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Abstract—Peer-to-peer lending is a practice created and developed on a digital technology application platform to link lenders and borrowers directly without the need of middlemen. Peer-to-peer lending provides numerous benefits over traditional lending in terms of technology application and convenience. Peer-to-peer financing still has some drawbacks, though. This study investigates the state of peer-to-peer lending and its governance in a variety of nations, including China and the UK. From there, use Vietnam as a starting point for learning how to manage peer-to-peer lending activity.

Keywords—P2P Lending, Fintech, legal framework, Vietnam.

I. INTRODUCTION

Peer-to-peer lending is a system for making loans without using a traditional bank. Peer-to-peer (P2P) lending, roughly explained as the use of non-banking online platforms to connect borrowers and lenders with each other, is arguably one of the most important developments in the field of alternative finance. It allows borrowers and lenders to interact directly with each other without the involvement of traditional financial intermediaries, thereby reducing the costs incurred in credit checks. Because of the advantages it brings, P2P Lending is considered an effective complement to the current banking system, especially in the field of microfinance (M. Ofir & I. Sadeh, 2020).

Peer-to-peer lending has been growing quickly in several nations so far, which has helped to increase the variety of financial services available. In Vietnam, in recent years, the participation of financial technology (Fintech) companies in the provision of financial services has created many new products, services and business models, including P2P lending. Vietnam is a promised land of Fintech companies. From 2016 until now, Vietnam has had more than 100 Fintech companies in many fields such as payment, lending, credit information..., of which there are about 40 companies dealing in P2P lending services (Ngô, 2022).

However, in Vietnam, the legal system for P2P lending is not complete and clear, which leads to many complicated problems. According to the State Bank of Vietnam (SBV), some P2P lending businesses have engaged in fraudulent operations that violate the banking and credit laws. In fact, P2P lending in Vietnam has many limitations such as: lack of transparent advertisement about profits, inaccurate information about the risks that the parties involved are facing, unrealistically high interest rates to entice investors to participate. Because there are no specific and complete regulations to control these violations, it is difficult for the state to create the perfect environment for investors and stakeholders.

Faced with the current situation and risks due to the lack of a legal basis for this activity, it is necessary to have an appropriate legal framework to manage risks and ensure the interests of the parties, especially the legitimate interests of people, ensuring national financial and monetary security. Therefore, this study will focus on analyzing experiences from other countries in controlling P2P lending activities to find the right direction for Vietnam's legal framework.

II. LITERATURE REVIEW

This section is a brief summary of the literature used to research appropriate legal framework for P2P lending. These documents will contribute to define clearly the legal process of P2P lending so far. In addition to the evaluation of the decrees, the analysis and arguments of the academics are also considered to find the appropriate regulatory approaches for the management of P2P lending in Vietnam.

The explosive growth in the Fintech sector in recent years has brought about innovations in the financial sector in Vietnam. P2P lending, e-banking, mobile payment services and many other activities in the financial sector have developed rapidly. In Vietnam, basically, the current legal framework on P2P lending is incomplete and synchronous with actual P2P lending activities. Current regulations in Vietnam are still very loose, because the authorities in Vietnam are facing a lot of difficulties in understanding and assessing the risks that the P2P lending model brings. This can lead to the issued regulations being considered unsuitable and restrict the growth of P2P lending activity.

In order to thoroughly study the status of the legal framework for P2P lending operations in Vietnam, relevant legal provisions must be fully examined. Because P2P lending is a new field, building a new regulatory framework for it is also very difficult and time consuming. Therefore, in the past, Vietnam did not have a legal corridor for P2P Lending. Companies operating in this field are often registered as investment consulting companies, and the lending activity is still understood as a civil relationship. In Vietnam, the
management of P2P lending activities is mainly based on legal documents scattered in many areas such as: Law on Information Technology (2006), Law on Credit Institutions (2010), and Law Amendments to Some Articles of The Law on Credit Institutions (2017). In addition to those legal documents, the Vietnamese government has also launched projects to plan the development of the Fintech ecological environment (including P2P lending), such as the Scheme for Development of Sharing Economy (promulgated under Decision No. 999/QD-TTg dated 12/8/2019 of the Prime Minister). These projects help financial institutions, investors and the public better understand Fintech as well as P2P lending, thereby creating a premise for the development of P2P lending in Vietnam.

Additionally, models of UK regulatory sandbox, specifically Financial Conduct Authority (FCA) regulatory sandbox, is also included to analyze and serve as a model for Vietnam. Basic legal documents related to P2P lending activities, such as The Guiding Opinions on Promoting the Healthy Development of Internet Finance (CBRC, 2015) or Interim Measures for the Administration of the Business Activities of Online Lending Information Intermediary Institutions (CBRC et al, 2016), are important directives to strictly manage the activities of P2P lending companies.

