

A Guide to  
**Earnings Opportunities  
in Direct Selling**  
containing the



**Code of Business Conduct**



## Key Points to Remember

### **The product**

SELECT a business with a product that appeals to you and which you consider to be fairly priced. If you like the product, then you will find it much easier to pass on your enthusiasm to others – and obtain sales. This is a more important consideration than any earnings claim.

### **Earnings claims**

BEWARE of exaggerated earnings claims. With a sound business, high earnings are possible, but they require time, hard work and dedication and are always based on the sales of products and services to consumers.

### **Initial investments**

Good business opportunities in direct selling rarely require any more than a modest financial investment. BEWARE of invitations to make further initial investments as a short cut to higher earnings and a higher appointment in the business.

### **Contracts**

ALWAYS ensure that you that you receive a proper written contract and that you understand it. If the opportunity includes the right to recruit others, then CHECK that it complies with the law. DSA membership is a useful indication that the company is lawful and treats its direct sellers fairly.

### **Look for the DSA logo**

CHECK that the company is a DSA member. The Direct Selling Association was founded in 1965 to promote high standards in direct sales to consumers and in the promotion of earnings opportunities in direct selling. Today, direct selling is a £2 billion p.a. channel of distribution for a wide range goods and services. It also provides full time and part time earnings opportunities to 470,000 direct sellers. DSA member companies account for almost 70% of this business.

## 4 Key Points to Remember

**The advantages of selecting an earnings opportunity with a DSA member are:**

- Member companies are required to comply with a consumer code that has been approved by the Office of Fair Trading;
- For those investing in an earnings opportunity, DSA Code of Business Conduct demands standards of protection with regard to recruitment methods; contracts; sales and business training and buy-back rights covering unsold goods and business and promotional material, that all exceed the level of protection required by law;
- Both DSA codes are monitored and enforced by an Independent Code Administrator. On the rare occasion when a complaint cannot be resolved, the Code Administrator's judgement is binding on the member company and is at no cost to the complainant.

**The DSA is a useful source of advice and information on member companies and the provisions of both the DSA's Consumer Code and Code of Business Conduct. This is available on the DSA website [www.dsa.org.uk](http://www.dsa.org.uk) or by:**

**Mail** Direct Selling Association, 29 Floral Street, London WC2E 9DP

**Phone** 020 7497 1234

**Fax** 020 7497 3144

**Email** [info@dsa.org.uk](mailto:info@dsa.org.uk)

## 1 Scope and Definitions

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**This Code concerns a member's dealing with**

- (a) direct sellers; and
- (b) other members.

**In those dealings, members (and their direct sellers) will comply with all law relevant to those dealings.**

**"the Association"** and **"DSA"** means the Direct Selling Association;

**"business opportunity presentation"** and **"presentation"** mean any meeting or discussion at which a member or a direct seller describes a commercial relationship between a member and potential direct sellers;

**"direct seller"** means any person involved in direct selling in any capacity;

**"direct selling"** means the direct selling of consumer products either in the home or away from normal retail premises by which a salesperson either: demonstrates the product or presents a product catalogue; or, collects an order; or arranges for the delivery of the products; or collects payment for the product or arranges for credit;

**"member"** means a member of the Association and includes its employees;

**"product"** means any goods or services;

**"sponsor"** means a direct seller who engages in recruiting and/or supporting other direct sellers in a member's business;

**"statutory rights"** means those rights conferred by regulations made under the Fair Trading Act 1973 whether or not the regulations apply to the member's direct selling scheme

## 2 Recruitment

- 2.1** Members and direct sellers shall not use misleading, deceptive or unfair recruiting methods.
- 2.2** Advertisements placed by members or direct sellers shall not make unrepresentative or exaggerated earnings claims.
- 2.3** At the first point of contact, verbal or face-to-face, with a prospective recruit, the recruiter shall clearly identify the name of the member.

