

**DIRECT MARKETING / NETWORK MARKETING IS NOT ILLEGAL**

**Reply from Government of India - Direct Marketing / Network Marketing is NOT ILLEGAL**

Most Immediate

**F.NO.21/22/IT/2001  
Government of India  
Ministry of Consumer Affairs, Food & Public Distribution  
Deptt. of Consumer Affairs  
IT Desk**

Shastri Bhavan, New Delhi  
Dated: 9.4.2003

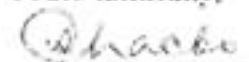
To,

1. Shri V.P. Rao, PS to MCFPD
2. The Prime Minister's office w.r.t. their No. 1651039 dated 1.4.2003

Sir,

I am directed to refer to your letter dated 22 nd /24 th March, 2003 addressed to Hon'ble Prime Minister/Home Minister of India on the subject mentioned above and to say that Secretary (Consumer Affairs) has written to Chief Secretaries of all states and Union Territories Clarifying the position that the agencies involved in the sale of goods through direct/multi-level marketing do not come under the provisions of the Prize Chits and Money Circulation(Banning) Act, 1978. A copy of the letter is enclosed for your information.

Yours faithfully,



(Alice Chacko)

Under Secretary to the Govt. of India.

**Encl: as above.**

**Copy for information to:**

1. Shri V.P.Rao, PS to MCAFPD
2. The Prime Minister's office w.r.t. their No. 1651039 dated 1.4.2003.

**(Alice Chacko)**

D.O. No. 21/22/IT/2001

March 31, 2003

Subject:

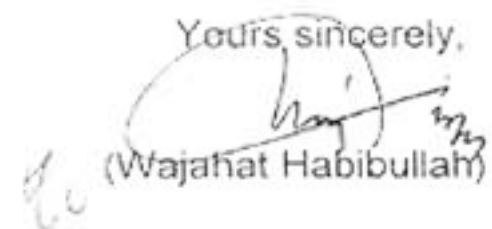
**Inapplicability of the provisions of the Prize Chits and Money Circulation Scheme (Banning) Act, 1978 to direct/net work/multi level marketing.**

A number of representation have been received by this Department regarding alleged harassment of companies dealing with direct/net work/multi level marketing by the police authorities in various States/Union Territories. Very often the provisions of the Prize Chits and Money Circulation Scheme (Banning) Act, 1978 are invoked against these companies. We have examined these issues in detail, including consulting the Ministry of law, regarding the applicability of the said Act to these companies. It is our considered view that the provisions of the Prize Chits and Money Circulation Scheme(Banning) Act, 1978 are not applicable to companies dealing with distribution of goods including multi level/net work marketing companies. Interpretation of various judgments by the Hon'ble Supreme Court [(a) State of West Bengal Vs. Swapan Kumar Guha (1982) 1 SCC 561;(b) Srinivasa Enterprise Vs. UOI(1980) 4 SCC 507; and (c) Reserve Bank of India Vs. Peerless Co. (1987), 1 SSC 499) implies that activities of direct/net work/multi level marketing do not fall within the provisions of the aforesaid Act.

In light of the above, i would request you to kindly instruct the officials concerned to distinguish between Companies dealing with activities coming strictly under the purview of the above Act and those such as direct/net work/multi level marketing dealing in distribution of goods so as to avoid harassment and commercial losses to bonafide investors.

With regards,

Yours sincerely,

  
(Wajahat Habibullah)

Chief Secretaries of All States &amp; UTs

Close Window



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वज्जल हबीबुल्लाह  
सचिव  
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भारत सरकार  
उपभोग्य पदार्थ, खाद्य एवं सार्वजनिक वितरण विभाग  
D.O. No. 21/22/IT/2001  
उपभोग्य पदार्थ विभाग  
कृषि भवन, नई दिल्ली-110001

Government of India  
MINISTRY OF CONSUMER AFFAIRS FOOD AND  
PUBLIC DISTRIBUTION  
Department of Consumer Affairs  
Krishi Bhawan, New Delhi - 110001

March 31, 2003

Subject : inapplicability of the provisions of the Prize Chits and Money Circulation Scheme (Banning) Act. 1973 to direct/net work/multi level marketing.

A number of representations have been *received by this* Department regarding alleged harassment of companies dealing with direct/net work/multi level marketing by the police authorities in various States/Union Territories. Very often the provisions of the Prize Chits and Money Circulation Scheme (Banning) Act. 1978 are invoked against these companies. We have examined these issues in detail, including consulting the Ministry of law regarding the applicability of the said Act to these companies. It is our considered view that the provisions of the Prize Chits and Money Circulation Scheme (Banning) Act 1978 are not applicable to companies dealing with distribution of goods including multi level/net work marketing companies. Interpretation of various judgments by the Hon'ble Supreme Court [(a) State of West Bengal Vs. Swappan Kumar Guha (1982) 1 SCC 561 : (b) Srinivasa Enterprise Vs. UOI (1980) 4 SCC 507; and (c) Reserve Bank of India Vs. Peerless Co. (1987). 1 SCS 499) implies that activities of direct/net work/multi level marketing do not fall within the provisions of the aforesaid act.

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With regards.

Yours sincerely,

Chief Secretaries of  
All States & UTs

(Wajahal Habibullah)

Copy for information to :- Shri N. Gopaldaswami, Secretary, Ministry of Home Affairs,  
North Block, New Delhi.

*J. S. Nair*  
8/4

*C.K.C. Nair*  
(C.K.C. Nair)  
Director