In Vietnam, the field of Fintech as well as P2P lending is developing rapidly, the State Bank of Vietnam (SBV) also pays great attention to this field. SBV also believes that P2P lending can contribute to financial inclusion, boosting the economy and repelling social evils such as informal credit (Nghi, 2022). Therefore, the SBV highly appreciates the study of international experiences on the P2P Lending activities. A lot of research on P2P lending model in countries has been implemented. However, these articles only provide a preliminary overview of the situation and management of countries, they do not have a thorough comment and analysis.

The article ‘The Status Quo of the P2P Lending Sector in Vietnam’ was written by Nguyen Manh Hung and Ta Thu Hong Nhung when the banking and finance industry was facing waves of integration, innovations and strong technology applications. The article outlined the current situation of P2P lending companies in Vietnam, and offers solutions for P2P lending to develop, contributing to promoting the Fintech field. The article also assessed that peer-to-peer lending was a very new and potential field for countries around the world, as well as Vietnam. This field, along with other Fintech sectors, promised to advance the banking and financial sector, boosting the country’s economic development. However, this was also an area with many potential risks, not only for the economy but also for society. Therefore, the author suggested that the state bank should soon complete the legal framework system, and quickly plan and execute pilot operations for P2P lending companies in a short time.

Researchers from Banking University published ‘Peer-to-peer Lending in Vietnam and experience from other countries’ to provide an overview of the basic concepts, features and types of P2P lending. In addition, the study also describes the current situation of peer-to-peer lending and the operation of these lending platforms in Vietnam at that time. The article focused on systematizing the theory of peer-to-peer lending, and at the same time, outlines the situation of peer-to-peer lending in developed countries such as the United Kingdom, the United States, the European Union... from which to draw learning experience for Vietnam. However, the authors still only offered general solutions without specific directions. They pointed out that the first solution was to perfect the legal framework for P2P lending and the companies providing this product, the second solution was to raise society's awareness of the field of P2P lending, and the last solution was to build a hedging system against the risks of peer-to-peer lending.

From the above studies, we realized that the Vietnamese market was extremely potential in developing the field of peer-to-peer lending: (i) large population and stable income, (ii) access to finance was stable, (iii) information technology developed rapidly. However, according to these research papers, the overall picture of the legal framework for peer-to-peer lending in Vietnam was still unfinished, there were still many loopholes in the law because this type of loan was new to a developing country like Vietnam. Therefore, it was necessary to build a solid legal system for P2P lending companies in Vietnam to make it easier to deploy this model.

To have a broader view of how P2P lending is managed by other countries around the world, Asian Development Bank Institute Working Paper with various actors published ‘Optimal Regulation of P2P Lending for Small and Medium-sized Enterprises’. This edition described and assessed the scope of peer-to-peer lending systems offered to small and medium enterprises (SMEs), then reviewed regulatory mechanisms in different countries such as: UK, USA, China and Japan. Finally, the writers compared the mechanisms with each other and gave their recommendations. The authors believed that China's management was not comprehensive, and P2P platforms could engage in fraudulent activities. On the other hand, the regulation in the US was too strict, it would hinder the development and reduce the competition of P2P platforms. In the authors' opinion, the UK model was an effective model for other countries to follow, because of the flexibility in regulation.

A research paper by Moran Ofir and Ido Sadeh ‘A Revolution in Progress: Regulating P2P Lending Platforms’ was one of the most detailed and meticulous research articles on how countries established regulatory frameworks for P2P lending platforms. The study showed an in-depth overview of the P2P lending market from four different viewpoints: financial intermediary of P2P lending, the characteristics of the market, benefits and risks faced by market participants, and its regulation in leading jurisdictions. In addition, the authors highlighted the risks and challenges that the regulator may face, along with that, they also made predictions for the development of P2P lending in the future. From those analyses, the paper then evaluated and compared the legal frameworks of three countries: the US, UK and China, and made policy recommendations. The authors believed that at first P2P lending was designed as an online market, but later it developed to resemble a financial intermediary. Therefore, regulators should amend the regulation to better suit this new role of financial intermediaries of P2P Lending.
With the progress from these studies, we would have a deeper comparison between countries’ legal frameworks related to P2P lending activities, and the Vietnamese authorities can determine what needs to be improved in the legal system to suit the Vietnamese environment.

III. METHODOLOGY

This study will analyze, compare and provide critical opinions on the arguments of academic researchers in Vietnam and around the world. Therefore, in order to analyze the arguments and opinions in the research papers, this article needs to use theorems and perspectives from many different fields such as economy, technology and society, which relate to law in context. As a consequence, this study decided to choose the Socio-Legal Methodology as the most suitable one.

