

ATOL Protected Covid-19 Refund Credit Notes

1 Overview

1.1 Introduction

The Civil Aviation Authority (“CAA”) understands that the Covid-19 pandemic is an unprecedented situation which is proving to be financially challenging for both tour operators and consumers. The CAA acknowledges the difficulties that some travel companies are facing in processing the extraordinary number of refunds.

The Package Travel and Linked Travel Arrangements Regulations 2018 **remain in force** and require package Organisers to provide consumers with a full refund within 14 days of a Package being cancelled. **This obligation remains in place and has not been amended.**

We understand that some ATOL holders have been issuing consumers with vouchers and credit notes (or similar documents) in lieu of cash refunds in respect of their cancelled ATOL protected booking. For the purposes of this note we refer to these vouchers and other supporting documents as a “Refund Credit Note” (RCN)¹.

To ensure consumers that hold ATOL protected bookings retain financial protection in these circumstances, the Trustees of the Air Travel Trust (“ATT”) have published an addition to the ATT Payment Policy. The addition to the ATT Payment Policy outlines how the Trustees of the ATT will protect consumers holding an RCN issued for ATOL protected bookings which have been cancelled solely because of the Covid-19 pandemic, should the tour operator that issued the RCN fail. The Payment Policy also sets out what protection will apply if the RCN is subsequently redeemed against a new booking.

The exact terms of the ATOL protection which applies are set out in the amended ATT Payment Policy. The Trustees of the ATT have published both their existing ATT Payment Policy and the addition on the CAA’s website: <https://www.caa.co.uk/ATOL-protection/Air-travel-trust/About-the-Air-Travel-Trust/>. Nothing in this note serves to alter or amend the terms of the ATT Payment Policy or the amendment.

Although the CAA is confirming the parameters of ATOL protection for RCNs cancelled solely because of the Covid-19 pandemic, it is essential that the consumer remains fully aware they are entitled to a cash refund if they do not wish to accept an RCN. It is acceptable for a consumer to accept an RCN or an amendment to a booking as an alternative to a refund, but only if, **at the same time**, the consumer was offered the opportunity of a full cash refund.

1.2 When this process applies

The contents of this document only apply to RCNs that are issued in respect of ATOL protected bookings cancelled **between 10 March 2020 and 30 September 2020 inclusive** due solely to the Covid-19 pandemic. It does **not** apply to any other

¹ The ATT Payment Policy adopts a different naming convention of the issued vouchers. See <https://www.caa.co.uk/ATOL-protection/Air-travel-trust/About-the-Air-Travel-Trust/>

vouchers or credit notes including those issued in relation to non-ATOL protected bookings. If the dates above change the CAA will publish a statement to this effect.

All RCNs will need to be redeemed with the issuing ATOL holder for either cash or against a new booking by 30 September 2021. In the event of an ATOL holder failure, the ATT, subject to the terms of the Payment Policy, will **only** consider claims for payment of the unredeemed RCNs if the failure occurs on or before 30 September 2021. After this date, the RCNs will cease to be ATOL protected.²

This document sets out the principles upon which an RCN can be issued in respect of an ATOL protected booking, the content of the RCN, and how ATOL holders are required to report to the CAA on the RCNs they have issued.

This document will be supplemented by an FAQ document and a Covid-19 RCN Return, which will be regularly updated. Both documents will be located on the ATOL pages of the CAA website.

Key dates:

10 March 2020 - 30 September 2020 inclusive RCNs issued during this period solely due to the Covid-19 pandemic will have ATOL protection.

30 September 2021 subject to the terms of the Payment Policy, the ATT will consider claims in respect of unredeemed RCNs in relation to an ATOL holder failure on or before 30 September 2021 only. After this date, unredeemed RCNs will cease to be ATOL protected.

Disclaimer: These dates do not provide any advice about future travel. ATOL holders should refer to the latest advice from the Foreign & Commonwealth Office.

2 ATOL Protection & Refund Credit Notes

2.1 When ATOL protected RCNs can be issued

The ATOL financial protection scheme does not protect holidays booked using vouchers or other discount vouchers (including compensation vouchers), points, or holiday savings schemes, where there is no monetary loss to the consumer. This position remains unchanged.

