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# Hughes Hubbard & Reed

## Hughes Hubbard Wins Relief for Victims of Debt Collection Scheme

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One Battery Park Plaza • New York, New York 10004-1482 • +1 (212) 837-6000

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**January 25, 2019** — After nearly six years of legal battles, Hughes Hubbard and the New York Legal Assistance Group (NYLAG) achieved relief for more than 60,000 low-income New Yorkers who were the victims of an alleged fraudulent debt collection scheme.

On Jan. 11, the chief administrative judge of the New York courts signed an administrative order to initiate a mass vacatur of judgments improperly obtained by a New Jersey debt collector and its law firm over alleged AT&T Wireless debts. The mass vacatur was achieved through an innovative procedural strategy that HHR and NYLAG developed in collaboration with the New York courts, and is believed to be the first of its kind.

The mass vacatur follows a \$3.9 million settlement resolving a class-action lawsuit against 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 the debts; and Pressler & Pressler, counsel to Asta Funding and the firm that litigated the actions.

The mass vacatur will pave the way for all class members, who have already received their share of the \$3.9 million, to have their credit cleared.

HHR and NYLAG filed the initial action in June 2013 on behalf of four putative class representatives 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.

The complaint alleged that defendants obtained judgments by filing mass-generated and baseless verified complaints, retaining process-serving agencies known to engage in "sewer service" to avoid notifying consumers of the lawsuits filed against them, and securing entry of default judgments based on fraudulent affidavits.

After HHR and NYLAG defeated a motion to compel the four representatives to submit their claims to arbitration in late 2013, defendants reached a settlement with the plaintiffs and the initial action was dismissed without barring

members of the putative 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. A New York federal judge granted final approval of the settlement in April 2018.

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

## **Related People**



**Diane E. Lifton**



**Meaghan Gragg**



**Debbie Placid**