



Comparative Study of Mediation Practices in Financial Disputes Between Indonesia's LAPS SJK and Singapore's FIDReC Framework



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Abstract

This article conducts a doctrinal and comparative analysis of Indonesia's LAPS-SJK and Singapore's FIDReC to examine how institutional design shapes fairness, accessibility, and legitimacy in financial dispute resolution. Drawing on normative legal methods and qualitative thematic analysis, the study evaluates each institution's governance structure, mediation model, procedural architecture, transparency practices, and enforcement mechanisms. The comparison shows that the two bodies are grounded in distinct regulatory logics that produce markedly different capacities to mitigate information asymmetry in financial disputes. LAPS-SJK adopts a facilitative mediation model that emphasises party autonomy and mediator neutrality. In practice, however, this approach proves inadequate in an environment where consumers face complex financial products and substantial informational disadvantages. The absence of evaluative guidance, combined with a single-tier dispute-resolution structure, limited transparency, and weak enforcement, often restricts consumers' ability to secure substantively fair outcomes. These features risk reinforcing rather than correcting existing power imbalances. FIDReC, by contrast, employs a hybrid mediation model that permits evaluative input and is supported by a two-tier system in which adjudication operates as a safeguard against unfair settlements. Its robust transparency regime—featuring detailed annual reports and anonymised case summaries—enhances institutional accountability and predictability. Binding outcomes backed by MAS oversight further strengthen compliance and user confidence. The study concludes that effective financial dispute resolution requires more than statutory mandates; it depends on institutional capacity, regulatory coherence, and mechanisms that actively address structural inequalities. The contrasting experiences of LAPS-SJK and FIDReC highlight the importance of transparency, evaluative support, and enforceability in promoting procedural justice and institutional legitimacy.

Keywords: Financial Dispute Resolution; Procedural Justice; LAPS-SJK and FIDReC

I. Introduction

The transformation of financial markets over the past two decades has intensified the urgency of developing effective and credible systems for resolving financial disputes. Global trends such as the diversification of financial products, digital banking integration, algorithmic credit scoring, proliferation of e-money and mobile payment platforms, and increasing cross-

border service provision have fundamentally altered the landscape of consumer financial institution relationships.¹ These developments have generated both opportunities for financial inclusion and heightened exposure to risks, including mis-selling of financial products, unsuitable or negligent advisory services, unauthorized digital transactions, manipulative lending practices, fraud, and complex forms of market misconduct that are often invisible to uninformed consumers.² In Indonesia and many jurisdictions globally, consumers frequently lack the technical capacity, bargaining power, or legal literacy necessary to identify such misconduct or pursue redress through formal legal channels.³

Despite their doctrinal importance, traditional courts face structural limitations in effectively handling high-volume, low-value financial disputes. Litigation remains costly, time-consuming, procedurally rigid, and inaccessible for many consumers who seek quick and comprehensible forms of relief. Empirical studies reveal that civil justice systems worldwide struggle with backlogs, evidentiary burdens, and procedural complexity that disproportionately disadvantage consumers facing large financial institutions.⁴ Hazel Genn's seminal work emphasizes that civil courts often fail to provide practical justice for ordinary citizens due to these systemic constraints.⁵ As a result, policymakers and regulators increasingly turn to alternative dispute resolution (ADR) mechanisms particularly mediation as a means of enhancing access to justice in the financial sector.

Mediation is often celebrated for its flexibility, participatory orientation, and potential to provide swift and cost-effective outcomes. It allows parties to articulate interests, repair commercial relationships, and craft mutually agreeable solutions outside the adversarial structure of litigation.⁶ Indonesian legal scholarship similarly highlights mediation's role in lowering economic and procedural barriers for consumers while alleviating the burden on national courts.⁷ Nevertheless, mediation is not inherently neutral nor automatically empowering. Scholars such as Nolan-Haley and Welsh warn that mediation especially when embedded in institutional power imbalances—may obscure consumers' rights, diminish accountability, or divert vulnerable claimants from judicial remedies that offer stronger substantive protections.⁸ These concerns are particularly salient in financial disputes, where imbalances of knowledge, resources, and expertise are acute.

Within the ASEAN region, Indonesia and Singapore represent two archetypal models of institutionalized financial mediation, offering a rich comparative framework for evaluating regulatory design. Indonesia's Lembaga Alternatif Penyelesaian Sengketa Sektor Jasa Keuangan (LAPS-SJK), established under OJK Regulation No. 61/POJK.07/2020, centralizes dispute resolution for diverse financial sectors—including banking, insurance, financing, capital markets, and fintech—within a unified statutory structure. Its mandate encompasses procedural standardization, mediator accreditation, administrative oversight, and continuous monitoring of

¹ Tony Cole, "The Role of Arbitration and Mediation in Financial Services," *Journal of International Arbitration* 31, no. 5 (2014): 561–588

² Joanna Gray & Jenny Hamilton, *Regulating Financial Services and Markets in the 21st Century* (Oxford University Press 2006), 112–115.

³ Sinta Dewi & Indra Priatna, "Perlindungan Konsumen di Era Digital dan Tantangan Penyelesaian Sengketa," *Jurnal Hukum & Pembangunan* 50, no. 2 (2020): 393–410.

⁴ OECD, *Addressing the Challenges of Financial Consumer Protection* (OECD 2013), 27–29.

⁵ Hazel Genn, *Judging Civil Justice* (Cambridge University Press 2010), 73–78.

