

# News story: Companies running coloured diamonds scam shut down

At a hearing in the Companies Court on 8 June both IGL Labs UK Limited (IGL) and Diffraction Diamonds DMCC (Diffraction) were wound up in the public interest.

The petition to wind up IGL was issued following confidential enquiries into Diffraction carried out by Company Investigations, part of the Insolvency Service.

IGL, a company based near Hatton Garden in London, provided certificates to Diffraction, a company based at Jumeirah Lake Towers in Dubai, United Arab Emirates, that was at the centre of a scheme to sell fancy coloured diamonds to investors, via numerous broker companies based in the United Kingdom.

Diffraction provided an online trading platform to numerous UK-based broker companies who sold the diamonds to members of the public at mark ups so high that investors were unlikely to obtain any return on their investment. The company also offered and controlled the storage of investor's diamonds in a storage vault in Dubai.

Diffraction was a continuation of part of the business of Diffraction Limited (DIL), a UK company wound up in the public interest on 4 June 2014. DIL was involved in the sale of carbon credits and also diamonds as investments to members of the public. Diffraction took over custody of diamonds stored, on behalf of investors, by DIL in a bonded warehouse in Geneva and moved them to a storage facility in Dubai without the knowledge, or agreement of the investors.

Diffraction was ordered into liquidation following a petition presented by the Secretary of State for Business, Energy and Industrial Strategy to wind up the company on grounds of lack of commercial probity and failure to cooperate with the investigation.

IGL's website claims:

People from all over the world send their diamonds to the IGL Laboratory for grading and analysis. Our clients put their business in our hands and their trust in our expertise.

However; despite that and certain misleading statements on the certificates issued by IGL, the company never physically saw the diamonds it was appraising and the estimated retail valuations provided by IGL were based on the simple calculation, of the price paid by the investors plus 20%.

The Court heard that in some cases IGL enhanced the characteristics of diamonds, it had never seen, by one to two grades over and above the grading

provided by the original and authentic Gemological Institute of America certificates that the diamonds originally came with.

The IGL certificates were used by Diffraction's client broker companies to reassure investors that the diamonds they had purchased were worth at least what they had paid for them.

Diffraction itself was a continuation of, part of, the business of DIL, a UK company wound up in the public interest on 4 June 2014 that was involved in the sale of both fancy coloured diamonds and carbon credits as investments to members of the public.

The director of Diffraction, David Ramsey, was also a former director of DIL. As a result of action taken by the Insolvency Service in respect of his conduct in DIL, on 10 May 2017, Mr Ramsey signed a disqualification undertaking; preventing him from being involved in the promotion, formation, or management of a limited company for a period of 14 years.

The Court found that there was no doubt that Diffraction played a central and essential role in the sale of fancy coloured diamonds, by brokers, to the public as investments and profited from such arrangements and that the company was aware of the mark-up applied by brokers as it was an integral feature of its trading platform.

The Court heard testimony from expert witnesses for the Secretary of State and for Diffraction. Both experts agreed that the diamond transactions carried out at retail prices, or above, would not be suitable for investment purposes because of the mark ups applied in retail transactions. Ms Rosamund Clayton, the expert witness for the Secretary of State, explained in her evidence that the price paid by members of the public who bought the diamonds through brokers using Diffraction's trading platform was far too high for the purposes of investment and that the mark ups on the wholesale price of the diamonds, of between 220% and 745%, made it unrealistic to expect any return on the investment.

The director of IGL, Noam Lenzini told the Court that although IGL never physically inspected the fancy coloured diamonds prior to issuing its valuation certificate; it was nevertheless possible to provide a reliable valuation by reference to the diamond grading report, or certificate issued by the Gemological Institute of America.

Ms Clayton refuted Mr Lenzini's claims that it possible to properly value the diamonds without examining them, particularly given that in the case of fancy coloured diamonds colour is all important and she concluded that the values on the IGL certificates did not constitute a professional valuation correctly researched and considered. The Court found Ms Clayton's evidence on that point "entirely convincing".

