

**29 – 12 – 2021**

**News:** Centre notifies the Consumer Protection (Direct Selling) Rules, 2021.

- Recently, the **Ministry of Consumer Affairs, Food and Public Distribution** has notified the **Consumer Protection (Direct Selling) Rules, 2021**, under the Consumer Protection Act of 2019.

## **Consumer Protection (Direct Selling) Rules, 2021**

### **Key Features of the Notification**

- These **Rules shall apply to all goods and services bought or sold through direct selling, all models of direct selling, all direct selling entities offering goods and services to consumers in India**, all forms of unfair trade practices across all models of direct selling and also to a direct selling entity which is not established in India, but offers goods or services to consumers in India.
- **Existing direct selling entities need to comply of these rules within ninety days** from the date of publication of these rules in the Official Gazette.
- Direct selling entity and direct sellers are **prohibited from promoting a Pyramid Scheme or enroll any person to such scheme or participate in such arrangement in any manner whatsoever in the garb of doing direct selling business** and participate in money circulation scheme in the garb of doing direct selling business.

The rules also provide certain obligations upon Direct Selling Entities, which includes,

- **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**;
- Have a **minimum of one physical location** as its registered office within India.
- **Make self-declaration** to the effect that Direct Selling Entity has complied with the provisions of the Direct Selling rules and is not involved in any **Pyramid Scheme** or money circulation scheme.
- Have a **prior written contract** with its direct sellers in order 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.
- **Ensure that all its direct sellers have verified identities and physical addresses and issue identity cards** and documents only to such direct sellers.
- Create **adequate safeguards** to ensure that goods and services offered by its **direct sellers** conform to applicable laws.
- Be **liable for the grievances arising out of the sale of goods or services** by its direct sellers.

Every direct selling entity to **provide the following information** on its website in a clear and accessible manner

- **Registered name** of the direct selling entity.
- **Registered address** of the direct selling entity and of its branches;
- **Contact details**, including e-mail address, fax, land line and mobile numbers of its customer care and grievance redressal officers;
- A ticket number for **each complaint lodged** through which the complainant can track the status of the complaint;
- **Information relating to return, refund, exchange, warranty and guarantee, delivery and shipment, modes of payment, grievance redressal mechanism and such other information** which may be required by the consumers to make informed decisions.
- **Information on available payment methods, the security** of those payment methods, the **fees or charges payable by users**, the procedure to cancel regular payments under those methods, charge-back options, if any, and the contact information of the relevant payment service provider;
- **Total price of any goods or service in 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;

- Provide correct and complete information at pre-purchase stage to enable buyers to make informed purchase decisions.
- No direct selling entity shall adopt any unfair trade practice in the course of its business or otherwise, and shall abide by the requirements specified in any law for the time being in force.
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