However, where an ATOL protected booking has been cancelled solely due to the Covid-19 pandemic, consumers will now have three options regarding their bookings:

- a. Receive a full refund;
- b. Amend the original booking to a different date in the future; or
- c. For ATOL protected bookings cancelled on or after 10 March 2020 up to and including 30 September 2020, receive an RCN that will be ATOL protected as set out by the terms of the ATT Payment Policy until it is redeemed for cash or for a new booking.³

² If a new ATOL protected booking is made with the redeemed RCN, then that booking will benefit from ATOL protection in the normal manner, in accordance with the terms of the ATOL scheme and the ATT Payment Policy.

³ All RCNs will need to be redeemed by their expiry date or by 30 September 2021 (inclusive) at the latest.

Consumers must always be offered a cash refund, with an RCN as an alternative. It is not acceptable for consumers to be told that they can only accept an RCN.

2.2 Basis of ATOL protection

Where a consumer with a cancelled ATOL protected booking⁴ agrees to accept an RCN, the RCN will be financially protected under the ATOL scheme, subject to the terms of the ATT Payment Policy.

If an ATOL holder fails whilst a consumer is holding an unredeemed RCN: Where a consumer has been supplied with an RCN⁵ in exchange for the non-performance of some or all of an ATOL protected booking that has been cancelled solely because of the Covid-19 pandemic, the ATT will consider⁶ the payment of consumer claims where an ATOL holder has failed on or before 30 September 2021 up to the maximum ATOL protected value of the unredeemed RCN.⁷

If an ATOL holder fails after a consumer has redeemed an RCN against a new holiday: Where the RCN has been redeemed with the issuing ATOL holder against a new ATOL booking, that new booking will benefit from ATOL protection in the normal manner, in accordance with the terms of the ATOL scheme and the ATT Payment Policy. The consumer's monetary loss that will be considered by the ATT will include the maximum value of the RCN which was used as payment or part payment for that new ATOL protected booking.

IMPORTANT: Where the RCN has been redeemed against a non-ATOL protected booking the consumer will have no protection under the ATOL scheme.

ATOL protection **will not apply** to any incentive voucher offered alongside an RCN or to any incentive element included within the face value of the RCN.

Where a consumer has multiple bookings with an ATOL holder, individual RCNs should be issued for each cancelled booking.

2.2.1 What does the RCN cover under ATOL

It should be clear on the face of the RCN and any supporting documents why the RCN has been issued i.e. solely because of the Covid-19 pandemic. The ATT will only consider RCNs that have been issued as a direct result of the pandemic.

Where a consumer agrees to receive an RCN in place of a refund, the maximum ATOL protected value of the RCN (at the date of RCN issue) is the **lower** of either:

- a. the amount charged for the ATOL protected booking shown on the ATOL Certificate or ATOL holder's Confirmation Invoice; or
- b. the amount paid by the consumer (whether direct or via the ATOL holder's agent)

⁴ Only licensable bookings, i.e. those bookings for which a seller is required to hold an ATOL can be protected by the ATOL scheme. In a small number of cases sellers mistakenly issue ATOL Certificates for bookings that are not ATOL protected as they are not licensable and so cannot fall under the protection of the ATOL scheme.

⁵ Issued on or after 10 March 2020 up to and including 30 September 2020.

⁶ Subject to the terms of the ATT Payment Policy.

⁷ The ATT Payment Policy sets out the full definition regarding the maximum value of the unredeemed RCN.

less any amount paid for insurance and any administration / cancellation charges.

If an ATOL holder wishes to offer a consumer an additional incentive, the additional amount (i.e. the amount over and above the balance paid toward the licensable transaction) should be documented separately and will not be ATOL protected. This could be in the form of a normal goodwill voucher or other similar document.

The ATOL holder should make it clear to consumers at the time a goodwill voucher is issued, that the incentive is not financially protected and that if they were to use this goodwill voucher against the value of a new ATOL protected holiday, then this amount will not be considered by the ATT Trustees in any future ATOL claim.

If any incentive is included in the RCN value this would be also deducted in calculating the maximum ATOL protected value of the RCN.

If a consumer purchased items which were not sold as part of the ATOL protected package, but were sold separately, for example attraction tickets, airport car parking etc. the RCN **must not** include these items. Where a separate voucher is issued in respect of these items it must explicitly state that these items were not ATOL protected (and therefore neither is the voucher).

