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South Africa

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PRESS RELEASE

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AFU GRANTED R18 MILLION ORDER AGAINST PYRAMID SCHEME

The Deputy National Director of Public Prosecutions and head of the Asset Forfeiture Unit (AFU) of the National Prosecuting Authority (NPA), Adv Ouma Rabaji-Rasethaba, confirmed that there will be criminal prosecutions in relation to the Up Money pyramid scheme which swindled more than 230 000 investors.

The criminal charges may include fraud and contraventions of various sections of the Prevention of Organised Crime Act (POCA). The sections might be racketeering, money laundering, fraud, theft, assisting another to benefit from proceeds of unlawful activities and acquisition, possession or use of proceeds of unlawful activities, as well as assisting another to benefit from proceeds of unlawful activities.

The High Court of South Africa: Gauteng Local Division, Johannesburg, granted the AFU preservation orders to freeze bank accounts worth more than R18 million and a number of luxury vehicles. These are associated with Jade Matsemela and Siphon Martin Mdlhuli, they are respectively the director and former director of Up Money (PTY) Ltd and Uniitco (Pty) Ltd.

Three luxury vehicles were also attached, an Audi TT, a Hummer H3 and a Jaguar XKR Coupe. These cars were bought directly with funds from the Uniitco (Pty) Ltd (Uniitco) bank account. The application by the AFU is part of the interventions by the National Consumer Commission (NCC) and the Financial Intelligence Centre (FIC) to salvage more than 228 900 investors who were defrauded in the multi million Rand scheme.

The pyramid scheme, which is neither registered with the Reserve Bank, a registered stokvel, nor a financial services provider, mainly used social media to recruit members. New participants were required to pay a once off joining fee of R180. This qualified them for a meat pack. The new members were then required to recruit five other new participant; this process was termed level one.

The original investor would then help the five he or she recruited to sign up their five new members each. This would then ensure that the original recruiter moved to level 2 whose benefits were a meat pack, groceries and R500. When those on level one were moved to level two by their recruits, the original organiser was pushed to level three. When here the investor received level two benefits plus R3000.

The new participants made up the base of the pyramid and provided funding for participants who were recruited earlier. Those who joined earlier were pushed to the top by the new recruits. Thus, pyramid schemes like Money Up are also loosely called push-push.

Although the scheme had received R42 720 501.82 (**Forty-two million seven hundred and twenty thousand five hundred and one rand eighty-two cents**) between 4 May 2020 and 2

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July 2020, more than R12.5 million was blown through purchases at various retail stores and buying the three luxury motor vehicles.

The NCC was alerted to the pyramid scheme by a complainant from East London. The Commission's investigation revealed that Up Money (Pty) Ltd (Up Money) contravened Consumer Protection Act by promoting and causing members of the public to join and participate in a pyramid scheme.

Following requests from the NCC, the Financial Intelligence Centre (FIC) traced how the funds were laundered through various methods, accounts and transactions.

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