers operating within highly mediated digital environments.

This analysis shows that Sharia compliance in fintech paylater is largely constructed through contractual formalism driven by legal certainty and market acceptability. While this approach enables rapid legitimisation and regulatory approval, it simultaneously obscures substantive concerns regarding consumer welfare, debt sustainability, and ethical responsibility. As a result, formal Sharia compliance may coexist with practices that undermine the principles of fairness and justice underlying Islamic commercial law. Contractual formalism thus functions as both an enabling and limiting force, facilitating the integration of Islamic legal norms into digital finance while contributing to legal ambiguity by masking the consumer impacts of deferred payment schemes, thereby setting the stage for further examination of consumer vulnerability and regulatory gaps.

Consumer Vulnerability in Digital Deferred Payment Systems: Regulatory Gaps and Legal Risks

The next major finding of this study concerns the heightened consumer vulnerability embedded within fintech paylater systems, particularly when such services operate in regulatory environments that prioritise market innovation over consumer safeguards. While fintech paylater products are frequently marketed as flexible, interest-free, and consumer-friendly, empirical and regulatory evidence suggests that these systems expose users to a range of legal and financial risks that are insufficiently addressed by existing legal frameworks (Abdur Rehman et al., 2019; Soni, 2023).

Consumer vulnerability in fintech paylater arises from a convergence of structural, behavioural, and regulatory factors. Structurally, paylater services are designed to minimise friction at the point of transaction (Kyrōi et al., 2024). Seamless integration with e-commerce platforms, simplified credit approval processes, and deferred payment schedules reduce the psychological barriers traditionally associated with borrowing. Behavioural studies in consumer law demonstrate that such design features significantly increase impulsive purchasing and weaken consumers' ability to accurately assess future repayment obligations (Abidin, 2025; Ali, 2016). In Muslim societies, this risk is further intensified by the perception that Sharia-compliant financial products are inherently ethical and low-risk, potentially lowering consumer vigilance.

From a legal standpoint, one of the most significant regulatory gaps concerns information asymmetry. Although fintech paylater providers typically disclose contractual terms, these disclosures are often embedded within lengthy digital agreements that users rarely read or fully understand (Cintya & Nisa, 2024; Ulya, 2025). Consumer protection law has long recognised that formal disclosure alone does not guarantee informed consent, particularly in digital environments characterised by cognitive overload and time pressure (Howells & Weatherill, 2017). The findings of this study indicate that current regulatory requirements in

many Muslim-majority jurisdictions focus on the existence of disclosure rather than its accessibility, clarity, or behavioural impact.

Another dimension of consumer vulnerability relates to over-indebtedness. Unlike traditional credit products, fintech paylater services often allow consumers to engage in multiple concurrent deferred payment arrangements across different platforms. This fragmentation of debt makes it difficult for both consumers and regulators to monitor aggregate financial exposure (Del Sarto & Ozili, 2025). Studies on digital credit markets show that such fragmentation increases the risk of debt accumulation, particularly among younger consumers and those with limited financial literacy (Ediagbonya & Tioluwani, 2022). In the absence of robust credit reporting and affordability assessments, fintech paylater systems may contribute to systemic consumer harm despite their formal compliance with contractual and religious norms.

Late payment penalties and service fees represent another critical area of legal risk. While these charges are often framed as administrative costs rather than interest, their cumulative effect can be substantial. Consumer law scholarship highlights that penalty-based revenue models disproportionately affect vulnerable users, transforming short-term liquidity solutions into long-term debt traps (Anisa et al., 2024; Charron-Chénier, 2020). In Muslim societies, regulatory ambiguity surrounding the permissibility and regulation of such fees further complicates enforcement and consumer redress mechanisms.