## 6 2 Recruitment

- 2.4** An invitation, by whatever means, to a business opportunity presentation shall:
- (a) state the name of the sponsor or direct seller issuing the invitation;
  - (b) state the name of the member and its class of membership of the DSA;
  - (c) clearly and accurately indicate the purpose of the presentation and not imply that it relates to employment or that it is anything other than an occasion to be informed about a business relationship with a member.
- 2.5** Any member's recruitment advertisement over 30 words in length shall include:
- (a) the member's name; and
  - (b) indicate membership of the DSA.
- 2.6** All recruitment material (including advertisements) and in whatever medium (e.g. printed, audio, video, electronic) over 30 words in length must:
- (a) be pre-approved by the member, and
  - (b) clearly identify the member, giving the member's name at least as much prominence as the name of the direct seller, or direct selling group, to whom prospects are invited to respond.
- 2.7** Any recruitment material used in a direct marketing campaign, whether or not involving the purchase or rental of mailing lists, must be pre-approved by the member.
- 2.8** In relation to its own website and the websites of its independent direct sellers, each member shall establish
- (a) rules and standards, and
  - (b) a monitoring system to check the websites for compliance.
- 2.9** Fly-posting of recruitment and other material on street furniture, telephone kiosks or any other property, public or private, is banned.
- 2.10** All costs, whether for goods or services, charged by a member or direct seller to a prospective recruit who does not take up the opportunity offered shall be refunded. To the extent that those costs relate to the supply of non-consumable goods, the refund may be withheld unless the goods are returned within 30 days of their purchase. No refund need be made, however, in respect of any of the member's products purchased by the prospective recruit in the capacity of a consumer.

## 3 Presenting Business Opportunities

- 3.1** Members and direct sellers shall not describe the opportunity to a prospective direct seller in a false or misleading manner.
- 3.2** At all presentations of any kind reference shall be made to the name of the member and its class of membership of the DSA.
- 3.3** At all times:
- (a) members and direct sellers shall only promote the opportunity as a business relationship with the member;
  - (b) no unrepresentative or exaggerated earnings claims shall be made;
  - (c) any earnings claims must relate to actual earnings from the opportunity by an identifiable person and be capable of verification;
  - (d) income claims should not imply that earnings are easily or quickly achieved.
- 3.4** Members and direct sellers shall not promote any business based solely on recruiting other direct sellers.
- 3.5** All presentations must promote the business as one where direct sellers sell products to consumers.

## 8 4 Investment in Business Opportunities

- 4.1** Members, sponsors and direct sellers shall not require or encourage any direct seller to purchase products in unreasonable amounts. Nor shall a member accept orders for purchases which it knows are for unreasonable amounts.
- 4.2** The appropriate investment shall take account of (among other things):
- (a)** the purchase of a reasonable quantity of products for self-consumption or use;
  - (b)** sales that have already been made;
  - (c)** a reasonable amount of product for effective demonstration or display to potential consumers.
- 4.3** Any purchase would be for an unreasonable amount if it was a purchase of re-saleable goods which was made:
- (a)** prior to those goods being re-sold; and
  - (b)** primarily to secure a higher position in the organisation for the purchaser or primarily to benefit another individual in the organisation.
- 4.4** A purchase would also be for an unreasonable amount, irrespective of whether the order was placed on an automatic or recurrent basis, if the purchaser had no need of the goods either for his/her own use or for re-sale.

## 9 5 Advertising

- 5.1** Members' advertisements shall be truthful and accurate and, as a general rule, shall incorporate a reference to their membership of the Association. Members' sales and promotional literature shall be truthful and accurate and shall always contain a reference to their membership of the Association.
- 5.2** Members must be able to satisfy the Association that they comply with the British Codes of Advertising Practice and Sales Promotion where relevant and any other recognised self-regulatory codes.
- 5.3** Where members use direct mail or telephone selling they will make use of the Mailing Preference Service and Telephone Preference Service.