Currently, there is no unified definition of the socio-legal approach. The link between “legal” and “socio” has been the subject of debate for decades. To understand the meaning of the socio-legal approach, it is necessary to follow the definitions provided by educational institutions. For example, the UK’s Socio-Legal Studies Association explains that socio-legal research is where law meets the social sciences and humanities. The Canadian Association for Law and Society defined socio-legal studies as the study of the place of law in social, political, economic, and cultural life.

Socio-legal research is described as an antithesis to the doctrinal or black letter approach. Many socio-legal researchers believed that the doctrinal approach was too rigid and inflexible in interpreting the law; this approach would reduce the richness and applicability of the law. Socio-legal methodology helps researchers gain a broader and more diverse perspective on the law so that they can detect shortcomings in the law and thereby find ways to overcome them.

When using a socio-legal methodology, it is very important to determine the appropriate methods. This study will use the following methods:

• Empirical method: a type of research method that uses evidence obtained through scientific or observational data collection methods to arrive at research results. After collecting data from reliable sources, the study analyzes the differences between China and the UK before and after applying the P2P Lending regulatory framework to see their effectiveness.

• Comparative method: Instead of collecting data and explaining definitions, this approach will draw fact-based comparisons in the implementation of the UK and Chinese P2P Lending regulatory approaches. From there, it is possible to give opinions on the appropriate legal approach for Vietnam.

IV. RESEARCH FINDINGS

A. Experiments from China

• Situation of P2P Lending in China

P2P Lending first appeared in China as an online lending website in June 2007, and the platform was called Paipaidai. Following that, a number of significant online lending platforms, including Hongling Capital, Renrendai, and Lufax, debuted in China. However, because there was little understanding of this business model at first and a small number of participants, the P2P Lending sector in China first expanded extremely slowly. From 2007 to the end of 2011, there were only 55 P2P Lending platforms operating in China, along with a transaction volume of CNY 3 billion. The P2P Lending market only really exploded in 2012, when the concept of Fintech began to become popular in the community. By the end of 2013, there were 572 P2P Lending platforms in operation, in 2014 the number of platforms increased by four times compared to the previous year. The transaction volume in P2P Lending has also increased, increasing by 10% per month on average in 2014, and by the end of the year has reached nearly CNY 380 billion. The peak development period of P2P Lending platforms in China was from 2015 to 2016, it was estimated that the transaction volume has reached CNY one trillion at that time (Wangdaizhijia, 2019).

It can be said that no other nation in the world can compare to China in terms of development rate and P2P Lending platform utilization. Chinese government essentially took no action to impede the operations of this new business model in the early years of P2P Lending's expansion from 2007 to 2011. The Chinese government has not issued directives or regulations to control the sector, and that has allowed the rapid rise of this model and caused it to develop into many different forms. However, by 2016, the development of this field slowed down, and a series of violations related to P2P Lending activities began to appear. People gradually realized that lax regulation was creating more risks in this area, P2P Lending activities showed signs of turning into financial crimes (Yin, 2017). After P2P lending gained popularity in 2015, the Chinese government tightened rules. The People's Bank of China (PBoC) published “Guidelines for Promoting the Healthy Development of Internet Finance” as the first step in this process. These guidelines did not set out formal rules, but they did serve as a premise for developing future regulations and provide an initial direction for the industry. By August 2016, the China Banking Regulatory Commission (CBRC) issued the first comprehensive set of rules on P2P Lending, called Interim Measures on Administration of Business Activities of Online Lending Information Intermediaries (Nemoto and others, 2019).

• Legal framework for regulating P2P Lending in China

Therefore, in August 2016, China Banking Regulatory Commission (CBRC) and three other agencies continued to issue another legal document called Interim Measures for the Administration of the Business Activities of Online Lending Information Intermediary Institutions (2016 Interim Measures for Online Lending). The Code, which was referred to as the first legal instrument exclusively for P2P Lending, contained 47 sections that regulate various facets of the market. China implemented dual supervisory mechanism. The CBRC and local agencies were responsible for monitoring and administering P2P Lending platforms, as well as regularly evaluating their day-to-day business condition in order to minimize and manage risks associated with those platforms (Huang and Wang, 2021). In the following years, China continuously added additional rules to further detail regulations related to business supervision, registration and information
disclosure. With its efforts, by 2019, China had basically built a relatively complete and comprehensive legal framework for the management of P2P Lending. This regulatory framework is often known as “1+3,” as it includes the 2016 Interim Measures for Online Lending as well as three guidance documents on registration, monitoring, and disclosure (Huang, 2018).

