



ATTORNEY GENERAL GEORGE JEPSEN

ATTORNEYS GENERAL OPPOSE PROPOSED SETTLEMENT OF CLASS-ACTION LAWSUIT AGAINST DIRECT BUY INC.

For immediate release

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HARTFORD – Attorney General George Jepsen filed an objection Tuesday to settlement of a private, class-action lawsuit against Direct Buy Inc., because it offered no real benefit to consumers, a position joined by the attorneys general of 35 other states, the District of Columbia and Commonwealth of Puerto Rico.

This is believed to be the largest number of states joining in opposition to a proposed class-action settlement since the passage of the Class Action Fairness Act in 2005.

The lawsuit accused DirectBuy of fraudulent misrepresentation because the company implied that paid memberships would entitle customers to purchase goods from manufacturers and suppliers at actual cost. However, DirectBuy allegedly received kickbacks and incentives from suppliers and manufacturers of goods purchased by DirectBuy members, which inflated the cost of the goods. The lawsuit alleges that DirectBuy did not disclose this arrangement to customers until early 2009.

The pending lawsuit names Direct Buy, Inc., United Consumers Club, Inc. and DirectBuy Holdings, Inc. as defendants. Jepsen took issue with the proposed settlement in a 36-page amicus curiae brief filed in U.S. District Court in Connecticut.

“The Attorneys General submit this brief to protect consumers who will be adversely affected by the approval of the proposed settlement,” Jepsen said. “We urge the court not to approve a class-action settlement that has no real value to anybody but the plaintiffs’ lawyers.”

Jepsen said the so-called free and reduced-price memberships offered were not fair, reasonable and adequate settlement for most of the customers harmed. Also, the proposed settlement would not prohibit similar future conduct by DirectBuy and the proposed attorneys’ fees were excessive and disproportionate compared to purported benefits to consumers.

“The proposed settlement is, in essence, a sales vehicle for defendants designed to drive current and former customers into membership renewal contracts and to the same manufacturers and suppliers from whom defendants have acknowledged receiving kickbacks and incentives,” Jepsen said. “Standing alone, the memberships have little value.”

Consumer Protection Commissioner William M. Rubenstein agreed. “I applaud the Attorneys General for standing up for consumers by opposing this ill-conceived settlement.”

“While class action lawsuits can be a powerful tool to protect consumers from improper business behavior, they must create real value by putting money back in consumers’ pockets and stopping the improper behavior; this settlement does neither,” Rubenstein said.

Assistant Attorney General Matthew Fitzsimmons is representing Jepsen in this matter. A hearing on the proposed settlement is scheduled for May.

View the [Direct Buy Amicus Brief and Exhibits](#)

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