The regulatory treatment of fintech paylater across Muslim societies reveals a pattern of fragmented governance. Financial regulators, consumer protection agencies, and religious advisory bodies often operate in parallel rather than in coordination (Bhanurasmi & Fisnawati, 2024). Financial authorities may classify paylater services as non-bank financial products, subjecting them to lighter regulatory requirements (Gamliel & Herstein, 2011; Howells & Weatherill, 2017). Consumer protection agencies, meanwhile, may lack the technical expertise or jurisdictional authority to effectively oversee digital credit platforms. Religious bodies typically assess Sharia compliance at the level of contractual form, with limited engagement in consumer impact analysis. This fragmentation creates

regulatory blind spots that allow consumer vulnerabilities to persist (Arner et al., 2017).

To illustrate these dynamics, Table 1 summarises key consumer risk dimensions associated with fintech paylater services and the corresponding regulatory responses commonly observed in Muslim-majority jurisdictions.

Table 1. Consumer Risk Dimensions and Regulatory Responses in Fintech Paylater Services

Consumer Risk Dimension	Key Characteristics in Fintech Paylater	Typical Regulatory Response	Identified Legal Gap
Information asymmetry	Digital contracts, complex fee structures, automated consent	Mandatory disclosure requirements	Lack of readability and behavioural testing
Over-indebtedness	Multiple concurrent paylater accounts, weak affordability checks	Limited credit assessment obligations	Absence of aggregate debt monitoring
Late payment penalties	Administrative fees and penalty charges	General consumer law provisions	Ambiguity in classification and enforcement
Behavioural manipulation	Seamless UX, nudging towards deferred payment	Minimal regulation of interface design	No regulation of choice architecture
Consumer redress	Platform-based complaint mechanisms	General dispute resolution frameworks	Weak enforcement and limited access

The data in Table 1 highlight a consistent pattern: while regulatory frameworks often acknowledge consumer risks in principle, they fail to address the specific modalities through which fintech paylater systems generate vulnerability. The emphasis on formal compliance—whether contractual, regulatory, or religious results in a regulatory approach that is reactive rather than preventative (Saidah et al., 2025; Ulya, 2025). This gap is particularly problematic in Muslim societies, where the moral authority associated with Sharia-compliant products may

discourage regulators from subjecting fintech paylater services to stricter consumer protection scrutiny.

Furthermore, the findings suggest that existing consumer protection frameworks are often ill-equipped to deal with algorithmic decision-making in fintech paylater systems. Automated credit scoring and risk assessment tools operate with limited transparency, making it difficult for consumers to challenge adverse decisions or discriminatory outcomes. Legal scholarship on fintech governance emphasises that algorithmic opacity poses serious challenges to accountability and fairness, especially in jurisdictions where regulatory capacity is still developing (Deb, 2025).

Importantly, consumer vulnerability in fintech paylater should not be viewed as an unintended by-product of technological innovation alone, but as the outcome of structural choices within legal and regulatory frameworks that prioritise market expansion and financial inclusion over robust consumer safeguards. In Muslim societies, such prioritisation is frequently legitimised through narratives of ethical finance and Sharia compliance, which may obscure the need for stronger consumer protection. This section shows that legal ambiguity persists not due to regulatory absence, but because of the misalignment between the operational realities of digital deferred payment systems and the assumptions underlying existing consumer protection frameworks. These findings underscore the necessity of an integrated regulatory approach that places consumer vulnerability at the centre of fintech governance, thereby providing a foundation for the subsequent analysis of fragmented governance and the reconciliation of Sharia compliance with effective consumer protection.

Fragmented Governance and Legal Ambiguity: Reconciling Religious Norms and Consumer Protection Frameworks

The third major finding of this study highlights fragmented governance as a central driver of legal ambiguity in the regulation of fintech paylater services in Muslim societies. Rather than arising from the absence of legal norms, ambiguity emerges from the coexistence of multiple regulatory and normative regimes that

operate in parallel without sufficient coordination (Roughan, 2013). These regimes typically include financial regulation, consumer protection law, and Sharia governance mechanisms, each of which addresses fintech paylater from distinct and often incompatible perspectives (McIntyre, 2018).

