

- [Vendor Privacy Program](#)
- [Volkswagen Car-Net & Audi Connect](#)

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[Learn About CISR](#)

[What Is BBB National Programs?](#)

1. [Home](#)
2. [Programs](#)
3. [Advertising Self-Regulation](#)
4. [Direct Selling Self-Regulatory Council \(DSSRC\)](#)
5. [Case Decisions](#)
6. [Case 165-2024: Monitoring Inquiry – Lyconet America, Inc.](#)

Case #165-2024: Monitoring Inquiry – Lyconet America, Inc.

BBB NATIONAL PROGRAMS

Direct Selling Self-Regulatory Council

Case #165-2024: Monitoring Inquiry – Lyconet America, Inc.

Company Description

Lyconet America, Inc. (“Lyconet” or the “Company”) operates as an international direct selling company assisting independent marketers in establishing and managing their individual shopping networks. Established in 2014, the Company is based in Fort Lauderdale, Florida.

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 product and income claims in the direct selling industry.

This inquiry included 16 earnings claims, including several claims indicating that Lyconet salesforce members can achieve financial freedom or financial independence from participating in the Company's business opportunity. Apart from one claim that originated from a YouTube video, all of the posts identified by DSSRC were communicated on Facebook. DSSRC was concerned that the representative claims below communicated the message that Company salesforce members can generally expect to earn significant income from the Company's business opportunity.

The claims identified by DSSRC in this inquiry were as follows:

- "How does SUCCESS, CAREER, financial FREEDOM sound to you? It's all up to you"
- "Lyconet Financial Freedom"
- "... see how we do things differently at Lyconet and enjoy financial freedom for the rest of your life 😊."
- "The benefits that Lyconet Marketers, including me, gain from this business are ... Potential for financial independence."
- "Click the link to start your Lyconet journey to financial freedom. Potential for financial independence."
- "No financial risk!... In Lyconet you have the flexibility to work the amount you want. In other words, you do not have to take the big step of quitting your job, you can drive Lyconet part time... Succeeding financially MORE with Lyconet is far more likely than in traditional business, if you put as much effort and will into Lyconet, as business start-ups on average invest in their traditional business."

MOST IMPORTANT, success with Lyconet gives MUCH more FREEDOM (in terms of time and money)"

- "Ready to have TRUE residual income? I mean NOT the kind where once someone stops buying your products on auto-ship your commission ends. The kind that grows overtime with you doing ANYTHING!?"

MLM with the sky being the limit on earnings potential."

- "At the age of 25 he joined #Lyconet when still working up to 16 hours a day as a waiter. That was about 6 years AFTER the launch of the company. But after 7 years of determined hard work, he surpassed masses of people who had joined long before him and became Lyconet's top marketer. Today, at the age of 35, he is a multi-millionaire. He has trained thousands of successful network marketers, helping 150 * of them to become millionaires."
- "Most people don't have the focus and determination to over the course of about 3 years build their own thriving part-time [or full-time] business..."

With Lyconet's proven business plan and about 15 hours a week YOU can become financially independent AND help others to become as successful or even more so than yourself."

- "This particular business model creates passive income, requiring no cash investment to start up. It can be operated on a flexible part-time basis until it generates enough cash flow for the entrepreneur to transition out of his current full-time job."
- "Our mission at Lyconet is to make you successful from a part-time to a full-time profession. Anything is possible. We at Lyconet marketing agency have already helped thousands of people increase their income."
- "Let me know if interested in making extra money. On EVERYTHING you and your team sells, with a TOTALLY FREE membership!!!!

I am already making a full time income with this!"

- "We could all do with an extra income stream by creating a residual income. The earnings are unlimited and what you put in, is what you will get out. Also, what you put in remains yours to spend on future shopping!"
- "If you r looking for a secondary source of income in UAE 🇦🇪 (In 53 Countries) along with your current job only sacrificing 1 or 2 hours after your work time .I am ready to share you one amazing opportunity that you earn unlimited income."
- "unlimited Passive Income"
- "If you are looking for a responsible way to earn extra income, Lyconet [another myWorld company] offers you a wonderful opportunity: Building a career as a part-time or full-time marketer from the comfort of your own home. It is no get rich overnight scheme. But if you are willing to work hard and stick to the proven business model, you can indeed over time make serious money. If you work really hard and in a consistent way, it is quite possible to in less than a year from now earn a whopping very regular passive income. AND have steadily growing super assets in the myWorld company."

Make the wise choice. Become part of a fast growing company helping millions of people with the struggle to survive financially and to reach much more financial freedom than before."

Company Position

According to publicly accessible records, Lyconet partners with myWorld International AG to promote a Benefit Program. This program allows customers to accumulate rewards like cashback and shopping points when they make purchases through myWorld's network of affiliated merchants. To broaden its outreach and effectiveness, Lyconet collaborates with independent business professionals referred to as Lyconet Marketers. These marketers are tasked with acquiring new customers and merchants and engaging in activities such as recommending products and services offered through the myWorld Benefit Program. As part of this partnership, marketers earn

commissions based on their sales and involvement in the program, serving as compensation for their efforts in promoting and expanding the myWorld network and its offerings.

The Company did not attempt to substantiate the earnings claims at issue. Instead, it attempted to address DSSRC's concerns by contacting the salesforce members responsible for sharing the social media posts identified by DSSRC and requesting they remove the posts or claims. The Company was successful in removing four of the posts at issue and modifying one post to remove the claim identified by DSSRC.

