

Consumer Protection Group – Press Briefing

The CAA

The CAA is responsible for advising the Government on aviation issues; its remit includes airspace policy, air safety regulation, licensing of UK airlines and travel organisers and regulation of UK airports and NATS.

CPG's management of ATOL includes –

- Checking the financial stability and licensing travel companies;
- Making sure companies that should provide protection do so, and taking enforcement action against illegal trading;
- Arranging for customers of a failed ATOL holder to complete their holidays and be flown home;
- Arranging refunds for customers after an ATOL holder has failed; and
- Creating awareness of ATOL protection so that consumers understand what to look for when they book.

CPG's other responsibilities include –

- Managing the Air Travel Trust;
- Regulating the finances of UK airlines;
- Ensuring that UK airlines have adequate passenger and third party insurance; and
- Enforcing consumer protection legislation on behalf of the UK Government. For example, airline passenger liability, [carrier identity](#) and [denied boarding](#).

CPG is not responsible for –

- Health and safety abroad or holiday standards;
- Customer complaints about the accuracy of brochures; or
- The price of holidays or matters like surcharges and cancellations

Matters such as these come within the remit of the Package Travel Regulations and are the responsibility of the Department of Trade & Industry (www.dti.gov.uk) and enforced by local Trading Standards authorities (www.tradingstandards.gov.uk).

Air Travel Organisers' Licensing (ATOL)

Managed by the Consumer Protection Group (CPG) of the Civil Aviation Authority, ATOL is the UK's statutory financial protection scheme for tour operators and travel companies selling air holidays, packages and flights. Over 2100 companies are licensed under the scheme, which protects about 28 million holidaymakers each year.

Before a licence is granted enabling a travel company to offer its arrangements, the CAA carries out financial checks and requires a financial guarantee, usually a bond, to be put into place. If a licensed company goes out of business, the CAA will arrange for customers abroad to finish their holidays and return home. Customers who have not been able to travel receive a refund.

ATOL should not be confused with the bonding arrangements of ABTA, the Association of British Travel Agents. ABTA, along with other trade associations like FTO and AiTO, require their tour operator members to provide bonds to cover holidays that do *not* include flights. Where a tour operator has an ATOL and is also a member of ABTA, protection for air holiday customers will fall to ATOL, whilst protection for non-air holidays falls to ABTA.

The Air Travel Trust Fund and ATIPAC

The Air Travel Trust Fund is a back-up fund that underpins ATOL protection. If an ATOL holder fails and the bond is not sufficient to cover all costs of completed holidays, return flights and refunds, the ATT covers the excess.

It was set up in 1977, through a levy of 2% on the price of each holiday. Since then all its only income has come from investments; these declined with time and in 1996 it went overdrawn, though it continues to make payments as necessary with a loan facility guaranteed by the Government. At present the Fund is in deficit and the CAA has requested powers for a new levy from the Government. This is currently being considered as part of the forthcoming Civil Aviation Bill, which is anticipated to receive Royal Assent during 2006.

The [ATTF report and accounts to March 2006](#) is available on the ATOL website.

The Air Travel Insolvency Protection Advisory Committee (ATIPAC)

The Secretary of State for Transport established ATIPAC in 2000 to provide advice to the Civil Aviation Authority, the Trustees of the Air Travel Trust and the Secretary of State on the financial protection arrangements for air travellers and customers of air travel organisers. The Committee includes representatives from key trade associations whose members are affected by Air Travel Organiser Licensing (ATOL), consumer representatives, independent members and members appointed by the CAA.

The [ATIPAC annual report to March 2006](#) is available on the ATOL website.

ATOL Protection Developments

Advice to Government on Financial Protection for Air Travellers and Package Holidaymakers in the Future

In the summer of 2003, the CAA launched a major consultation on future financial protection for air travellers and holidaymakers, the scope of the protection and the mechanisms to provide it. The CAA's intention was that after it had considered responses it would advise Government on necessary legislative changes.

In March 2004, the CAA published in draft the advice that it proposed to give to Government, and sought the further views of industry and consumer bodies on its proposed recommendation to Government that protection should be extended to people booking flights directly with airlines.

The CAA received considerable support from industry and consumer bodies, and in July 2004 it published its final advice. The main points of the advice were:

- The scope of travel protection should be extended to cover UK-originating international return flights that are sold in the UK and advance paid; and that protection should extend to other facilities where these are sold with a flight, either in a legally constituted package or by another supplier in conjunction with the flight.
- Ideally, this change should take place at European level and the Government should use its influence with the European Commission to secure legislation. However, the CAA accepted that this might be a slow process and urged the Government to introduce UK domestic legislation unless there was sufficient European progress.
- Even UK legislation might not be sufficiently fast to deal with the increasing problem. The CAA proposed some interim measures that might be adopted on a voluntary basis.
- The ATOL mechanisms would not be appropriate to cover airline sales. Further consideration should be given to the right mechanisms, including a mutual insurance solution and a common fund.

The full recommendations can be downloaded from the ATOL website, www.atol.org.uk.

In autumn 2004, the Government announced that it recognised the problem of the decline in the coverage provided by ATOL, and asked the CAA to investigate options for protection, including both voluntary and mandatory schemes, alternatives to bonding such as insurance, the scope of coverage, as well as measures to improve information available to people who book flights over the Internet.

In autumn 2005, the Government has decided not to accept the CAA's recommendations for the modernising financial protection for air travellers and package holidaymakers and the introduction of a levy on all air travellers. Instead it wishes to explore voluntary arrangements with UK carriers that better inform air travellers about protection precautions like insurance, and provide repatriation arrangements.

The Department for Transport has asked the CAA to see whether the system of ATOL bonds could be replaced whilst still meeting tour operators' obligations to package holidaymakers under European law.

For an updated position visit the DTP and CAA websites.

ATOL Reform informal consultation

The CAA published a consultation in March 2006. The aim of this informal consultation was to seek views on proposals to replenish the Air Travel Trust Fund and to reform ATOL bonding through the introduction of a £1 consumer protection charge paid by passengers protected under ATOL.

The consultation period has now ended and a [summary of responses](#) is available on the ATOL Website.