



Civil Aviation Authority: Research on Unfair Terms & Conditions

Report
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Contents	Page
Background	2
Executive Summary	4
Awareness and general attitudes to terms and conditions	7
How consumers feel about certain terms and conditions	9
Dimensions of fairness	17
Relative fairness of terms and conditions	19
Conclusions and recommendations	22
Appendix	24

1. Background

1.1 Context

The CAA's overall role as a regulator includes oversight of all of the civil aviation regulation functions, including that of consumer protection. It remains funded in this work largely by those organisations that it regulates, while also being accountable to the Department for Transport (DfT).

Within this remit, the CAA is currently assessing airlines' levels and types of compliance with legislation on unfair contract terms and basic contractual rights. As part of this assessment the CAA has already undertaken informal consumer discussions with the largest airlines operating from the UK, in order to understand which issues prompt the most passenger complaints. From this it was established that research was needed to look at two key themes:

- Scenarios in which the actions of a passenger have led them to be affected in a way which is unfair or unexpected; and
- Scenarios in which an airline has made a change and the consumer's rights are limited unfairly.

The key construct that research is required to explore is *fairness*: the extent to which consumers feel that they have been treated in a way that is right and reasonable in relation to airlines' terms and conditions. It is intended that the results from the research will be used to inform the development of guidance material for airlines. This material will provide further explanations about airlines' legal obligations around terms and conditions, and it will also highlight to airlines key areas in which the industry needs to improve.

1.2 Research objectives

The research aims to understand how fair airlines' terms and conditions are from consumers' perspectives.

Specific objectives are to understand:

- How consumers feel about certain terms and conditions;
- How effective airlines are at communicating key terms; and
- What passengers' experiences or expectations are of airlines' terms and conditions.

1.3 Approach and sample

As indicated above, the research used a mixed methodology. This involved focus groups and in-depth interviews supplemented by a robust, nationally representative survey among passengers. A breakdown of the sampling is as follows:

- 8 focus groups with passengers: two conducted each in London, Cardiff, Newcastle and Glasgow;

- 8 follow-up, in-depth interviews conducted by telephone with participants of the focus groups who had experienced one of the issues pertinent to the research e.g. cancelled a flight; and
- 1,002 surveys conducted among a representative sample of people who have recently travelled abroad for a holiday.

To ensure that the qualitative research was grounded in current and real experiences participants in the focus groups conducted a pre-task involving going through the process of purchasing an airline ticket for the last destination they travelled to by air.

For the qualitative research, a broad spread across age, gender, socio-economic grade and long-haul vs short-haul was sought. Participants were recruited using purposive sampling according to the criteria mentioned above.

During the focus groups, participants were asked to read some examples of how terms and conditions are presented by airlines online and were asked to reflect on these during the discussions.

For the quantitative research, consumers were sampled from an online panel provider and an eight minute survey administered. Quotas were set on gender, age, socio-economic grade and region and then corrective weights applied to ensure the results were broadly representative. Since there is limited secondary data available to profile the UK passenger profile, region and gender was derived from the Census 2011¹ and socio-economic grade derived from the National Readership Survey² so that the profile aligned with the UK population. Age, however, is a characteristic available for UK passengers travelling abroad for leisure from the CAA Passenger Survey 2015³. The age sample profile was therefore weighted to match this estimated population profile.

1.4 Reporting structure

This report presents the findings from the research and is structured to cover the three key objectives, understanding:

- Awareness and general attitudes towards airlines' terms and conditions;
- How customers feel about certain airline terms and conditions; and
- How customers perceive different dimensions of fairness within the context of airlines' terms and conditions.

At the end of the report, the key findings and recommendations are presented.

¹ Office for National Statistics. 2011. 'Census: statistical release'. Available at:

<http://www.ons.gov.uk/ons/rel/census/2011-census>

² National Readership Survey, 2015. 'Lifestyle and classification data: Social Grade'. Available at:

<http://www.nrs.co.uk/nrs-print/lifestyle-and-classification-data/social-grade>

³ Civil Aviation Authority, 2015. 'CAA Passenger Survey Report 2015'. Available at: <https://goo.gl/Q16up0>

2. Executive Summary

2.0 Introduction

CAA is currently assessing airline's levels and types of compliance with legislation on unfair contract terms and basic contractual rights. In order to inform this assessment a piece of customer research was commissioned to look at two themes:

1. Scenarios in which the actions of a passenger have led them to be affected in a way which is unfair or unexpected; and
2. Scenarios in which an airline has made a change and the consumer's rights are limited unfairly.

The overall objective of the research was to understand how fair airlines terms and conditions are from consumers perspectives.