**Platform requirements:**

Essentially, the CBRC has issued regulations limiting the role of the P2P Lending platform to that of an information intermediary, with the platform only permitted to provide information-related services such as information searching, information issuance, credit rating, information exchange, and credit matching. Furthermore, the Interim Measures introduced additional restrictions on P2P lending activities, such as forbidding the pooling of investors' funds, promising principal and interest guarantees to investors, and asset securitization. As an example, it would still be acceptable if P2P Lending platforms transferred undue loans amongst investors to address a liquidity issue. Platforms, on the other hand, were absolutely barred from using other kinds of debt transfer, such as securitization or other wealth management products. In general, these measures are meant to minimize the range of frauds utilized by platforms, as well as to require platforms to use segregated account models. Based on previous platform failures, the CBRC established a loan cap on P2P lending platforms to restrict the risks to China’s financial system. CBRC only allowed individuals to borrow up to 1 million CNY from P2P Lending platforms, and up to 200,000 CNY from any one platform, for businesses, that number is respectively 5 million and 1 million (Article 17, The Interim Measures 2016).

P2P Lending institutions must undergo a three-step compliance review at their local establishment before being allowed to register with the financial regulator. The P2P lending platform must first gain a business license. Second, the platforms must record and register with the local financial authorities. Third, platforms must receive a telecommunications business license from the appropriate media authority (Article 5, The Interim Measures 2016).

**Lender Protection:**

The intention of creating a legal framework for China's P2P Lending was similar to that of the UK: to safeguard investors. The Interim Measures were passed with the same intent, but China had different priorities. Firstly, in contrast to the UK, the majority of investors in China's P2P lending industry were individual investors; relatively few corporate entities were present. Secondly, as retail investors made up the majority of the P2P lending sector, the collapse of these platforms many years ago when the Chinese government did not regulate P2P lending activities resulted in significant losses for individual investors (Ofir and Sadeh, 2020). As a result, while the UK undertook dovish policies, the Chinese government applied stringent safeguards to protect investors. China’s two primary strategies for investor protection included requiring supervisors and stepping up information disclosure.

First, a credible financial institution must oversee and control the funds of lenders and borrowers as per the Interim Measures. This fund management by lenders and borrowers was similar to securities custody; normally, P2P lending organizations established third-party custodial systems at commercial banking institutions. A P2P lending service was obliged to keep the transaction funds of the borrower or lender in a separate account at a qualified bank. Second, the Interim Measures also imposed specific laws pertaining to the publication of information by P2P Lending platforms, requiring that these platforms display on their websites basic information regarding projects to be financed (borrower’s personal and finance information), risk assessment, and potential risks. Additionally, P2P Lending service providers are required by the Interim Measures to submit data to the Credit Registration Center (CRC) of the People's Bank of China (Yu, 2017). The information they must provide in relation to the transactions they have brokered in the last month, including reserve fund details and risk management details; details of loans issued; on-time repayment rate; bad debt ratio; fees, bad debt balances over 90 days; details of lenders and borrowers. The Interim Measures additionally stipulated that third-party intermediaries, such as accounting firms and legal firms, will be chosen by the platforms to routinely audit their disclosures in order to guarantee the accuracy of disclosure.

**Borrower Protection:**

The existing P2P lending legislation in China were primarily concerned with safeguarding the interests of lenders, with very little consideration being given to borrowers. Although Chapter 4 of the Interim Measures was entirely devoted to “Protection of Lenders and Borrowers,” only Article 27 addressed the protection of borrowers using the P2P Lending platform (Ding and others, 2019). Article 27 merely specifies that platforms are required to make sure that borrower information is used appropriately and preserved securely. In addition to only mentioning the protection of the borrower’s information, other interests related to interest rates were not specified. Chinese authorities mainly used other laws or regulations to protect borrowers.

**Other Regulations:**

P2P lending platforms in China were also subject to self-regulation by industry associations or credit rating agencies (CRAs) in addition to the rules established by the government. For example, to maintain the transparency and disclosure requirements of the Internet finance business, including P2P lending, the National Internet Finance Association (NIFA) was created by PBOC (Chen and Tsai, 2018). The number of P2P lending platforms participating in NIFA was around 105 as of 2017, and 66 of those platforms had posted information about their transactions on the NIFA website. In order to promote market transparency, NIFA required platforms to update data on total trade volume, quantity of investors and borrowers, and default rate. The disclosure requirements of industry associations helped support the government to strengthen the regulatory framework for the P2P Lending industry.

The CRAs were another organization that aided in the development of the P2P lending regulatory environment in China, in addition to industry associations. Investors could check ranking reports that CRAs produced about P2P lending platforms. Investors can assess the efficiency and dependability of more than 2000 P2P Lending platforms based on the ratings reports of CRAs, and then choose which platform to participate...

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in. These reports improved market transparency and gave investors more reason to believe in the market (Chen and Tsai, 2018). Regulators nevertheless warned investors against abusing CRA data because the 2008 global financial crisis also stemmed from investors’ overconfidence in ratings reports.

