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Consumer Protection in Digital Payment Systems: Legal Challenges and Comparative Perspectives in Mongolia, China and South Korea

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Abstract: The rapid development of digital payment systems has transformed financial transactions, improved payment convenience, and expanded access to financial services. However, the increasing use of electronic wallets, mobile payment applications, electronic money, and online payment platforms has also created new consumer protection challenges, including unauthorized transactions, digital fraud, misuse of personal data, technical failures, and difficulties in obtaining compensation. This study aims to conduct a comparative legal analysis of consumer protection in digital payment systems in Mongolia, China, and South Korea. It examines similarities and differences in their legal frameworks, identifies common regulatory challenges, and evaluates potential legal mechanisms for strengthening consumer protection in Mongolia. The study employs doctrinal and comparative legal research methods, drawing on relevant legislation, regulatory instruments, scholarly literature, and institutional approaches to payment-service supervision and dispute resolution. The analysis focuses on the principal legal frameworks governing digital payment services in the three countries. In Mongolia, particular attention is given to the Law on National Payment System, which establishes the legal foundations for payment-service regulation, system security, and the protection of payment users. In China, the study examines the Regulation on the Supervision and Administration of Non-Bank Payment Institutions, which entered into force on 1 May 2024 and strengthened the regulatory framework for non-bank payment service providers. In South Korea, the Electronic Financial Transactions Act is examined with particular reference to electronic transaction security, financial service provider liability, and consumer protection in electronic financial transactions. The comparative analysis is structured around five key dimensions: regulatory authorization and supervision, liability for unauthorized transactions, protection of customer funds, personal data protection and cybersecurity, and consumer complaints and remedies. Through these dimensions, the study evaluates the extent to which existing legal frameworks address emerging risks in digital payment services and provide effective safeguards for consumers. The study emphasizes that effective consumer protection requires more than the formal recognition of consumer rights. It also depends on clearly defined liability mechanisms, transparent obligations for digital payment service providers, accessible dispute resolution procedures, effective compensation mechanisms, and consistent regulatory enforcement. The findings are intended to provide a comparative legal basis for identifying regulatory gaps and developing recommendations to strengthen the legal protection of consumers in Mongolia's rapidly evolving digital payment environment

Keywords: digital payments, consumer protection, payment services, unauthorized transactions, financial consumer rights, Mongolia, China, South Korea, comparative law.

INTRODUCTION

Digital payment systems have become an important component of contemporary financial infrastructure. Electronic wallets, mobile banking, Quick Response (QR)-code payments, electronic money, and online payment platforms enable consumers to transfer funds and purchase goods and services without relying exclusively on physical cash or traditional payment instruments. These technologies can improve transaction efficiency, reduce payment friction, and support the development of digital commerce.

Nevertheless, the expansion of digital payment services creates legal challenges concerning the protection of users' financial interests. Consumers may suffer losses through unauthorized transactions, fraudulent payment instructions, phishing, compromised authentication credentials, system errors, delayed refunds, or the misuse of personal information. Where transactions involve several actors, including banks, payment service providers, merchants, platform operators, and telecommunications companies, the allocation of legal responsibility may become particularly complex.

Mongolia also has an established statutory framework. The Law on National Payment System, adopted on 31 May 2017, regulates the management, organization, regulation, and oversight of the national payment system. Article 4 identifies the protection of user interests, system stability, reliability, risk management, and confidentiality and security as relevant principles [1].

Research on China's mobile payment sector illustrates the importance of these challenges. Ningyao Ye and Zeyu Zhao (2024) examine the legal status of mobile payment consumers, regulatory fragmentation, and dispute-resolution arrangements in China. Their analysis highlights questions concerning the protection of users of major platforms such as Alipay and WeChat Pay and the need to balance consumer interests with the position of large payment providers. Alipay and WeChat Pay, which enable more than a billion users to make transactions by advanced technologies such as the digital wallet and Quick Response (QR) code, are two of the most popular mobile payment service giants in China. explored the consumer damages when customers make payment on the giant mobile payment services in China, which necessitates a sound banking regulatory framework to address these damages. However, it is still difficult to recognize Alipay and WeChat Pay as regulated banks although there are some clues of the functional and positional similarities between the two [2].

South Korea offers a different legal reference through its Electronic Financial Transactions Act. Article 9 establishes liability for specified categories of electronic financial transaction incidents, including incidents involving forged or altered access media and certain electronic transmission or processing failures. The term "electronic payment means" means an electronic funds transfer, electronic debit payment means, electronic prepayment means, electronic currency, a credit card, an electronic bond or other means of payment by electronic means [4].

