

## First Circuit Decision: No Fiduciary Duty to Students for Higher Education Institutions

In *Squeri v. Mount Ida College*, the First Circuit Court of Appeals upheld a ruling by the Massachusetts District Court dismissing students' claims against Mount Ida College for closing its doors.<sup>1</sup> In doing so, the First Circuit explained that the officers and trustees of a higher education institution owe a fiduciary duty to the institution itself, but not to its students. This is an important clarification as other higher education institutions face the difficult decision, especially in the wake of the COVID-19 pandemic, of whether or not to close.

### Review of Mount Ida Case

On April 6, 2018, Mount Ida College announced that it would be permanently closing following the school's May 2018 commencement. This left students scrambling to figure out how to continue their studies. Mount Ida students in good academic standing were offered automatic admission to UMass Dartmouth, however, some students faced difficulties in finding comparable programs, transferring credits and receiving adequate financial aid. In addition, UMass Dartmouth is more than an hour from Mount Ida. Out of 1,389 Mount Ida students, only about 250 ended up transferring to UMass Dartmouth. Mount Ida students who chose not to transfer to UMass Dartmouth faced difficulty in transferring to other institutions given the short time between the announcement and Mount Ida's closure. Many Mount Ida students wishing to transfer to other institutions missed the transfer deadlines.

Current and prospective students brought a class action against Mount Ida, its Board of Trustees, and five Mount Ida administrators. The students brought seven claims under Massachusetts State Law alleging the defendants knew Mount Ida was on the brink of insolvency but concealed information about its financial difficulties and assured current and prospective students that Mount Ida was financially stable. These claims include a violation of the plaintiffs' right to privacy, fraud, negligent misrepresentation, fraud in the inducement, breach of fiduciary duty, breach of contract and a violation of Massachusetts' consumer protection statute. The district court dismissed these claims in its entirety.

On appeal, the students' main argument was Mount Ida and its officers and trustees owed current and prospective students a fiduciary duty. The First Circuit disagreed. The court explained Mount Ida officers and trustees did have a fiduciary duty, but it is owed only to the institution, not to its students. The fiduciary duty owed to the institution is imposed by statute, and the court explained that it is not free to impose additional and likely conflicting fiduciary duties. The court elaborated that had the defendants disclosed its financial distress earlier to its students, this would have endangered the ability of the institution to operate and would have made the college's financial situation even worse. As for Mount Ida itself, the court rejected the students' request to "expand the law" and establish a fiduciary duty between a college and its students.

### Massachusetts Legislative Action

While the First Circuit found Mount Ida and its trustees and administrators did not owe a fiduciary duty to its students, the Massachusetts Legislature, in response to the closing of Mount Ida and the effects on students, adopted An Act to

---

<sup>1</sup> No. 19-1624, 2020 U.S. App. LEXIS 9334 (1st Cir. Mar. 25, 2020).

Support Improved Financial Stability in Higher Education.<sup>2</sup> This Act addresses the issue of the financial viability of higher education institutions going forward. It requires that every Massachusetts higher education institution post financial information on its website and “immediately notify the [Massachusetts Board of Higher Education] of any known financial liabilities or risks that are reasonably likely to result in imminent closure of the institution or otherwise negatively affect the institution’s ability to fulfill its obligations to current and admitted students.” The institution must also submit a contingency plan that includes arrangements for students to complete their studies.

Massachusetts Lt. Gov. Karyn Polito explained, “while we do not want to see any college or university close its doors, it is important to ensure sufficient notice to students and staff to make arrangements if the institution where they study or work is at high risk of closure, so they can complete their studies with as little disruption as possible, or have sufficient time to find new employment.”

The Mount Ida decision made clear that a higher education institution and its officers and trustees do not owe a fiduciary duty to its students. This is an essential clarification for higher education institutions making decisions going forward. Officers and trustees of a higher education institution owe the fiduciary duty to the institution itself, but not to its students. While higher education institutions may not owe a fiduciary duty to its students regarding a school closure, other requirements may be imposed by statute such as through An Act to Support Improved Financial Stability in Higher Education.

If you have any questions about the information presented here, please contact [Mallory Campbell](#), [Gail Norris](#), [Jane Sovern](#), any [attorney](#) in the [Higher Education Practice Group](#) or the attorney in the firm with whom you are regularly in contact.

---

<sup>2</sup> Mass. H.R. 4099