- China’s legal framework evaluation

The highlight of China’s management is determining the role of information intermediaries of P2P Lending platforms. It is made very clear in the "1+3” mechanism that the P2P Lending platform is not a financial institution and that its primary function is that of an information broker. According to Chinese officials, P2P Lending platforms relied on technical technology to readily gather user data and make loans, which could have a negative effect on the traditional banking system and disrupt China’s financial management strategy. In addition, P2P Lending platforms only focused on creating loans, and the stages of risk management or bad debt handling were not comparable to traditional financial institutions. Consequently, P2P Lending was prioritized as an information broker by Chinese authorities.

Another highlight of China is its dual supervisory mechanism. Local management agencies are an additional aspect that is equally crucial to the CBRC. Since they are the ones who directly oversee everything from establishment registration to P2P Lending operations in their area, these local agencies play an even more significant role than the CBRC. Local regulatory organizations are moreover the first to act when there are dangers or dispute resolution for investors. If the CBRC is in charge of overseeing the P2P market generally, local regulatory agencies are in charge of monitoring and making sure P2P operations are carried out correctly.

However, one of the first limitations in regulating China’s P2P Lending is their management mechanism - dual supervisory model. This supervisory model seems very comprehensive when there are two levels of supervision. The issue with this strategy is that local agencies lack the capability for human resources and are overburdened with the task of supervising P2P Lending platforms. Statistics show that towards the end of 2018, Guangdong had about 200 financial guarantee companies and 400 micro-credit companies, however there were only 52 staff working at the province financial affairs office to oversee these financial firms (Feng, 2020). The efficiency of financial supervision has been significantly impacted by local authorities’ lack of human resources. Another limitation is that China is too strict in the enforcement of penalties for infringing platforms. The rigor of regulation is reflected in sanctions, even criminal penalties. Due to the strain of increasing workloads and scarce resources, several local regulators have enacted stringent regulations that drive P2P Lending platforms out of the market. Additionally, since their membership base was too tiny in comparison to the number of platforms available on the market, industry associations like NIFA did not perform well. Despite this, the majority of these platforms were small and underpowered in the market, while powerful, influential platforms were not included in the organization.

B. Experiments from UK

- Situation of P2P Lending in UK

The UK is an interesting case to use as a model in P2P Lending management for other countries to follow, and there are two reasons to explain this. Firstly, it would be impossible to discuss peer-to-peer lending without mentioning the UK, a nation that has made significant contributions to the growth of this industry. With the launch of the first P2P lending platform in the world, Zopa, in 2005, the UK is recognized as the origin of the first P2P lending activity. Secondly, up to 83% of P2P lending companies questioned in the UK indicated in the research by the Cambridge Center for Alternative Finance in 2016 that they thought the UK’s legal and regulatory environment was “adequate and appropriate”. It demonstrates that the UK’s regulatory structure has a very high degree of satisfaction, surpassing that of the US (42%) in 2016, demonstrating how comprehensive and uniform the UK’s P2P Lending legal framework is.

With the launch of Zopa in 2015, the UK became the first nation to introduce a P2P lending business; the initial loans were mostly for personal consumption lending. Following that, The Funding Circle, a company that specialized in lending money to small businesses, was launched in 2010. After a period of establishment and expansion, there were more than 100 P2P Lending platforms operating in the UK as of November 2018, along with the growth in total loan value. In particular, three P2P lending platforms—Zopa, RateSetter, and The Funding Circle—were recognized as leading players in the market, accounting for 70% of all P2P lending market share in the country (Nghi, 2022).

- Legal framework for regulating P2P Lending in UK

The development of the legal framework for P2P Lending in the UK can be divided into three main stages. Right from the initial launch in 2005, Loans made through P2P Lending have always been regulated by the law. Between 2005 and 2010, the majority of loans were consumer loans, so it was only subject to consumer credit regulations under the supervision of the UK Office of Fair Trading (OFT). The second phase is starting in 2014, the UK becoming the first nation in the world to create a system of legal restrictions on P2P Lending operations. From this point forward, the Financial Conduct Authority (FCA) will be in charge of management. In order to participate in credit granting and join the National Credit Information Center, P2P lending platforms must receive FCA approval (Nghi, 2022). To make this kind of lending appropriate for practice, the FCA released the P2P Lending Management Code that same year. The third phase is from 2016 to 2019, during this period, FCA focuses on strengthening and revising regulations to improve investor protection.

In contrast to China, where the PBoC aggressively engaged and established a strict legal framework to regulate P2P Lending activities, the FCA in the UK chose a strategy of gradual dialogue and intervention (Ofir and Sadeh, 2020). Since 2014, FCA has consistently (1) released a range of guidelines (including references, statements, and discussions) on P2P lending activities to offer information about the advantages, potential hazards, and applicable laws for the parties involved; (2) gathered comments from market participants on how regulations have affected their business model; (3)
experienced with regulatory sandbox models, which were referred to be "safe spaces," where P2P Lending platforms may test out new goods, services, or even new ideas that might not be compliant with current regulations (Nemoto & công sự, 2019).