These three jurisdictions provide a basis for comparing how legal systems regulate digital payment services and protect consumers from financial loss. Their approaches should not be assumed to be interchangeable: their payment markets, regulatory institutions, legal traditions, and consumer-remedy mechanisms differ.

The aim of our study is to conduct a comparative legal analysis of consumer protection in digital payment systems in Mongolia, China, and South Korea to identify similarities, differences, regulatory challenges, and potential legal mechanisms for strengthening consumer protection in Mongolia. Research objectives of our study are as below:

- To examine Mongolia's legal framework for digital payment consumer protection.
- To analyze and compare China's and South Korea's regulatory approaches.
- To identify legal gaps and evaluate applicable international practices.
- To recommend improvements to Mongolia's digital payment consumer protection system.

THEORETICAL FRAMEWORKS FOR CONSUMER PROTECTION IN DIGITAL PAYMENT SYSTEMS IN MONGOLIA

Theoretical Framework for Consumer Protection in Digital Financial Transactions in Mongolia

The theoretical framework of our study integrates five complementary perspectives to examine consumer protection in digital financial transactions in Mongolia as below:

The Rights-Based Approach conceptualizes consumer protection as a fundamental legal responsibility of businesses, financial service providers, and public authorities. It recognizes consumers as rights-holders entitled to accurate information, secure transactions, fair treatment, and effective remedies when their rights are violated.

In Mongolia, this approach provides a framework for evaluating whether existing legislation adequately protects users of mobile banking applications, electronic wallets, and other digital payment services. Attention is given to personal and financial data protection, transparent transaction fees, unauthorized payments, and service failures. The approach therefore enables the study to assess not only the legal recognition of consumer rights but also the extent to which these rights can be exercised effectively in practice.

Information Asymmetry Theory explains how unequal access to information between consumers and service providers can affect decision-making and increase the risk of financial harm. Digital financial service providers generally possess greater technical knowledge of transaction processes, contractual conditions, fees, and security risks than ordinary consumers. When information is incomplete, unclear, or difficult to understand, consumers may make decisions without fully recognizing the associated risks.

In Mongolia, this theory supports an examination of information disclosure practices, the transparency of digital payment interfaces, and consumer awareness of fraud, phishing, and unauthorized transactions. It also highlights the importance of understandable contractual information and accessible consumer education in reducing information gaps and strengthening confidence in digital financial services.

Contractual fairness theory examines whether the terms governing digital financial transactions establish a fair and transparent relationship between consumers and service providers. Digital payment services commonly rely on standardized electronic agreements that consumers accept without negotiating individual provisions. This arrangement may

create an imbalance in bargaining power, particularly when contractual terms concern liability, transaction errors, security breaches, or limitations on consumer remedies [5].

In the Mongolian context, this theory provides a basis for assessing whether electronic agreements comply with applicable consumer protection and contract law, adequately disclose consumer obligations, and allocate risks and responsibilities fairly. It also emphasizes that acceptance of an electronic agreement does not automatically establish the fairness or legal enforceability of every contractual provision.

Regulatory governance theory emphasizes the importance of effective institutions, clear regulatory responsibilities, supervision, and enforcement in protecting consumers. The existence of legislation alone cannot guarantee effective protection unless competent authorities can monitor compliance, investigate violations, and require appropriate corrective action.

Applied to Mongolia's digital financial sector, this theory supports an examination of the respective legal mandates of the Bank of Mongolia and other competent authorities, as well as their coordination in financial supervision, consumer protection, data protection, and responses to payment-related fraud. The analysis considers whether regulatory responsibilities are clearly allocated, whether service providers comply with applicable requirements, and whether institutional mechanisms respond effectively to consumer complaints. This perspective connects formal legal obligations with their practical implementation.

Access to Justice theory examines whether consumers can obtain accessible, timely, and effective remedies when their rights are violated. In digital financial transactions, consumers may encounter difficulties reporting unauthorized payments, identifying the responsible institution, providing evidence, or recovering lost funds. Such barriers can prevent individuals from exercising rights that are formally recognized by law.

