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NEWS

Money for Legal Fees but Not for Victims? Diocese Bankruptcy Scrutinized

About \$2 million hangs in the balance, possibly going to settlements or toward attorney fees.

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Diocese of Norwich in Connecticut.

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Litigation Reporter

Alleged victims of childhood sexual abuse claim the Norwich Roman Catholic Diocese in Connecticut is using its bankruptcy case to avoid paying settlements, even though it's given millions to its legal team.

They say the bankruptcy plan would take away about \$2 million from the alleged victims, and go toward legal fees instead.

But the Norwich Diocese claims the litigation funds are needed due to rising cost of litigation after the Official Committee of Unsecured Creditors, largely made up of the alleged victims of sexual abuse, withdrew a prior Chapter 11 Reorganization plan.

In 2021, the Norwich Diocese filed a petition for Chapter 11 bankruptcy protection after alleged victims of child sexual abuse filed claims against church personnel.

Attorney Kelly Reardon of the Reardon Law Firm and Patrick Tomasiewicz of Fazzano & Tomasiewicz represent more than 90 of the alleged victims.

After years of litigation in the bankruptcy court, the Norwich Diocese filed its Chapter 11 plan of reorganization, which decreased the money reserved for the victims by about \$2 million.

The Norwich Diocese claimed it does not have enough funds to pay the agreed-upon amount to the survivors of alleged child sexual abuse because of legal fees, according to court documents. As of Aug. 21, the bankruptcy attorneys and other professionals have been paid around \$5.4 million.

“The Diocese remains steadfast in its belief that its plan will maximize the recovery for claimants, while plaintiffs’ counsel plainly seeks a path of protracted litigation, which does nothing to enhance the recovery for their constituency,” one of the attorneys for the debtor, Louis DeLucia of Ice Miller, said.

In a Sept. 6 press release, the Norwich Diocese represented that the litigation was about to become more costly because the committee “abandoned” a previous plan of reorganization, and filed its own plan. The debtor asserted that this diversion would lead to “uncertainty as to any recovery for the survivors,” the press release said.

In addition, the press release “deceptively claim[ed] that the victims have declined to participate in certain mediation efforts,” Tomasiewicz said. “It is shameful.”

The committee responded in court, stating the press release was misleading.

The U.S. Supreme Court June 2024 decision *In re Purdue Pharma L.P.*, which held “that bankruptcy courts could not order non-consensual third-party releases and related injunctions,” changed the trajectory of the previous joint plan. The committee said it had no choice but to withdraw the joint plan because it was “unconfirmable” under the new case law.

Further, in a request for status conference, the Norwich Diocese made it known that it would object to certain claims of sexual abuse.

“Publicly announcing through the Request for Status Conference their intent to object to nearly all of these survivors’ claims of sexual abuse was specifically designed to communicate such possibility directly to all survivors and thereby inflict more trauma upon them in the hopes that they would then pressure the committee to capitulate and agree to the Diocese, Catholic Mutual and the Parishes’ demands,” the objection said.

The committee also argued that the Norwich Diocese's recent actions have run "directly counter to the Diocese's purported goals of reconciling with the survivors and their families, and facilitating the healing process," the objection said.

"The church is using delaying tactics to avoid its moral and ethical responsibility to compensate the victims of child sex abuse," Reardon said. "These individuals have faced the emotional trauma for years and will never be able to get fully past what was done to them as children."

However, DeLucia said the Norwich Diocese is still "committed to consensually resolving the asserted abuse claims. To that end, the diocese also sought and welcomes the court-directed mediation of their claims and plan disputes, which was actually opposed by those holding today's press conference."

FOLLOWING THE ARTICLE IS A LINK TO THE MOTION