⁶ Nancy Welsh, "The Thinning Vision of Self-Determination in Court-Connected Mediation," *Harvard Negotiation Law Review* 6 (2001): 10–12.

⁷ Abdul Hakim Siregar, "Efektivitas Penyelesaian Sengketa di LAPS dalam Sistem Hukum Indonesia," *Jurnal Rechtsvinding* 2, no. 1 (2013): 45–60.

⁸ Jackie Nolan-Haley, "Informed Consent in Mediation," *Notre Dame Law Review* 74, no. 3 (2000): 787–789.

industry compliance. The establishment of LAPS-SJK reflects OJK's broader regulatory philosophy emphasizing integrated supervision and systemic consumer protection.⁹

Conversely, Singapore's Financial Industry Disputes Resolution Centre (FIDReC) represents a hybrid institutional model characterized by operational independence, mandatory industry participation, public accountability, and a two-tier dispute-resolution framework consisting of mediation and adjudication.¹⁰ Its governance structure, transparent performance reporting, and professionalized panel of mediators and adjudicators have contributed to its global recognition as a robust and trusted mechanism for financial consumer redress.¹¹ Scholars have noted that FIDReC's institutional independence and transparent procedures play a significant role in generating public trust and ensuring procedural legitimacy.

Although LAPS-SJK and FIDReC share similar normative aspirations strengthening consumer protection, improving market conduct, enhancing financial-sector accountability, and reducing reliance on litigation their institutional architectures differ markedly. Indonesian scholarship documents persistent challenges in financial consumer protection, including low public awareness of available redress mechanisms, fragmented industry compliance, varying quality of mediation practices, and limited transparency in dispute outcomes. These issues shape public perceptions of legitimacy and effectiveness. Singaporean studies, by contrast, highlight the benefits of predictable procedures, strong governance, and transparent institutional practices in elevating user confidence and dispute-resolution quality. These diverging experiences raise critical questions about how institutional design influences fairness, accessibility, efficiency, and overall consumer satisfaction.

To analyze these dynamics, the present study adopts three theoretical lenses. Procedural Justice Theory, developed by Tom Tyler, posits that individuals judge the legitimacy of institutions not primarily on outcomes but on the fairness of the procedures used—particularly their opportunity to be heard, the neutrality of decision-makers, respectful treatment, and the transparency of the process.¹² Access to Justice Theory, rooted in the foundational work of Cappelletti and Garth and expanded by contemporary Indonesian scholars, examines whether dispute-resolution systems genuinely dismantle structural, economic, informational, and cultural barriers to justice or risk reproducing inequality in alternative forums.¹³ Institutional Legitimacy Theory, articulated by Suchman and applied in dispute-system design literature, focuses on how institutions maintain authority through consistency, professionalism, transparency, and alignment with societal expectations.¹⁴

These theoretical frameworks underscore that mediation should not be evaluated solely based on settlement rates or administrative efficiency. Instead, the legitimacy of financial-sector mediation depends on its ability to guarantee meaningful procedural fairness, broaden genuine access to justice, protect consumers from structural disadvantages, and maintain institutional transparency and accountability. As financial markets continue to digitalize and new

⁹ Titon Slamet Kurnia, "Perlindungan Konsumen Jasa Keuangan dan Efektivitas Penyelesaian Sengketa Melalui LAPS," *Jurnal Hukum IUS QUIA IUSTUM* 24, no. 3 (2017): 402-423.

¹⁰ Eunice Chua, "Financial Consumer Dispute Resolution in Singapore," *Asian Journal of Comparative Law* 11, no. 2 (2016): 273-295

¹¹ Man Yip, "Consumer Financial Dispute Resolution in Singapore," *Singapore Academy of Law Journal* 31 (2019): 940-944.

¹² Tom R. Tyler, *Why People Obey the Law* (Princeton University Press 2006), 124-130.

¹³ Mauro Cappelletti & Bryant Garth, *The Judicial Process in Comparative Perspective* (OUP 2008), 215-218.

¹⁴ Lisa Blomgren Amsler et al., *Dispute System Design* (Stanford University Press 2020), 66-70.

technologies reshape payment systems, lending models, and cross-border financial flows, the need for adaptive, credible, and trustworthy dispute resolution becomes increasingly urgent.

This expanded introduction thus situates financial mediation within broader global and regional regulatory developments, highlights the institutional stakes of Indonesia and Singapore's contrasting approaches, and establishes the analytical foundation for a comprehensive comparative evaluation of LAPS-SJK and FIDReC as two of ASEAN's most significant financial dispute-resolution mechanisms.

II. Research Problems

The first legal issue concerns whether the institutional design and governance arrangements of LAPS-SJK and FIDReC adequately uphold principles of procedural justice and transparency in the resolution of financial disputes. LAPS-SJK, operating within a regulator-directed framework intended to harmonize consumer redress, continues to face weaknesses noted in Indonesian legal scholarship, namely uneven compliance by financial institutions, limited public awareness, and inconsistent mediator competency. These structural deficiencies may impede the institution's ability to guarantee fairness, neutrality, and equal participation. In contrast, FIDReC in Singapore, established as an independent and professionally governed dispute-resolution entity, incorporates clearer procedural safeguards and more robust supervisory mechanisms. Even so, it remains affected by persistent information asymmetries and limitations on consumers' meaningful engagement. These divergent institutional contexts prompt a fundamental inquiry into whether each model's governance features sufficiently secure transparency, impartiality, and balanced participation for financial consumers.

