

# CAA review into airline refund practices during the Covid-19 pandemic

## Summary

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The last few months have had a huge impact on aviation and on passengers who have been unable to take their flights and holidays as planned. Border closures and lockdowns meant that more and more flights had to be cancelled, leading to increasing numbers of passengers seeking a refund from their airline. Early on in the pandemic we published guidance<sup>1</sup> for airlines setting out their obligations to offer the choice of a cash refund under Regulation EC261/2004<sup>2</sup>. We also began monitoring how well airlines were dealing with refunds and we began a compliance review in May.

As a result of our review we have achieved a number of important improvements for passengers. There were a number of airlines who were not providing cash refunds and were only offering the choice of a voucher or rebooking. Following discussions with us those airlines have agreed to change their practices and we are pleased to confirm that they are all now offering the choice of a cash refund. We have also ensured that a number of airlines have improved the way in which they inform passengers of a cancellation, providing clearer information about their options and better signposting on how to request a refund. The majority of airlines now provide an on-line method of requesting a refund. Of the small number that still require passengers to telephone their call centre we have required them to focus on reducing call waiting times and making it as easy as possible to request a refund.

The biggest problem that we found was the time that it was taking for airlines to process refunds. We found that only 3 airlines (American Airlines, Jet2 and United Airlines) were providing refunds promptly and did not have significant backlogs. A number of major airlines had significant waiting times for making refunds and as a result of our work they

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<sup>1</sup> <https://www.caa.co.uk/Commercial-industry/Airlines/Guidance-on-consumer-law-for-airlines/>

<sup>2</sup> EC261/2004 of the European Parliament and of the council of 11 February 2004 establishing common rules on compensation and assistance to air passengers in the event of denied boarding and of cancellation or long delay of flights

have implemented plans to significantly reduce the waiting time and to continue delivering improvements in the next few months. Full details of the steps taken by each airline are set out below.

## Introduction

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The Covid-19 pandemic has been unprecedented and has particularly badly hit airlines, with many having to ground their fleets for several months and cancel huge numbers of flights. During the pandemic flights were down by 95%<sup>3</sup> and passenger numbers were down by 99%<sup>4</sup>. We recognise the particular challenges that airlines faced initially due to availability of staff, staff illness and a fundamental change in working practices due to lockdown and social distancing requirements. This contributed to a significant backlog of refunds to process, and extended time periods to process the refund. However, as the pandemic progressed we expected airlines to adapt to the new circumstances and we looked for them to implement new processes to ensure consumers received their refunds. We recognise, though, that in practice it has been challenging for many airlines to bring refund processing times down close to the requirements in the regulation.

As the Covid-19 pandemic started to have a significant effect on flights operating from the UK the CAA published guidance for airlines on the application of Regulation EC261/2004 to cancelled flights. The guidance confirmed that when an airline cancels a flight it must offer passengers the choice of a refund, re-routing at the earliest opportunity or re-routing at a later date (subject to availability). We also noted that given the difficult operating circumstances, there may be significant practical difficulties in providing alternative flights and that a refund may therefore be the only practical option available for passengers. In addition to these options, we also set out our view that it was open to airlines to offer passengers the choice of a voucher to fly at a later date, as long as a cash refund was offered at the same time. The European Commission subsequently issued guidance<sup>5</sup> on the Regulation which re-iterated the options to be offered to passengers. We updated our own guidance to include a link to the Commission guidance.

## Background to our review

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Following the issue of our guidance we monitored how the industry was dealing with the significant volume of flight cancellations. This included reviewing airline websites, direct contacts from passengers, reports from consumer groups such as Which? and the

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<sup>3</sup> For flights in April and May 2020 compared to 2019 - Source CAA UK Airport Statistics

<sup>4</sup> For passenger carryings in April and May 2020 compared to 2019 - Source CAA UK Airport Statistics

<sup>5</sup> <https://ec.europa.eu/transport/sites/transport/files/legislation/c20201830.pdf>

Consumer Council for Northern Ireland and media reporting. We also received data on the number of complaints about airline refunds received by the CMA through its website reporting tool allowing consumers to report unfair behaviour.

As a result of our monitoring, we identified the following main issues:

- some airlines were not providing cash refunds and were only offering the option to rebook or to accept a voucher;
- some airlines were not being clear to passengers what their rights were;
- some airlines were making it unduly difficult for passengers to contact them to notify them of their request for a refund.

As things progressed and huge numbers of flights were being cancelled the most significant problem became the issue of airlines not paying refunds quickly enough. Passengers faced long waits to obtain a refund and had no certainty about how long it would take to get their money back. Regulation EC261/2004 requires refunds to be made within 7 days, however, given the sheer scale of flights being cancelled this was very difficult to achieve for many airlines. Our view has been that airlines should make refunds promptly and over time work towards getting as close to the 7 days as possible.

We launched our review of airline practices in May. We focused on 18 airlines, including all the UK airlines (British Airways, Eastern, easyJet, Jet2, Loganair, TUI and Virgin Atlantic). We also included a number of non-EU airlines which had large operations from the UK or where we had concerns there were significant problems such as long waits for a refund or a failure to provide refunds (Air Canada, Air Transat, American Airlines, Emirates, Etihad, Malaysia Airlines, Turkish Airlines, United Airlines and Westjet). We also included 2 EU airlines (Aer Lingus and Ryanair) in our review, this was due to the size of their operations from the UK and the important connectivity Aer Lingus provides between the UK and Northern Ireland.

We took the decision not to include other EU airlines in our review due to the range of different positions being taken by National Enforcement Bodies (NEB) across the EU. A number of EU governments called<sup>6</sup> on the European Commission to suspend the rules requiring airlines to provide a cash refund and to allow automatic provision of a voucher. Engaging with these other EU airlines at that point would potentially have cut across the discussions that their own governments and NEBs were having with them.

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<sup>6</sup> <https://services.euronews.com/2020/04/29/a-dozen-eu-states-will-today-call-on-brussels-to-suspend-law-granting-refunds-for-cancelle>