

Rapaport Calls Diamond Overgrading “Significant Threat” to Industry

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In a thunderous new editorial, Rapaport Group chairman Martin Rapaport called the overgrading of diamonds by certain labs a “significant threat” to the industry that could lead to angry customers demanding refunds from jewelers.

“If a critical mass of consumers is made aware of the overgrading of their diamonds, and they are unable to get their money back... we can expect a publicly driven social media blast against diamonds, the likes of which we have never seen or can barely imagine,” said the editorial, which the company emailed to 77,000 trade members and well as the press.

He warned that retailers that sell overgraded diamonds “best be prepared to buy them back or go out of business.... You should also consider that even if you agree to buy back the diamonds from consumers, an enterprising lawyer might still claim that you defrauded clients by not providing full disclosure of quality and subject you to a lawsuit demanding triple damages.”

Rapaport also lambasted a statement from EGL International (which he accused of overgrading), in which EGL said that no single internationally accepted diamond-grading standard exists. He called it an attack on the “foundation of our industry.”

“According to them, it’s okay to call an N color a G color, since anybody can say anything they want in a world with no standards,” he said. “If we can’t differentiate quality, we can’t differentiate price, and this will result in a collapse of diamond prices.”

He accused leading trade organizations of “turning a blind eye” to the problem and urged them to expel members who sell diamonds that use the GIA terminology but don’t follow GIA standards.

Earlier this year, his online trading platform RapNet banned all trade in EGL reports, a decision criticized by EGL USA, EGL South Africa, as well as EGL Platinum in Israel, all of which say they do have high standards.

Rapaport’s editorial said the most “ethical action” is for “good” EGLs to change their name.

“New EGLs pop up like mushrooms, some of which have outrageous standards or even no standards at all,” Rapaport wrote. “It is time for the good EGLs to stop aiding and abetting the not-good EGLs with their brand confusion.”

In a statement, EGL USA director Mitch Jakubovic said he was outraged by the aiding and abetting comment, noting that his company has been fighting EGL International in court for a decade.

“EGL USA has been fighting the good fight for years, while others—including you—have continued to promote, publicize, and profit from EGL International,” Jakubovic said. “We can’t help but wonder how much aiding and abetting was provided by RapNet listings for [overgraded reports].”