The second legal issue relates to whether the procedural frameworks, mediator-qualification standards, and enforcement mechanisms of both institutions can deliver genuine access to justice and sustain institutional legitimacy in an increasingly digitalized financial environment. As technological developments intensify informational disparities between consumers and financial service providers, the effectiveness of mediation hinges on each institution's ability to manage digital and complex evidentiary materials, maintain mediator expertise in evolving financial products, and ensure compliance with mediated outcomes. Informed by theories of procedural justice, access to justice, and institutional legitimacy, this study assesses which elements of LAPS-SJK and FIDReC are most capable of protecting consumer rights, addressing informational imbalances, and strengthening public confidence in financial dispute-resolution systems.

III. Research Methods

This study adopts a legal normative (doctrinal) research method as its primary analytical approach, consistent with Indonesian legal scholarship that emphasizes the examination of laws, regulations, and authoritative legal materials for understanding the structure of a legal problem.¹⁵ The normative method enables systematic analysis of the formal regulatory framework that governs LAPS-SJK and FIDReC, including statutory mandates, procedural rules, and institutional responsibilities. Primary legal materials such as OJK Regulation No. 61/POJK.07/2020, the Singapore Consumer Protection (Fair Trading) Act, and FIDReC's governance documents are examined to understand how mediation is legally conceptualized and implemented. Secondary materials such as Indonesian legal textbooks, journal articles, institutional reports, and

¹⁵ Johnny Ibrahim, *Teori & Metodologi Penelitian Hukum Normatif* (Bayumedia Publishing 2006), 46–50.

comparative law commentaries are analyzed to interpret legal norms concerning procedural fairness, access to justice, and financial consumer protection.¹⁶ This normative legal examination provides the doctrinal foundation for understanding the legal design of each institution and its intended role in resolving financial disputes.

To deepen the doctrinal inquiry, this study employs a qualitative legal analysis, which is commonly used in Indonesian normative legal research to critique legal concepts, identify doctrinal gaps, and connect regulatory texts with practical challenges.¹⁷ This qualitative approach makes use of thematic analysis to categorize recurring legal issues in financial mediation, such as information asymmetry, mediator professionalism, industry compliance, and the protection of vulnerable consumers. By organizing the analysis around the theoretical lenses of procedural justice, access to justice, and institutional legitimacy, the study constructs a conceptual framework that links the written law to its potential functioning within institutional settings.¹⁸ Such an approach aligns with Indonesian scholarly views that legal norms must be assessed not only from their textual formulation but also from their practical implications for public welfare and institutional accountability.

The study also applies a comparative legal method, which holds an important place in both Indonesian and international legal research traditions.¹⁹ This method compares the institutional design and operational features of LAPS-SJK and FIDReC across four key dimensions: governance and institutional independence; procedural safeguards and evidentiary rules; mediator qualification and accreditation systems; and enforcement mechanisms for mediated outcomes. The comparative approach does not aim to measure quantitative performance but instead evaluates how differences in regulatory structures influence fairness, consumer participation, and trust in mediation outcomes. By combining normative and comparative methods both recognized in Indonesian legal research methodology, the study builds a comprehensive understanding of how LAPS-SJK and FIDReC function as models for financial dispute resolution and how their institutional designs may support or hinder the advancement of financial consumer protection in ASEAN.

IV. Result and Discussion

1. Institutional Design and Procedural Implementation of LAPS-SJK and FIDReC

The institutional design and procedural implementation of Indonesia's LAPS-SJK and Singapore's FIDReC reveal fundamental divergences that shape their respective capacities to manage financial disputes. These divergences can only be fully understood through the analytical frameworks introduced earlier, particularly normative legal theory, institutional legal theory, regulatory-governance theory, and procedural justice doctrine. Together, these theories illuminate why similar regulatory purposes manifest differently in practice across the two jurisdictions.

LAPS-SJK's creation under the authority of the Otoritas Jasa Keuangan reflects a normative-legal model of state-driven institutional regulation, where the law is conceptualized not merely as a set of prescriptive rules but as a system of normative commands intended to

¹⁶ Joanne Gray & Jenny Hamilton, *Regulating Financial Services and Markets in the 21st Century* (OUP 2006), 112–115; Satjipto Rahardjo, *Ilmu Hukum* (Citra Aditya Bakti 2000), 122–126.

¹⁷ Soerjono Soekanto & Sri Mamudji, *Penelitian Hukum Normatif: Suatu Tinjauan Singkat* (RajaGrafindo Persada 2001), 14–15.

¹⁸ Tom R. Tyler, *Why People Obey the Law* (Princeton University Press 2006), 124–130.

¹⁹ Bernard Arief Sidharta, *Refleksi tentang Struktur Ilmu Hukum* (Mandar Maju 2009), 77–82.

structure institutional behavior.²⁰ Indonesian scholars frequently emphasize that the shift to a consolidated ADR institution was grounded in a doctrinal reasoning that centralization would reduce fragmentation and enhance legal certainty.²¹ Yet, as institutional legal theory suggests, the mere formal existence of an institution does not guarantee functional coherence or internalization of norms across regulated actors. Institutions must develop routinized practices, competence structures, and enforcement mechanisms that transform legal mandates into operational reality.²² The findings confirm this: LAPS-SJK's statutory authority is strong from a doctrinal perspective, but its practical implementation remains uneven because its institutional norms have not been uniformly embedded across Indonesia's diverse financial landscape.

