



Pyramid Schemes

and similar investment systems

WHAT IS A PYRAMID SCHEME

A pyramid scheme is an 'investment' system which promises that if you put a little bit of money in, and encourage your friends to join, you will quickly get a lot of money back.

THE PYRAMID SCHEME

In the community, pyramid schemes might also be called investment chain, ikirimba, kilimba, ikibina, ikimena, multi-level marketing, Ponzi scheme, 老鼠會 (Lǎo shǔ huì), and பல நிலை சந்தைப்படுத்தல் (pala nilai shanthai paduthudal) or by other names, depending on the structure and which community is using the system.

In a pyramid scheme, new members pay in money, which is then distributed among existing members. Sometimes the existing members can make quite a lot of money from the new members. However, the new members are also promised that they will make a lot of money, so more and more new members are needed.

THE RISKS AND PROBLEMS

All pyramid schemes collapse, and usually faster than anyone expects. This is because more people are needed to keep things going than most people estimate.

For example, if you are in a scheme where each person has to recruit four more people—the person who sets it up only needs to find four people, between them those four people need to find 16 people, then those 16 people need to find 64 people, and the 64 people need to find 256 people. The chain has only been going through three recruitment cycles

and already it needs 256 more people to keep going. If it manages to find 256 people, they need to find 1024 people or they will all lose their money. After that it needs 4096 people and then 16384.

When the scheme collapses, most of the people involved lose their money. This can be more upsetting because people were recruited to join by people they trust—their friends, family and community members. When pyramid schemes collapse there is a lot of anger and blame.

IS IT LEGAL?

No. Pyramid schemes cause heartache, break up families and make people poorer. They are a scam, set up to benefit the person who set up the scheme and sometimes a few of their close friends—everyone else loses. They are illegal in Australia and there are large fines, especially for setting up or promoting a pyramid scheme. It is also illegal to try and recruit people to a pyramid scheme, and even to be in one.



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WHERE CAN YOU GET HELP?

To stop the scheme and make sure it doesn't happen again

You can report pyramid schemes by logging a complaint on the Australian Government website scamwatch.gov.au or by calling the Australian Securities and Investments Commission on 1300 300 630 or by using the telephone interpreting service on 13 14 50.

If you have been involved in a pyramid scheme and you are worried about reporting it, you can have a confidential conversation with a lawyer first. You can get free legal advice from a community legal centre, Legal Aid Queensland or a private lawyer.

WHERE CAN YOU GET HELP?

FINANCIAL COUNSELLING AND OTHER FINANCIAL HELP IN THE COMMUNITY

No Interest Loans Scheme

Loans without paying interest for essentials such as appliances or furniture, rates, emergencies and cars.

St Vincent de Paul

P 1800 846 643

W qld.vinnies.org.au/services/finances/no-interest-loans-scheme-nils

Good Shepherd

P 13 64 57

W goodshep.org.au/services/loans

Financial Independence Hub

Support for people who have experienced financial abuse to feel more confident with money and plan for the future.

P 1300 050 150

W goodshep.org.au/services/fih

Financial Resilience Program

Support for individuals and families to engage with and improve their financial wellbeing and resilience.

P 1300 006 616

W goodshep.org.au/services/qfrh

National Debt Helpline

Free service to help people tackle debts and connect with a financial counsellor.

P 1800 007 007

W ndh.org.au/financial-counselling

Centrelink

Help to address financial hardship including advance and crisis payments if eligible.

P 131 202 (multilingual phone service)

W servicesaustralia.gov.au/refugee-servicing-network-financial-help;
servicesaustralia.gov.au/financial-information-service

LEGAL HELP

Caxton Community Legal Centre

Turbot Place

Level 23, 179 Turbot Street

Brisbane Qld 4000

P (07) 3214 6333

E caxton@caxton.org.au

W caxton.org.au

Legal Aid Queensland

44 Herschel Street

Brisbane Qld 4000

P 1300 651 188

W legalaid.qld.gov.au



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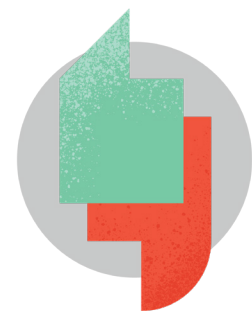
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This information is current at November 2023.



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