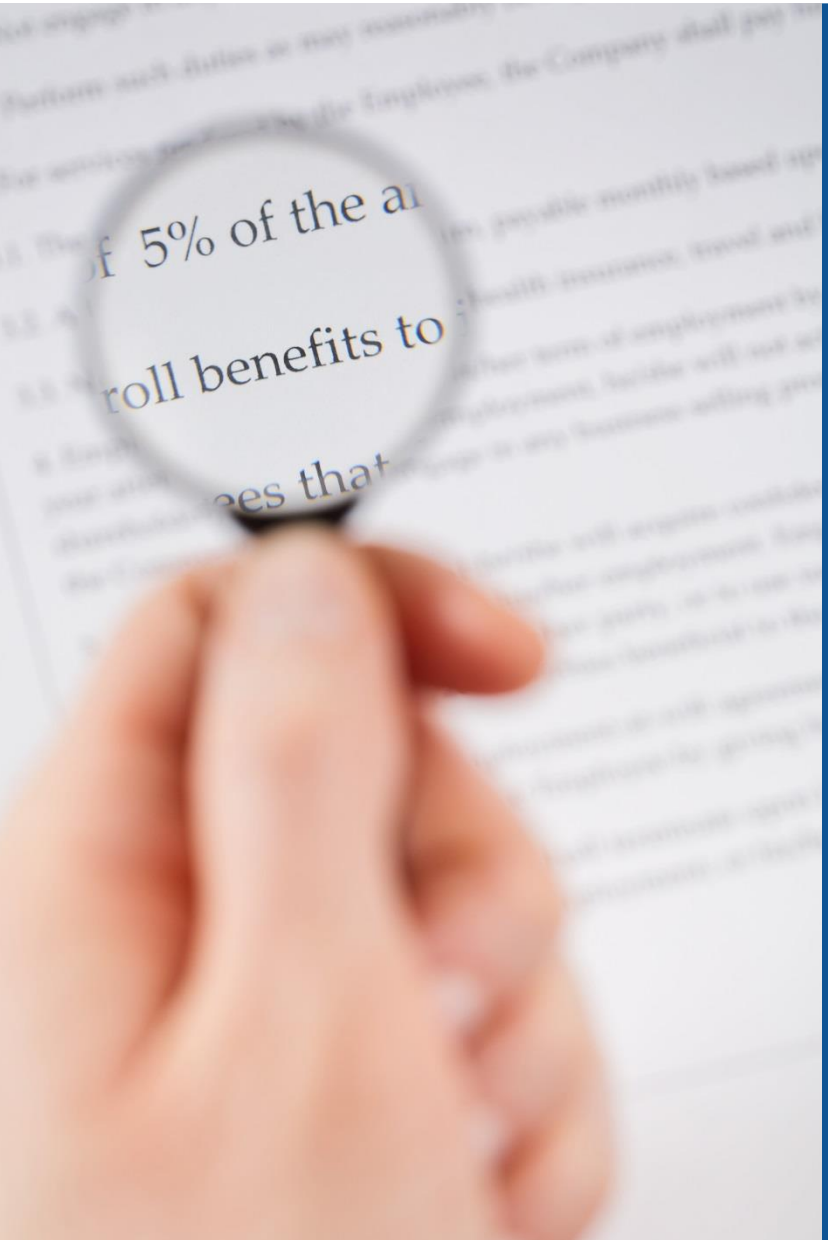

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Consumer attitudes to Terms and Conditions (T&Cs) – highlights of study findings and recommendations

Dan Dionisie, DG Justice and Consumers
EU Consumer Summit, 17/10/2016

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You must accept the terms and conditions in order to finalise the purchase

I accept

I accept

Problem

- **Blind acceptance** of T&Cs by vast majority of consumers
  - Understandable from cost-benefit perspective, since the costs of reading are high (long, opaque texts) and the benefits low (no room to negotiate).
- **Detriment** – consumers might agree to terms that are **unfair or unreasonable** in their eyes (*though not necessarily by the law*).
- Incentive for sellers to use T&Cs that provide nothing more than the **minimally enforceable legal protections**.
- Unrealistic and possibly unnecessary to expect all consumers to read and comprehend all T&Cs.

What to do?

Study took dual approach

1. Increasing transparency (Exp. 1)
   - **Shortening and simplifying the T&Cs**

For consumers motivated to read the T&Cs

2. Creating effortless awareness (Exp. 2 & 3)
   - **Adding quality cues to the website** (becoming more informed on the quality of the T&Cs without reading them).

For consumers NOT motivated to read the T&Cs

Research methods

Preliminary studies and a main study with three experiments:

- **Preliminary study 1** in the Netherlands, 6045 respondents.
  - Aim: Provide insight into consumers' general awareness of their rights and to explore which alternative strategies consumers may have to inform themselves about specific T&Cs.
- **Preliminary study 2** in the Netherlands and Poland, 500 respondents in each country.
  - Provide input on the potential detriment of not knowing T&Cs and preliminary testing of quality cues to be included in the main study.
- **Main study** in 12 EU member states, 1000 respondents in each country.
  - Germany, Estonia, Spain, Finland, France, Italy, the Netherlands, Poland, Romania, Sweden, Slovenia, the United Kingdom.
  - Three experimental parts.

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Key findings

Increasing readership and understanding

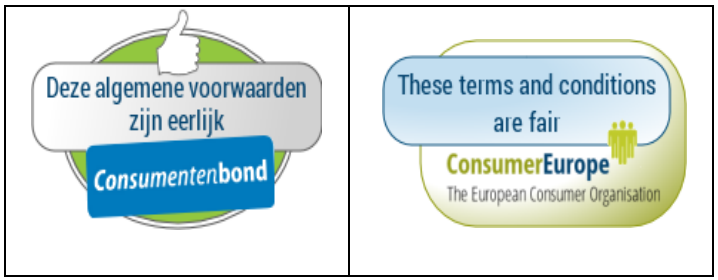
- More consumers read the terms and conditions when they have to scroll through them than when they are free to open them or not.
  - When opening the T&Cs were optional, only 9.4% of the consumers opened the T&Cs in the absence of a quality or reading cost cue.
  - Default exposure experiment for T&Cs similar in length and complexity: only 22.1% did not read the T&Cs at all.
- Shortening and simplifying the T&Cs results in:
  - Improved readership;
  - A slightly better understanding (objective comprehension test);
  - A more positive attitude towards the T&Cs.
- Adding a reading cost cue (stating how long it takes to read the T&Cs) increases the number of consumers opening the T&Cs from 9.4% to 19.8%.

Key findings

Creating effortless awareness

- The quality cues increase trust and purchase intentions on domestic as well as foreign online stores (both real and fictitious online stores).
- A positive customer feedback cue is trusted less than consumer organisation endorsement.
- Which of the consumer organisation endorsement cues is trusted the most depends on the type of online store.
  - On domestic websites, a *national* consumer organisation endorsement cue is trusted the most.
  - On foreign websites, a *European* consumer organisation endorsement cue is trusted the most.

Examples of national and European quality cues:



Recommendations

Readership and understanding

- Use **default exposure** to T&Cs.
- Present T&Cs in a **simple and short** format, containing no more than the most relevant information.
  - Corroborates CRD requirement on pre-contractual information
  - Can increase trust in online transactions.
- Include estimation of the time it takes to read the T&Cs (a **reading cost cue**).

Effortless awareness

- Provide **quality cues** on T&C. Best effect with:
  - national consumer organisation endorsement on domestic online stores
  - European consumer organisation endorsement on foreign online stores.

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Thank you!

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