

Are your family heirlooms worth their weight in gold?

By Jeremy Gates

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WHEN full-page adverts claim the price of gold has soared 30 per cent in the past six months, it isn't only those facing big debts or mortgage arrears who are tempted to turn old heirlooms and unwanted gifts into cash.

Strictly speaking, the claim isn't true. At £576 per ounce this week, gold is down about 18 per cent on the £700 level seen in February, while the dollar price is down from \$1,006 to \$955 in the same period.

But this is unlikely to deter sellers who need cash.

Earlier this year, gold achieved its highest-ever price against sterling, the euro, the Swiss franc and the dollar in Canada, Australia and New Zealand – indeed just about everywhere except for the Japanese yen and the US dollar.

After years of steely jewellers looking dismissively at a well-worn keepsake and advising desperate owners not to waste their time, the internet is creating a world where it is much easier to turn surplus items into cash.

With British government debt soaring towards a trillion pounds, Adrian Ash, head of research at BullionVault, the UK's leading online service for gold bullion investment, reckons the craze for turning valuable metals into cash may be only just beginning.

"When Cash4Gold, a big American company, gets going in Britain, you could see quite an impact on this business," he says.

"These boys are big enough to take a two-minute advertisement in the Superbowl. A

significant amount of the booming level of scrap gold supply may be down to the model they've established.

"Theirs is an impressive business model: heavy advertising, an efficient collection/distribution network and a cheque rapidly despatched for vendors."

Website CashYourgold-Now.co.uk which promises "fast, efficient and very discreet" service, is likely to feel the draught as the Americans arrive.

Its selling angle is that any unwanted old jewellery can be turned into instant cash for a holiday, a new outfit, bills or a special occasion.

The argument is a timely one because gold has been a relatively steady store of value through 18 months of financial turmoil which has wiped nearly £9 trillion off global share values.

Mr Ash says the "scrap side" of gold sales boomed globally in the first quarter of this year, with a total value of 500-1,000 metric tonnes sold.

If private sales continued at levels seen earlier this year, the scrap side could soon generate more gold than the 2,500 tonnes annually produced by commercial mines.

"Heavy selling by private owners in Asia and the Far East is normal and what you would expect," Mr Ash says.

"There is no banking network in rural India, so farmers turn profits into gold, not rupees, and then sell heavy investment jewellery for cash in the planting season.

"What's new is the volume of old jewellery coming out of Western households. It is being sold off in greater volumes than at any time since

the recession of 1979-81."

However, Mr Ash thinks second-quarter sales might fall – gold prices tend to drift in summer, and sales have attracted less media coverage lately.

But are people selling too cheaply?

Krista Waddell, at Ounces to Pounds, claims her Tupperware-style events pay out £50,000 per week.

"Cash4Gold is short-changing Britain," she says. "Its margin is chewed away on TV advertising and profit, and not put in the pockets of British consumers.

"With our parties, people see what they are getting. They get a good price there and then for unwanted gold, platinum and silver."

Ms Waddell says her customers, mainly 45-plus and mostly women, are not turning valuables into cash to pay the rent.

"Often, they bought items in the Eighties when gold was

a third of the price it is today. If they sell today at 50 per cent of value, they still make money."

But even these sellers may regret their actions later, say lenders who accept your valuables as security for a loan and return them when the loan is redeemed.

Paul Aitken, at leading online asset lender Borro.com says he has been following this market since it began in the US 18 months ago.

"Those who see jewellery as a way of getting money should consider all other options first," he says.

"We can usually lend more money than they will get from a sale. They can come back, perhaps within two months, and have their goods back

after we deduct interest.

"In close to 90 per cent of cases we take on, the customer gets back whatever item they have pledged. But this is a solution to short-term money problems, not long-term ones."

However, Borro charges four per cent a month on a loan of £1,000. Over six months, a £1,000 loan costs £300 interest.





ALL THAT GLISTERS: Unwanted gold is making big money

