



## THE CONSUMER PROTECTION ACT PYRAMID SELLING

The Consumer Protection Act prohibits pyramid selling. With a pyramid selling scheme, recruiting people is more important than selling any goods or services. If rewards come mainly from recruiting others, people who start a pyramid selling scheme have a big advantage over those who join later.

Section 23(1) states:

*"A person shall not promote or operate a pyramid selling scheme..."*

It is important to remember that the crucial difference between the two types of selling is how participants earn their commission.

In multi-level marketing, participants earn commission from selling products, whereas the real focus of pyramid selling is earning money solely or almost solely by introducing other people into the scheme.

Multi-level marketing usually involves commercially viable products (e.g. clothing, jewelry, cosmetics, health products, and cookware) which present genuine business and income-earning opportunities through repeat sales to clients.

Pyramid selling schemes often involve "gimmick" products (e.g. certificates) or grossly overpriced products or services that have little or no resale value (e.g. personal development programmes, magazine subscription).

A multi-level marketing scheme would collapse if its goods or services were not sold as money comes into the system when people buy goods or services. Customers can repeatedly buy goods or services because they have a genuine use.