

Criteria for an application for and grant of, or variation to, an ATOL: Financial

ATOL Policy and Regulations 2016/01



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Regulation 31 of The Civil Aviation (Air Travel Organisers' Licensing) Regulations 2012 (the ATOL Regulations) states that the Civil Aviation Authority (CAA) must specify and publish the requirements for an application for, and grant of, an Air Travel Organiser's Licence (ATOL) or a variation to an ATOL. In accordance with that Regulation, this document sets out the CAA's financial criteria for ATOL holders¹.

1. Introduction

1.1 Pursuant to Regulations 32(2) and 35(2) of the ATOL Regulations, the CAA may:

- a) refuse an application for the grant of an ATOL; or
- b) refuse an application for the variation of an ATOL; or
- c) revoke, suspend or vary an ATOL,

if the CAA is not satisfied that the resources and financial arrangements of an ATOL holder are adequate for discharging the actual and potential obligations in respect of the activities in which it is engaged or may be expected to be engaged. The grant of an ATOL means the grant of a first ATOL or the grant following expiry of a previous ATOL (i.e. renewal).

1.2 A purpose of the ATOL scheme is to reduce the risk of those businesses that make available flight accommodation failing, and therefore reduce the risk of the consequential detriment to consumers.

1.3 This document sets out the assessments the CAA will undertake to determine whether it can be satisfied with an ATOL holder's financial position. The CAA's assessment is proportionate to an ATOL holder's ATOL limit², the risk of an ATOL holder failing and the consequential detriment to consumers. It may increase its analysis as the ATOL limit applied for increases and/or where, in the opinion of the CAA, there is

¹ The term 'ATOL holder' means an existing ATOL holder or an applicant for a new ATOL, unless otherwise specified.

² For Standard ATOL holders, the 'ATOL limit' means the maximum annual licensable revenue in the Public Sales category authorised under the ATOL. For Small Business ATOL holders the 'ATOL limit' means the annual licensable revenue and the annual number of passengers in the Public Sales category authorised under the ATOL.

potentially a higher likelihood of failure based on the CAA's understanding of its business and its financial performance, as set out in Section 8.

- 1.4 If the CAA determines it appropriate to do so, the CAA will retain, or will require the ATOL holder to retain, a third party expert adviser to assist the CAA in its assessment or provide advice to the CAA.
- 1.5 ATOLs are granted for no more than one year and will normally expire either at the end of March or September. In most cases, the timing depends on the financial year end (FYE) of the ATOL holder and the general position is set out below:
 - ATOL holders with a FYE between 1 June and 30 November are granted ATOLs expiring at the end of March;
 - ATOL holders with a FYE between 1 December and 31 May are granted ATOLs expiring at the end of September.

2. Financial criteria

- 2.1 The normal financial criteria which the CAA applies when assessing an ATOL holder depends on the type of ATOL and the ATOL limit, as set out below and in the Appendix.
- 2.2 If an ATOL holder is part of a Group³ of, or 'related'⁴ to, other ATOL holders the individual ATOL limits of all of the ATOL holders are aggregated in determining the ATOL limit.

³ An 'ATOL holder's Group' is defined in the CAA Official Record Series 3, Schedule of ATOL Standard Terms, as amended from time to time. At the time of publication of this document, the current definition is: "parent undertakings, subsidiary undertakings, joint ventures and associated undertakings of the ATOL holder. The term 'associate' is defined in the Companies Act 2006".

⁴ A 'related party' is defined in the CAA Official Record Series 3, Schedule of ATOL Standard Terms, as amended from time to time. At the time of publication of this document, the current definition is: "a person who has links with the ATOL holder through common shareholders, directors, partners or where there are significant levels of trading or financial links. "Related to the ATOL holder" shall be interpreted accordingly".