In many Muslim-majority jurisdictions, fintech paylater services fall within regulatory grey zones. Financial regulators may categorise paylater providers as non-bank financial institutions or digital service intermediaries, subjecting them to lighter prudential oversight than traditional lenders (Zumbansen, 2012). Consumer protection authorities, meanwhile, often apply general consumer law frameworks that were not designed to address the specific risks associated with digital deferred payment systems (Soni, 2023; Kyriaki et al., 2024). At the same time, Sharia governance bodies tend to focus on the permissibility of contractual structures, with limited engagement in broader regulatory or consumer protection considerations. This compartmentalisation of authority creates a fragmented governance environment in which no single institution assumes comprehensive responsibility for consumer welfare (Oseni, 2017).

The findings suggest that such fragmentation allows fintech paylater services to strategically navigate regulatory boundaries. Providers can demonstrate Sharia compliance through contractual certification while operating within regulatory categories that impose minimal consumer protection obligations (Fayyad, 2014). This dual positioning enables market expansion but also entrenches legal ambiguity, as compliance with one normative framework does not guarantee adherence to others. Legal pluralism theory provides a useful lens for understanding this phenomenon, as it emphasises how overlapping legal orders can generate uncertainty and selective compliance in complex regulatory environments (Berman, 2009; Swenson, 2018).

A key manifestation of fragmented governance lies in the disconnect between religious norms and consumer protection objectives. Sharia governance mechanisms typically assess compliance at the product design stage, focusing on contractual validity and the avoidance of prohibited elements (Farook & Farooq,

2013; Mohd Zain et al., 2024). Once certification is obtained, ongoing monitoring of consumer outcomes is rare. Consumer protection frameworks, by contrast, are concerned with issues such as transparency, fairness, and access to redress, but they may lack the authority or expertise to challenge products that are religiously endorsed (Howells & Weatherill, 2017). This institutional separation reinforces the assumption that Sharia-compliant products are inherently ethical, thereby reducing regulatory scrutiny of their real-world impacts.

Another significant finding concerns the absence of integrated regulatory standards for fintech paylater. While some jurisdictions have introduced fintech-specific regulations, these frameworks often prioritise innovation, financial inclusion, and market competitiveness (Buckley et al., 2023). Consumer protection measures are frequently incorporated as secondary considerations, framed as disclosure obligations rather than substantive safeguards. Comparative studies in fintech governance demonstrate that such innovation-oriented regulation can inadvertently amplify consumer risks when not accompanied by robust oversight mechanisms (Fayyad, 2014; Oseni, 2017).

The digital and cross-border nature of fintech paylater further complicates governance. Many paylater platforms operate across multiple jurisdictions, leveraging regulatory arbitrage to minimise compliance costs (Ivanova, 2019). In Muslim societies, this transnational dimension intersects with domestic Sharia governance structures that lack jurisdiction beyond national boundaries (Bassens et al., 2011). As a result, enforcement becomes fragmented not only institutionally but also geographically. Consumers may face significant barriers when seeking redress against platforms headquartered in different legal systems, particularly where dispute resolution mechanisms are weak or inaccessible (Yilmaz & Sokolova-Shipoli, 2024).

Importantly, the findings indicate that legal ambiguity is not merely a technical problem but a structural feature of current regulatory arrangements. Fragmented governance reflects broader tensions between market liberalisation, religious legitimacy, and social protection (HalimatusA'Diyah, 2015). In many Muslim

societies, policymakers are reluctant to impose stringent regulations on Sharia-compliant fintech products for fear of stifling innovation or undermining religiously endorsed financial inclusion initiatives (Al-Shuqairat et al., 2025). This reluctance, however, risks prioritising symbolic compliance over substantive justice.

