

Licensing Guide for Direct Selling Companies



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Overview

Service Nova Scotia has made changes to the *Direct Sellers' Regulations Act* and *Direct Sellers Regulations* that reduce red tape for business and increase consumer protections for Nova Scotians.

These amendments will apply to all Direct Selling Companies on January 31, 2017. This guide provides an overview of the changes and what Direct Selling companies need to do to comply.

What Licensing Requirements have changed for Direct Sellers?

- the requirement to license individual salespersons is being removed, except for the sale of hearing aids
- all direct seller licenses are now harmonized and will expire January 31 each year
- new content is required for all direct seller contracts
- new content is required for continuing service contracts
- new licensing categories and licensing fees
- new surety bond amounts
- all direct sellers must provide an address where a customer can return a product

What do I need to do to Comply?

Submit a new licensing application package by January 31, 2017. This application package should include:

- completed licensing application indicating new licensing category and bond amount
- a surety bond for the new required amount
- a new sample contract with content that complies with the legislation
- an address for service (where product can be returned)
- statement of cancellation rights that will be provided to customers- if a contract is not required
- product catalogue and price list

What are the Benefits of this Change?

Reduction of regulatory burden for direct sellers operating in Nova Scotia:

- removing the requirement to license individual salespeople, except for those selling hearing aids
- reducing the amount of bond required for some companies
- removal of the place of business requirement, except for those selling hearing aids

New Timelines for Licenses

- All Direct Seller Licenses will now expire on January 31 each year. Every Direct Seller will be mailed a new licensing application that they will be required to complete and submit by January 31, 2017.

- As part of the transition to a January 31 harmonized licensing date the following applies to current direct seller licenses:
 - **Direct Sellers who hold a license that was issued before August 1, 2016:** will have to submit a new licensing application package and fee. Once approved a new license will be issued that expires January 31, 2018.
 - **Direct Sellers who hold a license that was issued between August 1, 2016 and January 31, 2017:** will have to submit a new licensing application package but **the fee will be waived.** Once approved a new license will be issued that expires January 31, 2018.

Contract Requirements

The requirements for direct sales contracts and continuing services contracts also apply to all sales that are entered into in any dwelling, motel, hotel or motor vehicle or at any exhibition, trade show, fair, parking lot, etc., regardless of whether they are direct sales and whether they are required to hold a direct selling permit.

Notice of Cancellation Rights

Where a direct sales contract is not required a direct seller must provide a notice of cancellation rights.

Requirements for all Direct Sales Contracts

All direct sales contracts must be submitted to Service Nova Scotia for approval as part of the licensing package. Requirements for direct sales contracts have not changed. All contracts must still include the following content:

- the name and address of the purchaser
- the direct seller's name, business address and telephone number

- the salesperson's name and signature
- the date and place of the contract
- an itemized price of the goods or services, terms of payment and the total cost of the contract
- a description of the goods and services sufficient to identify them
- the delivery date of the goods or services if not provided on the transaction date
- the completion date for providing the services if applicable
- where credit is extended, a statement of any security taken and the cost of borrowing as required by the *Consumer Protection Act*
- a description of any goods taken in trade and the value given to the goods
- the signature of the purchaser
- a statement of the cancellation rights (*required text below*)

You may cancel this contract from the day you enter into the contract until 10 days after you receive a copy of the contract or statement of cancellation rights. You do not need a reason to cancel.

If you do not receive the goods or services within 30 days of the date stated in the contract, you may cancel this contract within one year of the contract date. You lose that right if you accept delivery after the 30 days. There are other grounds for extended cancellation. For more information you may contact the provincial/territorial consumer affairs office.

If you cancel this contract, the seller has 15 days to refund your money and any trade-in or the cash value of the trade-in. You must then return the goods.

To cancel, you must give notice of cancellation to the address below or in the contract. You must give notice of cancellation by a method that will

allow you to prove that you gave notice, including fax, mail or personal delivery.

Address for Notice: (Include name, business address, phone number if this statement of cancellation rights is a document separate from the contract.)

Special Requirements for Continuing Service Contracts

A continuing services contract is a direct sales contract that provides for the performance of services, including the supply of any goods, on an ongoing basis (*Ex. home alarm system monitoring*).