A mixed research methodology was adopted. This involved 8 focus groups and 8 in-depth interviews supplemented by a robust, nationally representative survey of 1,002 airline passengers who had personally booked a flight with an airline to go on holiday in the last nine months.

2.1 Main findings

When prompted, around three quarters of survey participants are aware that they have the opportunity to read the terms and conditions when booking a flight, however nearly four in ten customers do not read these at all and nearly half (49%) read some but not all of the conditions.

The likelihood of reading the terms and conditions is affected by the ease of the language used in the terms and conditions: those who find the terms and conditions easy to read are over twice as likely to read them as those who find them difficult to read.

The costs associated with changing a name (whether as a result of a spelling mistake or to change the person booked on a flight) on a booking were felt to be excessive since these were perceived to be far higher than the actual cost to the airline of making these changes. Most customers felt that a charge of between £1-10 was fair for changing a name.

There was high awareness that airline tickets were typically non-refundable, however the fairness of this term was felt to relate to the cost of the ticket. Not receiving a refund for inexpensive tickets (usually short haul non-premium carrier) was felt to be fairer than not receiving a refund for more expensive (usually long haul) flights.

Cancelling a return flight if the outbound flight is not used was felt to be very unfair. This was partly due to the very low awareness of this condition and because it was felt to be independent of the outbound flight as other travel tickets are perceived to be e.g. train tickets.

Charging to print off a boarding pass was felt to be very unfair and as with the name change, charges were felt to be excessive rather than reflecting the actual cost of providing this service.

The charges to choose seats were felt to be unfair by the majority of those who had been affected by this issue. Being able to sit next to your party was felt to be an important feature of a flight and some resented paying to secure seats together.

Flight changes were felt to be fair without compensation if the duration was less than two hours, advance warning was given and there were special arrangements made for those who had to arrive at a particular time e.g. for a connecting flight. Flight changes over 2 hours was felt to be excessive without compensation as this resulted in inconvenience and could have significant impacts for the customer, e.g. arriving at home in the middle of the night.

There were mixed responses to not being given some of the additional services advertised by airlines on a flight. These additional services were felt to be more important for long haul flights and consequently these customers were more likely than short haul customers to feel that it was unfair if they did not receive some of the services advertised.

Three drivers of fairness emerged from the qualitative research with customers. These were:

1. The difference between the perceived cost to the carrier and the cost to the customer
2. The prominence or otherwise of important information
3. The cost of the flight

Overall, all of the terms and conditions presented to customers were felt to incorporate a degree of unfairness. These terms have been split into two groups:

The most unfair terms were felt to be:

- Having to pay to print off a boarding pass;
- Having the return flight cancelled if the outbound flight is not used and the airline not contacted; and
- Having to pay to choose a seat in advance of the day of the flight.

The terms which were felt to be unfair but not very unfair are:

- Not receiving a refund for a flight that the passenger has cancelled;
- Flight time changing by less than two hours and not having a right to a refund;
- Having to pay to change a name on a flight; and
- No compensation for additional services that were expected but not available.

General recommendations from focus group discussions

The link between awareness and fairness suggests that there should be a concerted effort to ensure that more consumers read terms and conditions before booking a flight, with relevant, key terms easy to find and easy to understand or that terms are fairer so that those who do not read them do not suffer any detriment as a result.

Airlines should be encouraged to review the charges levied so that they are closer to the amounts that consumers consider reasonable, and/or be transparent about how the charges are calculated so that consumers are assured that they reflect the cost to the business.

Airlines should also be encouraged to provide some refund to passengers cancelling a flight if they either re-sell the cancelled ticket or have sufficient time to be likely to sell the ticket.

Ideally the practice of cancelling a return flight if the outbound flight is not used should be ended or strongly discouraged, however if this is not desired the term would be considered fairer by consumers if awareness was raised about this during the booking process and by contacting passengers who do not use their outbound flight to establish whether or not they want to use the return flight.

The practice of charging for seat allocation should be reviewed where there is a compelling reason for a group to be sat together i.e. a family travelling with children.

In general, greater awareness of the terms highlighted in this report would reduce/remove the feeling amongst many consumers that certain term is use by the airline community are potentially unfair and/or frequently unexpected.