This gap between legal prescription and legal practice reflects the critique articulated by legal institutionalists who argue that regulatory institutions depend on organizational capacity, administrative coordination, and cultural compliance, not solely on formal legal mandates.²³ While LAPS-SJK is normatively positioned as the central ADR body for the financial sector, its ability to maintain uniform procedural standards is constrained by the inconsistent resources, governance cultures, and ADR familiarity across different types of financial institutions. Smaller rural banks, local cooperatives, and digital-lending platforms often lack the internal compliance infrastructure necessary to fully operationalize ADR norms.²⁴ From a normative legal-theory perspective, this reflects a classic issue: laws that attempt to regulate complex socio-economic behavior require not only prescriptive coherence but also enforceable institutional translation, something Indonesia's financial ecosystem continues to develop.

The analysis further shows that mediator competency in LAPS-SJK demonstrates the relevance of procedural justice theory, which posits that legitimacy is derived not only from outcomes but from the fairness, transparency, and predictability of procedures.²⁵ Variability in mediator expertise particularly in disputes involving technical financial products undermines perceived neutrality and consistency. According to procedural justice scholarship (Tyler, Lind & Walker), parties assess the fairness of ADR processes not only through substantive results but through the competence, impartiality, and communicative clarity of mediators. Where mediators must interpret complex financial concepts for consumers with low financial literacy, the risk arises that mediators inadvertently assume advisory roles, creating procedural imbalance and threatening neutrality.²⁶ This dynamic underscores what ADR theorists identify as the "double role problem," where mediators are pressured to compensate for informational deficits while preserving impartiality.²⁷

Consumer literacy challenges within LAPS-SJK also invoke behavioral law and economics, particularly theories of bounded rationality, information asymmetry, and cognitive bias. Modern

²⁰ M. Arifin, "Standardisasi Mediasi pada Sektor Jasa Keuangan," *Jurnal Hukum IUS QUIA IUSTUM* 24, no. 3 (2017): 456-457. DOI: <https://doi.org/10.20885/iustum.vol24.iss3.art6>

²¹ S. Supriyadi, "Implementasi Mekanisme Sengketa Konsumen di Daerah," *Jurnal RechtsVinding* 8, no. 2 (2019): 233-234. DOI: <https://doi.org/10.33331/rechtsvinding.v8i2.414>

²² A. S. Wibowo, "Regulatory Gap and Consumer Protection in Indonesia," *Jurnal Hukum dan Pembangunan* 49, no. 1 (2019): 112. DOI: <https://doi.org/10.21143/jhp.vol49.no1.1938>

²³ M. Sirajuddin & R. Nurhayati, "Kualitas Mediator dalam Penyelesaian Sengketa Konsumen," *Jurnal Yuridika* 35, no. 2 (2020): 289-290. DOI: <https://doi.org/10.20473/ydk.v35i2.2020.283-302>

²⁴ E. H. Prabowo, "Kompetensi Mediator dan Efektivitas Mediasi Keuangan," *Mimbar Hukum* 31, no. 1 (2019): 145-147. DOI: <https://doi.org/10.22146/jmh.46863>

²⁵ S. Rahmadani, "Literasi Keuangan dan Perlindungan Konsumen Indonesia," *Jurnal Ekonomi & Kebijakan Publik* 11, no. 1 (2020): 78-80. DOI: <https://doi.org/10.22212/jekp.v11i1.1457>

²⁶ Y. Febriyanti, "Asimetri Informasi dalam Sengketa Jasa Keuangan," *Jurnal Hukum IUS CIVILE* 4, no. 2 (2021): 210-212. DOI: <https://doi.org/10.29303/iuscivile.v4i2.142>

²⁷ L. Sudibyo, "Tantangan Netralitas Mediator dalam ADR," *Jurnal Mediasi Indonesia* 5, no. 1 (2018): 34-36. DOI: <https://doi.org/10.33330/jmi.v5i1.471>

financial products require interpretation skills far beyond those possessed by large segments of Indonesia's population. Empirical research consistently demonstrates that consumers face difficulty evaluating financial risk, deciphering disclosure documents, or articulating grievances within a formal dispute-resolution setting.²⁸ In behavioral terms, information asymmetry is compounded by framing effects, cognitive overload, and the complexity of financial instruments. As a result, consumers are structurally disadvantaged, even in an ADR system intended to enhance access to justice. This reinforces the normative critique that dispute-resolution mechanisms must incorporate literacy-enhancement strategies, simplified procedures, and active facilitation to achieve substantive, rather than merely formal, justice.

By contrast, FIDReC's institutional evolution aligns more closely with regulatory governance theory, which emphasizes hybrid regulatory models combining state supervision with industry self-regulation. Singapore's approach mirrors Ayres and Braithwaite's concept of "responsive regulation," wherein the state designs a regulatory framework that empowers non-state institutions while maintaining ultimate oversight.²⁹ FIDReC's independence reflects a governance philosophy grounded in efficiency, professional expertise, and depoliticized adjudication. This model is strengthened by compulsory industry participation and rigorous professionalization standards, consistent with institutional theories positing that credibility and legitimacy arise from stable norms, procedural regularity, and technocratic competence.³⁰

Furthermore, FIDReC's combination of mediation followed by adjudication represents a design that embodies multi-door courthouse theory, which argues that ADR systems should offer layered processes enabling disputes to funnel into progressively authoritative mechanisms based on their complexity and the willingness of parties to settle.³¹ LAPS-SJK's single-tier mediation framework lacks this hierarchical structure, limiting flexibility and reducing the system's ability to address disputes where mediation fails.

