



COMESA Competition Commission

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**Common Market for Eastern
and Southern Africa**

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CONSUMER ALERT ON PYRAMID SCHEMES

The COMESA Competition Commission ('the Commission') wishes to advise consumers to be on the lookout for pyramid schemes. A pyramid scheme is where a business and its partners encourage people to join at a fee. The people that join are also required to recruit others at a fee to make money. Members of a pyramid scheme make money through the recruitment of others.

The Commission's attention has been drawn to the activities of Crowd1, which markets itself as a digital multi-level marketing company and whose operations are being investigated in some jurisdictions. Specifically, the Commission has noted that authorities in the Philippines and Namibia found that Crowd1 members make money by recruiting others and has since been banned in Namibia. In Philippines, authorities issued a cease and desist order to Crowd1 for operating without a license. Further, authorities in Mauritius and New Zealand have issued investor alerts, advising the public to exercise caution in their dealings with Crowd1. Consumers should also be aware that concerns have been raised on the operations of Crowd1 in South Africa where the relevant authorities are still assessing the complaints raised.

The Commission has observed that some pyramid schemes pose as multi-level marketers that pretend to be selling products. However, at close glance there are no sustainable earnings from the sale of the products and members are often advised to recruit others to make money. Pyramid schemes are not sustainable as those at the top of the pyramid benefit at the expense of new recruits.

Consumers are therefore advised to exercise caution when dealing with Crowd 1 and also conduct research about companies they wish to invest in to avoid losing their hard earned money.