3. Awareness and general attitudes towards terms and conditions

When unprompted, 1% of customers in the survey mentioned terms and conditions/small print when asked what information, other than price, they recalled being presented with them when going through the process of booking a flight. There were no significant differences when looking at how long ago customers booked their flight (e.g. less than a month ago compared with 7-9 months ago), indicating this is not necessarily an issue of recall. Passengers were asked in an open-format what information, if any, that isn't currently presented would they wish was presented. Less than 1% mentioned terms and conditions/small print specifically, with most citing information regarding the: 1) seating, such as the plan, allocation and extra charges for selection; 2) flight information, such as details of meals, available capacity and route; and/or 3) luggage allowance. When prompted, 76% of customers were aware that they have the opportunity to read airline's terms and conditions during the booking process. This suggests that while there is a general awareness of terms and conditions, it is not a piece of information that is top of mind for customers.

Of those customers in the survey who are aware that airlines present terms and conditions, there are differing degrees to which they read them, with nearly half stating they read some of the terms and conditions. There were significant differences among age groups and those that travelled most recently with/without travel insurance (Figure 1). Customers over the age of 59 and those who took travel insurance out for the last holiday were most likely to read some or all of airlines' terms and conditions during the booking process. A fifth of customers feel that airlines are pro-active in communicating their terms and conditions during the booking process, however, the largest group is those who are neutral (rated pro-activity 3/5). In the qualitative research it was felt that some airlines (typically long-haul and premium carriers) were more pro-active in highlighting some terms and conditions whereas short haul carriers were felt to be less pro-active.

"I've seen it (terms and conditions) and you kind of had to press tick, but I don't read it to that extent of going through it, but I am aware of it."

41+ Short Haul, Infrequent, Cardiff

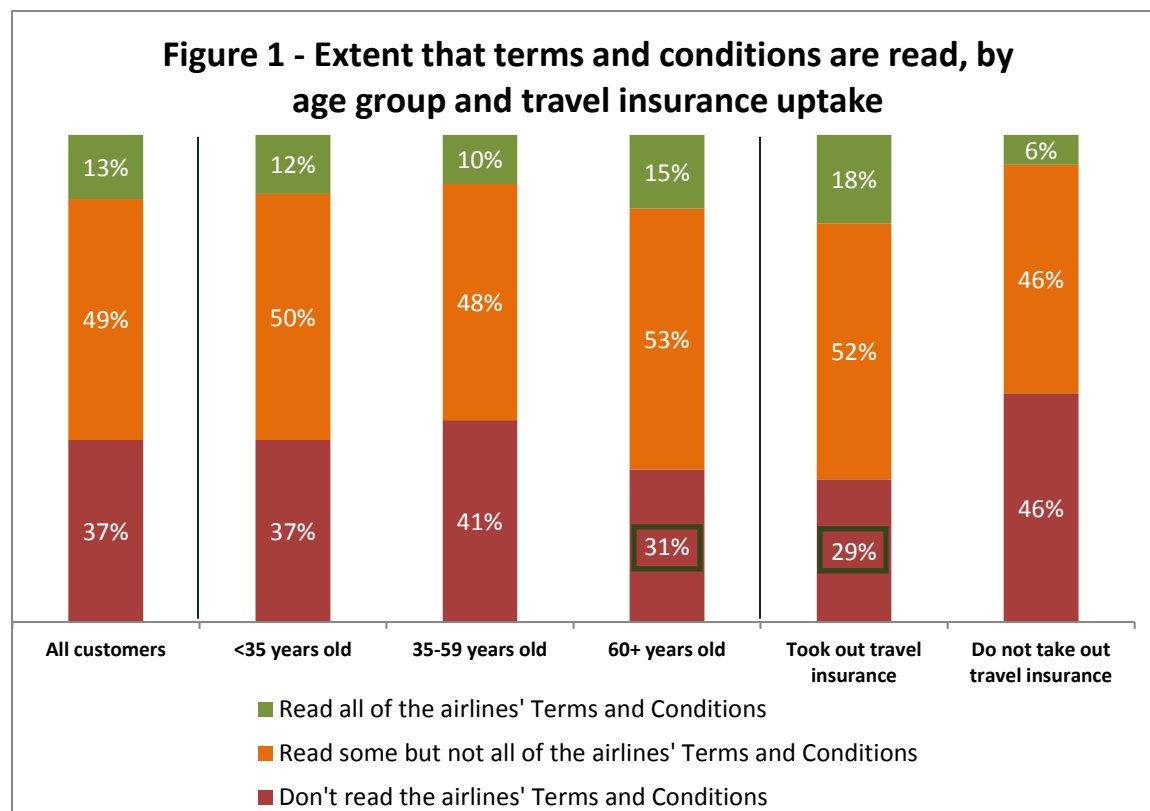
"I've looked at the changing of names, where you have to pay £50"

41+ Long Haul, Frequent, Newcastle

Of those who read at least some of the airline's terms and conditions, 28% felt that the language used was easy and an almost equal proportion - 27% - rated the language as difficult to read. There is a relationship between ease of language and extent to which terms and conditions are read: 32% of customers who find the language easy also read all of the airlines' terms and conditions compared to 13% for customers who found the language difficult. Participants in the qualitative research said that

they were put off reading terms and conditions which were written in complex language using jargon and when the information was in small print and not clearly delineated by the use of bold/underlining.