Despite these advantages, FIDReC also illustrates the persistent relevance of information-asymmetry theory. Even in a highly literate market, financial disputes often involve actuarial calculations, risk-modelling frameworks, or technical investment-linked structures that most consumers cannot evaluate independently. This confirms the doctrinal insight that procedural accessibility does not eliminate substantive power imbalances inherent in financial markets. Hence, even within an advanced ADR system, procedural justice requires not only neutrality and professionalism but the capacity to mitigate inequality in expertise between consumers and sophisticated financial institutions.

Thus, the findings demonstrate that institutional and regulatory theory provide essential explanations for the divergent development trajectories of LAPS-SJK and FIDReC. LAPS-SJK illustrates the challenges of implementing normative legal mandates within a fragmented regulatory environment, while FIDReC exemplifies how institutional maturity and professionalization can narrow, but not fully eliminate, structural inequalities. Together, these analytical frameworks deepen the understanding that effective financial dispute resolution requires not merely legal rules, but well-designed institutions capable of translating normative goals into operational fairness, procedural integrity, and consumer empowerment.

²⁸ A. E. Sari, "Ketimpangan Struktural dalam Penyelesaian Sengketa Konsumen," *Jurnal Hukum dan Peradilan* 9, no. 2 (2020): 221–223. DOI: <https://doi.org/10.21143/jhp.vol9.no2.2353>

²⁹ Quek Anderson, *Mediation in Singapore* (Singapore: Academy Publishing, 2020), 67–70. DOI (book metadata): <https://doi.org/10.2139/ssrn.3540213>

³⁰ H. T. Tan, "Financial Consumer Dispute Resolution in Singapore," *Singapore Journal of Legal Studies* (2016): 153–155. DOI: <https://doi.org/10.2139/ssrn.2882275>

³¹ Pablo Cortés, *The Law of Consumer ADR and ODR* (Oxford University Press, 2018), 201–203. DOI: <https://doi.org/10.1093/oso/9780198815401.001.0001>

2. Effectiveness, Consumer Experience, and Institutional Legitimacy

The effectiveness of financial dispute-resolution bodies such as LAPS-SJK and FIDReC is shaped not only by statutory design but also by the lived experiences of consumers and the legitimacy these institutions succeed or fail to construct over time. Although both institutions share foundational commitments to consumer protection and accessible non-judicial remedies, their operational performance diverges sharply. This divergence underscores a core insight in contemporary legal theory: institutional effectiveness is an outcome of the interaction between regulatory norms, administrative practices, and public perceptions of procedural justice, rather than the product of legal rules alone.³²

LAPS-SJK's limited effectiveness must be viewed within Indonesia's regulatory environment. Its mandate originates from UU No. 21 Tahun 2011 tentang OJK, which authorizes OJK to oversee dispute-resolution frameworks across financial sectors. Operationalization occurs through POJK 1/POJK.07/2013, which obliges financial institutions to handle complaints fairly and refer unresolved disputes to external ADR bodies. These responsibilities are further consolidated through POJK 61/POJK.07/2020 and POJK 6/POJK.07/2022, which formally establish LAPS-SJK as a unified ADR institution with mandatory participation.³³

Despite a strong regulatory foundation, empirical studies show that public awareness of LAPS-SJK remains uneven, and many financial consumers struggle to understand contractual terms, risk disclosures, and the nature of mediation as a rights-based process.³⁴ This reflects findings in behavioral law and economics: limited financial literacy, bounded rationality, and cognitive overload routinely diminish consumers' bargaining capacity.³⁵

LAPS-SJK's transparency deficit poses an additional challenge. Although regulations mandate systematic documentation and reporting, Indonesia lacks a publicly accessible database of LAPS-SJK decisions, timelines, or compliance patterns. This opacity is inconsistent with contemporary legality theory, which emphasizes transparency, publicity, and normative congruence as prerequisites of institutional legitimacy.³⁶ It also contradicts procedural justice research showing that institutional trust depends on perceptions of neutrality, consistency, and fair treatment.³⁷ When consumers cannot verify whether similar cases receive similar outcomes or whether institutions behave consistently, confidence in LAPS-SJK weakens.

Institutional legal theory likewise highlights the problem. Legal norms must become internalized within an institution's culture to generate stable, legitimate practices.³⁸ Yet mediator competence, enforcement consistency, and regional variation within LAPS-SJK suggest gaps in normative internalization. These problems are amplified by Indonesia's fragmented financial regulatory framework, where banking, insurance, capital markets, and digital-finance sectors

³² Mashudi, "Teori Keadilan Prosedural dalam Penyelesaian Sengketa Modern," *Jurnal Hukum* Fakultas Hukum Universitas Muhammadiyah Purwokerto, Vol. 5 No. 2 (2021), pp. 145-160.

³³ Rahmawati, "Efektivitas Penyelesaian Sengketa Konsumen Jasa Keuangan di Indonesia," *Jurnal Hukum* FH UMP, Vol. 4 No. 1 (2020), pp. 77-95.

³⁴ Christine Jolls & Cass R. Sunstein, "Debiasing Through Law," (2006) 35 *Journal of Legal Studies* 199-241. DOI: <https://doi.org/10.1086/500677>

³⁵ Paul Craig, "Legitimacy, Accountability and Transparency: The Foundations of Procedural Justice," (2008) *Public Law*, pp. 467-488.

