

## Consumer Protection Act

### Pyramid and related schemes

#### 43. (1) In this section—

(a) “**consideration**” has the meaning set out in section 1, except that it does not include—

- (i) the purchase of any goods at cost to be used in making sales, or not for resale;
- (ii) the purchase of any goods in exchange for which the seller of those goods offers to repurchase the participant’s products under reasonable commercial terms; or
- (iii) the participant’s time and effort in pursuit of sales or recruiting activities; and

(b) “**participant**” means a person who is admitted to a scheme for consideration.

(2) A person must not directly or indirectly promote, or knowingly join, enter or participate in—

- (a) a multiplication scheme, as described in subsection (3);
- (b) a pyramid scheme, as described in subsection (4);
- (c) a chain letter scheme, as described in subsection (5); or
- (d) any other scheme declared by the Minister in terms of subsection (6), or cause any other person to do so.

(3) A multiplication scheme exists when a person offers, promises or guarantees to any consumer, investor or participant an effective annual interest rate, as calculated in the prescribed manner, that is at least 20 per cent above the REPO Rate determined by the South African Reserve Bank as at the date of investment or commencement of participation, irrespective of whether the consumer, investor or participant becomes a member of the lending party.

(4) An arrangement, agreement, practice or scheme is a pyramid scheme if—

- (a) participants in the scheme receive compensation derived primarily from their respective recruitment of other persons as participants, rather than from the sale of any goods or services; or
- (b) the emphasis in the promotion of the scheme indicates an arrangement or practice contemplated in paragraph (a).

(5) An arrangement, agreement, practice or scheme is a chain letter scheme if—

- (a) it has various levels of participation;
- (b) existing participants canvass and recruit new participants; or
- (c) each successive newly recruited participant—
  - (i) upon joining—
    - (aa) is required to pay certain consideration, which is distributed to one, some or all of the previously existing participants, irrespective of whether the new participant receives any goods or services in exchange for that consideration; and
    - (bb) is assigned to the lowest level of participation in the scheme; and
  - (ii) upon recruiting further new participants, or upon those new participants recruiting further new participants, and so on in continual succession—
    - (aa) may participate in the distribution of the consideration paid by any such new recruit; and
    - (bb) moves to a higher level within the scheme, until being removed from the scheme after reaching the highest level.

(6) The Minister, by regulation made in accordance with section 120, may declare any arrangement, agreement, practice or scheme to be a scheme contemplated in subsection (2)(d), if it is similar in purpose or effect to a scheme contemplated in that subsection