
Hughes Hubbard & Reed

Hughes Hubbard Wins Approval to Settle Class Action Lawsuit With Debt Collector

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April 20, 2018 — The firm and the New York Legal Assistance Group (NYLAG) won final court approval of a settlement resolving a class action lawsuit on behalf of low-income New Yorkers against a New Jersey business and its law firm for an alleged fraudulent debt collection scheme.

On April 10, U.S. District Judge Loretta Preska granted final approval of the settlement with Asta Funding, one of the nation's largest debt buyers; its subsidiary Palisades Collection, which brought thousands of consumer actions on Asta's behalf over alleged AT&T Wireless debts; and Pressler & Pressler, counsel to Asta Funding and the firm that litigated the actions.

Under the terms of the settlement, the defendants will pay \$3.9 million and permanently cease all collections against the class of more than 60,000 people, which is worth an additional \$2 million-plus. Defendants, who deny all allegations of wrongdoing, will also help vacate the judgments they improperly obtained through the state courts. In addition, defendants agreed to continue to discuss changes with HHR and NYLAG in litigation practices in the context of debt collection.

HHR and NYLAG filed the initial action in June 2013 on behalf of four named representatives of the purported class, who alleged that the defendants violated federal and state laws by fraudulently obtaining and enforcing judgments against low-income New Yorkers, extracting millions of dollars that the defendants could never prove were owed to them.

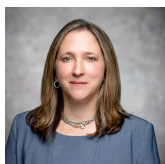
More specifically, plaintiffs' complaint alleged that defendants obtained judgments on the basis of mass-generated and baseless verified complaints, retained process serving agencies known to engage in "sewer service" to avoid notifying consumers of the lawsuits filed against them, and secured entry of default judgments based on fraudulent affidavits.

After defendants lost a motion to compel the four representatives to submit their claims to arbitration in late 2013, defendants reached a settlement with the named plaintiffs and the initial action was dismissed without barring members of the purported class from filing a new lawsuit on the same claims. In April 2014, HHR and NYLAG filed a new action on behalf of three new representative plaintiffs, and defeated another motion by defendants to compel arbitration in March 2015. The parties reached a global settlement in principle in May 2016, and filed it in federal court in September 2017 as part of a motion for preliminary approval. Judge Preska granted preliminary approval of the settlement in January.

The settlement made headlines in [The Wall Street Journal](#) and [Reuters Legal](#).

Diane Lifton led the HHR team, which included Meaghan Gragg, Danny Nuzzaci, Debbie Placid and alums Taylor Reynolds, Elizabeth Houghton and Shannon Green.

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