

Investors are warned that multi-level marketing or pyramid schemes, albeit not specifically declared by the law as unlawful, are in fact unlawful, fraudulent, deceitful and unethical as they provide return to principal investors, entirely out of money paid into the scheme by new investors. The benefit goes to the participants joining at top layers but the vast majority of the participants, standing at lower layers are deprived of their investment and make no profit at all. A fraud is obviously committed where a person is induced to join such a scheme based on a promise that he would make a profit by participating. The pyramid fails because there is finite and limited number of potential participants. Most of the people may not be able to find any new participants below them and therefore, would make no money at all. At this point the pyramid collapses and a vast majority gets no return at all.

Therefore, the investors are advised to be careful while investing their hard earned money and not to deal with any such company that through advertisements in media or printed brochures offers investment plans in pyramid schemes, multi level marketing schemes, referral schemes, binary schemes, lotteries and membership cards etc., and induces them to invest with a promise of lucrative returns.