The Court noted that;

- the IGL certificates, whilst stating that they were based on a Gemological Institute of America report, also stated "We have taken the

utmost effort to examine and grade your diamond objectively using professional gemmological terminology and equipment” which suggested a detailed physical examination had taken place

- IGL was deliberately upgrading the colour and clarity of FCDs one or two grades up from the Gemological Institute of America reports upon which the valuation was ostensibly based
- that correspondence showed that IGL was prepared to change valuations substantially on request of the broker and Diffraction. In one case IGL changed its original valuation from £16,000 to £31,050 at the request of Diffraction who made the request on behalf of the broker

In the Judgement handed down Mr Philip Marshall QC, sitting as a Deputy Judge of the High Court stated:

Having regard to the evidence as a whole, in my judgment the IGL certificates were not genuine valuations, but are indeed properly classified as contrived. They were simply designed to support a price at which fancy coloured diamonds had been sold to investors and to provide false reassurance that the price paid had an independent professional valuation to support it.

Although the IGL certificates were not provided prior to purchase by investors the fact that they would be supplied featured as part of the sales process that Diffraction had set up and, in some instances, the supply of such certificates does appear to have influenced some investors when making further purchases. The production of the certificates involved the conduct of business with a complete lack of probity.

After examining the evidence the Court concluded that the certificates provided by IGL were misleading and the valuations contrived.

Diffraction argued that the company was registered in Dubai and the substantive trading of the company was not within the jurisdiction of a UK court. Further, should it be held that the company had sufficient connection with the jurisdiction, as provided by Section 453 of the Companies Act 1985, the company did not, at the date of the hearing, have such connections and as such should not be deemed to fall within the jurisdiction of the Court.

The Court, rejecting Diffraction’s argument, accepted the Secretary of State’s position that Diffraction had a real and sufficient connection with the jurisdiction of the Courts of England & Wales in so far as, among other matters:

- the administration of Diffraction’s business has been operated from the United Kingdom
- Diffraction has supplied fancy coloured diamonds for marketing and sale by the Broker Companies to members of the public in the United Kingdom
- Diffraction has supplied services to Broker Companies registered in

England and Wales

- Diffraction stored fancy coloured diamonds on behalf of investors who are based in the United Kingdom

Mr Philip Marshall QC sitting as a Deputy Judge of the High Court in his judgement stated that:

Mr Ramsey must have known perfectly well that investors would almost inevitably suffer loss through the transactions that Diffraction was facilitating.

Documents [have] been deliberately withheld in order to obstruct the enquiries of the investigators.

The matters relied on by the Secretary of State do provide a substantial connection with the United Kingdom and are ample to found jurisdiction.

Welcoming the Court's winding up decision David Hill, Company Investigations Supervisor, said:

The Insolvency Service will continue to investigate and work with partners to bring to a halt the activities of companies harming or about to harm the public, including linked, or associated, companies who help facilitate such objectionable trading.

This case also shows that Secretary of State will seek to take action against companies that trade in the UK against the public interest, even where the companies purport to be based abroad.

#### **Notes to Editors:**

IGL Labs UK Ltd (Company number 08952478) was incorporated on 21 March 2014.

The registered office of the company is at 14, Grenville Street, London, EC1N 8SB.

The sole director of IGL throughout is shown to have been Noam Lenzini. No company secretary is shown to have been appointed.

Mr Lenzini is shown to be a 20% shareholder in the company with twenty £1 ordinary shares. The remaining 80% shareholder is shown to be Mr Israel Or with eighty £1 ordinary shares.

Abbreviated unaudited accounts for the year ending 31 March 2015 report total

assets of £22,258; creditors of £17,338 and a loss for the year of £6,619. Accounts made up to 31 March 2016 were due to be filed by 31 December 2016 and are overdue.

IGL is not to be confused with IGI (the International Gemological Institute) a long established business in the diamond industry and similar to the Gemological Institute of America.

The petition to wind up IGL in the public interest was presented in the High Court on 04 December 2015.

The public interest grounds for winding up the company was a lack of commercial probity – objectionable business model.

Diffraction Diamonds DMCC was incorporated on 21 April 2013.

Diffraction is registered in the Dubai Multi Commodities Centre (DMCC), Free Zone, Dubai, United Arab Emirates and is a member of the DMCC and operates under trade licence no. DMCC-32987 issued by the DMCC Authority, Dubai, United Arab Emirates.

The registered office of the company is at Unit No. 3801, Jumeirah Business Center 1, Plot No. G2 Jumeirah Lakes Towers, Dubai, United Arab Emirates.