Lyconet informed DSSRC that it regards inquiries concerning non-compliance with great seriousness and is dedicated to adhering to all applicable laws and regulations in the countries of its operation. Additionally, the Company furnished DSSRC with links to essential documents that individuals intending to work with Lyconet must review and agree to, which include the Lyconet Income Disclosure Statement, the Lyconet Income Disclosure Policy, the Lyconet Compensation Plan, and the Lyconet Code of Ethics. Furthermore, the Company supplied DSSRC with a list of counterfeit salesforce member accounts and unauthorized websites.

Lastly, Lyconet informed DSSRC that it has issued warning letters to all individuals responsible for the posts highlighted in DSSRC's Notice of Inquiry, reiterating the Company's internal policies and regulations. The Company requested the removal of the posts and urged them to refrain from sharing non-compliant content in the future. Furthermore, the Company notified these individuals that failure to adhere to these directives will lead to the termination of their contracts.¹

Analysis

Section 6 of DSSRC's Guidance on Earnings Claims for the Direct Selling Industry (the "DSSRC Guidance") specifies certain prohibited words and phrases when communicated to a general audience of prospective or current salesforce members. Prohibited expressions include "residual income," "unlimited income," "full-time income," "replacement income," "quit your job," or any substantially similar statements.

Therefore, DSSRC agreed that the Company's efforts to remove these posts were necessary and appropriate. Although DSSRC appreciated the Company's efforts to remove five of the 16 posts identified in the inquiry (including the one YouTube video and several of the "financial freedom" posts), it remained troubled by the 11 non-compliant social media posts that remain accessible to consumers.

During the inquiry, DSSRC informed the Company of its concerns and requested copies of the correspondence sent by the Company to the individuals responsible for disseminating the posts as a demonstration of Lyconet's good faith intentions. It was also requested that Lyconet indicate to DSSRC whether the salesforce members who disseminated claims were currently active or inactive with the Company. However, the Company did not provide the requested information to DSSRC.

As DSSRC has noted in previous inquiries, when a direct selling company is made aware of an improper claim that was made by an individual and the company recognizes the claim to be untrue and unsupported, DSSRC acknowledges that the direct selling company may not be able to require the individual to remove such claim if the individual is no longer active with the company. Alternatively, if the individual who disseminated the post is an active salesforce member, the Company can utilize enforcement mechanisms pursuant to its contract with the salesforce members or its Policy & Procedures to require the salesforce members to remove claims not authorized by the Company or have its account suspended or terminated.

If an individual continues to be unresponsive to the Company's removal request, the Company should make a good faith effort to contact Facebook and file a trademark or copyright violation with the platform and provide DSSRC with copies of the correspondence to Facebook.

Lastly, if the Company is unable to have the posts removed, DSSRC suggests that the Company add a statement in the comment section of the post at issue to inform the public that the subject claim has not been authorized by the Company.

Conclusion

DSSRC appreciated the efforts of Lyconet to remove or modify five of the 16 social media posts at issue in this inquiry and determined that the Company's actions were necessary and appropriate.

With respect to the 11 earnings claim posts that are publicly accessible, DSSRC remained concerned that the posts communicate the unsupported message that the typical Lyconet salesforce member can generally expect to receive significant income from the Company's business opportunity. Although the Company indicated that it has contacted the individuals responsible for the posts, it did not provide DSSRC with copies of the correspondence as a demonstration of its good faith efforts, nor did it indicate if those salesforce members maintained active accounts with Lyconet. It was recommended that Lyconet provide DSSRC with copies of such documentation.

In addition, If the subject claim by a former salesforce member is communicated on a website or platform without a reporting mechanism, DSSRC recommended that the Company contact the website or platform in writing and request removal of the subject claim or post and provide DSSRC with copies of the correspondence.

Lastly, if the Company is unable to have the posts removed, DSSRC recommended that the Company add a statement to the comment section of the posts to inform the public that the subject claim has not been authorized by the Company.

Company Statement

“Upon receipt of DSSRC’s letter, the Company immediately took steps to address the issues highlighted. We have contacted the individuals responsible for the social media posts identified by DSSRC.

The Company provided DSSRC with copies of our communications with these individuals, demonstrating our good faith efforts to comply with the DSSRC’s recommendations.

It is important to note that some of the persons responsible for the posts in question are not currently in a contractual relationship with Lyconet America. However, we have coordinated with our group of companies to ensure the Lyconet Marketers identified are contacted. Most of the posts have been deleted, and we are hopeful that the remaining few will also be removed soon. Should these individuals fail to comply, we are prepared to terminate their contracts as necessary.

We appreciate the DSSRC's role in maintaining high standards of advertising within the direct selling industry and assure you that Lyconet is committed to full compliance with all applicable laws and regulations. We value the DSSRC’s guidance and support in helping us achieve this compliance.”

(Case #165, closed on 05/15/24)
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[1] Lyconet stated that it has encountered challenges in identifying some individuals due to anonymous accounts and others are not under contract with Lyconet America Inc. and are located outside the US. Regardless, the Company informed DSSRC that it reached out to anonymous account holders and subsidiaries globally and the identified individuals have been instructed to manage such posts more carefully.

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