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How to distinguish between a legal stokvel and an illegal pyramid or ponzi scheme

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Originally Stokvels were referred to under the term “stock fairs”, a practice dating back to the 19th century by English settlers in the Eastern Cape as a rotational cattle auction. This was an in person gathering with attendance as key for participation. The foundation of this culture was built on trust.

This foundational element of trust has remained over the years. This financial vehicle evolved into what is today known as a Stokvels: a unique financial system created within communities by the members and for the members, built on need, trust and a common goal for financial relief.

Over time, the types of stokvels have increased significantly from rotational, grocery, investment, burial to social. The stokvel market has grown

remarkably over the years, becoming a key financial vehicle that many people rely on and amassing revenue in the millions.

The increasing numbers and popularity of stokvels and the reliability members place on them have resulted in scammers trying to swindle members out of their hard-earned savings and investments. Scammers pose as legitimate stokvels, investment schemes or property stokvels.

However, these are often nothing more than just a get rich quick scheme in the form of a Ponzi or pyramid scheme.

This has encouraged the need for the National Stokvel Association of South Africa (NASASA) to educate on, protect and preserve this financial system which is a legitimate means for many to achieve financial stability and wellbeing. So, how to distinguish between a legal stokvel and an illegal pyramid or ponzi scheme?

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