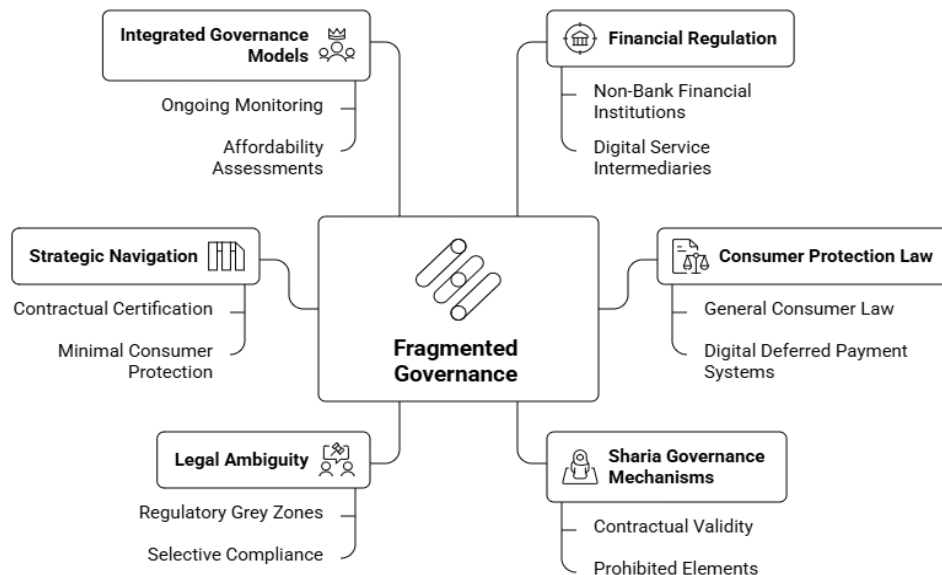
The analysis also reveals a lack of meaningful dialogue between regulatory actors. Financial regulators, consumer protection agencies, and Sharia advisory bodies often operate with limited institutional interaction, resulting in siloed decision-making (Auda, 2008). Interdisciplinary scholarship on regulatory governance emphasises that effective regulation of complex financial systems requires coordination across domains, shared data infrastructures, and harmonised standards (Yeung & Bygrave, 2022). The absence of such coordination in fintech paylater regulation contributes directly to legal uncertainty and uneven consumer protection outcomes.

Reconciling religious norms with consumer protection frameworks does not require subordinating one to the other. Rather, the findings suggest the need for integrated governance models that recognise Sharia compliance and consumer protection as complementary objectives. Such models would move beyond formal certification and incorporate ongoing monitoring of consumer outcomes, affordability assessments, and behavioural impacts. From a legal perspective, this requires rethinking the role of Sharia governance bodies as part of a broader regulatory ecosystem rather than as isolated certifying authorities.

Furthermore, regulatory frameworks must account for the behavioural dimensions of fintech paylater usage. Traditional consumer protection tools, such as disclosure requirements, are insufficient in digital environments characterised by automated decision-making and behavioural nudging (Kyrögi et al., 2024). Scholars of consumer law increasingly advocate for proactive regulatory interventions, including limits on penalty charges, restrictions on interface design that encourages excessive borrowing, and enhanced affordability checks (Fayyad, 2014; Howells & Weatherill, 2017). Integrating these measures within fintech

regulation in Muslim societies would help align religious norms with substantive consumer protection goals.

This section’s findings underscore that legal ambiguity in fintech paylater regulation is not an inevitable consequence of technological innovation or legal pluralism. Rather, it reflects governance choices that prioritise fragmentation over integration. Addressing these ambiguities requires a shift from siloed regulatory approaches towards coordinated frameworks that bridge financial regulation, consumer law, and Sharia governance. Without such integration, fintech paylater services are likely to continue operating in legal grey areas, exposing consumers to risks that are inadequately addressed by existing legal regimes.