The administration of the company in the United Kingdom was carried out c/o ITransact Limited, 26A Russell Court, Cambridge, CB2 1HW.

The sole director of the Diffraction throughout is shown to have been David Ramsey.

Related petitions by the Secretary of State were issued on 4 December 2015 against Diffraction Diamonds DMCC, CDX Worldwide Limited (Co. No. 08239679) and Heritage FA Limited (Co. No. 08499859).

A winding up order was made against Diffraction Diamonds DMCC on 8 June 2017.

A winding up order was made against CDX Worldwide Limited, at an uncontested hearing on 9 March 2016.

A winding up order was made against Heritage FA Limited at an uncontested hearing on 9 March 2016.

Company Investigations, part of the Insolvency Service, uses powers under the Companies Act 1985 to conduct confidential fact-finding investigations into the activities of live limited companies in the UK on behalf of the Secretary of State for Business, Energy & Industrial Strategy (BEIS). Further information about live company investigations is [available](#)

The Insolvency Service, an executive agency sponsored by the Department for Business, Energy and Industrial Strategy (BEIS), administers the insolvency regime, and aims to deliver and promote a range of investigation and enforcement activities both civil and criminal in nature, to support fair and open markets. We do this by effectively enforcing the statutory company and

insolvency regimes, maintaining public confidence in those regimes and reducing the harm caused to victims of fraudulent activity and to the business community, including dealing with the disqualification of directors in corporate failures. Further information about the work of the Insolvency Service, and how to complain about financial misconduct, is [available](#).

BEIS' mission is to build a dynamic and competitive UK economy that works for all, in particular by creating the conditions for business success and promoting an open global economy. The Criminal Investigations and Prosecutions team contributes to this aim by taking action to deter fraud and to regulate the market. They investigate and prosecute a range of offences, primarily relating to personal or company insolvencies.

By virtue of the appointment of the Official Receiver all public enquiries concerning the affairs of the company should be made to: The Official Receiver, Public Interest Unit, 4 Abbey Orchard Street, London, SW1P 2HT. Telephone: 0207 637 1110 Email: [piu.or@insolvency.gsi.gov.uk](mailto:piu.or@insolvency.gsi.gov.uk).

Media enquiries for this press release – 020 7596 6187

[Contact: 2691]

You can also follow the Insolvency Service on:

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## [News story: Lesley Cowley named as new chair of Companies House](#)

She replaces Brian Landers who served as chairman between August 2012 and March 2017.

[Companies House](#) incorporates and dissolves limited companies, registers the information companies are legally required to supply and makes that information available to the public.

Business Minister Lord Prior said:

I am very pleased to appoint Lesley Cowley to this role. She brings with her a wealth of knowledge in transformative digital services to ensure Companies House continues to deliver quality services.

Chair of Companies House, Lesley Cowley said:

I am delighted to be chosen as the new Chair of Companies House and look forward to helping the team transform both the business and

the digital services provided to Companies House customers.

## Biography

Lesley Cowley was appointed non-executive chair of the Driver and Vehicle Licensing Agency (DVLA) in October 2014 and re-appointed in October 2016. She was appointed lead non-executive director of The National Archives in January 2016 and a non-executive director of AQL in October 2014.

Lesley Cowley was previously CEO of Nomine between 2004 and 2014. She also served as chair of the Internet Corporation for Assigned Names and Numbers and chair of the Country Codes Name Supporting Organisation. She has previously been a member of the UK Government Cyber Crime Reduction Partnership. She was made an OBE for services to the internet and e-commerce in 2011.

## Further information

The appointment has been made in accordance with the [OCPA Code of Practice](#). Under the Code, any significant political activity undertaken by an appointee in the last 5 years must be declared. This is defined as including holding office, public speaking, making a recordable donation, or candidature for election. Lesley Cowley has declared no political activity.

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## [Press release: Statement from the Independent Expert Advisory Panel: 30 June 2017](#)

The tests that are currently being conducted are a screening test to identify which Aluminium Composite Material (ACM) panels are of concern. It tests the filler – the core of the panel – to check if it is of limited combustibility (category 1) or not (category 2 or 3). This is in line with the requirement of the Building Regulations guidance. The filler is one element of the overall cladding system.

If the panel core fails the test we would expect the landlord to take the recommended interim fire safety measures issued on [22 June 2017](#).

