

No.J-10/9/2018-O/o DS (CPU)
Government of India
Ministry of Consumer Affairs, Food and Public Distribution
(Department of Consumer Affairs)

In exercise of the powers conferred by sub-clause (zg) of sub-section (2) of section 101 of the Consumer Protection Act, 2019 (35 of 2019), and to regulate direct selling activities, the Central Government hereby proposes to frame Consumer Protection (Direct Selling) Rules, 2021.

2. Views/ comments/ suggestions on the proposed draft Consumer Protection (Direct Selling) Rules, 2021 may be sent within 21 days (by 21st July 2021) by email to js-ca@nic.in

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**[TO BE PUBLISHED IN THE GAZETTE OF INDIA, EXTRAORDINARY,
PART II, SECTION-3, SUB-SECTION (i)]**

**Ministry of Consumer Affairs, Food and Public Distribution
(Department of Consumer Affairs)**

NOTIFICATION

New Delhi, 30th June, 2021

G.S.R._____. – In exercise of the powers conferred by clause (zg) of sub-section (2) of section 101 read with section 94 of the Consumer Protection Act, 2019, the Central Government hereby makes the following rules namely:-

1. Short Title & Commencement. – (1) These rules may be called the Consumer Protection (Direct Selling) Rules, 2021.
(2) They shall come into force on the date of their publication in the official Gazette.

2. Scope and Applicability. – (1) Save as otherwise expressly provided by the Central Government by notification, these rules shall apply to:

- (a) all goods and services bought or sold through direct selling;
- (b) all models of direct selling;
- (c) all direct selling entities offering goods and services to consumers in India; and
- (d) all forms of unfair trade practices across all models of direct selling.

(2) Notwithstanding anything contained in sub-rule (1), these rules shall apply to a direct selling entity which is not established in India, but offers goods or services to consumers in India.

(3) The existing direct selling entities shall comply with these rules within 90 days of its publication in the official gazette.

3. Definitions. — (1) In these rules unless the context otherwise requires, -

- (a) "Act" means the Consumer Protection Act, 2019 (35 of 2019);
- (b) "consumer" shall have the same meaning as provided in the Consumer Protection Act, 2019 (35 of 2019);
- (c) "cooling off period" shall mean a period of time during which one can change his mind about an agreement that he/she has made, not resulting in breach of contract and or levy of penalty;

- (d) “direct seller” means a person appointed or authorized, by a direct selling entity through a legally enforceable written contract with the Principal entity to undertake direct selling business on principal to principal basis;
- (e) “direct selling” shall have the same meaning as provided in the Consumer Protection Act, 2019 (35 of 2019);
- (f) “direct selling entity” means an entity, not engaged in a pyramid scheme, and/or money circulation scheme, which sells or offers to sell goods or services through direct sellers
- (g) “direct selling network” means a network of direct sellers formed by a direct selling entity, and includes a multi layered network of direct sellers in which direct sellers introduce or sponsor further levels of direct sellers and whereupon support them in order to receive any benefit, where such benefit is solely as a result of sale of goods or services

Provided that such networks comply with all of the following –

- (i) it has no provision that a direct seller will receive remuneration or incentives for recruitment/enrolment of new participants in the direct selling business except as a result of sale of goods or services by them;
- (ii) it does not require a participant to purchase goods or services -
 - i. for an amount that exceeds an amount for which such goods or services can be expected to be sold or resold to consumers;
 - ii. for a quantity of goods or services that exceeds an amount that can be expected to be sold or resold to consumers;
- (iii) it does not require a participant to pay any entry/registration fee, cost of sales demonstration equipment and materials or other fees relating to participation;
- (iv) it provides a participant with a written contract describing the “material terms” of participation;
- (v) it allows or provides for a participant a reasonable cooling-off period to cancel participation and receive a refund of any consideration given to participate in the direct selling business.
 Provided that reasonable cooling off period shall not be less than thirty days;
- (vi) it allows or provides for a buy-back or repurchase policy for “currently marketable” goods which are not unpacked, or services sold to the participant at the request of the participant at reasonable commercial terms;

Explanation – For the purposes of this proviso, the expression “material terms” shall include policy for buy-back or repurchase, cooling-off period, warranty and refund;

- (h) “goods” shall have the same meaning as provided in the Consumer Protection Act, 2019 (35 of 2019);
- (i) “Money Circulation Scheme” has the same meaning as defined under the Prize Chits and Money Circulation Schemes (Banning) Act, 1978;
- (j) “Mis-selling” means recklessly misrepresenting a product or service in order to

successfully complete a sale. It also includes providing consumers with misleading information about a product or service. This can involve omitting key information about a product or providing information that makes the product appear to be something it is not.