## 10 6 Contract and Payments

- 6.1** Members shall provide every direct seller with a written contract.
- 6.2** Contracts shall:
- (a) define a direct seller's financial obligations and meet all statutory requirements;
  - (b) contain or refer to all the terms between the parties in a clear and legible format;
  - (c) provide for termination by either party;
  - (d) state whether or not it may be transferred to anyone else, and if so upon what terms;
  - (e) contain or refer to full details of how earnings will be calculated and paid to direct sellers;
  - (f) require direct sellers to observe all DSA codes;
  - (g) contain details of any restrictions relating to competitive activity by direct sellers.
- 6.3** Members shall not require direct sellers to pay unreasonable fees for participating in a business opportunity, for training, or for promotional or other materials.
- 6.4** Members shall ensure that active direct sellers are provided at no charge with regular statements of account showing:
- (a) full and accurate financial details of all transactions;
  - (b) how any deductions are calculated.
- 6.5** Members shall make any payments to direct sellers on time.

## 7 Training

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- 7.1** Members shall provide or arrange for direct sellers to receive a reasonable standard of training in product knowledge and on how to develop their business.
- 7.2** Where sponsors or others provide training relating to a member's business, members shall ensure:
- (a) that they approve all materials referring to the member's business opportunity and/or its products;
  - (b) that direct sellers understand that they do not need to purchase training materials as a condition for obtaining advice from a sponsor;
  - (c) that if direct sellers pay for training material of any description the price shall be reasonable and relative to the cost.
- 7.3** If members or sponsors charge for training, they shall, for 14 days afterwards, offer full refunds (less the cost of any subsistence) to any direct seller who is dissatisfied with the training.

## 12 8 Buy-back Provisions

- 8.1** When a contract is terminated by either party within 14 days of its being made, the member shall:
- (a) refund all money paid by the direct seller in connection with joining the scheme, and
  - (b) buy back any unsold product (including training and promotional materials, business manuals and kits) returned by the direct seller within 21 days of the termination upon terms which are no less favourable than the statutory rights.
- 8.2** When a contract is terminated by either party after 14 days of its being made, the member shall:
- (a) buy back product (including training and promotional materials, business manuals and kits) purchased by the direct seller within 90 days of the date of termination upon terms no less favourable to the direct seller than the statutory rights; and
  - (b) buy back product (including training and promotional materials, business manuals and kits) purchased by the direct seller more than 90 days but within one year of the date of termination at a price not less than 90% of the VAT-inclusive price paid by the direct seller for the purchase of those products less an amount equal to:
    - (i) any commissions, bonuses or other benefits (in cash or in kind) received by the direct seller in respect of those products;
    - (ii) any amounts due from the direct seller to the member on any account; and
    - (iii) a reasonable handling charge,

**provided that:**

- (i) such product has not been purchased or acquired by the direct seller in breach of the contract;
  - (ii) the direct seller returns such product to the member in an unused, commercially resaleable condition not more than 14 days after the date of termination; and
  - (iii) the member did not clearly inform the direct seller prior to the purchase that the items were seasonal, discontinued or special promotion products which were not to be subject to the buy-back provisions of this Code.
- 8.3** At any time during the subsistence of a contract, if requested by a direct seller, the member will buy back any product returned by the direct seller which he purchased at any time within one year of the date of such request upon the terms set out in Rule 8.2(b) above.

## 9 Relations between Members

- 9.1** Members shall behave ethically towards other members.
- 9.2** Members and direct sellers shall not denigrate any other member or direct seller.
- 9.3** Members, sponsors and direct sellers shall not entice or solicit direct sellers from other members or other direct selling companies.