In conclusion, fragmented governance plays a decisive role in shaping the legal ambiguities surrounding fintech paylater in Muslim societies. By examining the institutional and normative disconnects between Sharia compliance and consumer protection, this section demonstrates that current regulatory frameworks fall short of addressing the complexities of digital deferred payment systems. The findings point towards the necessity of integrated, outcome-oriented governance models capable of reconciling religious legitimacy with effective consumer protection in an increasingly digital financial landscape.

CONCLUSION

In conclusion, fragmented governance plays a decisive role in shaping the legal ambiguities surrounding fintech paylater in Muslim societies. By examining the institutional and normative disconnects between Sharia compliance and consumer protection, this section demonstrates that current regulatory frameworks fall short of addressing the complexities of digital deferred payment systems. The findings point towards the necessity of integrated, outcome-oriented governance models capable of reconciling religious legitimacy with effective consumer protection in an increasingly digital financial landscape.

DAFTAR PUSTAKA

- Abat Ninet, A. (2015). Modernity, Rationality and Constitutional Law in Muslim-Majority Countries. *Copenhagen: Danish Institute for Human Rights*, 1–26.
- Abbas, D. S. (2017). *Mediasi: Dalam Hukum Syariah, Hukum Adat, Dan Hukum Nasional*. Prenada Media.
- Abdur Rehman, M., Osman, I., Aziz, K., Koh, H., & Awais, M. (2019). Get Connected with Your Takaful Representatives: Revisiting Customer Loyalty Through Relationship Marketing and Service Quality. *Journal of Islamic Marketing*, 11(5), 1175–1200. <https://doi.org/10.1108/JIMA-06-2019-0122>
- Abdurrahman, A., & Iska, S. (2024). PERAN HUKUM EKONOMI SYARIAH DALAM PENGEMBANGAN INVESTASI DIGITAL. *Jurnal Bina Bangsa Ekonomika*, 17(1), 849–858.
- Abidin, M. I. (2025). Legal analysis of Buy Now Pay Later (BNPL) services and the urgency of consumer protection in Indonesia's digital financial sector. *Brazilian Journal of Development*, 11(6), e80334–e80334. <https://doi.org/10.34117/bjdv11n6-035>
- Ahmad, F. (2003). Understanding the Islamic Law of Divorce. *Journal of the Indian Law Institute*, 45(3/4), 484–508.
- Ahmed, N., Rasheed, K., & Talha, M. (2019). *Islamic Banking Perspective on Shariah Compliant FinTech (Financial Technology) Model* (SSRN Scholarly Paper No. 3563030). Social Science Research Network. <https://papers.ssrn.com/abstract=3563030>
- Ali, S. S. (2016). *Modern challenges to Islamic law*. Cambridge University Press.
- Alshater, M. M., Saba, I., Supriani, I., & Rabbani, M. R. (2022). Fintech in islamic finance literature: A review. *Heliyon*, 8(9). <https://doi.org/10.1016/j.heliyon.2022.e10385>
- Al-Shuqairat, H. R., Al-Maani, A.-A. R. M., & Aldajah, M. N. (2025). Islamic Historiography and Modernity: A Systematic Literature Review on the Evolution of Muslim Societies in the Postcolonial Era. *Journal of Islamic Thought and Civilization*, 15(1), 240–260. <https://doi.org/10.32350/jitc.151.14>
- Anisa, P. M. M., Tamam, B., & Alrawasdeh, Z. (2024). Protecting the Vulnerable: Child Custody Adjudication in Domestic Violence Cases in Banyuwangi Religious

