

Consumer Protection (Direct Selling) Rules, 2021

December 30, 2021

In news- Recently, the Ministry of Consumer Affairs, Food & Public Distribution notified Consumer Protection (Direct Selling) Rules, 2021.

About Consumer Protection (Direct Selling) Rules-

- **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.
- **As per the new rules, 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.
 - Participate in money circulation schemes in the garb of doing direct selling business.
- **For ensuring compliance of these rules by direct selling entities and direct sellers**, every State Government sets up a mechanism to monitor or supervise the activities of direct sellers and direct selling entities.
- Every direct selling entity to establish an **adequate grievance redressal mechanism** and display the current

and updated name, contact details.

- **Grievance redressal officer** to acknowledge the receipt of any consumer complaint within forty-eight working hours of receipt of such complaint and redresses the complaint normally within a period of one month.
- Every direct selling entity shall **appoint a nodal officer** who shall be responsible for ensuring compliance with the provisions of the Act and the rules.
- The Rules provide for **certain obligation upon Direct Selling Entities which inter alia include :-**
 - 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.