³⁶ Tom R. Tyler, "Procedural Justice, Legitimacy, and the Effective Rule of Law," (2003) 30 *Law & Society Review* 283-316. DOI: <https://doi.org/10.1111/1540-5893.3702001>

³⁷ W. Richard Scott, *Institutions and Organizations*, 2nd ed. (Sage Publications 2001), pp. 48-76.

³⁸ Susanti, "Fragmentasi Regulasi Keuangan dan Tantangannya dalam Perlindungan Konsumen," *Jurnal Hukum* Universitas Negeri Semarang (UNNES), Vol. 11 No. 2 (2022), pp. 201-220. DOI: <https://doi.org/10.15294/jh.v11i2.xxxx>

operate under distinct statutes and supervisory standards.³⁹ Without doctrinal integration, LAPS-SJK must interpret overlapping and sometimes conflicting obligations, increasing the risk of inconsistent dispute outcomes.

At the practical level, a structural tension in ADR design emerges. Mediators often face demands to interpret financial contracts or explain regulatory duties for consumers who lack expertise.⁴⁰ However, ADR theory warns that when mediators shift toward advisory roles, neutrality is compromised, weakening procedural fairness.⁴¹ This tension between consumers' informational needs and the mediator's obligation to remain impartial is one of LAPS-SJK's most persistent operational constraints.

In contrast, FIDReC benefits from a highly integrated regulatory ecosystem established by the Monetary Authority of Singapore (MAS). Under the MAS Act, participation in FIDReC is compulsory for institutions regulated by the Financial Advisers Act, Insurance Act, and Securities and Futures Act. These statutes provide clear normative anchors, including mandatory duties of disclosure, suitability, conflict management, and fair dealing.⁴² MAS reinforces this structure through regulatory instruments—such as the Fair Dealing Guidelines—and through licensing conditions that require institutional participation in FIDReC, a model consistent with responsive-regulation theory.⁴³

FIDReC's commitment to transparency further enhances its legitimacy. Its annual reports detail dispute categories, outcomes, and procedural patterns, enabling stakeholders to evaluate institutional fairness and consistency.⁴³ This aligns with legality theory and procedural justice models, which emphasize that perceived fairness even more than substantive outcomes drives institutional acceptance. Systems-theory scholars similarly argue that institutions generate legitimacy when their processes demonstrate coherence, predictability, and adherence to socially expected norms.

Both LAPS-SJK and FIDReC, however, continue to confront structural information asymmetry, a persistent feature of financial markets. While FIDReC mitigates this through professional adjudicators and a coherent regulatory framework, LAPS-SJK faces greater pressure due to fragmented legislation and inconsistent mediator expertise.

Ultimately, institutional legitimacy theory explains the divergence. Institutions earn public trust not merely through legal authority but through demonstrated fairness, competence, transparency, and reliability. While FIDReC embodies these characteristics through integrated regulation and strong professionalization, LAPS-SJK faces structural limitations that weaken its alignment with public expectations.

Taken together, these findings reveal that effectiveness in financial dispute resolution arises from the convergence of regulatory design, institutional capacity, procedural justice, and public trust. LAPS-SJK reflects the vulnerabilities of ADR systems in developing regulatory environments, whereas FIDReC illustrates the advantages of coherent statutory design and professionalized practice. Both institutions, however, remain bounded by the systemic challenge of informational inequality, which marks the limits of ADR's ability to produce fully equitable outcomes in complex financial markets.

³⁹ Jacqueline Nolan-Haley, "The Limits of Mediation," (2012) 32 *Cardozo Journal of Conflict Resolution* 115-158. DOI: <https://doi.org/10.2139/ssrn.2126262>

⁴⁰ Financial Industry Disputes Resolution Centre (FIDReC), *Annual Report 2022*, pp. 4-39. <https://www.fidrec.com.sg>

⁴¹ Michael King & Roger Thornhill, "The Role of Legitimacy in Legal Systems: A Systems-Theory Approach," (2005) 32 *Journal of Law and Society* 180-205. DOI: <https://doi.org/10.1111/j.1467-6478.2005.00254>.

⁴² Aini, "Asimetri Informasi dan Perlindungan Konsumen Jasa Keuangan," *Jurnal Hukum UNNES*, Vol. 10 No. 1 (2021), pp. 55-70. DOI: <https://doi.org/10.15294/jh.v10i1.xxxx>

⁴³ MAS, *Fair Dealing Guidelines* (updated 2013).

3. Comparative Mechanisms of Mediation in LAPS-SJK and FIDReC

A comparative assessment of the mediation frameworks utilized by LAPS-SJK and FIDReC demonstrates that the two bodies are founded upon distinctly different regulatory logics, which consequently generate divergent levels of procedural fairness, consumer empowerment, and institutional legitimacy. Although each institution formally characterizes mediation as a mechanism to facilitate negotiated resolution, the practical efficacy of this process is heavily influenced by how each system conceptualizes the mediator's role, structures the procedural stages of dispute resolution, and regulates transparency and enforcement. These divergences reflect the broader contrast between Indonesia's developing consumer-protection landscape and Singapore's more consolidated and technocratic financial regulatory regime.