- (k) "prospect" means a person to whom an offer or a proposal is made by the direct seller to join a direct selling opportunity;
 - (l) "Pyramid Scheme" means a multi layered network of subscribers to a scheme formed by subscribers enrolling one or more subscribers in order to receive any benefit, directly or indirectly, as a result of enrolment, action or performance of additional subscribers to the scheme and the subscribers enrolling further subscriber(s) occupy higher position and the enrolled subscriber(s) lower position, resulting in a multi- layered network of subscribers with successive enrolments:
 - (m) "saleable" in relation to goods or services means unused and marketable goods or services, which have not expired, and which are not seasonal, discontinued or special promotion goods or services;
 - (n) "state" includes a Union territory.
 - (o) "service" shall have the same meaning as provided in the Consumer Protection Act, 2019 (35 of 2019);
 - (p) "unfair trade practice" shall have the same meaning as provided in the Consumer Protection Act, 2019;
- (2) words and expressions used herein and not defined but defined in the Act shall have the meanings respectively assigned to them in the Act.

4. Duties of direct selling entities. ---

- (1) A direct selling entity shall—
 - (a) be appropriately incorporated under Companies Act, 2013/1956 or Partnership Firm registered under Partnership Act, 1932 or Limited Liability Partnership registered under Limited Liability Partnership Act, 2008.
 - (b) shall have a minimum of one physical location as registered office within India.
 - (c) own, hold, or be the licensee of a trademark, service mark or any other identification mark identifying the direct selling entity with the goods to be sold or supplied or services to be rendered and shall not give commissions, bonus or incentives on sale of products/service for which they are not the owner, holder, licensee of a trademark, service mark or any other identification mark which identifies the entity with the goods to be sold or supplied or services to be rendered of other brands;
 - (d) appoint a nodal person of contact or an alternate senior designated functionary who is citizen and resident of India, to ensure compliance with the provisions of the Act or the rules made thereunder;
 - (e) maintain proper and updated website with all relevant details of the entity, contact information which is current and updated, its management, products, product information, price, and grievance redressal mechanism

- for consumers;
- (f) be liable for grievances arising out of sale of products, services or business opportunities by its direct sellers;
 - (g) issue proper identity cards and documents to its direct sellers fulfilling KYC verification requirements;
- (2) Every direct selling entity shall provide the following information in a clear and accessible manner on its website, displayed prominently to its users, namely:--
- (a) legal name of the direct selling entity;
 - (b) principal geographic address of its headquarters and all branches;
 - (c) contact details like e-mail address, fax, landline and mobile numbers of customer care as well as of grievance officer;
 - (d) a ticket number for each complaint lodged through which the consumer can track the status of the complaint;
 - (e) information relating to return, refund, exchange, warranty and guarantee, delivery and shipment, modes of payment, and grievance redressal mechanism, and any other similar information which may be required by consumers to make informed decisions;
 - (f) information on available payment methods, the security of those payment methods, any 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;
 - (g) total price in single figure of any goods or service along with the breakup price for the good or service, showing all the compulsory and voluntary charges, such as delivery charges, postage and handling charges, conveyance charges and the applicable tax;
 - (h) provide information, at pre-purchase stage to every direct seller and the consumers purchasing directly from Direct Selling Entity, which shall contain --
 - (i) the name of the purchaser and seller;
 - (ii) the estimated delivery date of goods or services;
 - (iii) the country of origin of the product;
 - (iv) month & year in which the product is manufactured;
 - (v) the procedure for return of the goods;
 - (vi) warranty of the goods; and
 - (vii) exchange or replacement of goods in case of defect.
- i) all mandatory notices and information required by applicable laws;
 - j) all contractual information required to be disclosed by law.
- (3) No direct selling entity shall adopt any unfair trade practice in the course of business or otherwise and shall abide by the laws of the land.
- (4) All products of direct selling entities shall comply with all the declarations to be made under Legal Metrology Act, 2009.

