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Case #104-2023: Government Referral – Karatbars International

BBB NATIONAL PROGRAMS

The Direct Selling Self-Regulatory Council

Case Number 104-2023: Government Referral – Karatbars International

Company Description

Karatbars International., (“Karatbars” or the “Company”) is a multi-level direct selling company founded in 2011 that markets small gold bars and gift items in gold bullion. The Company is headquartered in Stuttgart, Baden-Wurttemberg, Germany and markets its direct selling business opportunity to consumers throughout the world including in the United States.

Basis of Inquiry

The Direct Selling Self-Regulatory Council (“DSSRC”) is a national advertising self-regulation program administered by BBB National Programs.

This inquiry was commenced by DSSRC pursuant to its ongoing independent monitoring of advertising in the direct selling marketplace and concerns earnings claims disseminated by the Company and its salesforce members.

The representative claims that formed the basis of this inquiry are set forth below:

Earnings Claims:

- “For security Of Financial Freedom! I am looking for 5 people who are not happy where they are financially and want to change it.”
- “Shout Out to My Karatbars Business Partner for being a part of this Global Mission of Financial freedom and setting up her Family for Generational Wealth... Let’s Go!!!!!”
- “If you’re a 9 to 5 job hater seeking financial freedom, I sincerely hope you watch this.”
- “Financial stability – the feeling of freedom, security and happiness. In our constantly changing world, we are searching for confidence in our future.

Katbars International. The way to financial freedom.”
- “Karatbars International It's A Business, It's the New Money System backed Gold that takes you from Poverty Income to New Money System of Financial Freedom”
- “Let’s march to our financial freedom.”
- “What's your reason for financial freedom and success? We at karatbars is the way to get started. We building wealth 1 gram at a time,” and;

What is your why? Financial freedom/pay off debt; travel; retirement; legacy (inheritable/beneficiary); save gold for wealth insurance”
- “Time Freedom..It's Possible; Financial Freedom; It's Possible; Location Freedom.. It's Possible. Pay Yourself First with Physical Gold”
- “My Mission Is To Help Free People from financial debt and help them find Financial Freedom From The Current System Of Debt, Inflation, And Taxes.”

DSSRC expressed its concern that such earnings claims convey the message that participants in the Company’s business opportunity can generally expect to earn significant and career-level income without having to worry about their finances.

Company’s Non-Participation in the DSSRC Process

Despite the fact all but one of the social media posts at issue remain accessible in the United States and the Company maintains an official (i.e., English-language) website¹, DSSRC could find little contact information for Karatbars. For example, the company website does not provide a telephone number or email address for consumer or business inquiries. Notwithstanding, DSSRC was able to locate an email for the Company founder and CEO and a company support email. In addition to sending hard copies of correspondence regarding this inquiry by USPS 2-day mail to Karatbars at a listed address in Plantation, Florida on January 17, 2023, DSSRC also emailed copies of correspondence to the Company Founder and CEO as well as a support email at support@karatbars.com. None of the correspondences were returned to DSSRC or bounced back.²

After the Company failed to provide a response within 15 business days, DSSRC continued to try to contact the Company and sent a 10-day notice to Karatbars on February 9, 2023, indicating that, if the Company failed to provide a response to DSSRC regarding the claims and issue within 10 business days, the matter would be referred to the appropriate government agency.

Notwithstanding the additional opportunity to respond to DSSRC’s inquiry, the Company again failed to reply.

Referral to the Government

DSSRC determined that a number of aggressive earnings claims are being disseminated by Karatbars salesforce members on social media, including claims communicating that participants in the Company’s business opportunity can generally expect to earn significant income and achieve financial freedom. All such claims appear unsupported.

As stated in the DSSRC Guidance on Earnings Claims for the Direct Selling Industry, it is misleading for a direct selling company and/or its salesforce members to make any earnings claims unless the direct selling company and/or its salesforce members have a reasonable basis for its claim at the time the claim is made and have documentation that substantiates the claim at the time the claim is made.³

DSSRC remains concerned with the earnings claims that were communicated by the Company’s salesforce members which it determined implied that salesforce members could earn significant income and achieve financial security from the Karatbars business opportunity.

While DSSRC will evaluate any claim based upon the context in which the claim appears and the potential net impression of such claim to the audience, some words and phrases are prohibited when made to a general audience of prospective or current salesforce members. Such words and phrases include statements such as “quit your job,” “be set for life,” “make more money than you ever have imagined or thought possible,” “unlimited income,” “full-time income,” “replacement income,” “career-level income,” or any substantially similar statements or representations. Other terms, such as “passive income” and “residual income,” are prohibited when they convey that income can be continuously earned by salesforce members with little or no ongoing effort. Some words or phrases carry a particularly high risk of being misleading to consumers when communicated in a general context. Such words and phrases include but are not limited to “financial freedom,” and “time freedom.”⁴

In accordance with section (II)(9) of the DSSRC Policies and Procedures, in the event the company whose marketing is the subject of a DSSRC inquiry fails to participate in the self-regulatory process, DSSRC may refer the matter to an appropriate government agency for review and possible law enforcement action.

Accordingly, based upon Karatbars’ failure to respond to the self-regulatory inquiry and address DSSRC’s concerns, this matter has been referred this matter to the Federal Trade Commission.

(Case No. 104-2023. Closed on March 1, 2023)

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[1] <https://www.karatbars.com/en/>.

[2] DSSRC did receive an automated response from its email to customer support stating: “Dear customer and/or affiliate, thank you for your email. We will reply to your request shortly and truly appreciate your understanding and patience. Kind regards, Your Karatbars Support.”

[3] See the DSSRC Guidance on Earnings Claims for the Direct Selling Industry; https://bbbnpp-bbbp-stf-use1-01.s3.amazonaws.com/docs/default-source/dssrc/dssrc_guidanceonearningsclaimsforthedirectsellingindustry.pdf.

[4] *Id* at section 6.

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