A fifth of customers were surprised after booking a flight by something in the airline's terms and conditions. This was especially common among those under 60, reflecting a similar demographic relationship for the extent to which T&Cs are read.



4. How consumers feel about certain terms and conditions

4.1 Changing a name on a booking

From the survey, 10% of customers have changed or corrected a name on a booking/ticket and incurred a fee as a result in the last three years. Participants in the focus groups were typically aware that airlines could charge to change a name, however this tended to be due to experience or from word of mouth rather than from seeing information at the time of booking. Customers in the survey who typically read all of the terms and conditions when going through the process of booking a flight were significantly less likely to have had this issue, suggesting that those who are fully aware of the terms and conditions approach the inputting of passenger names more carefully than those who are not.

Participants typically felt that the information about charges for name changes was not clear at the time of booking and often thought that it was important to highlight clearly before submitting the names that they are correct and inform customers of any associated charges. This was reinforced by the survey findings, with half of customers who faced this issue rating the forewarning by the airline during the booking process as unfair. Some thought that carriers of the short haul flights were more likely to charge for name changes than long haul carriers. The reason given for this was that long haul flights were usually more expensive than short haul and that they expected a greater degree of service from long haul carriers which included not being charged for changing names.

A distinction was often made in the qualitative research between correcting a spelling mistake and changing the passenger with some expecting to pay or pay a higher amount to change the passenger. Some rationalised that a cost for changing the passenger name was fair since it made it less likely that people would buy cheap fares and then sell them to others nearer the date of departure. Exceptionally, some did not think that there should be a charge at all for changing the name of a passenger if the passenger changed the name themselves and tickets had not been issued. They did not believe that any cost was incurred by the airline in this circumstance. This was also reflected in the survey findings where only 18% felt that no charge at all was appropriate.

Where charges were made for changing a name or correcting spelling mistake participants often viewed these as punitive costs rather than reflecting the actual cost to the airline and therefore felt that they were unfair. There were frequent calls for the costs imposed for changing names/spelling mistakes to be in line with the actual costs to the airline and that airlines should be more transparent about the costs involved. In the quantitative findings, the cost incurred was perceived negatively by customers who had experienced this issue, with 60% rating it as unfair. Most customers (53%) felt that a charge of £1-£10 would be fair.

“The £30 or £50 fee seems a bit harsh if you’ve just spelt your name wrong. You’re the same person. Your passport number is the same, and everything.”

Short Haul 18-40, infrequent flyer, London

4.2 Non-refundable tickets

In the quantitative research, 9% of customers had experienced cancelling a flight but not being able to claim a refund in the last three years. In common with name changes, typically participants in the focus groups assumed that tickets were non-refundable but usually had not seen specific information about this when they were making the booking process. This was particularly likely to be the case for short haul participants who associated the usually lower cost with not having the right to a refund. Some were unaware of whether or not their flight was refundable or not (particularly those who were long haul customers who thought that because of the typically higher cost that they would be entitled to a refund of some or all of their fare).

There were a range of opinions about the fairness of non-refundable tickets. Participants in the focus groups purchasing low cost fares were more likely to think that having tickets that are non-refundable is fair whereas those who had bought more expensive tickets were more likely to think that they were unfair.

Exceptionally, some participants compared air fares with other products and services and believed that they should be refundable. Other participants felt that there should be a cooling off period of a few days after buying the flight so that people could change their mind without losing all of their money.

“Non-refundable tickets were often felt to be fair if the tickets were clearly marked ‘non-refundable’.”

41+ Long Haul, Frequent Newcastle

4.3 Refunds for cancelled flights

As mentioned earlier, focus group participants often thought that no refunds were available for cancelled flights. Some were aware that some taxes were refundable, although this information was usually met with surprise.

Participants often commented that they thought the length of time between cancelling the flight and the scheduled departure date should have a bearing on the amount of refund payable. Some recognised that it would be more difficult for an airline to sell a ticket nearer the departure date.

Participants commonly thought that it was unfair to not receive any refund if the airline re-sells the seat as this was viewed as profiting twice from the customer. Participants in the focus groups were shown information stating that if the flight was cancelled more than 60 days before the departure date than