In Mongolia, this theory provides a framework for evaluating complaint-handling procedures, dispute-resolution mechanisms, access to legal assistance, and the availability of reimbursement or compensation where legally justified. It also considers whether consumers understand how to pursue claims through financial service providers, competent regulatory authorities, or other appropriate legal channels. Accordingly, the theory assesses the practical effectiveness of consumer protection rather than merely the formal availability of remedies. We concluded that the five theoretical perspectives provide a complementary framework for examining consumer protection in digital financial transactions in Mongolia. The Rights-Based Approach establishes the legal entitlements of consumers; Information Asymmetry Theory explains the risks associated with unequal access to information; Contractual Fairness Theory evaluates the balance of rights and obligations in electronic agreements; Regulatory Governance Theory examines institutional oversight and enforcement; and Access to Justice Theory assesses the availability and effectiveness of remedies in our study.

Literature Review of Consumer Protection for using Digital Payment Systems in Mongolia, China and South Korea

The existing literature on consumer protection in digital financial services can be classified into three interrelated perspectives: the legal framework, liability and remedies, and

institutional and practical effectiveness. These perspectives provide a theoretical and analytical foundation for comparing consumer protection mechanisms in Mongolia, China, and South Korea.

Regarding the legal framework, Amarsanaa and Otgontuya (2025) [6], Ye and Zhao (2024), and Seo (2016) examined issues relevant to the legal recognition of consumer rights, the responsibilities of digital financial service providers, and the scope of regulatory protection [8]. Their studies provide a basis for investigating how national legal frameworks establish consumer protection standards and regulate risks associated with digital payment services. From a comparative perspective, these studies highlight the importance of examining the consistency of consumer protection provisions, the clarity of service providers' legal obligations, the protection of personal data, and the scope of regulatory supervision. Building on these contributions, the present study compares the legal frameworks of Mongolia, China, and South Korea to identify similarities, differences, and potential gaps in the regulation of digital financial consumer protection.

With respect to liability and remedies, Maeng (2018) and Kim (2022) addressed issues associated with electronic payment protection, financial responsibility, and the resolution of disputes arising from payment transactions. Their research provides a foundation for examining how liability is allocated among consumers, financial institutions, and digital payment service providers when unauthorized transactions, fraud, or financial losses occur. This strand of literature emphasizes the importance of clearly defined liability rules and accessible remedial mechanisms in protecting consumers from financial harm.

However, the formal recognition of consumer rights does not necessarily ensure that affected individuals receive timely compensation or obtain effective remedies. Accordingly, the present study investigates how the three countries regulate unauthorized transactions, establish procedures for reporting and investigating disputed payments, and provide mechanisms for recovering financial losses. This comparison enables the study to assess the extent to which legal arrangements define the responsibilities of service providers and safeguard the interests of consumers.

In relation to institutional and practical effectiveness, Zhang (2014) and Xia et al. (2024) provide relevant perspectives for examining the institutional arrangements and implementation of consumer protection measures. Their research can inform the development of a comparative framework for assessing the roles of regulatory authorities, financial institutions, complaint-handling bodies, and dispute resolution institutions [7].

This perspective extends the analysis beyond the formal existence of legal provisions by emphasizing the importance of enforcement capacity and institutional performance. In particular, the present study examines the accessibility of complaint procedures, the transparency of dispute resolution processes, the responsiveness of digital financial service providers, and the effectiveness of regulatory supervision. These indicators help determine whether consumer protection measures are implemented effectively and whether consumers can exercise their legal rights in practice.

Taking together, the reviewed literature provides complementary insights into the legal, financial, and institutional dimensions of digital financial consumer protection. Nevertheless, the identified studies do not, on the basis of the literature reviewed here, establish a comprehensive empirical comparison of all seven dimensions across Mongolia, China, and South Korea.

This limitation indicates the need for a systematic comparative investigation using consistent analytical indicators. To address this research gap, the present study examines seven dimensions: the legal recognition of consumer rights, the obligations of digital financial service providers, protection against fraud and unauthorized transactions, personal data security, access to complaint mechanisms, dispute resolution procedures, and the effectiveness of regulatory supervision. The study applies these indicators consistently across the three countries by analyzing relevant legislation, regulations, regulatory guidance, and academic publications. Where appropriate, documentary analysis can be supplemented by consumer surveys or expert interviews to investigate the implementation of legal protections and consumers' experiences with digital payment services.

A central contribution of the present study is its distinction between legal adequacy and practical effectiveness. Legal adequacy refers to the extent to which legislation and regulations establish clearly defined consumer rights, specify the responsibilities of service providers, and provide appropriate safeguards and remedies. Practical effectiveness, in contrast, concerns the extent to which these legal protections are implemented, enforced, and made accessible to consumers.

