

CONSUMER ALERT

18th April 2024

CAUTION AGAINST CONTINUED PARTICIPATION IN PYRAMID AND RELATED SCHEMES

The Competition and Consumer Authority has observed that there is continued participation in pyramid and related scheme activities in Botswana.

While the Authority and law enforcement institutions are still investigating a pyramid scheme named Ecoplexus, it is a serious concern that some members of the public are still participating in other pyramid and related schemes that have similar elements with Ecoplexus.

Such similar schemes include Miracle Farm, Berry, Blacpair, QZ, Coin Vault, Smart bit Copy Trading, MTFE Trading and TBFX. Although investigations are still ongoing, it was discovered that Botswana were swindled Millions of Pula through the Ecoplexus pyramid scheme.

The classic sign of a pyramid scheme is that participants receive compensation primarily from recruitment of other persons as participants, rather than from the sale of actual goods and services. Such schemes promise high returns in a short period of time, and the primary emphasis is on recruiting more members to earn proceeds.

The high returns promised cannot realistically be achieved through normal investment, and in most cases the promoter will use false or misleading conduct. The promoters often promise guaranteed returns while secretive about the actual business model, and a fee or initial investment is required to participate in the scheme.

Early “investors” or participants in the scheme actually get paid the big returns, which leads them to recommend the scheme to others. “The investors” are paid out of the new money flowing in, but eventually no new investors can be found, and the pyramid collapses.

The public is warned to desist from participating in the peddling of pyramid schemes, and in particular, any such activities that promise unrealistic quick returns on purported investments.

The Consumer Protection Act of 2018 prohibits pyramid and related schemes. Members of the public should note that participation in a pyramid scheme either through joining, promoting or inviting someone to join the scheme is an offence.

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The Act explicitly states that a person who directly or indirectly promotes, or knowingly joins, enters or participates, or causes any other person to promote, join, enter or participate in a pyramid and related scheme commits an offence.

The Act provides that a person who participates in a pyramid scheme, multiplication scheme, chain letter scheme or any other arrangement, agreement or practice declared a pyramid scheme, commits an offence and shall be liable, upon conviction, to a fine not exceeding P100 000 or to imprisonment for a term not exceeding five years, or to both.