Signing Away Your Rights, One Cheerio Coupon at a Time

April 18, 2014 - I like Cheerios! But as of today, I'm going to have to ask myself, "How much?" That's because General Mills, the manufacturer of Cheerios, Bisquick and a host of other well-known household products has put in place a policy that requires customers to sign away their right to sue the company under a variety of conditions. And the sad thing is that it's likely most consumers will sign away their rights without realizing what they have done.

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For the record, ACCESS is covering this story because it has to do with mandatory binding arbitration (MBA); a policy that has been used by banks, home builders and a variety of other companies to limit consumers' ability to sue. MBA is codified under federal law.

Unfortunately, study after study has shown that MBA procedures are stacked against consumers. A 2009 study by the Centers for Responsible Lending found that consumers who bring cases against companies that frequently use MBA to settle cases had only a 4% chance of winning.

Some states have attempted limit the use of, or make illegal, MBA clauses in contracts. But within the past three years, the federal courts have halted those efforts. That's because congress has specifically stated that companies may use MBA to reduce the number of cases handled by courts and to speed up the settlement process for claims.

The problem with MBA is that arbitrators must be acceptable to both sides in a case. If an arbitrator regularly rules in favor of consumers, he or she may find that they are black-balled by companies. Anyone who relies on income from arbitration cases is therefore predisposed to side with their corporate clients.

Unlike banks and lenders, General Mills doesn't automatically have a written agreement with consumers. Just because your purchase their products at grocery store, doesn't give the company a right to impose an agreement on you as a consumer.

To address that issue, the company has put in place "terms of service" for various online and offline services that they provide. For instance, if you sign-up to receive online coupons for the company's products, you have to agree to the terms of service. One of those terms is now that you give up your right to sue the companyâ€¦ for the rest of your lifeâ€¦ in any dispute that you have with them. You may have to agree to the same terms of service if you agree to participate in any other form or product promotion that the company does.

Unfortunately, most consumers never read the terms of service associated with websites. This is likely to mean that most consumers who sign up for promotional items from General Mills will have no idea that they are giving away their right to sue. That may not be an issue for you today. But what happens if you buy one of the company's products in ten years and it hurts or kills you or a member of your family? You may find that you signed away your right to sue for a 50 cent serial coupon.

Legal scholars seem to be split on whether or not the companies attempt to force MBA on consumers will be successful. Some are saying that the company's terms of service are so broad that they won't withstand court scrutiny. But it is worth pointing out that the federal court system has already established a track record of ruling in favor of MBA over going to court. There is very little reason to believe that what General Mills is doing won't withstand legal scrutiny.

If the company is successful, other companies are also likely to follow in their footsteps. The bottom line here is that consumer need to look closely at those terms of service agreements that are frequently placed in front of them. Not doing so could easily impact their legal rights for years to come.
byJim Malmberg
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