

### Title:

Emeterio Cui vs. Arellano University: A Case on Scholarships and Student Transfers

### Facts:

Emeterio Cui, the plaintiff, enrolled in Arellano University's College of Law after completing his preparatory law course there, benefiting from scholarship grants due to scholastic merit, which effectively refunded his tuition fees each semester. However, after the first semester of his fourth year, Cui decided to transfer to Abad Santos University, prompted by his uncle (the former dean of Arellano University's law college) moving to Abad Santos University. To take the bar examination, Cui required his academic transcript from Arellano University, which the university withheld until he repaid the scholarship amounts totaling P1,033.87. Cui reluctantly paid this sum "under protest" to procure his transcript and subsequently sought to recover this amount through legal action, alongside claims for moral and exemplary damages, attorney's fees, and litigation expenses.

The case escalated from the lower courts to the Supreme Court on the grounds that Arellano University's policy—requiring scholarship grantees to refund their scholarship amounts if they transfer to another institution—contravened public policy. The Director of Private Schools had previously issued Memorandum No. 38, series of 1949, asserting that scholarships should not bind students to the awarding institution, and supporting the notion that such scholarships are merited awards, not a commercial strategy for retaining students.

### Issues:

1. Whether the contractual provision requiring the refund of scholarship grants upon transfer to another school is valid.
2. If such a provision contradicts public policy regarding educational scholarships.

### Court's Decision:

The Supreme Court, in reversing the decision of the Court of First Instance, declared the contract's provision for the refund of scholarship grants upon transfer as null and void, contravening public policy. The court emphasized that scholarships should be awarded on the merit of students and not as a commercial tactic to retain students for institutional prestige. The memorandum issued by the Director of Private Schools, though not legally binding, was acknowledged as reflecting a sound principle of public policy. Hence, the court ruled in favor of Cui, ordering Arellano University to repay the amount of P1,033.87 with legal interest from the date of the lawsuit's filing, as well as dismissing the university's

counterclaim.

### ### Doctrine:

This case reaffirmed the doctrine that contracts against public policy are null and void. It established that educational institutions could not bind scholarship recipients to their institutions by requiring refunds of scholarship amounts should those students wish to transfer. This decision aimed to ensure scholarships are awarded to recognize merit and support students in need, rather than serving as a commercial strategy for schools.

### ### Class Notes:

- **Contracts Against Public Policy**: These are considered null and void. In the educational context, contracts that bind students to a particular institution by financial means (e.g., requiring scholarship refunds upon transfer) are against public policy.
- **Merit-Based Scholarships**: Should be awarded solely on the basis of academic or extracurricular excellence and not contingent upon the student's commitment to remain at the awarding institution.
- **Memorandum No. 38, s. 1949**: Though not legally binding, government memos or policies reflecting public policy principles can influence court decisions, particularly when they uphold societal interests such as educational equity and freedom.

### ### Historical Background:

The case arose in the post-war period, a time of educational system expansion and increased emphasis on meritocracy in the Philippines. Scholarships were recognized not only as financial aids for students but as instruments for fostering academic excellence. The broader context includes evolving principles of academic freedom and the rights of students, reflecting societal values towards education and student welfare during the era.