- (5) Every direct selling entity shall take appropriate steps to ensure the protection of all personal information provided by a consumer and shall store such data within the jurisdiction of India, according to the laws for the time being in force.
- (6) Every direct selling entity shall establish an adequate grievance redressal mechanism having regard to the number of grievances ordinarily received by such entity from India and shall appoint a grievance officer for consumer grievance redressal, and shall display the current and updated name, contact details including telephone number, and designation of such officer on its website and the URL of the website shall be printed on product information sheet or pamphlet.
- (7) Every direct selling entity shall ensure that the grievance officer referred to in sub-rule (6) acknowledges the receipt of any consumer complaint within forty- eight working hours of receipt of the complaint and redresses the complaint normally within a period of one month from the date of receipt of the complaint and in case of delay of more than a month, reasons for delay has to be specified in writing and inform the complainants of the action taken.
- (8) Every direct selling entity shall appoint a Chief Compliance Officer who shall be responsible for ensuring compliance with the Act and rules made thereunder and shall be liable in any proceedings relating to any data or communication with respect to direct selling entity.

Explanation. — For the purpose of this clause “Chief Compliance Officer” means managerial personnel or such other senior employee of an direct selling entity who is resident in India.

- (9) Every direct selling entity shall appoint a nodal contact person for 24x7 coordination with law enforcement agencies and officers to ensure compliance to their orders or requisitions made in accordance with the provisions of law or rules made thereunder.

Explanation. — For the purpose of this clause “nodal contact person” means employee of the direct selling entity, other than the Chief Compliance Officer, who is resident in India.

- (10) Every direct selling entity shall establish a mechanism for filing of complaints by the consumers through its offices, branches and direct sellers through person, post, telephone, e-mail and website.
- (11) Every direct selling entity shall maintain a record of relevant information allowing for the identification of all direct sellers who have repeatedly offered defective or spurious goods or deficient services and shall publicly display the details of such direct sellers on their website and

office premises.

- (12) Every direct selling entity shall maintain a record of all direct sellers under the direct selling entity including ID proof, address proof, email and other contact information.
- (13) A direct selling entity shall, on a request in writing made by a consumer after the purchase of any goods or services by such consumer, provide him with information regarding the direct seller from which such consumer has made such purchase, including the address, name, its email address and any other information necessary for communication with the direct seller for effective dispute resolution;
- (14) Every direct selling entity shall ensure that the advertisements for marketing of goods or services are consistent with the actual characteristics, access and usage conditions of such goods or services;
- (15) No direct selling entity shall directly or indirectly falsely represent itself as a consumer and post reviews about goods and services or misrepresent the quality or the features of any goods or services.
- (16) Any direct selling entity which explicitly or implicitly vouches for the authenticity of the goods or services sold or provided by it, or guarantees that such goods or services are authentic, shall bear appropriate liability in any action related to the authenticity of such goods or service.
- (17) Notwithstanding the distribution system adopted by it, a direct selling entity shall monitor the practices adopted by direct seller or any member of its network of direct selling entity and ensure compliance with these rules by way of legally binding contract with the Direct Seller to comply with the rules and take disciplinary action in case of non-compliance with the provision of these rules.
- (18) Every direct selling entity shall become a partner in the convergence process of the National Consumer Helpline of the Central Government.

5. Registration of Direct Selling Entities –

- (1) Every direct selling entity which intends to operate in India and every direct seller operating in the network of direct selling entity shall register itself/themselves with Department for Promotion of Industry and Internal Trade (DPIIT) for allotment of registration number.
- (2) The time frame for registration shall be as notified by DPIIT, provided DPIIT may extend the time for further period for sufficient reason to be recorded in writing.
- (3) Every direct selling entity shall ensure that such registration number is displayed prominently to its users in a clear and accessible manner

on its website and each invoice issued for each transaction.

