

# If you want to avoid 'giving away your first born,' make sure you read the terms and conditions before signing contracts

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In 2019, a travel insurance company held a secret [contest](#) in which they included a line in the fine print of their policy promising \$10,000 to the

first person who spotted it.

Seventy-three policies were bought before the award was finally claimed. But those 73 who had obviously not read the policy, would not have been alone.

It seems most of us don't read the terms and [conditions](#) of some relatively important, legally binding contracts before signing up.

In one [study](#) only 8% of people read a bank account contract, 19% a car rental contract and 25% a dry-cleaning contract before committing to a deal. Similarly, more than 80% of participants in a different [study](#) reported "not reading at all" or "not really" reading click through agreements.

## **A good reason to read a contract**

Even more confrontingly, 98% of participants in another [study](#) effectively agreed to give up their first born child after supposedly having read the fictional terms and conditions of an agreement online.

The number of people who do actually read the terms and conditions may be even lower with another [study](#) finding only 0.1% of shoppers accessed the license agreement and most only read a small portion.

Despite our best intentions, most of us simply sign [terms and conditions](#), rarely read the fine print, and [fail](#) to appreciate the consequences.

However, once we are presented with a particular problem arising from or related to the contract, our attitude alters. [Studies](#) have shown the number of people who return to their contracts [after a problem](#) more than doubles for car rentals, triples for dry-cleaning issues and rises nearly seven times for a bank account.

Unsurprisingly though, most people don't believe it's their fault. Rather, they assume it's to do with something they weren't made aware of at the time of purchase or they believe it is easily fixed.

## **So, why don't we read the fine print?**

Like all things in human behavior, it's complicated.

Some reasons given by consumers include terms and conditions are too long and time-consuming, they are full of legal jargon, they seem all the same, they are irrelevant and they have no choice but to accept them if they want the particular product.

They also believed if there was something wrong with the agreement somebody else would have pointed it out (and fixed it before them) and vendors are usually reputable so they wouldn't be put at risk.

The last two reasons point to a rational tendency to equate low probability risks with zero probability risks, as well as to use mental shortcuts that simplify decision-making and align with a person's beliefs. There are also social norms and signals for us not to read the contract, such as the expectation to "sign the form and keep moving".

Problems arise in markets where it appears easy to switch from one contract to another, but where there are complex agreements, including telecommunications, banking, health insurance and gyms. These sectors might use strong marketing tactics, such as bundling offers, along with apparently easily accessible customer service, which can cause consumers to be overconfident in their dealings with businesses.

Sometimes it is simply the length and complexity of contracts that puts people off reading them. For example, assuming a reading rate of 240 words a minute, Spotify's terms of service is estimated to take about 36

minutes, while TikTok's would take 31. Microsoft would take over an hour. For comparison, reading all of Chinese war strategist Sun Tzu's *The Art of War* would take only 50 minutes.

These extremely long policies, coupled with the fact individuals feel most information is [unimportant](#), influence willingness to read the fine print. Realistically, failure to read the terms and conditions, particularly because contracts are rarely negotiable, seems like a perfectly rational response. This is made even more likely if we think the costs of reviewing a dense document outweighs its benefits.

## **Agreements are binding (kind of)**

Legally, though, terms and conditions are enforceable and allow businesses to reduce costs that might otherwise be associated with [bargaining](#).

Getting us to agree to the terms and conditions upfront also provides an opportunity for businesses to pass on certain [risks](#) to the consumer. Clearly this should be a concern for lawmakers. The idea of a well-informed consumer who understands their obligations and the rights under an agreement is a foundation of [consumer law](#).

The [Australian Consumer Law](#) does help reduce some risk by deeming terms of a standard consumer contract [unfair](#) if they have been presented unclearly or disadvantage one party, regardless of whether they have been accepted by the consumer.

However, it is unlikely most consumers read consumer law or use it given the [complexity](#) of challenging a vendor who is unwilling to abide by them.

## Dealing with reality

If we are serious about the concept of the informed consumer, then we have to accept some realities.

We have to acknowledge consumer attention is [limited](#) and [information overload](#) and [assymetry](#) prevents people from comprehending what is and isn't important.

We also have to accept the type of information and the way it's presented [does have an impact](#) on whether people understand the consequences of signing an agreement.

Critically, most terms and conditions currently seem to be designed to protect the seller more than they are to help the consumer to make an informed choice.

Research does suggest [consumers](#) are more inclined to [read terms and conditions](#) before committing when the product or service cost is significant, the contract is perceived as short, and there is a belief they will be able to change or influence [contract](#) terms.

Indeed, if businesses seriously do want their customers to be informed, shorter, less abstract and more focused terms and conditions that highlight the critical information related to potential harm is [one solution](#) . Another might be to quiz participants with a [short knowledge test](#) as they sign the document to see if they have actually understood the [agreement](#).

Or perhaps they could hide surprise \$10,000 "[Easter eggs](#)" in their [terms](#) and conditions and create a culture of reward for effort, instead of the current deficit approach.

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