Platform requirements:

In the period of 2014, FCA announced a series of new regulations to legalize and re-establish the business model of P2P Lending and the whole industry. This action aimed to increase interest in and knowledge of this kind of business. According to the published regulations, P2P lending operations must abide by all laws that apply to other financial intermediaries, including those that cover investor funds, minimum capital requirements, money laundering, contingency plans, and other requirements (Ofir and Sadeh, 2020). As of April 1st, 2014, according to FCA, all P2P Lending platforms must be fully authorized and have a minimum capital of £50,000. This rule was put in place to guarantee that the platforms were prudent in assessing and managing business and financial risks. Service providers are specifically urged to establish a reserve fund to cover investment losses in the event that borrowers default or are late. To safeguard the interests of investors, service providers are also encouraged to take part in insurance policies. In addition to prudential regulations, the FCA mandated authorized P2P Lending platforms to submit financial statements quarterly, monthly, or annually depending on the size of the firm. This financial statement would update the financial position of the business, report the position of investors' money holdings and the debts they were handling. Based on the relevant data, FCA could keep an eye on P2P lending activity in the market, identifying hazards before they become serious.

Moreover, P2P lending platforms must also adhere to several of the rules set forth in The FCA Handbook, including the different legislative framework texts, such as: Principles for Businesses (PRIN); General Provisions (GEN - These are the guidelines that all companies must follow while interacting with the FCA); Senior Management Arrangement, Systems and Controls (SYSC9); The Consumer Credit Sourcebook (CONC10 - This is a comprehensive guide to credit regulations); Conduct of Business Sourcebook (COBS – a list of FCA regulations and recommendations for designated investment enterprises, including information on P2P lending platforms).

Lender Protection:

The FCA, like the PBoC, seeks to safeguard investors who take part in P2P lending activities by requiring P2P lending platforms to provide initial and ongoing loan information so that investors may make wise judgments. As a result, the FCA has developed regulations pertaining to the general disclosure of information, in which they mandate that platforms provide information on their financial status, prior activities, and specifics of their goods or services. Additionally, FCA encourages P2P lending platforms to concentrate on three key objectives while building a transparent information framework.

First, in order for investors to have the best understanding of the products, FCA emphasized that platforms must develop an acceptable target rate of return. The FCA recommended that platforms had a measurement system and risk management framework in place to accurately and appropriately determine the return that investors can earn prior to advertising (Ding and others, 2019). Second, platforms must have their own contingency funds in the event that the borrower defaulted; these contingency funds gave investors peace of mind. However, the FCA had other reservations regarding these emergency monies. Contingency funds, according to the FCA, can safeguard investors, but they can also lead investors to believe that their investments always provide a fixed rate of return and are therefore not at risk in the event of default. Therefore, FCA needed platforms to enhance disclosures related to these funds, and clearly annotate investors so that they can comprehend (Ofir and Sadeh, 2020). Finally, FCA welcomed the platforms' ongoing information updates. They argued that this was very important, many investors did not even know that the loans in their portfolio could not be retrieved. FCA also recommended strengthening rules on ongoing information disclosure in a report in 2018 to guarantee that investors always received complete information regarding all P2P Lending agreements they signed into.

In addition to imposing rules on disclosure information, the FCA enforced many regulations regarding investors' funds to protect them. Investors' funds held by P2P Lending platforms in lending agreements were kept in a separate fund, completely independent of the platform's fund. The FCA mandated P2P Lending platforms to test investors' knowledge and expertise prior to their investment and then assessed their suitability in order to ensure that investors who were new to this sort of business were properly informed and marketed to. Furthermore, the FCA limited the amount of investment per P2P lending agreement at 10% of investable assets for less experienced investors (Ding and others, 2019).

Borrower Protection:

According to FCA, P2P Lending services must adhere to the Consumer Credit sourcebook's current borrower protection standards. It stipulated that the P2P Lending company must do credit scoring and determine the solvency of the borrower prior to the peer-to-peer lending contract being performed. The evaluation ought to be based on data from significant sources, including the borrower and credit reference agencies. These rules required P2P lending platforms to conduct reasonable credit assessments and determine the proper payback schedule for borrowers so as not to impair their financial capabilities. The P2P Lending companies should get in touch with the borrower and nudge them to discuss the status of their loan if a client failed to pay interest and principal on time. Even yet, the FCA advised that P2P lending platforms exercised the same level of due diligence as conventional credit institutions, such as verifying a borrower's identification by looking at their ID (Naidji, 2017).