The distinction is important because comprehensive legislation may coexist with weaknesses in regulatory enforcement, complaint resolution, or access to compensation. Similarly, effective institutional practices may improve consumer protection while certain legal provisions remain incomplete or ambiguous. By examining legal adequacy and practical effectiveness together, the study identifies regulatory strengths, implementation gaps, and opportunities for institutional improvement in Mongolia, China, and South Korea.

Ultimately, the comparative analysis contributes to a more systematic understanding of how legal frameworks and institutional arrangements influence consumer protection in digital payment systems and provides an evidence-based foundation for strengthening Mongolia's digital financial consumer protection framework.

RESEARCH METHODOLOGY

Our study adopted a mixed-methods comparative research design to examine consumer protection in digital financial transactions in Mongolia, China, and South Korea. By integrating doctrinal legal analysis, comparative legal analysis, and empirical investigation, the study evaluates both the adequacy of existing legal frameworks and their effectiveness in practice.

This methodological approach enabled consumer protection to be examined from legal, institutional, and practical perspectives, providing a comprehensive understanding of the relationship between formal legal provisions and their implementation in digital financial markets.

The comparative legal analysis systematically examines the three countries using a common analytical framework to identify similarities and differences in their consumer protection mechanisms. The main dimensions of comparison include the legal recognition of consumer rights, the obligations of digital financial service providers, protection against fraud and unauthorized transactions, personal data security, access to complaint mechanisms, dispute resolution procedures, and the effectiveness of regulatory supervision.

ANALYSIS OF STUDY

The analysis also considers differences in institutional arrangements, enforcement practices, and the development of digital financial services that may influence the implementation of consumer protection laws. By examining the legal and regulatory experiences of China and South Korea alongside Mongolia's existing framework, the study seeks to identify relevant regulatory practices, assess legal and institutional gaps, and derive contextually appropriate policy lessons for strengthening consumer protection in Mongolia. Throughout the analysis, due consideration is given to the distinct legal systems, institutional capacities, and socioeconomic conditions of the three countries to ensure that comparative findings are interpreted appropriately and translated into practical, evidence-based recommendations.

Sources supporting this preliminary comparison include Amarsanaa and Otgontuya (2025), Ye and Zhao (2024), Kim (2022), Maeng (2018), Zhang (2014), and Xia et al. (2024) as below:

Comparative dimension	**Mongolia**	**China**	**South Korea**
1. Legal recognition of consumer rights	General consumer protection legislation provides a legal foundation, but its adequacy for digital financial services requires further assessment.	Financial consumer protection rules exist, but the legal status and protection of mobile payment users require examination.	A developed legal framework for electronic financial transactions and financial consumer protection provides a foundation for protecting users.

We suggest that South Korea has a more developed legal foundation for protecting digital financial consumers, while Mongolia requires further assessment of the adequacy of its general consumer protection legislation and China needs to clarify the legal status and protection of mobile payment users.

2. Obligations of digital payment providers	Further analysis is needed to determine whether responsibilities are clearly allocated among banks, payment providers, and digital platforms.	Defining the obligations of major mobile payment platforms, including Alipay and WeChat Pay, remains an important regulatory issue.	Legal scholarship provides a basis for examining provider liability and obligations in electronic financial transactions.

We suggest that indicates that Mongolia needs to clarify the allocation of responsibilities among digital payment providers, China faces challenges in defining the obligations of major mobile payment platforms, and South Korea provides a legal basis for examining provider liability and obligations in electronic financial transactions.

3. Fraud and unauthorized transactions	The adequacy of liability rules, reimbursement mechanisms, and protection against unauthorized transactions requires assessment.	Mobile payment users face risks involving fraud, account compromise, identity theft, and unauthorized transactions.	Electronic financial transaction legislation provides a basis for evaluating provider liability and consumer compensation.

We indicate that Mongolia requires further assessment of liability and reimbursement mechanisms, China faces significant mobile payment risks involving fraud and unauthorized transactions, and South Korea's electronic financial transaction legislation provides a basis for evaluating provider liability and consumer compensation.

4. Personal data security	The study should assess the application of data protection and cybersecurity rules to payment information and consumer data.	Data leakage and potential misuse of personal information are important concerns associated with digital payment platforms.	Data protection and electronic financial transaction rules should be examined together to assess safeguards for payment users.

