



ACCC *update*

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Leniency policy attracts great interest

Merger knock backs—down but not out

Product safety in cyberspace

Regional network helps local businesses

Calls for criminal sanctions for hard-core cartels

Pyramid selling and the Internet (money and you)

By Professor Allan Fels, Chairman of the Australian Competition and Consumer Commission

The Internet is an easy, quick way to keep in touch with friends and family but unfortunately the scam merchants have quick and easy access to you. They can flash amazing opportunities to make fast money on your computer.

The promotion of pyramid type schemes on the Internet is of growing concern to the ACCC and other consumer protection agencies around the world. Modern technology allows pyramid recruiters to build their clientele via direct access to consumers worldwide. This means that recruitment is faster and more widespread giving the potential for even greater harm to the bank accounts of victims.

There seems to be a tendency for some people to put greater trust in what they see on their computer screens than in the media or through the post. But it is unwise to drop your guard because the Internet has seen many old scams revived including pyramid selling.

Pyramid schemes are usually illegal because they don't sell products, only false promises. You pay a fee on joining but to get your money back and come out ahead you must recruit fee-paying new members. For all to make a profit there needs to be an endless supply of newcomers. But this does not happen; recruits lose their money while the scheme's organisers take their ill-gotten gains and disappear.

Examples of pyramid schemes are chain letters, mailing lists and so-called moneymaking clubs.

There can be confusion between an acceptable multilevel distribution marketing scheme and a pyramid scheme. Both will exhibit a pyramid structure, but a multilevel marketing scheme will reward participants for the sale of genuine products by them or by the people they have brought into the scheme. Rewards are based on product sales not for enlisting others. Goods sold must be genuine products; the type consumers buy from time to time.

Pyramid selling may involve the pretence of selling goods but often they are over-priced, of poor quality, difficult to sell and of little value. But promotion and sales are of little importance; the target is recruiting people and collecting their fees.

Late last year court proceedings instigated by the ACCC resulted in the International ATM Card Scheme, marketed and promoted by World Netsafe Pty Ltd and Terence Butler being ruled an illegal pyramid scheme by the Federal Court.

World Netsafe and Terence Butler promoted the card scheme on the Internet and by email throughout Australia and overseas. They told the thousands who paid \$2389 to join that they could generate lifetime residual income 24-hours a day without leaving home. On evidence put forward by the ACCC, the court ordered World Netsafe and Mr Butler to return money paid by

members and refrain from operating this scheme or any similar one.

This case was a part of the ACCC's work to protect consumers from Internet scams on a global basis. The scheme was marketed in countries other than Australia and the ACCC has an ethical responsibility to protect overseas consumers. But it is also in Australia's interest to protect our business reputation which can be damaged by scam merchants misleading overseas consumers.

Consumers were misled by claims that reputable companies backed the card and the promise they could earn income by becoming a member, by introducing others to the scheme and from the transactions of other members.

Be wary of schemes that promise you money for the recruitment of others and the proceeds from their sales. This reeks of an illegal pyramid selling scheme.

If concerned notify the ACCC Infocentre on 1300 302 502.