All continuing services contracts must now include the following content:

- all of the requirements of a direct sales contract
- the total cost to the purchaser, including any fees, charges, penalties, interest and other amounts or consideration, as calculated on a monthly basis
- an itemized fair market value of the goods or services to be provided over the term of the contract, if applicable
- terms of payment, and the total cost of the contract over the length of the contract
- any one-time or irregular fees to be charged to the purchaser
- the term of the contract, which can't be longer than 3 years
- a statement that the purchaser will be provided with written notice between 30 and 60 days before the expiry date of the contract, including a description of the details required by Section 20A(3) of the Act to be set out in the notice (i.e. if no notice is given a contract is extended on a month to month basis)

- a statement that the contract will be automatically extended in the circumstances set out in law, including a description of those circumstances
- the following statement of the purchaser's cancellation rights:

Statement of Cancellation Rights

You may cancel this contract at any time. You do not need a reason to cancel. To cancel, you must give notice of cancellation to the address below. You must give notice of cancellation by a method that permits you to produce evidence that you cancelled the contract, including registered mail or personal delivery. On notice of cancellation of the contract, the seller has 15 days to refund any money that you are owed.

Address for Notice: (Include name, business address, phone number and, if applicable, information about a recognized agent for personal service.)

Compensation if a Continuing Service Contract is Cancelled

If a continuing service contract is cancelled more than ten (10) days from when the purchaser received the contract the direct seller can recover reasonable compensation. Compensation would be the amount given in the contract as the fair market value of the goods, prorated by the time remaining on the contract.

If any services were provided by the direct seller before the continuing service contract was cancelled then that amount can be recovered by the direct seller from the purchaser.

Permit Type and Fee

Every Direct Seller company will need to select a new licensing category.

Please refer to the chart below as the licensing categories and associated fees have changed.

Code	Description of License Category	License Fee
P1	Sole Proprietorship or Partnership that has no salespeople	\$150
P2	Sole Proprietorship or Partnership that has 1–10 salespeople	\$150
P3	Sole Proprietorship or Partnership that has 11+ salespeople	\$150
C1A	Corporation with 10 or fewer salespeople	\$150
C1B	Corporation with 11 or more salespeople	\$500
H1	Hearing Aid or Hearing Aid Services with fewer than 11 salespeople	\$150
H2	Hearing Aid or Hearing Aid Services with 11+ salespeople	\$500

Surety Bond Requirement

Every application for a direct seller's permit must be accompanied by a bond in one of the following forms: surety bond; personal bond; bond of a guarantor; or letter of credit.

The amount of the bond that every applicant must provide with their application has changed. New bond amounts are provided below by licensing category.

	Direct Seller Category	Average Sale Amount	Surety Bond Amount
P1	Sole Proprietorship/Partnership	Less than \$500	\$5,000
P1	Sole Proprietorship/Partnership	\$500 or greater	\$10,000
P2	Sole Proprietorship/Partnership	Any amount	\$10,000
P3	Sole Proprietorship/Partnership	Any amount	\$20,000
C1A	Corporation/Business	Any amount	\$10,000
C1B	Corporation/Business	Any amount	\$20,000
H1	Hearing Aid Dealer	Any amount	\$20,000
H2	Hearing Aid Dealer	Any amount	\$20,000
	Home Installation (<i>See list below</i>)	Any amount	\$25,000

The amount of bond required for home installation companies is \$25,000 these include companies selling: home renovations, siding, paving, roofing, heat pumps, heating systems, air conditioners, hot water heaters, furnaces, windows, doors, security alarms, medical alarms and systems, personal alarms or alarm monitoring services.

Address For Service

A direct seller who maintains a mailing address instead of a permanent place of business in Nova Scotia, must provide a method for the return of product at no cost to the purchaser.

Identification

The removal of the individual salesperson permit now means that it is mandatory that Direct Selling companies provide each salesperson with an identification card that includes the following:

- “The bearer of this card is permitted to engage in direct sales activity regulated by the Nova Scotia Direct Sellers’ Regulation Act on behalf of

(Name of the Direct Selling Company).”
- The name of the salesperson;
- The direct seller’s address, business permit number issued under the Act and phone number;
- The signature of the direct seller, or if the direct seller is a corporation, an officer authorized to sign on behalf of the corporation;
- The issue date of the card and the expiry date of the direct seller’s permit.

Questions? Contact Us

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