## 10 International Direct Selling

- 10.1** Where a member carries on business, or permits the direct selling of its product, in another country, it shall do so in accordance with legislation relating to direct selling in that country and all Codes of Practice of the local Direct Selling Association (whether or not it is a member of that Association).
- 10.2** If there is no local Direct Selling Association, the member will ensure that all its employees and direct sellers in that country abide by the provisions of the World Federation of Direct Selling Association's Codes.

## 14 11 Code Responsibilities

- 11.1** Every member and direct seller shall follow all DSA Codes.
- 11.2** Only members may use the DSA logo and state that they belong to the Association.
- 11.3** Every member's chief executive is responsible for the observation of this Code by its employees and direct sellers.
- 11.4** Every member shall operate a system for dealing with reported breaches of the Code and keep records of complaints and of the action taken in response.
- 11.5** Every member shall give all their direct sellers a copy of the DSA Codes.

## 12 Code Responsibilities

- 12.1** DSA Codes are supervised and administered by an independent, legally qualified Administrator appointed by the Council on behalf of the Association.
- 12.2** The Code Administrator shall:
  - (a)** satisfy himself that members' trading practices and documentation comply with the DSA Codes and all relevant legislation;
  - (b)** report any breach of the Codes to the member's Chief Executive and recommend appropriate remedial action;
  - (c)** investigate any failure by a member to act upon any recommendation;
  - (d)** report any failure by a member to remedy any breach to the Council of the Association;
  - (e)** publish an annual report which includes any suggestions the Administrator has for the improvement of the Code in the light of experience.

## 13 Breaches of the Business Code

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- 13** Any complaint about a breach of the Business Code shall be treated in the following way.
  - (a)** The complainant may refer it:
    - (i)** to the Chief Executive of the member; or
    - (ii)** the Director of the Association.
  - (b)** If the complainant is dissatisfied with any solution proposed by the member, or it is referred initially to the Director, the following procedure will be used:
    - (i)** The complainant will be asked to set out details of the complaint in writing;
    - (ii)** The Director will send a copy of the written complaint to the member requesting prompt remedial action; the complainant will be kept informed at all times;
    - (iii)** If the Director is not notified within 21 days that the matter has been resolved, he shall refer it to the Code Administrator and may notify the Council of the Association;
  - (c)** If the complainant is dissatisfied with the recommended action, or if the member fails to act as required by the Director, the Director shall refer the complaint to the Code Administrator.

## 14 Investigations by the Code Administrator

- 14.1** The Code Administrator will investigate any complaint referred to him, obtain evidence from the complainant, from the member and any other relevant person and make a written adjudication as quickly as possible.
- 14.2** The adjudication is binding on the member and any direct seller; the complainant is not bound by the adjudication.

## 15 Sanctions

- 15.1** Where a member is found to be in breach of the Business Code, the Code Administrator may require the member:
- (a) to repay all money paid by the complainant;
  - (b) to buy back any unsold product at a price to be fixed by the Code Administrator;
  - (c) to replace or repair any product without charge;
  - (d) to pay any costs incurred by the Code Administrator for technical advice or testing;
  - (e) to give a written undertaking to observe the Code and to take all reasonable steps, including any specified steps, to prevent a recurrence of the breach;
  - (f) to pay compensation to the complainant (not exceeding £5000) in respect of any financial loss;
  - (g) to re-instate a direct seller's contract.
- 15.2** The Code Administrator may require that the member appear before the Disciplinary Committee and may make recommendations as to the action it should take.

## 18 16 **Disciplinary Committee**

- 16.1** The Disciplinary Committee shall consist of two Council Members and three Independent Members nominated by the Council. The Disciplinary Committee shall consider all the evidence and may call for written or oral evidence from any person. The Disciplinary Committee will be empowered to exercise the Association's disciplinary powers, including that of expelling a member from the Association.
- 16.2** The Disciplinary Committee shall send its report to the complainant and the member and the Council of the Association. The member is bound by the adjudication.
- 16.3** Members shall have a right of appeal to the full council of the Association, whose decision is final.