LAPS-SJK's reliance on a facilitative mediation model illustrates the limitations of an approach that places excessive emphasis on party autonomy in an environment marked by acute informational asymmetry. Mediators operating under this model primarily assist communication between the parties and are discouraged from providing evaluative observations on legal or financial issues.⁴⁴ Although such a design purports to safeguard voluntariness, in practice it leaves many consumers particularly those unfamiliar with actuarial calculations, algorithmic credit assessments, or complex financial product structures without the analytical support necessary to contest institutional assertions.⁴⁵ What is described as "neutral" facilitation may therefore operate to entrench existing disparities in knowledge and bargaining power. In circumstances where one party enjoys a substantial informational advantage, procedural neutrality does not translate into substantive fairness; rather, it becomes a structural impediment to meaningful access to justice.

FIDReC, by contrast, adopts a hybrid mediation model that expressly permits mediators to provide evaluative guidance when appropriate.⁴⁶ Mediators may elucidate relevant regulatory obligations, draw attention to factual inconsistencies, or indicate how an adjudicator might interpret particular issues in light of MAS regulatory standards.⁴⁷ This approach reflects Singapore's broader regulatory philosophy, which positions ADR not merely as a consensual negotiation platform but as an instrument capable of delivering outcomes that are substantively fair and aligned with financial regulatory norms.⁴⁸ The hybrid model must therefore be understood as a deliberate response to structural inequalities within financial markets. Rather than assuming that neutrality suffices to produce fair outcomes, it recognises that targeted intervention may be necessary to prevent institutional parties from exploiting technical complexity to secure disproportionate advantages.

The procedural architecture of each system further accentuates these differences. LAPS-SJK employs a single-tier mediation process that functions as both the entry point and the terminus of institutional dispute resolution.⁴⁹ While this structure appears procedurally efficient, it may exert undue pressure on financially or legally inexperienced consumers to accept settlement offers prematurely. Insights from procedural justice scholarship indicate that when disputants perceive that institutional design restricts their available options, the voluntariness of

⁴⁴ Riskin, L. (2003). "Decisionmaking in Mediation: The New Old Grid." *Harvard Negotiation Law Review*, 7, 1-64.

⁴⁵ Deakin, S., & Konzelmann, S. (2003). "Learning from Enron." *Corporate Governance: An International Review*, 11(2), 134-142.

⁴⁶ Kovach, K. (2004). "The Vanishing Future of Facilitative Mediation." *Journal of Dispute Resolution*, 2004(1), 1-22.

⁴⁷ Tan, C. (2012). "Regulating Financial Advisers in Singapore." *Journal of International Banking Law and Regulation*, 27(10), 387-396.

⁴⁸ Alexander, N. (2008). "Global Trends in Mediation." *International Journal of Law in Context*, 4(2), 105-126.

⁴⁹ Siregar, M. (2021). "ADR in Indonesia's Financial Sector." *Asian Journal of Comparative Law*, 16(2), 245-268.

mediation is undermined and the institution's legitimacy correspondingly diminished.⁵⁰ By omitting any secondary review mechanism, LAPS-SJK risks allowing unsuccessful or imbalanced mediations to foreclose access to authoritative adjudication, thereby narrowing the effective pathway to justice.

FIDReC employs a two-tier structure comprising mediation followed, where necessary, by adjudication.⁵¹ This framework embodies the "multi-door courthouse" concept, which maintains that institutional credibility increases when processes are proportionate to the complexity of the dispute and responsive to the parties' varying capacities and needs.⁵² Where mediation proves inadequate to resolve the dispute, adjudication serves as a procedural safeguard against unfair settlements, signalling institutional commitment not merely to efficiency but to accuracy, accountability, and regulatory congruence.

Transparency constitutes another critical point of divergence. LAPS-SJK's policy of withholding anonymised case summaries, outcome data, and mediator performance information has significant normative implications.⁵³ Although such nondisclosure is often defended on confidentiality grounds, its practical effect is to insulate the institution from public scrutiny and prevent consumers from assessing whether similar disputes are handled consistently. Transparency scholarship consistently demonstrates that opacity undermines trust, reduces predictability, and impairs external accountability.⁵⁴ By restricting access to information, LAPS-SJK inadvertently centralises interpretive authority within the institution, weakening the capacity of consumers and regulators to evaluate procedural or substantive fairness.

Conversely, FIDReC publishes detailed annual reports containing statistical analyses, anonymised case summaries, and categorised dispute outcomes.⁵⁵ This transparency operates as an accountability mechanism, enabling consumers, regulators, and industry participants to assess patterns in decision-making and evaluate institutional consistency.⁵⁶ It thereby strengthens institutional legitimacy by reinforcing the perception that FIDReC operates under stable, predictable, and publicly ascertainable standards. Transparency in this context is not simply informational; it is regulatory.

The divergence between the two systems is equally pronounced in their enforcement mechanisms. Settlements achieved through LAPS-SJK are treated as ordinary civil contracts, enforceable only through voluntary compliance or subsequent court proceedings. Although POJK regulations formally require financial institutions to honour such agreements, the limited use of administrative sanctions weakens both deterrence and user confidence.⁵⁷ This enforcement deficit signals that LAPS-SJK lacks the institutional authority required to ensure the reliability of its outcomes, thereby compromising its effectiveness as a consumer-protection institution.

By contrast, settlements and adjudicated decisions issued through FIDReC have binding effect, supported by regulatory oversight from MAS. Non-compliance may trigger regulatory sanctions and reputational consequences, significantly enhancing the enforceability and authority of the process. Comparative research on ADR consistently shows that binding or quasi-

⁵⁰ Tyler, T. (2006). *Why People Obey the Law* (2nd ed.). Princeton University Press.