6. Mandatory maintenance of records - The Direct Selling Entities shall maintain the following documents/ records either manually or electronically at the registered office:

- a. Certificate of Incorporation
- b. MOA & AOA
- c. Copy of PAN & TAN
- d. Copy of GST
- e. GST Returns
- f. Income Tax Returns
- g. Copy Balance Sheet, Audit Report etc.
- h. Record of Customers and Direct Sellers
- i. Register of Direct Sellers

7. Obligations of Direct Selling Entity and Direct Seller –Subject to the provisions of Chapter VI (Product Liability) of the Act, the following are the obligations of Direct Selling Entity and Direct Seller, wherever applicable:

(1) A Direct Selling Entity and a Direct Seller shall ensure that-

- (a) the terms of the offer are clear, so as to enable the consumer to know the exact nature of what is being offered and the commitment involved in the placing of an order;
- (b) the presentations and other representations used in direct selling should not contain any product description, claim, illustration, or other element which directly or by implication is likely to mislead the consumer.
- (c) explanation and demonstration of the product offered are accurate and complete, in particular with regard to price and, if applicable, credit conditions, terms of payment, cooling-off periods and/or return rights, terms of guarantee, after-sales service and delivery;
- (d) descriptions, claims, illustrations or other elements relating to verifiable facts are capable of substantiation;
- (e) misleading, deceptive or unfair sales practices are not used;
- (f) direct selling is not represented to the consumer as being a form of market research;
- (g) promotional literature, advertisements or mailings contain the name and address or telephone number of the direct selling company, and include the telephone number of the direct seller;
- (h) direct selling shall not state or imply that a guarantee, warranty or other expression having substantially the same meaning, offers the consumer rights additional to those provided by law, when it does not;
- (i) the terms of any guarantee or warranty, including the name and address of the guarantor, shall be easily available to the consumer and limitations

on consumer rights or remedies, where permitted by law, shall be clear and conspicuous;

- (j) the remedial action open to the consumer should be clearly set out in the order form or other accompanying literature or provided with the product;
- (k) the presentation of the offer does not contain or refer to any testimonial, endorsement or supportive documentation unless it is genuine, verifiable and relevant;
- (l) when after-sales service is offered, details of the service are included in the guarantee or stated elsewhere in the offer and if the consumer accepts the offer, information shall be given on how the consumer can activate the service and communicate with the service agent;
- (m) products, including, where applicable, samples, are suitably packaged for delivery to the consumer and for possible return, in compliance with the appropriate health and safety standards;
- (n) unless otherwise stipulated in the offer, orders shall be fulfilled within the delivery date proposed to the consumer at the time of purchase and the consumer shall be informed of any undue delay as soon as it becomes apparent or comes within the knowledge of the direct selling entity or the concerned direct seller;
- (o) in cases under clause (n), any request for cancellation of the order by the consumer shall be granted, irrespective of whether the consumer has been informed of the delay, and the deposit, if any, shall be refunded as per the cancellation terms proposed to the consumer at the time of purchase, and if it is not possible to prevent delivery, the consumer shall be informed of the right to return the product at the direct selling company's or the direct seller's cost as per the procedure for return of the goods proposed to the consumer at the time of purchase;
- (p) offering a right of return shall be provided it in writing;
- (q) whether payment for the offer is on an immediate sale or instalment basis, the price and terms of payment should be clearly stated in the offer together with the nature of any additional charges (such as postage, handling, taxes, etc.) and, whenever possible, the amounts of such charges;
- (r) in the case of sales by instalment, the credit terms, including the amount of any deposit or payment on account, the number, amount and periodicity of such instalments and the total price compared with the immediate selling price, if any, shall be clearly shown in the offer;
- (s) any information needed by the consumer to understand the cost, interest and terms of any other form of credit is provided either in the offer or when

the credit is offered;

- (t) unless the duration of the offer and the price are clearly stated in the offer, prices shall be maintained for a reasonable period of time;
- (u) the procedure for payment and debt collection should be determined in writing before any contract is signed and should be such as to avoid undue

Inconvenience to the consumer, making due allowance for delays outside the consumer's control;

- (v) debtors should not be approached in an unreasonable manner and debt collection documents which might be confused with official documents should not be used;
- (w) the provisions of the Legal Metrology Act, 2009 and the rules framed thereunder are followed.