2.2.2 Content of the RCN

The following section sets out the minimum information which should be included on the RCN:

1. The booking reference and lead passenger name for the original licensable booking that the RCN relates to. Where possible, it should also contain the names of the other passengers on the booking;
2. The cash value should be clearly stated. The RCN must be for the total amount the consumer had paid to the ATOL holder (or the ATOL holder's appointed agent) in respect of the ATOL licensable booking only, as at the date the RCN was issued *less* any amount paid for insurance premiums, cancellation fees and administration fees. Where the consumer purchased a package, this should cover all travel services included in the package. The total value may be less than the total amount paid for the licensable booking where a partial cash refund has been given;
3. A statement to the effect that the RCN can be exchanged with the ATOL holder for cash by a specified date in the future if the RCN has not been redeemed against a new booking (*for the same amount as in (2) above*);
4. The name of the ATOL holder issuing the RCN;
5. Date of issue;
6. Date of expiry (*as in (3) above*) which must be no later than 30 September 2021;
7. Include the following statements:
 - "This Refund Credit Note, or an ATOL protected holiday purchased with it, is protected under ATOL subject to the terms of the ATT Payment Policy (hyperlink if possible). If it is redeemed against a non-ATOL protected product that new product will not be ATOL protected."
 - "This Refund Credit Note is non-transferable and should not be resold".

Please email an example of RCNs being issued to ATOLTradeCovid19@caa.co.uk. We do not need to have copies of each RCN you have issued.

If any of the information listed above has not been included on RCNs that have already been issued, it is acceptable for the missing information to be included in a supporting document which is sent to affected customers following the publication of this statement. That document should also state that it needs to be retained along with the RCN, the original ATOL protected holiday booking documents, invoices and any other relevant documentation. You are not required to reissue replacement RCNs.

2.2.3 Redemption of the RCN

When the RCN is redeemed against a new ATOL protected booking, APC will be payable on the new booking. The booking will be ATOL protected in accordance with the terms of the ATT Payment Policy. An ATOL Certificate and booking Confirmation Invoice will also need to be issued for the new booking (as usual).

In the unlikely event an RCN is redeemed against a lower-valued holiday (whether licensable or not) then the consumer should be immediately refunded the remaining balance of the RCN.

An RCN should not be redeemed against two (or more) separate bookings. Whilst recognising this may be desirable in a limited number of cases, the RCN should be redeemed against one new booking only, the consumer refunded the difference, and then payment taken as normal for any other new bookings.

If a consumer combines an RCN and another type of voucher (e.g. a compensation or a goodwill voucher) to purchase a new ATOL protected holiday, then it is the responsibility of the ATOL holder or its agent to explain that part of their payment for the new booking is not ATOL protected.

2.2.4 Booking records and documentation

If a consumer agrees to accept an RCN, then the ATOL holder **must** ensure its systems and records can link the RCN back to the original booking that has been cancelled. Where an RCN is redeemed against a new booking or refunded to the consumer the ATOL holder **must** also ensure its systems and records can provide the details of this transaction.

Consumers should not transfer RCNs to other people's names.

ATOL holders should advise consumers to retain all documents relating to their original booking, their RCN and, if relevant, the details of their new booking. If the consumer does rebook a new holiday, all the information should still be kept.

2.3 Agents for ATOL holders

ATOL holders are responsible for all bookings made by Agents on their behalf, including the production and provision to consumers of any RCNs where the consumer has agreed to accept an RCN instead of an immediate refund. ATOL holders may provide RCNs to their agents for their agent to pass to the consumer but the RCN should be completed with the required information by the ATOL holder.

In the same way that Agents are required to immediately pass on any Confirmation Invoice from the principal ATOL holder, RCNs should also be immediately passed to consumers.

Agents should address any questions they have about RCNs to the principal ATOL holder.

3 RCN reporting to the CAA

ATOL holders will be required to submit a Covid-19 RCN Return stating how many RCNs have been issued and the total value of those RCNs. The Covid-19 RCN Return is required to be provided in accordance with ATOL Standard Term 4.1 'Material Information Provision Obligation'.⁸

The purpose of the Covid-19 RCN Return is to allow both the CAA and ATT to understand each ATOL holder's liabilities to consumers as a result of the Covid-19 pandemic.

The first Covid-19 RCN return must cover the period between 10 March 2020 and 30 June 2020 inclusive. Thereafter, the reporting frequency of the Covid-19 RCN Return is the same as the APC reporting frequency, which is determined by licence type, (the 'Reporting Period'). The Covid-19 RCN Return is required in addition to an ATOL holder's normal APC Return, which should continue to be submitted online within 14 days of the relevant Reporting Period.

A separate guide and RCN Return document will be published on the CAA website.

⁸ As set out in Official Record Series 3 which can be found here <https://www.caa.co.uk/ATOL-protection/Trade/Compliance-and-regulation/Official-Record-Series-3/>