

Tiandan International Co., Ltd.

1531st Commissioners' Meeting (2021)

Case: Tiandan International and Mr. A violated the Multi-level Marketing Supervision Act when engaging in multi-level marketing

Keyword(s): Multi-level marketing, contract recession or termination of contract, admission fee

Reference: Fair Trade Commission Decision of March 17, 2021 (the 1531st Commissioners' Meeting); Disposition Kung Ch'u Tzu No.110015

Industry: Direct Selling Establishments (4872)

Relevant Law(s): Articles 20 and 23 of the Multi-level Marketing Supervision Act

Summary:

1. Between May and August in 2019, the FTC received from citizens several duplicate copies of legal attest letters to Tiandan International Co., Ltd. (hereinafter referred to as "Tiandan International") to express their decisions to withdraw from the company's multi-level marketing scheme and return the remaining products. Since the way Tiandan International handled participant withdrawal and the products returned seemed to have caused disputes, the FTC took the initiative to investigate. In addition, the FTC also received complaints from other people accusing Tiandan International of violating the Multi-level Marketing Supervision Act when processing participant withdrawal and returned products.
2. Findings of the FTC after investigation:
 - (1) The FTC investigation revealed that the refunds given by Tiandan International to five participants who rescinded or terminated contracts within 30 days after contract signature did not include the admission fee. It was in violation of Article 20(2) of the Multi-level Marketing Supervision Act.
 - (2) The FTC requested the informants and related participants to provide their statements and found out Mr. A, at the time a participant of the highest "crown" level in Tiandan International, made oral agreements or signed the "agreement on product conversion to mall currency" and the "product transaction agreement" with new downline participants to convert products to mall currency between May and October in 2019. Another finding showed that when the aforementioned participants applied for withdrawal and return of the products, Mr. A refused to change the products they had purchased at the time of admission back into cash, making it impossible for the

participants to exercise their right to return the products. Therefore, Tiandan International and Mr. A were in violation of Article 23(1) of the Multi-level Marketing Supervision Act by adopting inappropriate means to obstruct those participants from rescinding or terminating contracts and returning products.

3. Grounds for disposition:

- (1) Tiandan admitted that between March and September 2019, the company did not return the NT\$1,000 admission fee to participants withdrawing from the scheme and returning the products if they had signed up and used the company's computer system. However, the admission fee was not a statutory deduction item. Hence, Tiandan International violated Article 20(2) of the Multi-level Marketing Supervision Act by deducting the aforesaid amount from the refund. For this reason, the FTC imposed an administrative fine of NT\$100,000 on the company.
- (2) By making oral agreements or signing the "agreement on product conversion to mall currency" and the "product transaction agreement" with new downline participants, Mr. A converted part of the products purchased at the time of admission into mall currency. Both sides promised not to change their minds. However, Mr. A later used it to obstruct the afore-mentioned participants from rescinding or terminating contracts, withdrawing from the multi-level marketing scheme and returning the products. Meanwhile, after finding out the mall currency held by the new participants was not from company bonuses but the result of exchange with part of the products they had purchased from their upline at the time of admission, Tiandan International still insisted that the participants had to present the products purchased at the time of admission and refused to return the money instead of improving its management of mall currency issuance. All the conducts constituted the inappropriate means to impede participants from withdrawing and returning products and were in violation of Article 23(1) of the Multi-level Marketing Supervision Act. Therefore, the FTC imposed an administrative fine of NT\$300,000 on Tiandan International and NT\$200,000 on Mr. A.

Appendix:

Tiandan International Co., Ltd.'s Uniform Invoice Number: 69263338

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