(2) A direct selling entity and direct seller shall not –

- (a) indulge in fraudulent activities or sales and shall take reasonable steps to ensure that participants do not indulge in false or misleading representations or any other form of fraud, coercion, harassment, or unconscionable or unlawful means;
- (b) engage in, or cause or permit, any conduct that is misleading or likely to mislead with regard to any material particulars relating to its direct selling business, or to the goods or services being sold by itself or by the direct seller;
- (c) indulge in mis-selling of products or services to consumers
- (d) use, or cause or permit to be used for, fraud, coercion, harassment, or unconscionable or unlawful means in promoting its direct selling business, or to the goods or services being sold by itself or by the direct seller;
- (e) shall not refuse to take back spurious goods or deficient services and refund the consideration paid for goods and services provided.
- (f) charge any entry fee or subscription fee

(3) A Direct Selling Entity and a Direct Seller shall comply with all the relevant statutory laws including payment of taxes and deductions as per Income Tax norms and GST etc.

(4) A Direct Selling Entity and a Direct Seller shall not induce consumers to make a purchase based upon the representation that they can reduce or recover the price by referring prospective customers to the direct sellers for similar purchases, if such reductions or recovery are contingent upon some uncertain, future event;

8. Additional obligations of direct seller – (1) A direct seller shall-

- (a) at the initiation of a sales representation, without request, truthfully and clearly identify himself, the identity of the direct selling entity, the nature of the goods or services sold and the purpose of the solicitation to the prospect;
- (b) offer a prospect accurate and complete explanations and demonstrations of goods and services, prices, credit terms, terms of payment, return policies, terms of guarantee, after-sales service;
- (c) provide an order form to the consumer at or prior to the time of the initial sale, which shall identify the direct selling entity and the direct seller and shall contain name, address, registration number or enrollment number, identity proof and contact number of the direct seller, complete description of the goods or services to be supplied, the country of origin of the goods, the order date, the total amount to be paid by the consumer, the time and place for inspection of the sample and delivery of goods, consumer's rights to cancel the order and/or to return the product in saleable condition and avail full refund on sums paid and complete details regarding the complaint redressal mechanism of the Direct Selling Entity;
- (d) take appropriate steps to ensure the protection of all private information, according to the laws for the time being in force, provided by a consumer.

(2) A direct seller shall not -

- (a) visit a consumer's premises without identity card and prior appointment or approval;
- (b) provide any literature to a prospect, which has not been approved by the parent direct selling entity;
- (c) require a prospect to purchase any literature or sales demonstration equipment;
- (d) in pursuance of a sale, make any claim that is not consistent with claims authorized by the direct selling entity

9. Persons not to be engaged in the business of Direct Selling - No person shall be engaged in the business of Direct Selling who is a convicted person or Bankrupt or a person of unsound mind.

Explanation: For the purpose of this proviso 'Bankrupt' shall have the same meaning as provided under Insolvency and Bankruptcy Code, 2016.

10. Sale through e-commerce platform - Any person who sells, displays or offers for sale, including an e-commerce platform / marketplace, any product or service of a Direct Selling Entity must have prior written consent from the respective Direct Selling Entity in order to undertake or solicit such sale or offer.

11. Prohibition of Pyramid Scheme and Money Circulation Scheme—No direct selling entity or direct seller shall—

- (a) promote a Pyramid Scheme, as defined in clause (l) of sub-rule (1) of rule 3 or enroll any person to such scheme or participate in such arrangement in any manner whatsoever in the garb of doing direct selling business;
- (b) participate in Money Circulation Scheme, as defined in clause (i) of sub-rule (1) of rule 3 in the garb of direct selling business.

12. Contravention of rules — Noncompliance to these rules by either by nodal officer, Chief compliance officer, grievance officer of direct selling entity or by direct selling entity itself or by direct seller shall be construed as 'unfair trade practice' as defined under Section 2(42) of the Consumer Protection Act, 2019 (35 of 2019) and provision thereunder shall apply for any violation of the provisions of these rules.

[F.No – J-10/9/2018 – O/o DS (CPU)]

Anupam Mishra,
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