

OFFERS OF INVESTMENT IN DIAMONDS: THE FSMA ONCE AGAIN WARNS THE PUBLIC!

The FSMA continues to see a sharp increase in offers of investment in diamonds made to the Belgian public. These offers hold out promises of high yields. The truth, however, is quite the contrary: although the promised returns are tantalizing, in practice many consumers never manage to recover the sums invested.

During recent weeks, the FSMA has received several complaints about online platforms where diamonds can be bought and sold. Most consumers complain of:

- being unable to resell the diamonds acquired ;
- never being able to recover the amounts from the sale of their diamonds ;
- simply hearing nothing further from the company.

"I have a major concern with a company named XXX, ... This diamond was supposed to be delivered to my home address, but when I try to contact the company to find out where things stand with the shipment, it is impossible to reach anyone."

"I tried to reach this company named XXX but without success; I sent a registered letter that was returned to me!!!"

"I answered an advertisement ... suggesting that I buy diamonds and sell them on their platform. I did so for an amount of around XX euros the first time. I earned a profit of XXX euros. Then they asked me to invest a higher amount, XXX euros, which I did, and since then they refuse to return it to me. "

This is therefore investment fraud, pure and simple.

Moreover, based on consumer testimonies, the FSMA has also observed that these companies' sales pitch is far from matching their contractual documents. Thus, several salespeople promise consumers a return of 8 to 12% and/or guarantees of repurchasing their diamond, whereas the contractual documents decline to make any such commitment.

The general terms and conditions of these companies state:

"The value of the diamond (...) can in theory fluctuate upwards or downwards and is therefore liable to lead to a total or partial loss of the investment made. For this reason, XXX, as an intermediary, cannot guarantee (...) the resale price of these diamonds. "

"XXX cannot be held responsible in the event that the Client cannot resell his or her Diamond via the resale arrangements offered by [the company]."

Lastly, on the various online platforms for selling and buying diamonds, no company is clearly mentioned, and hence the interlocutor cannot be identified. It appears that where addresses are given, these too are fictitious.

Under these conditions, given the uncertainty as regards the nature of these offers and the deceptive and disproportionate nature of these communications, the FSMA reiterates its recommendation to investors not to respond to offers made by these entities. For more information, please see as well the FSMA's [warning](#) of 8 May 2017 on alternative investment products (rare earths, precious metals, diamonds, etc.).

The FSMA also wishes to remind the public of some of its customary recommendations. For example:

- be wary of (promises of) completely disproportionate returns. In this regard, it is frequently the case that fraudsters present significant earnings at the beginning, until the day when the investor asks to withdraw the funds invested.
- always verify the identity of the company (company identity, home country, etc.). If the company cannot be clearly identified, it should not be trusted. Also beware if the company / website does not have a long track record.
- insist that your interlocutor provide clear and comprehensible information. Try to find out how it is possible to achieve the returns promised and what exactly the modalities are for reselling the product and the time period proposed. Do not invest if you do not understand precisely what is being offered.
- be sure to read all the documentation, including any fine print; very often the text there is far from the sales pitch you were given!
- do not take for granted the information provided by such companies: be especially careful about any claimed assurances about your investments or promises of repurchase/resale that



may resemble a capital guarantee: if an offer is fraudulent, the guarantee given is equally so; the same goes for promises of repurchase/resale.

- beware of unsolicited phone calls / emails ("cold calling"), that is, any contacts that you did not request. They are often at the source of fraud. Be careful as well of insistent salespeople who want to persuade you to sign quickly.
- consider also doing a general search for the company using the customary search engines. You may find some testimonials by persons who have had contacts with the company. But beware that there may be some falsely positive testimonials, posted by the company itself and intended solely to elicit the confidence of investors.

More than ever, then, prudence is necessary. In case of doubt, feel free to contact the FSMA directly via the [electronic contact form](#) on the FSMA's website.

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