- Court. *Indonesian Journal of Islamic Law*, 7(2), Article 2. <https://doi.org/10.35719/ek3d7b04>
- Arner, D. W., Barberis, J., & Buckley, R. P. (2017). *FinTech and RegTech in a Nutshell, and the Future in a Sandbox*. CFA Institute Research Foundation.
- Auda, J. (2008). *Maqasid Al-Shariah as Philosophy of Islamic Law: A Systems Approach*. International Institute of Islamic Thought (IIIT).
- Bassens, D., Derudder, B., & Witlox, F. (2011). Setting Shari'a standards: On the role, power and spatialities of interlocking Shari'a boards in Islamic financial services. *Geoforum*, 42(1), 94–103. <https://doi.org/10.1016/j.geoforum.2010.10.004>
- Berman, P. S. (2009). The New Legal Pluralism. *Annual Review of Law and Social Science*, 5(Volume 5, 2009), 225–242. <https://doi.org/10.1146/annurev.lawsocsci.093008.131539>
- Bhanurasmi, B., & Fisnawati, G. (2024). Islamic Law Analysis of PayLater Contracts in Online Marketplace Applications. *SYARIAT: Akhwal Syaksyah, Jinayah, Siyasah and Muamalah*, 1(3), 132–139. <https://doi.org/10.35335/qs105330>
- Buckley, R. P., Arner, D. W., & Zetzsche, D. A. (2023). *FinTech: Finance, Technology and Regulation*. Cambridge University Press.
- Charron-Chénier, R. (2020). Predatory Inclusion in Consumer Credit: Explaining Black and White Disparities in Payday Loan Use. *Sociological Forum*, 35(2), 370–392. <https://doi.org/10.1111/socf.12586>
- Cho, M., & Park, S. (2021). *Financial Consumer Protection in the Era of Digital Transformation: A Critical Survey of Literature and Policy Practices* (SSRN Scholarly Paper No. 3914573). Social Science Research Network. <https://doi.org/10.2139/ssrn.3914573>
- Cintya, P., & Nisa, F. L. (2024). Pandangan Proses Transaksi PayLater Terhadap Perilaku Konsumtif Dalam Prespektif Ekonomi Syariah. *JURNAL ILMIAH EKONOMI, MANAJEMEN, BISNIS DAN AKUNTANSI*, 1(2), 152–162. <https://doi.org/10.61722/jemba.v1i2.115>
- Creswell, J. W. (2013). *Qualitative inquiry and research design: Choosing among five approaches* (third edition). SAGE.
- Deb, A. (2025). Challenges and Opportunities in Fintech Regulation. In *Examining Global Regulations During the Rise of Fintech* (pp. 187–220). IGI Global Scientific Publishing. <https://doi.org/10.4018/979-8-3693-3803-2.ch008>
- Del Sarto, N., & Ozili, P. K. (2025). FinTech and financial inclusion in emerging markets: A bibliometric analysis and future research agenda. *International Journal of Emerging Markets*, 20(13), 270–290. <https://doi.org/10.1108/IJOEM-08-2024-1428>
- Ediagbonya, V., & Tioluwani, C. (2022). The role of fintech in driving financial inclusion in developing and emerging markets: Issues, challenges and prospects. *Technological Sustainability*, 2(1), 100–119. <https://doi.org/10.1108/TECHS-10-2021-0017>
- El-Gamal, M. A. (2006). *Islamic Finance: Law, Economics, and Practice*. Cambridge University Press.
- Farook, S., & Farooq, M. O. (2013). *Shariah Governance, Expertise and Profession: Educational Challenges in Islamic Finance* (SSRN Scholarly Paper No.

