



Unlicensed Gold Buyers Hurt California Economy

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Historically high gold prices coupled with a general economic decline has recently exerted pressure to sell scrap gold and unused jewelry. High gold prices have propagated the proliferation of unlicensed gold buyers which generally operate in three forms of business: gold parties, hotel events, and brick-and-mortar stores.

Gold Parties.

Gold parties are the Tupperware parties of yesterday. Parties involve a social setting and are less intimidating than walking into a jewelry store and selling gold jewelry to a stranger. The gold buyer at these parties is typically not interested in the jewelry itself, rather, they sell the items to gold refiners to be melted down. The gold party host gets approximately a 10 percent cut.

Hotel Events.

Gold buying events held at hotels are today's traveling road shows. These are the people who advertise that they are in your town for a few days. Unlike most gold parties held in homes, these traveling road shows use large print advertisements and offer to purchase, in addition to gold jewelry, rare coins, paper money, diamonds, silver, art, and antiques. Often, these "we buy gold and other valuables" companies do not pay fair market value for such goods.

Brick-and-Mortar Gold Buyers.

A third group of gold buyers that is cropping up are Brick-and-mortar stores. They are either only in the business of buying gold, or are jewelry stores that are jumping on the bandwagon and advertising that they buy gold on their store windows, through banners, sign twirlers and other forms of advertising.

The business of buying and selling gold requires a secondhand dealer's license pursuant to Ca. Bus. & Prof. §21625, et seq. The purpose for licensing and regulating secondhand dealers is to curtail the dissemination of stolen property and to facilitate its recovery by means of a uniform, statewide, state-administered program of regulation of persons whose principal business is the buying, selling, trading, auctioning, or taking in pawn of tangible personal property and to aid the State Board of Equalization to detect possible sales tax evasion.

A secondhand dealer includes any person or entity whose business includes buying, selling, trading, taking in pawn, accepting for sale on consignment, accepting for auctioning, or auctioning secondhand tangible personal property. Licensed secondhand dealers must report all purchases daily to the Chief of Police or Sheriff, which includes the name and address of the seller; verification of identification, a complete and accurate description of the property, and a certification of the seller that he/she is the owner of the property and has the authority to sell. The law also requires that every secondhand dealer hold all merchandise purchased for 30 days which is designed to give police time to track down stolen property.

Unlicensed gold buyers do not pay license fees or sales taxes, robbing local governments of revenue. Moreover, unlicensed gold buyers do not report sales thus thwarting efforts to track stolen property. They also do not have their scales certified by Weights and Measures, which can result in inaccurate weights. Unlicensed gold buyers often pay the least amount for gold because the buyers are often unsophisticated, and in party settings, have a false sense of trust and security. In addition, there are increased incidents of robberies at gold parties, whereas licensed locations normally have security guards, gates, cameras, etc.

The penalty for unlicensed gold buying is a misdemeanor and a charge of up to \$1,500 for the first offense. The enforcement of licensing law violations is low on the law enforcement list of crimes. The California Pawnbroker Association (CAPA) is sponsoring a bill to address unlicensed secondhand dealers that has some bite in the statute. Pending legislation (SB 762) would require a person conducting business as a secondhand dealer to provide a valid secondhand dealer license to any peace officer upon demand. The bill would also authorize a peace officer to impound all secondhand tangible personal property, or currency up to \$25,000 found in the possession or control of the person if a valid secondhand dealer license is not provided and the peace officer has probable cause to believe the property or currency was acquired while the person was operating as a secondhand dealer without being licensed. The proposed bill has other teeth within its framework that serves to encourage unlicensed gold buyers to follow the law.

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