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STATUTORY INSTRUMENTS

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**1990 No. 150**

**FAIR TRADING**

**The Pyramid Selling Schemes (Amendment) Regulations 1990**

<i>Made</i>	- - - -	<i>1st February 1990</i>
<i>Laid before Parliament</i>		<i>6th February 1990</i>
<i>Coming into force</i>	- -	<i>1st March 1990</i>

The Secretary of State in exercise of his powers under section 119 of the Fair Trading Act 1973(1) hereby makes the following Regulations:—

1. These Regulations may be cited as the Pyramid Selling Schemes (Amendment) Regulations 1990 and shall come into force on 1st March 1990.

2. The Pyramid Selling Schemes Regulations 1989(2) are hereby amended:

(a) in regulation 2, by the substitution of the following for paragraphs (a) and (b) after the words “save that”:—

“without prejudice to the operation of sections 16 and 23 of the Interpretation Act 1978(3), regulations 5 and 6 and paragraphs (1), (2) and (3) of regulation 10 thereof shall continue to apply to things done on or after 1st March 1990 under or in connection with agreements made before that date.”

(b) in regulation 4(1), by the substitution of the following for the words from the beginning of that paragraph to the end of sub-paragraph (b)(i):—

“4.—(1) Subject to paragraph (2) of this regulation, a person shall not issue, circulate or distribute any document, being an advertisement, prospectus, circular or notice, containing—

- (a) any invitation to persons to become participants in a selling scheme, or
- (b) any information likely to lead directly or indirectly to persons becoming participants in such a scheme,

UNLESS—

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(1) 1973 c. 41.  
(2) S.I. 1989/2195.  
(3) 1978 c. 30.

- (i) it states the date from which the scheme first operated in the United Kingdom or, in the case of a proposed scheme, the date from which it is proposed to operate it;”
- (c) in regulation 5(1), by the insertion of the words “of time” after the word “period” where it first appears, by the substitution of the words “do not exceed” for the word “represent” and by the substitution of the words “a period of time in the past three years of the same length as that referred to in the statement” for the words “the same period”;
- (d) in regulation 6(1), by the substitution of the following for the words from the beginning of that paragraph to the end of sub-paragraph d(i):—

“6.—(1) Subject to paragraph (2) of this regulation, a promoter of, or a participant in, a selling scheme shall not—

- (a) supply goods or services to a participant in the scheme, or
- (b) provide any goods or services under a transaction effected by such a participant, or
- (c) be a party to any arrangement under which goods or services are supplied or provided as aforesaid, or
- (d) accept from any such participant any payment or undertaking to make a payment in respect of any goods or services supplied or provided as mentioned in any of the preceding paragraphs or in respect of any goods or services to be so supplied or provided

UNLESS—

- (i) the parties have signed a written agreement which contains all the terms of the agreement under which the relevant participant is participating in the scheme and which complies with regulation 7; and”
- (e) in regulation 8(1)(c) by the substitution of the following for the words from the beginning of that sub-paragraph to the end of sub-paragraph c(i):—
  - “(c) where notice to terminate participation is given by the participant in any other circumstances, a right to require the promoter or any of the promoters to buy any goods which the participant has purchased under the scheme—
    - (i) at a price which is not less than 90 per cent of the price which the participant paid for them, except that from the price which would otherwise be the minimum price permissible under the foregoing provisions of this sub-paragraph there may be deducted an amount equal to any diminution in the value of the goods resulting from any deterioration of them which was due to any act or default of the participant;”
- (f) in regulation 8(1)(c)(iii), by the deletion of the words “any goods which he has purchased under the scheme”; and
- (g) by the substitution of the following for regulation 10:—

“10. A promoter of, or a participant in, a selling scheme (referred to in this regulation as the creditor) shall not accept from a participant (referred to in this regulation as the debtor) any payment by way of security for goods or the payment of the price for goods supplied or to be supplied or an undertaking to make such a payment, unless the creditor or a promoter who is not a creditor has agreed in writing to refund the amount of that payment to the debtor upon his returning the relevant goods in an undamaged condition to the creditor or to any promoter.”

1st February 1990

*Eric Forth*  
Parliamentary Under-Secretary of State,  
Department of Trade and Industry

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

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## EXPLANATORY NOTE

*(This note is not part of the Regulations)*

These Regulations amend the Pyramid Selling Schemes Regulations 1989 (“the Principal Regulations”).

The main changes are:

(1) the amendment of regulation 2 to make it clear that section 23 of the Interpretation Act 1978, relating to the interpretation of subordinate legislation, applies to the Principal Regulations;

(2) the amendment of regulation 4(1) to make it clear that the conditions set out in (i) to (v) of regulation 4(1) apply both to sub-paragraphs (a) and (b) and the amendment of regulation 6(1) to make it clear that the conditions set out in (i) and (ii) of regulation 6(1) apply to sub-paragraphs (a), (b), (c) and (d) of regulation 6(1);

(3) the amendment of regulation 5(1) to make it clear that a promoter may not claim that specific financial benefits will be obtained over a period of time from participation in a selling scheme unless he has evidence that such benefits were actually obtained over a similar period of time in the past three years;

(4) the amendment of regulation 8(1)(c)(i) to make it clear that both the percentage amount and the amount in respect of the diminution in value of the goods deductible under that provision are to be deducted from the price originally paid by the participant;

(5) the substitution of a new regulation 10 to ensure that the acceptance of deposits is not absolutely prohibited but is subject to the condition in the substituted regulation 10.