New Final Rules in 2019:

Since some P2P lending platforms had to close and credit activity was declining, the FCA consulted on the establishment of a new, stricter regulatory regime, and by 2019, they issued the final set of rules. One of the key improvements to these guidelines was the investor protection factors.
The first change was the requirement that all platforms for peer-to-peer lending included a "P2P resolution manual" outlining how they would deal with investors in the case of insolvency. Platforms must have strategies in place to keep P2P Lending agreements running smoothly in the event of a platform shutdown and must disclose these plans to investors before they invested. The second change was the FCA's decision to limit the platforms’ marketability to specific sorts of investors. To prevent investors from accepting risks they cannot accept, the FCA broadened the scope of marketing prohibitions on Interactive Broker platforms (including P2P Lending platforms). In accordance with these regulations, platforms must now evaluate clients' appropriateness by determining the types of investments they can invest. The third change was about the governance element of P2P Lending platforms. Platforms needed to have clear risk management policies, they must set up dedicated departments for independent risk management, regulatory compliance, and internal audits.

**Other Regulations:**

After 2010, with the birth of two large P2P Lending organizations, RateSetter and The Funding Circle, they together with Zopa founded The Peer-to-Peer Finance Association in 2011. Despite the fact that they were not a government agency and did not directly create the legislative framework for P2P Lending, they still played a significant role in regulating the operations in this sector. The association's objective was to exchange with one another effective business plans and insurance strategies to protect users of P2P lending platforms. It was also the first to propose the establishment of a reserve fund to stop the bad debt ratio from rising.

According to analysts, the UK's co-regulatory system for P2P lending consists of both hard laws from the FCA and soft laws from P2PFA. The P2PFA regulation served as an adjunct measure to rapidly and effectively govern the business, whilst the FCA rules served as the overall management and regulation for the broader P2P Lending industry.

Members of the P2PFA must abide by the association's own set of rules that include 29 articles. Those terms are summarized as follows: (1) platforms cannot make claims that investors' returns are guaranteed; (2) they must disclose information about bad debt rates, returns performance, and availability of the entire loan book; (3) they must explain all fees and charges to clients; such information includes how money is handled after a lender transfers money to the platform; any conflicts of interest in any of the loans and how conflicts of interest are managed; (4) Client money management: Members are required to keep their clients' money separate from their own money and company assets in a separate bank account; (5) Members must refrain from borrowing or soliciting money using their peer-to-peer lending websites or platforms.

- **UK’s legal framework evaluation**

While in China, CBRC has intervened in the P2P field with strong measures to purify the market. The UK's FCA has adopted a more moderate approach based on a dialogue and gradual intervention approach, which is also seen as a prominent advantage in the UK’s P2P Lending regulation. First, the FCA will publish supplementary recommendations that correspond with each of the regulations it creates, as opposed to just creating rules for everyone to follow. This guide's recommendations, declarations, and discussions are intended to quickly inform investors about new advantages and potential hazards as well as to clarify present regulations. Second, FCA always receives feedback from P2P Lending businesses, these comments can be submitted quarterly, semi-annually or annually. From these responses, FCA will draw precise conclusions about the state of the market, identifying dangers that need to be avoided. Finally, there is the regulatory sandbox, and the UK is the first nation to test this model successfully and spread it across the globe. Both FCA and P2P Lending businesses are able to test out new concepts in the regulatory sandbox. Prior to making new regulations official, FCA can test them and assess their viability.

It is clear from the foregoing that the FCA is quite flexible in how it regulates P2P lending, and they might be willing to change the rules to better suit the scenario. Furthermore, the FCA’s independence from the government sector is another aspect of its accomplishments in P2P regulation. One of the most intriguing aspects of UK management is the FCA and P2PFA co-regulatory method, in which the two work together to attain the best efficiency in regulating P2P lending. P2P lending is an innovative industry that undergoes rapid development, thus it is important to think about how to regulate it in both static and dynamic ways. In particular, the FCA's regulations are enforceable but typically require some time to implement because they are static. In contrast, the self-regulation guidelines offered by the industry association, like P2PFA, have more latitude in terms of quickly fulfilling the market's changing demand.

**V. RECOMMENDATION AND CONCLUSION**

Vietnam’s strategy closely resembles China's initial implementation of P2P lending, which likewise used a hands-off approach. However, the collapse of the P2P lending market in China forces nations that continue to take a wait-and-see stance to reevaluate; the Vietnamese government must likewise remove this status quickly in order to begin developing a legal framework for P2P lending as soon as feasible.

At this time, no nation has created a unique set of legal code governing P2P lending. It is highly difficult to create a new set of legal code to govern a new concept, and sometimes this necessitates amending the pertinent existing laws. This process requires a significant amount of time to edit, however the development speed of P2P lending in the world is regarded to be quite fast and will accelerate in the near future. With the speed at which law code are being enacted, it is difficult to handle a sector that always poses substantial hazards to society, such as P2P lending, on time. Countries around the world mainly use interim measures in shaping the legal framework for P2P Lending.

