
EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations apply to any pyramid selling or similar trading scheme to which Part XI of the Fair Trading Act 1973 as amended by the Trading Schemes Act 1996 applies and which came into existence after the date of coming into force of these Regulations, and to any agreement made under such a trading scheme. The Pyramid Selling Schemes Regulations 1989 as amended by the Pyramid Selling Schemes (Amendment) Regulations 1990 are disapplied in respect of these trading schemes and agreements.

There is a six months transitional provision for trading schemes which were in existence prior to the date of coming into force of the Trading Schemes Act 1996 and which were until then not within Part XI of the Fair Trading Act 1973.

Where a trading scheme was subject to Part XI of the Fair Trading Act 1973 prior to the coming into force of the Trading Schemes Act 1996 then any agreement made under such a trading scheme within six months from the date of the coming into force of these Regulations can be made either under the 1989 Regulations or these Regulations. Any agreements made after the six months period will need to be made under these Regulations.

The Regulations follow the framework of the 1989 Regulations.

The control of the content of advertisements (regulation 3) has been updated since the 1989 Regulations. The controls no longer apply to any person but only to a promoter or a participant. Advertisements in all forms including electronic form are now covered unless they form part of a newspaper or magazine or are transmitted by radio or television broadcast. The date of actual or proposed first operation of the scheme in the UK and the status of the participant need no longer be included in the advertisement.

The statutory warning has been simplified.

The exemption for papers handed out in public places and for advertisements not indicating financial benefits has been removed.

There is no longer a requirement to substantiate financial benefits.

Promoters and participants have to meet certain pre-contractual requirements (regulation 4). Statements or promises of benefits for continued participation of others in a trading scheme are prohibited. Participants must be supplied with a written contract.

The provisions as to the content of the contract have been extended since the 1989 Regulations (regulation 5). The requirements now cover statements on rights such as cancellation, termination, return of goods and recovery of sums paid, financial obligations and commission.

Participants have the right to return goods to the promoter subject to certain basic conditions (regulation 6). Goods can be returned if purchased within 90 days prior to termination.

The taking of securities and guarantees is prohibited (regulation 7).

A participant must be given an itemised record of goods he purchased (regulation 8).

The promoter's right to recover commission on termination of a contract is limited and subject to conditions (regulation 9). No commission can be recovered after a period of 120 days has elapsed since its payment.

Status: This is the original version (as it was originally made). This item of legislation is currently only available in its original format.

A promoter or a participant is prohibited from accepting any sum exceeding £200 from a new participant until 7 days have expired from the making of the contract (regulation 10). The previous limit was £75.

Civil rights and remedies for breach of the Regulations are provided for (regulation 11).