The Panel will engage with experts across the country to consider whether these panels can be used safely as part of a wider building external wall system, and therefore could remain on a building under certain approved circumstances. If, in the meantime, a landlord chooses to take down and replace cladding, care should be taken to consider the impact that removal

may have on the other wall elements, especially insulation, and therefore on the overall fire integrity of the building as well as other Building Regulation requirements.

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## [Speech: Women in Finance Awards: City Minister's speech](#)

[unable to retrieve full-text content] Steve Barclay's speech at the first Women in Finance Awards.

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## [News story: 'Prioritise gender equality' says City Minister to finance firms](#)

[Speaking at the Women in Finance Awards](#) last night, newly-appointed minister for financial services, Stephen Barclay laid out the importance of the four industry actions in the Charter which aim to build the pipeline of female talent for leadership positions.

Mr Barclay made clear that the Charter offers financial firms, both large and small, the flexibility they need to make a real difference:

The [Charter](#) is simple. It doesn't tell companies who to hire, or how to run their businesses.

But it does ask them to make a real commitment to supporting women and their progression to more senior roles.

It asks them to set their own targets for what that looks like.

To measure their progress in achieving them – and make that progress public.

I simply don't buy the argument of those firms who say they cannot do this.

As well as celebrating the success of women in finance, the Economic

Secretary emphasised that firms should also think about improving different types of diversity:

The charter does not prevent firms focusing on other aspects of diversity, and if we are to meet the economic and political challenges ahead, we need a meritocracy which promotes diversity across all areas, including LGBT, class, and geography.

The [Women in Finance Awards](#), held at the Grosvenor House Hotel, identified and celebrated role models and advocates in financial services.

The Awards are supported by HM Treasury, 30% club, London Stock Exchange, Virgin Money, Bloomberg, Prudential and Rolls-Royce, among others.

Winners were chosen by an independent panel of judges. Many of the winners, including the top prizes of the night, went to those from firms signed up to the Charter.

Stephen Barclay, Economic Secretary to the Treasury, said:

For too long many women have been underpaid, underrepresented and undervalued compared to men and it is events like the Women in Finance Awards which rightly shine the spotlight on female excellence and achievement in financial services. I want to congratulate all of the winners and I wish them luck for their future careers.

### **Top winners include:**

#### **Woman of the Year – Emily Cox, Virgin Money**

For the flagship award of the night, given to an inspiring leader who has challenged, influenced and revolutionised the culture of the business, the judges chose Emily Cox. Emily stood out as a game changer for all of her work on the Gadhia Report, and for furthering the momentum of the Women in Finance Charter.

#### **Banker of the Year- Maria Harris, Atom Bank**

Maria stood out as one of the most influential and inspirational women in banking thanks to her genuinely disruptive approach to mortgage lending. Her work in mentoring team members and hiring for diversity singled her for this award. This was also evidenced by the scores of testimonials from clients and co-workers in praise of her hard work.

#### **Advocate of the Year- Andrew Bester, Lloyds Banking Group**

Andrew has gone out of his way to drive greater diversity and inclusion at all levels of Lloyds bank. Under his leadership, Lloyds Bank is now on track

to reach its 2020 commitment of 40% of women in senior roles.

### **Employer of the Year- Columbia Threadneedle**

Columbia Threadneedle has a proven track record of proactively cultivating a diverse workforce, introducing specific measures to promote diversity and backing these up by measurable impact.

### **Insurance Leader of the Year- Debbie Cannon, LV= Insurance**

Debbie takes the title of Insurance Leader of the Year for her truly inspiring journey, her compellingly honest story, and for standing up as a role model to other women in the sector.

### **Legal Adviser of the Year- Leigh Kirkpatrick, RBS**

Leigh stood out as a lawyer who has broken barriers to advancement, carved out a niche for herself in finance, while simultaneously paving the way for greater diversity in her firm. This was further bolstered by her mentoring and pro bono work outside of office hours.

### **Further information**

Over 120 firms that have signed up to the Treasury's [Women in Finance Charter](#), covering over half a million members of staff – more than half of the financial sector staff.

The Charter sits among a set of wider government reforms to improve gender equality in the work place. These include the £5 million fund for 'returnships' announced at Budget 2017 and making gender pay gap reporting mandatory from April this year.