



GOVERNMENT OF THE COOK ISLANDS
MINISTRY OF INTERNAL AFFAIRS
Labour and Consumer Division

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Press release

Online scams- Breach of the Fair Trading Act 2008

Many of us scrolling on Facebook have come across some very exciting and appealing offers for dream trips. We might have even been approached by friends or acquaintances to join a group meeting to discuss this amazing opportunity and we may even know some of our families and friends who have joined these groups already.

But as we know, not everything that shines is gold. Last Monday, Government agencies met to discuss the recent happenings and complaints received from disgruntled or unwary community members. The Financial Intelligence Unit (FIU), the Police, the Ministry of Internal Affairs-Consumer Commissioner and Crown Law discussed section 32 of the Fair Trading Act. It describes pyramid selling schemes and prohibits the operating and the promoting of such type of schemes in our country. Such action is considered as a serious offence, liable on conviction to a fine not exceeding \$10,000 for a person and \$20 000 for a corporate body. Both the Crimes Act and the FIU Act are also applicable.

A pyramid selling scheme makes money by organising the recruitment of more and more members to it. It is unlawful because it is mostly an opportunity to sell an investment; and it is unfair to many participants in the scheme. The problem arises when there are no longer members to recruit. This is when the pyramid topples and members below the first recruits lose on their investment. It is demonstrated that it is impossible for most participants to make money in a pyramid scheme and 88% of the members will lose their investment. These schemes work for a few who make money, and fail for many who lose. The ones at the bottom of the recruitment process are defrauded by the ones on the top. This is why pyramid selling schemes are illegal, as only a few people make money on the back of the majority.

The Government is therefore calling on the community to refrain from participating, promoting and encouraging these schemes. Anyone having any information on a scheme is encouraged to contact either the Superintendent (Akatauir.Matapo@police.gov.ck), the Consumer Commissioner at INTAFF (Sandrina.Thondoo@cookislands.gov.ck) or the FIU (Walter.Henry@cifu.gov.ck).