We indicate that Mongolia needs to assess the implementation of data protection and cybersecurity rules, China faces concerns regarding personal data leakage and misuse on digital payment platforms, and South Korea requires an integrated assessment of data protection and electronic financial transaction regulations.

5. Access to complaint mechanisms	The accessibility of complaint channels, supervisory institutions, and consumer redress mechanisms requires investigation.	Alternative dispute resolution mechanisms have developed, although gaps in consumer protection remain an area of concern.	The study should evaluate the accessibility of complaint channels offered by financial institutions and relevant consumer protection bodies.

We indicate that Mongolia needs to strengthen the assessment of accessible complaint and redress mechanisms, China has developed alternative dispute resolution mechanisms but retains consumer protection gaps, and South Korea requires further evaluation of the accessibility and effectiveness of complaint channels provided by financial institutions and consumer protection bodies.

6. Dispute resolution procedures	Further analysis is needed to determine whether remedies are accessible, timely, and effective in resolving consumer disputes.	Empirical research suggests that financial consumer protection policies can improve perceptions of dispute resolution, although	Existing legal frameworks provide a basis for assessing dispute resolution procedures, provider liability, and

		outcomes vary by complaint type and measure.	compensation mechanisms.

We suggest that Mongolia requires further evaluation of the accessibility and timeliness of consumer remedies, China's financial consumer protection policies have shown potential to improve perceptions of dispute resolution, and South Korea's legal framework provides a basis for assessing dispute resolution procedures, provider liability, and compensation mechanisms.

7. Effectiveness of regulatory supervision	Recent reform discussions highlight the importance of clarifying regulatory responsibilities and strengthening protection in the digital economy.	The allocation of supervisory responsibilities and regulation of major payment platforms remain important issues despite institutional reforms.	The interaction between electronic financial transaction regulation, consumer protection rules, and financial supervision requires comparative assessment.

We indicate that Mongolia needs to clarify regulatory responsibilities and strengthen digital consumer protection, China faces challenges in coordinating supervisory responsibilities and regulating major payment platforms, and South Korea requires further assessment of how electronic financial transaction laws, consumer protection regulations, and financial supervision operate together in practice.

DISCUSSION

The comparative analysis of Mongolia, China, and South Korea demonstrates that the effectiveness of consumer protection in digital payment systems depends not only on the existence of legislation but also on the clarity of provider obligations, the allocation of liability, and the accessibility of effective remedies. South Korea provides a useful reference for examining statutory liability and safeguards in electronic financial transactions, while China's regulatory approach offers insights into the supervision of non-bank payment institutions and the challenges of regulating major digital payment platforms. In comparison, Mongolia's legal framework requires further assessment regarding the practical implementation of consumer rights, reimbursement for unauthorized transactions, personal data security, and coordination among regulatory institutions. These findings suggest that Mongolia should consider context-specific regulatory improvements informed by the comparative experiences of China and South Korea, while accounting for its domestic legal system, institutional capacity, and digital payment market.

CONCLUSION

Our study examines consumer protection in digital payment systems through a comparative legal analysis of Mongolia, China, and South Korea. It focuses on the legal framework governing payment services, liability for unauthorized transactions, protection of customer funds, personal information and cybersecurity, and consumer dispute resolution.

Our study comparatively examines the legal and institutional frameworks governing consumer protection in digital payment systems in Mongolia, China, and South Korea. The findings indicate that the three countries have adopted different regulatory approaches to supervising payment service providers and protecting digital financial consumers.

Mongolia's Law on National Payment System establishes an important legal foundation for regulating payment services and safeguarding users' interests. China's Regulation on the Supervision and Administration of Non-Bank Payment Institutions provides a framework for supervising non-bank payment providers and managing institutional risks. South Korea's Electronic Financial Transactions Act offers relevant legal mechanisms for examining responsibility for electronic financial transaction incidents and the protection of consumers' financial interests. The comparative analysis further highlights the importance of clearly defined liability rules, effective cybersecurity measures, transparent complaint procedures, and accessible dispute-resolution mechanisms. Accordingly, Mongolia should evaluate the applicability of selected Chinese and South Korean regulatory practices and develop reforms that address identified legal and institutional gaps without directly transplanting foreign legislation.

Suggestion for future research: Future research should undertake an empirical assessment of current legislation, judicial decisions, regulatory enforcement records, and documented consumer complaints to evaluate the practical effectiveness of digital financial consumer protection mechanisms and identify evidence-based priorities for legal and institutional reform in Mongolia.

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