- 1813483). Social Science Research Network. <https://doi.org/10.2139/ssrn.1813483>
- Fauzi, M. N. (2020). Menimbang Urgensitas Maqasid al-Shariah dan Aplikasinya di Era Kontemporer. *Ulumuna: Jurnal Studi Keislaman*, 6(2), 154–182.
- Fayyad, M. (2014). *Measures of the Principle of Good Faith in European Consumer Protection and Islamic Law, a Comparative Analysis*. <https://doi.org/10.1163/15730255-12341283>
- Gamliel, E., & Herstein, R. (2011). To save or to lose: Does framing price promotion affect consumers' purchase intentions? *Journal of Consumer Marketing*, 28(2), 152–158.
- Gul, S., Ahmad, R., & Khan, F. S. (2025). Beyond Force Majeure: Rethinking Contractual Risk through the Lens of Shariah and Common Law Doctrines. *Research Journal of Psychology*, 3(2), 443–454. <https://doi.org/10.59075/rjs.v3i2.144>
- HalimatusA'Diyah, I. (2015). Zakat and social protection: The relationship between socio-religious CSOs and the government in Indonesia. *Journal of Civil Society*, 11(1), 79–99.
- Howells, G., & Weatherill, S. (2017). *Consumer Protection Law* (2nd edn). Routledge. <https://doi.org/10.4324/9781315259512>
- Ivanova, P. (2019). Cross-border regulation and fintech: Are transnational cooperation agreements the right way to go? *Uniform Law Review*, 24(2), 367–395. <https://doi.org/10.1093/ulr/unz021>
- Jegerson, D., Mertzanis, C., & Khan, M. (2025). Emerging trends in Fintech and Islamic finance: A comprehensive review. *Journal of Islamic Marketing*, 1–31. <https://doi.org/10.1108/JIMA-07-2023-0218>
- Kamali, M. H. (2017a). *In Focus Maqasid Al-Shari'ah and Ijtihād as Instruments of Civilisational Renewal: A Methodological Perspective*. nd.
- Kamali, M. H. (2017b). *Shariah Law: Questions and Answers*. Simon and Schuster. https://books.google.com/books?hl=id&lr=&id=Yh69DwAAQBAJ&oi=fnd&pg=PT6&dq=Mohammad+Hashim+Kamali,+%E2%80%9CThe+Scope+and+Limits+of+Legal+Reasoning+in+the+Islamic+Tradition,&ots=pvLS-VN3UV&sig=ABDKn-bWy_HCE0RnPWK4vsiCyok
- Kane, E. J. (2002). Using Deferred Compensation to Strengthen the Ethics of Financial Regulation. *Journal of Banking & Finance*, 26(9), 1919–1933. [https://doi.org/10.1016/S0378-4266\(02\)00198-X](https://doi.org/10.1016/S0378-4266(02)00198-X)
- Katterbauer, K., Syed, H., Genc, S. Y., & Cleenewerck, L. (2023). Ai Driven Islamic Buy Now Pay Later (bnpl) – a Legal Analysis. *Journal of Management and Islamic Finance*, 3(1), 1–19. <https://doi.org/10.22515/jmif.v3i1.6671>
- Kelly-Louw, M., & Damar-Blanken, D. (2025). *Financial Inclusion Law and Over-Indebtedness*. Taylor & Francis.
- Kiran, D., & Mishra, A. K. (2024). Analyzing the Buy Now Pay Later (BNPL) Industry: A SWOT Analysis for Strategic Insights. In *Sustainability in Digital Transformation Era: Driving Innovative & Growth*. CRC Press.
- Laahasna, A. (2014). *Shari'ah Non-compliance Risk Management and Legal Documentations in Islamic Finance*. John Wiley & Sons.

