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PARTICIPATION IN A PYRAMID SCHEME AND RELATED SCHEMES IS AN OFFENCE

The Competition and Consumer Authority (CCA) has observed, particularly on social media platforms, a number of business promotion models that promise high returns way above market rates within a short period of time.

Even without anyone lodging a complaint with the CCA about these schemes, the Authority has proactively opened an investigation to look into these schemes to determine how they affect the welfare of consumers in Botswana, and most importantly, how they contravene the Consumer Protection Act. While the CCA's investigation is on-going, initial observations indicate that these mushrooming schemes are hinged upon recruitment of members, and payment of a joining fee. At face value, this would resemble a Pyramid Scheme arrangement.

According to the Consumer Protection Act of 2018, a Pyramid Scheme, like other schemes such as Multiplication and Chain Letter, is illegal. The Act defines a Pyramid Scheme as an arrangement, agreement, practice or a scheme where 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.

The CCA urges consumers to exercise due care whenever they are invited to join these seemingly 'lucrative schemes,' which in most instances, are fraudulent. We would go as far as to implore members of the public to save themselves heart-ache and agony by not joining these deceptive schemes.

Consumers will do well to note that participation in a Pyramid Scheme either through promoting the pyramid, joining or inviting someone to join the scheme is an offence. 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 schemes commits an offence.

History is replete with many examples of Pyramid Schemes that inevitably collapsed, often leaving a trail of hurt, debts, broken trust, broken friendships and even broken families. It is in this regard that the Consumer Protection Act of 2018 looks askance at any involvement in a Pyramid Scheme.

The Act prescribes very stern penalties for participation in a Pyramid Scheme. Anyone found guilty of participation in a Pyramid Scheme shall be liable to a fine not exceeding P100 000, or to a prison term not exceeding five years, or to both.

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