

## **What is the relationship between Direct Selling Entity & Direct Seller**

- The relationship between the Direct Selling Entity and the Direct Sellers is determined by the terms and conditions set out in the agreement executed between them, whether in digital or written form.

The agreement explicitly defines the rights and obligations of the parties along with terms and conditions for carrying out Direct Selling activities

- The relationship between Direct Selling Entity and Direct Sellers shall be on Principal-to-Principal basis i.e. activities of each Direct Seller shall be treated as a separate business unit and Direct Sellers shall not be regarded as agents of the Direct Selling Entity.
- The Direct Selling Entity will be directly responsible for redressal of grievances of the consumers, as may be arising on Direct Selling activities conducted by the Direct Sellers
- Direct Selling Entity shall be responsible for monitoring and control of the practices and methods adopted by the Direct Sellers in carrying out their business activities.

### **Principal-to-Principal Basis**

A principal-to-principal basis forms the foundation of the contractual relationship between a Direct Selling Entity and its Direct Sellers. Both parties engage with one another as independent principals, strictly in accordance with the mutually agreed terms and conditions set out in their written or digitally executed agreement.

Under this arrangement, neither party acts as an agent, representative, or employee of the other. Each operates independently and assumes full responsibility for its own actions, obligations, and liabilities.

### **Meaning of “Principal-to-Principal Basis” (P2P)**

A principal-to-principal (P2P) relationship signifies that the parties to a business agreement deal with each other directly as independent entities, rather than in an agency, intermediary, or master–servant capacity. Each party acts on its own behalf and authority, and neither is legally responsible for the acts, omissions, or defaults of the other.

This model is commonly seen in distributor or dealer arrangements, where, for example, a manufacturer is not liable for the dealer’s direct interactions or service issues with customers. The arrangement also clarifies that there are no intermediaries involved and that each party bears its own commercial and legal risks.

### **Key Characteristics of a Principal-to-Principal Relationship**

- **Direct Contractual Relationship:**  
The parties enter into the agreement directly, without any agency or intermediary involvement.

- **No Vicarious Liability:**  
One party is not responsible for the wrongful acts, negligence, or defaults of the other.
- **Independent Authority:**  
Each party acts independently and does not bind the other through its actions.
- **Sole Accountability:**  
Each party is individually responsible for fulfilling its contractual obligations and managing its own risks and liabilities.

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