- Latham, S. R. (1996). Regulation of Managed Care Incentive Payments to Physicians. *American Journal of Law & Medicine*, 22(4), 399–432. <https://doi.org/10.1017/S0098858800011904>
- McCrudden, C. (2010). Legal Research and the Social Sciences. In *Legal Theory and the Social Sciences*. Routledge.
- McIntyre, O. (2018). Transnational environmental regulation and the normativisation of global environmental governance standards: The promise of order from chaos? *Journal of Property Planning, and Environmental Law*, 10(2), 92–112. <https://doi.org/10.1108/JPPPEL-01-2018-0003>
- Mittal, P., & Singh, R. I. (2025). Changing Landscape of Financial Inclusion Through FinTech: A Systematic Literature Review. *Paradigm*, 29(1), 27–43. <https://doi.org/10.1177/09718907241286957>
- Mohd Noor, N. S., Mohd. Shafiai, M. H., & Ismail, A. G. (2019). The Derivation of Shariah Risk in Islamic Finance: A Theoretical Approach. *Journal of Islamic Accounting and Business Research*, 10(5), 663–678. <https://doi.org/10.1108/JIABR-08-2017-0112>
- Mohd Zain, F. A., Muhamad, S. F., Abdullah, H., Sheikh Ahmad Tajuddin, S. A. F., & Wan Abdullah, W. A. (2024). Integrating environmental, social and governance (ESG) principles with Maqasid al-Shariah: A blueprint for sustainable takaful operations. *International Journal of Islamic and Middle Eastern Finance and Management*, 17(3), 461–484. <https://doi.org/10.1108/IMEFM-11-2023-0422>
- Moqbel, T., & Ahmed, H. (2020). *Flexibility and Shari'ah Compliance of Islamic Financial Contracts: An Evaluative Framework*. <https://doi.org/10.1163/15730255-BJA10052>
- Oseni, U. A. (2017). Fatwā shopping and trust: Towards effective consumer protection regulations in Islamic finance. *Society and Business Review*, 12(3), 340–355. <https://doi.org/10.1108/SBR-03-2017-0016>
- Penzo, E. (2022). *Buy Now, Pay Later: International Market Analysis of the Service Providers*. <https://www.politesi.polimi.it/handle/10589/201374>
- Roughan, N. (2013). *Authorities: Conflicts, Cooperation, and Transnational Legal Theory*. OUP Oxford.
- Saidah, N. S., RihhadatulAisya, R., & Muhibban. (2025). Analisis Fiqih Muamalah Terhadap Penerapan Sistem Pembayaran Cicilan (PayLater) Pada Marketplace Shopee. *Jurnal Kajian Islam Dan Sosial Keagamaan*, 2(3), 410–421.
- Soni, S. (2023). Regulating Buy Now, Pay Later: Consumer Financial Protection in the Era of Fintech. *Columbia Law Review*, 123(7), 2035–2076.
- Swenson, G. (2018). Legal Pluralism in Theory and Practice. *International Studies Review*, 20(3), 438–462. <https://doi.org/10.1093/isr/vix060>
- Todorof, M. B. (2020). *Viability of Derivatives in Radical Islam. A Comparative Assessment of the Technical and Shariah-Compliant Characteristics of the Main Islamic Financial Instruments: Contracts & Defaults in the Prospect of Revivalism*. <https://hdl.handle.net/2445/150960>
- Ulya, H. D. (2025). *Praktik Denda keterlambatan Layanan Paylater Lazada Perspektif Hukum Perjanjian Dan Ekonomi Syariah* [bachelorThesis, Fakultas Syariah

- dan Hukum UIN Syarif Hidayatullah Jakarta]. <https://repository.uinjkt.ac.id/dspace/handle/123456789/84974>
- Yeung, K., & Bygrave, L. A. (2022). Demystifying the modernized European data protection regime: Cross-disciplinary insights from legal and regulatory governance scholarship. *Regulation & Governance*, 16(1), 137–155. <https://doi.org/10.1111/rego.12401>
- Yilmaz, I., & Sokolova-Shipoli, D. P. (2024). *Muslim Legal Pluralism in the West: Transnationalism, Political Participation, Citizenship and Shari'a*. Springer Nature.
- Zumbansen, P. (2012). *Defining the Space of Transnational Law: Legal Theory, Global Governance and Legal Pluralism*. Brill. https://doi.org/10.1163/9789004227095_005
- Кутбі, А., Алсілімані, А., & Хан, Р. М. (2024). The Effect of Buy Now, Pay Later Fintech on Traditional Financial Services and Consumer Behavior in Saudi Arabia. *Financial and Credit Activity Problems of Theory and Practice*, 2(55), 281–297. <https://doi.org/10.55643/fcapter.2.55.2024.4323>