

Gold Broker: "Cash For Gold" Industry Needs Regulation

Jewelry buyer Brett Barrad says it's time for the government to crack down on predatory and unfair practices by many "cash for gold" firms, just as they imposed stricter regulations on "payday loan" services with outlandish interest rates.

Feb. 25, 2009 - [PRLog](#) -- In the era of bailouts and government takeovers, many business owners are concerned with the possibility of even more regulation. But San Diego jewelry buyer Brett Barrad says that it's time for the government to take steps to crack down on predatory and unfair practices by many "cash for gold" firms, just as they imposed stricter regulations on "payday loan" services with outlandish interest rates. "Almost all of the big online buyers have poor records with the BBB, and their payouts are far below fair value," says Barrad, who sold his jewelry store in 2007. "There are a lot of bad practices and outright ripoffs that are giving this industry a black eye. There is nothing wrong with business making a profit, but too many of their customers are not getting what they bargained for."

With the continued decline of the stock market and the soaring price of metals, cash for gold has become big business, and consumers are "cashing in" in record numbers. Buyers can be seen on billboards, flyers, the Web, and even Superbowl commercials. Yet as with any other industry, an influx of new players means that many are just out to make a quick buck. And the largest companies can be some of the biggest culprits. Some of the biggest names in the industry have less than stellar ratings with the Better Business Bureau, including one Superbowl advertising with a C- rating and the BBB's admonishment that, "due to the nature of recent complaints... there appears to be a serious problem with packages not being received." This company have been the target of investigative reports by Inside Edition, MSNBC, the Los Angeles Times, and various news outlets in California, Florida, and Washington, DC.

So what practices are consumers complaining about? Most frequently, low payouts. According to Barrad, a fair payout for precious metals is between 50-70% of their value, perhaps more. Many firms offer far less - some as little as 20%. Yet because of the process by which some online buyers operate, sellers who send in their items and receive a check for virtually nothing are often "too late" to object. Restrictive policies dictate that a sellers has only a few days to change their mind and notify the company, or they are "stuck" with the price they were paid. Consumers repeatedly complain of payouts that were drastically lower than expected and warranted.

Consumer reports also paint a clear picture of an overwhelming amount of "lost" mail. While USPS has never disclosed what percentage of mail it loses in a given year, the proportion of packages containing gold and jewelry that do not find their way to some online companies is astounding. The more unscrupulous firms send out what are billed to be convenient, prepaid mailing packages, when in reality, consumers should mail valuable items in discrete, secure packaging with tracking information.

Barrad believes that the industry could benefit from some government regulations requiring more transparent disclosure of company payouts versus the daily price of gold, and less restrictive escape clauses for sellers, such as a requirement that they allow sellers more than a few days to change their mind. In the absense of such regulations, sellers are, in many ways, "on their own." Barrad's site, <http://www.jewelry2cash.com>, is A+ rated by the BBB, and offers a comprehensive guide for consumers wishing to sell gold, diamonds, and jewelry at <http://www.jewelry2cash.com/sellers-guide.php>. His advice to consumers? "Until real regulations are put in place, you may not get a fair price for your jewelry unless you are willing to do some research, or deal with a company who is transparent and doesn't leave themselves an out for poor business practices."

No one keeps accurate records on how much scrap gold is produced each year. But Howard Mofshin, president of Cash4Gold, stated that he expected the company's 2008 revenues to surpass \$40 million - a startling figure that means, assuming a low figure of \$800 per ounce, this company alone purchased about 50,000 ounces of gold from consumers. Factor in the other large online firms, the thousands of jewelry stores which purchase gold, pawn shops, and the number of private individual buyers, and one reaches the conclusion that an inestimable number of consumers are getting paid less than they deserve for their gold and jewelry. And while the country faces many problems, Barrad believes that this is symptomatic of the core of today's most pressing issues - greed, unaccountability, and the lack of regulation to check it. Just as regulations have been placed upon other industries which have suffered from unethical practices, he hopes that fair, transparent transactions can become the rule, instead of the exception.

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