

Centre Notifies Consumer Protection Direct Selling Rules 2021

written by KSANDK | December 29, 2021



The Centre, via the Consumer Protection Ministry, has notified the Consumer Protection Direct Selling Rules 2021. The new regulations will aid in reducing fraudulent schemes, furthering consumer rights and interests, and establishing a system of checks and balances, which is useful considering how there has been a dearth of proper mechanisms or legislation to regulate and keep a check on the system of direct selling. Direct selling companies such as Oriflame, Modicare, Tupperware and Amway have been barred from pyramid or money circulation schemes. The rules apply to all direct selling goods and services, models, entities, platforms, and trade practices on a domestic and international level.

Key Highlights - Consumer Protection Direct Selling Rules 2021

- Existing direct selling entities (including ones operating via e-commercial platforms) must comply with the rules within 90 days from the date of publication in the Official Gazette.
- Any direct selling entity is prohibited from promoting pyramid schemes or any money circulation scheme and further, must make a self-declaration to the effect that the entity has complied with the provisions of the Direct Selling rules and is not involved in any fraudulent schemes.
- All products of a direct selling entity must comply with the declarations to be made under the Legal Metrology Act, 2009.
- The entity must provide for incorporation under the Companies Act, 2013 or if a partnership firm, be registered under the Partnership Act, 1932, or if a limited liability partnership, be registered under the Limited Liability Partnership Act, 2008.
- Direct selling entities will be liable for the grievances arising out of the sale of goods or services by their direct sellers.
- The entity must have a minimum of one physical location as its registered office within India and register with the Department for Promotion of Industry and Internal Trade (DPIIT).
- The entity must have a prior written contract with its direct sellers to authorize them to sell or offer to sell its goods or services, and the terms of such agreement shall be just, fair, and equitable.
- State governments will set up a mechanism to monitor or supervise the activities of direct sellers and direct selling entities.
- Direct sellers cannot visit a consumer's premises without verified

identification, or make inconsistent, unauthorized and deceiving claims, harass the consumer, charge an entry or subscription fee, refuse to accept a product's return or exchange, or entice the consumer with "get-rich-quick" schemes.

- Entities must provide clear, concise, and legitimate information on the following points:
 - Information relating to returns, refunds, exchanges, warranties, delivery and shipment, modes of payment, grievance redressal mechanisms and such other information that may be required by the consumers to make informed decisions.
 - Information on available payment methods, the security of those payment methods, the fees payable by users, procedures to cancel regular payments under those methods, charge-back options, if any, and the contact information of the relevant payment service provider.
 - The total price of any goods or service in a single figure, along with its break-up price showing all compulsory and voluntary charges, including delivery charges, postage and handling charges, conveyance charges and the applicable tax.
 - Correct and complete information at pre-purchasing stages to enable buyers to make informed purchase decisions and abstain from unfair trade practices.
 - Information on the Certificate of Incorporation, MOA & AOA, copy of PAN & TAN, copy of GST, GST Returns, Income Tax Returns, copy balance sheet & audit report etc., a record of customers & direct sellers and register of direct sellers at the registered office.
- Every direct selling entity must establish an adequate grievance redressal mechanism officer and display the current name, contact details (including telephone number, email address, designation) of such officer on its website, and the details of its website shall also be prominently printed on the product information sheet or pamphlet.
- The grievance redressal officer must acknowledge the receipt of any consumer complaint within forty-eight working hours of receipt of such complaint and redress the complaint within one month from the date of receipt of the complaint and in case of delay of more than a month, reasons for the delay, and the actions taken on the complaint, are informed to the complainant in writing.
- Every direct selling entity must appoint a nodal officer who shall be responsible for ensuring compliance with the provisions of the Consumer Protection Direct Selling Rules 2021 and the Rules made thereunder, and to ensure compliance with any order, or requisition, made following the provisions of any other law for the time being in force or the rules made thereunder.
- Every direct selling entity must establish a functional mechanism for filing complaints by consumers through its offices or branches or direct sellers through post, telephone, e-mail, or website or in person.

Direct selling has gotten a bad rap sheet in the past due to the lacunae of proper rules or legislation needed to regulate the direct selling network. The rules highlighted above, in brief, will go a long way in regulating an industry that has been troubled with problematic consumer scams in the last few years. Most direct selling entities have welcomed the new regulations under Consumer Protection Direct Selling Rules 2021, emphasizing the need for transparency and consistency required for the growth of any sales-oriented industry.

It is expected that the clarifying definitions assigned to technical terms and the stringent compliances should elicit an inflow of foreign direct investments and strengthen existing and present consumer relations, making this notification a significant milestone for the direct selling sector.

1. [1] <https://pib.gov.in/PressReleasePage.aspx?PRID=1785873>
2. [2] The Centre, via the Consumer Protection Ministry, has notified the Consumer Protection Direct Selling Rules 2021.
3. [3] Consumer Protection Direct Selling Rules 2021