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HEADLINE: Buying gems? Don't just listen to a sales pitch

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BODY:

Roy Christen was sitting in his Cleveland, Ohio, office when the telephone rang.

It was July, 1984. The salesman on the other end of the line was talking about political unrest in farflung corners of the world; supplies of gemstones were dwindling. Rubies, for one, were expected to soar in value; for centuries gemstones had been symbols of power, wealth and stability in Europe and Asia. Would he buy?

His first reaction was to hang up. But the seasoned sales pitches kept on coming.

Typically, the companies claimed that they worked on a small profit margin, that their prices were lower than the competition, that any smart investor would put his money in stones.

It didn't take long before Christen, an electrical engineer, gave in.

First it was sapphires, then rubies, then emeralds. He was encouraged to "round out" and "enhance" his holdings, always to buy more.

Value not mentioned

All told, Christen, 58, now unemployed and a resident of Reston, Va., paid five dealers operating out of the Toronto area \$87,000 (U.S.) for 21 colored stones.

The stones were sent to him in clear plastic containers with grading certificates from a number of so-called gem laboratories, located mostly in Miami and New York city. Only one arrived with an appraiser's report, indicating its estimated value to be slightly higher than what Christen paid.

The grading certificates detailed such things as type of stone, size and color, but made no mention of value.

"Some of the companies provided references, sent along impressive newsletters and clippings from trade publications," Christen recalled.

"Soon after one purchase arrived, I'd be contacted again, told how my investment had grown, told that they had something else I could buy. I was always being reassured."

It was only when he tried to start selling off his collection that Christen began to suspect he'd been had.

"I called the companies back to ask them to help me re-market a lot of them and they kept stalling me, they weren't co-operating," Christen said.

Late last year, after none of the Toronto companies (in all, seven had contacted him) agreed to act as a broker to sell Christen's gems, he had the stones appraised by David Marcum, a Chicago gemologist regarded as an expert on gem scams.

"He said that I had been more than ripped off by these companies - he said I'd been financially raped," Christen said.

Marcum put the entire collection's retail value, what Christen would have paid for it in jewelry or department stores, at about \$14,000 (U.S.); its cash value, what he may get if he tries to re-market it, at less than \$4,000 (U.S.).

"The bottom line is that there really is no market for this stuff, it's junk, most of it can be bought by the bagful," Marcum told The Star.

"For \$87,000 (U.S.) he could have bought some really fabulous stones," Marcum said. "He'll be lucky if he can get cash value - if he can find anyone who would want to buy them."

Christen maintained that the Toronto companies deliberately led him to believe he could get his money back - and more - by reselling the gems any time he wanted.

Metro police fraud officials are investigating the seven firms named by Christen.

When contacted by The Star, one company spokesman said, "If we have a problem with a client then we'll discuss it with the client," before hanging up.

"Generally, gems bought over the telephone have turned out to be much the same," said Marcum, who gets about two dozen calls a week from panicky investors.

"They're of very poor quality, sold at highly inflated prices and accompanied by grading certificates that are not recognized by the industry."

Christen's loss is minor, compared with some. One doctor who contacted Marcum had spent more than \$450,000 buying from companies in Canada and the U.S.

"I used to feel sorry for these people, but I don't any more," he said. "The bottom line is greed."

Cap Beesley, president of American Gemological Laboratories in New York, said Toronto is a known haven for companies selling "gravel," or low-quality gems.

"The sales pitches are very, very slick," he said. "They're aimed at retired people who are sitting on their savings and professionals who think they're going to make big money."

Since the mid-1970s, Beesley estimated that tens of thousands of North American consumers have been fleeced for hundreds of millions of dollars - the overwhelming majority too embarrassed or humiliated to go public.

Trying to take such telemarketing firms to court - if they're still in business - can be a long and costly process.

"Even when you win you don't because it's so hard to get any money back."

"These operators are very adept at hiding their assets," echoed U.S. Federal Trade Commission attorney Mick McCarey.

In an action against a California-based company, the commission was able to return \$266,000, from estimated sales of more than \$6 million, to consumers who'd bought misrepresented gems.

"They tell the customer that he'll make big money very quickly at little or no risk. They are extremely clever at creating an illusion of legitimacy," McCarey said.

An official with the economic crime unit in Florida's Broward County state attorney's office said that once a person buys a gem he's put on a "sucker list" and his name becomes a valuable commodity.

In 1984, five Canadians were among 23 people arrested in Metro and Miami in connection with a multi-million-dollar gem sales fraud.

"It's a very old con game," said a Metro RCMP officer who worked on the Broward County case.

"They (the boiler room operators) usually stick around until they get burned by the press or the police, then they move somewhere else. They often operate just within the law. You have to prove the sale was misrepresented."

In retrospect, Christen said he was both naive and foolish.

He still doesn't know how the companies got his name and work number, though he did subscribe to several business magazines.

"Needless to say this is embarrassing and mind-boggling," Christen said. "I have lost virtually all of my lifetime savings."

In some of the conditions of sale, sent with the merchandise once a deal has been struck, the companies cleverly note: "Buyers should be aware that, regardless of profit potentials, the speculative nature of world gem markets prohibits the company and its representatives from making guarantees as to price movements. . . ."

Some advice

And others: "The seller's salesmen may have made oral statements about the precious gems described herein. Such statements do not constitute warranties, shall not be relied on by the buyer and are not part of the sales agreement. . . . Re-marketing is the responsibility of the buyer. . . ."

If you're determined to choose gems as an investment, Marcum offered this advice.

Search out the noted experts in the field, choose the people you're going to deal with, don't let them choose you.