



Consumer Protection (Direct Selling) Rules, 2021

For Prelims: Provisions of the Consumer Protection (Direct Selling) Rules, 2021, Companies Act, Limited Liability Partnership Act, 2008

For Mains: Provisions of Consumer Protection (Direct Selling) Rules, Role of the Consumer Protection (Direct Selling) Rules, 2021 in protecting the consumers rights

Why in News

Recently, the Centre has **notified Consumer Protection (Direct Selling) Rules, 2021** for the direct selling industry.

- It **prohibits promotion of pyramid schemes** and participation in **money circulation schemes**.
- It has been notified in exercise of the powers conferred by the **Consumer Protection Act, 2019**.
- Earlier, the government notified and made effective the provisions of the **Consumer Protection (E-Commerce) Rules, 2020** under the Consumer Protection Act, 2019.

Key Points

- **About:**
 - The rules **lay down duties and obligations** of both direct selling entities and their direct sellers to “safeguard the interest of consumers”.
 - The **existing direct selling companies** will need to ensure they comply with the rules within 90 days.
 - However the direct sellers as well as the **direct selling entities using e-commerce platforms** for sale shall comply with the requirements of the **Consumer Protection (e-Commerce) Rules, 2020**.
- **Applicability of the Rules:** It will **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 practises** across all models of direct selling.
 - To **direct selling entities which are not established in India**, but offers goods or services to consumers in India.
- **Major Provisions of the New Rules:**
 - **Mechanism to Monitor Activities:**
 - It directed **State governments to set up a mechanism to monitor or supervise the activities** of direct sellers and direct selling entities.
 - **Grievance Redressal Mechanism:**
 - Direct selling companies will **need to establish an adequate grievance redressal mechanism**.
 - Direct selling entities will have to **bear the liability in any action related to the authenticity** of such goods or services.
 - Every direct selling entity will have to **appoint a nodal officer** who shall

be responsible for ensuring compliance with the provisions of the Act and the rules.

◦ **Cannot Induce Consumers:**

- Direct selling companies or their direct sellers **cannot persuade 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.

◦ **Obligation upon Direct Selling Entities:**

• **Incorporation Under Some Act:**

- 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 Physical Location:**

- A minimum of **one physical location** as its registered office within India will be necessary.

• **Self-declaration:**

- Entities will have to **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**.

▪ **Significance:**

- These new rules would also **bring clarity in the marketplace** and would give **impetus to the direct selling industry**, which is already providing livelihood to over 70 lakh Indians, in which more than 50% are women.

Consumer Protection (e-Commerce) Rules, 2020

▪ **About:**

- The Consumer Protection (E-commerce) Rules, 2020 are **mandatory and are not advisories**.

▪ **Applicability:**

- Apply to all **e-commerce retailers**, whether registered in India or abroad, offering goods and services to Indian consumers.

▪ **Nodal officer:**

- E-commerce entities need to appoint a nodal person, resident in India to ensure compliance with the provisions of the act or rules.
- Prices and Expiry Dates:
- The sellers through the e-commerce entities will have to display the total price of goods and services offered for sale along with the break-up of other charges.
- Expiry date of the good needs to be separately displayed.

[Source: PIB](#)