Based on the experiences of the preceding nations, Vietnam should design a legislative framework that includes a decree governing P2P lending activities, followed by circulars to advise and support the above decree:

- Firstly, it's important to pinpoint the organization in charge of managing, supervising, and defending the members' interests. There is a good chance that the Vietnamese
government will give the State Bank of Vietnam this duty. However, due to the difficulty and time commitment involved in managing and operating the P2P Lending market, SBV shouldn’t create a new independent agency with that focus. The Credit Department of economic sectors can be given tasks to supervise and administer, and SBV can work with ministries and branches to create a legal foundation for this new industry. SBV should closely coordinate with the Ministry of Justice, the Ministry of Public Security and the Ministry of Planning and Investment to have the most effective solutions to build the legal framework. In addition, the local financial departments are also a significant resource that can participate in the supervision and management of P2P Lending activities in that locality, applying the dual supervisory mechanism of China. In terms of dispute resolution, it is very difficult for Vietnam to build an independent dispute settlement agency like the UK because of cultural differences as well as political system, the Court will be the place to resolve disputes between consumers and platforms.

Secondly, there must be specific rules governing business registration. In order to protect the subjects’ commercial interests and the growth of this new financial ecosystem, P2P lending operations must be included to the list of business lines in Vietnam, which are now absent. When requirements for company registration are established, the authority qualified to issue licenses and oversee P2P activity is also known. Similar to in China, the local financial regulator and the media will approve the P2P Lending company's registration and license for the telecoms industry. P2P lending systems must be licensed in the UK by the FCA.

Thirdly, there should be a legal mechanism to monitor and inspect P2P Lending companies. As a precaution against potential hazards that could be harmful to the market and society, this mechanism is crucial to the administration of the peer-to-peer lending industry. Regardless of whether Vietnam adopts China's dual supervisory system or FCA's ongoing information updates approach via platforms, the monitoring system needs to get the utmost attention. Data pertaining to loans or personal information should be managed and reported to the direct management agency on a regular basis.

Fourthly, there should be regulations binding on P2P platforms to protect investors when participating in this new type of investment. Both China and UK share the same idea in building a complete legal framework for P2P Lending, which is to protect investors. Consequently, it is imperative to set up a supervisory structure to protect investors, although further legislation is required to improve protection measures. When investors send money to P2P Lending sites in Vietnam, there should be rules governing their funds. The P2P Lending platform holds investor monies in lending agreements in a separate fund that is totally separate from the platform's funds. Even this fund ought to be handled by an impartial financial intermediary. Platforms must also have a reserve fund of their own in case a borrower defaults; these funds have given investors piece of mind. Last but not least, strong restrictions on platforms should be implemented in Vietnam to improve information disclosure relating to loans and to create understandable captions for investors. Personal and financial details about the borrower, a risk assessment, and any potential risks must all be included in this material.

Fifthly, there has to be legislation governing brokerage costs and interest rates for loans on platforms for peer-to-peer lending. This is one of the concerns in the decree’s formulation since usury and black credit are showing up in Vietnam right now as a result of the excessively high interest rates on various P2P platforms. In Vietnam, the interest rates for credit loans and civil loans are radically dissimilar. P2P interest rates must adhere to the SBV’s regulated interest rate if P2P lending enterprises are to be designated credit institutions. To ensure the lender's interest in the investment and the interest payable by the borrower, SBV should have a distinct interest form for P2P lending.

The above are suggestions in developing provisions in the decree on controlling P2P Lending activities. Peer-to-peer lending in Vietnam is being exploited by criminals, so SBV needs to coordinate with other specialized management agencies to provide legal solutions.

The socio-economic landscape of Vietnam is changing rapidly due to the digital revolution, and technological advancement has had a significant positive impact on economic growth. Peer-to-peer lending is a financial service business model built on a digital technology platform to directly connect borrowers and lenders, and it is now one of the blooming development trends that will undoubtedly shape the future of the global financial industry. Along with the global development of the internet and smartphones, this model has expanded to many nations, and since 2016, P2P lending has also been progressively establishing itself in Vietnam. The government of Vietnam is also particularly interested in the growth of P2P lending and views it as one of the key sources of funding for the expansion of the private sector. However, Vietnam has not been able to construct an appropriate and comprehensive legislative framework tailored for P2P Lending activities in the early years due to the slow development and the ambiguity of the state management agencies in creating the management direction. Peer-to-peer lending activities are thus being taken advantage of by illegal activities that pose threats to society, such as money laundering, financing of terrorism, usury, and black credit activities. The collapse of the P2P lending market in China is also a wake-up call for Vietnam, thus Vietnamese law requires special recommendations to provide a solid legal framework that will guarantee the protection of P2P market participants' rights and interests. With the knowledge gained by study and research, this thesis evaluates the current state of Vietnamese law’s regulation of P2P lending operations, compares it to the laws of the UK and China, and offers suggestions for improving domestic legislation.

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