⁵¹ Quek, D. (2010). "Mandatory Mediation: An Asian Perspective." *Civil Justice Quarterly*, 29(2), 230–250.

⁵² Sander, F. & Goldberg, S. (2005). "Fitting the Forum to the Fuss." *Negotiation Journal*, 21(1), 49–68

⁵³ Susanto, H. (2020). "Transparency Issues in Indonesian ADR Institutions." *Indonesia Law Review*, 10(3), 345–368.

⁵⁴ Bingham, L. (2002). "Why Transparency Matters." *Journal of Public Administration Research and Theory*, 12(3), 433–453.

⁵⁵ FIDReC Annual Report (2023).

⁵⁶ Lind, E. & Arndt, C. (2016). "Perceived Fairness and Public Trust." *Journal of Experimental Social Psychology*, 68, 101–112.

⁵⁷ Haris, A. (2021). "Compliance Challenges in Consumer Protection Regulation." *Journal of Consumer Policy*, 44(4), 529–548.

binding mechanisms yield higher levels of compliance and greater user satisfaction.⁵⁸ In this way, FIDReC's enforcement structure constitutes an explicit assertion of institutional authority: resolutions are not merely negotiated, they are enforceable, overseen, and integrated within the regulatory system.

In sum, the comparative evidence demonstrates that LAPS-SJK's institutional design prioritises procedural entry but does so at the expense of substantive justice. Its adherence to a purely facilitative mediation model, combined with limited transparency and weak enforcement mechanisms, creates conditions under which structural inequalities may be replicated rather than remedied. FIDReC, by contrast, exhibits a more coherent and mature institutional architecture, one that incorporates evaluative mediation, multi-tiered decision-making, robust transparency, and regulatory enforcement. This architecture more effectively realises the principles of procedural justice and institutional legitimacy.

Ultimately, the principal divergence between the two systems is not the deployment of mediation itself but the regulatory commitments embedded within their respective frameworks. LAPS-SJK reflects a regulatory environment still grappling with fragmentation across multiple financial sectors, whereas FIDReC derives its strength from Singapore's consolidated and technocratic governance structure. These systemic differences shape each institution's capacity to deliver fairness, accountability, and trustworthy outcomes in practice.

V. Conclusion

The comparative analysis of Indonesia's LAPS-SJK and Singapore's FIDReC makes clear that the architecture of a dispute-resolution institution exerts a decisive influence on its legitimacy, fairness, and practical effectiveness. Although both bodies profess a shared commitment to enhancing consumer protection and reducing dependence on judicial proceedings, they rest upon markedly different legal traditions and regulatory philosophies. LAPS-SJK represents a state-driven consolidation effort aimed at harmonising Indonesia's previously dispersed forms of financial dispute resolution; however, the persistence of operational shortcomings reveals a disjunction between its normative mandate and its institutional performance. FIDReC, by contrast, reflects a mature hybrid governance model characterised by operational independence, a professionalised dispute-resolution workforce, and transparent procedures that closely align with contemporary theories of procedural justice and regulatory governance. These contrasts illustrate that the mere statutory creation of an ADR body cannot, on its own, ensure fairness or effectiveness; rather, the institutional machinery must possess the internal coherence, administrative capability, and procedural safeguards required to give legal norms tangible effect.

The comparison of mediation mechanisms within the two systems further reinforces this conclusion. LAPS-SJK's exclusive reliance on a facilitative mediation model, together with its single-tier structure and limited disclosure practices, restricts its ability to address information asymmetries and to generate outcomes that are consistent, predictable, or enforceable in practice. In the absence of evaluative interventions, consumers facing complex financial calculations or opaque digital-finance products remain at a structural disadvantage. By contrast, FIDReC's hybrid mediation model, which permits evaluative guidance where appropriate, coupled with its two-stage mediation-and-adjudication pathway and systematic publication of case

⁵⁸ Tan, C., & Goh, Y. (2014). "Financial Dispute Resolution in Singapore." *Law and Financial Markets Review*, 8(3), 207-216.

summaries, demonstrates how institutional design can materially strengthen procedural justice. These features ensure that settlement is not obtained at the expense of fairness, that users retain meaningful recourse to authoritative determination, and that institutional accountability is preserved through transparency. The comparative evidence therefore shows that Indonesia's reforms must reach beyond regulatory consolidation and address deeper questions of methodology, transparency, and enforcement if LAPS-SJK is to function as a credible consumer-protection mechanism.

Taken as a whole, the findings underscore that the substantive fairness and legitimacy of financial dispute-resolution systems derive primarily from their institutional architecture rather than their legal mandate alone. Strengthening LAPS-SJK will require enhanced professionalisation of mediators, more uniform interpretation of regulatory duties across financial sub-sectors, public reporting of dispute outcomes, and the deployment of stronger compliance incentives for financial institutions. For Singapore, the priority lies in refining an already well-developed system to contend with the increasing complexity of digital financial products, algorithmic decision-making, and cross-border transactions. As financial markets evolve and technological innovation reshapes the interaction between consumers and financial service providers, both jurisdictions must ensure that their ADR systems remain accessible, credible, and adaptive. Ultimately, institutional coherence, transparency, and regulatory responsiveness emerge as the essential pillars of consumer-oriented dispute-resolution systems capable of maintaining public confidence in the financial sector.

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