

Requirement for bonding and other forms of security

ATOL Policy and Regulations 2016/02



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1. Introduction

- 1.1 This document outlines the CAA's normal policy on its requirement for security from ATOL holders¹.
- 1.2 This document is not intended to be exhaustive and specific requirements will vary from ATOL holder to ATOL holder. Security is normally provided in the form of a bond in favour of the Air Travel Trust (ATT) trustees.

Assessment of resources and financial arrangements

- 1.3 Pursuant to Regulation 32(2) and 35(2) of the Civil Aviation (Air Travel Organisers' Licensing) Regulations 2012 (the ATOL Regulations), the CAA may:

- refuse an application for the grant of an ATOL;
- refuse an application for the variation of an ATOL; or,
- 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 engaged². The grant of an ATOL means the grant of a first ATOL or the grant following the expiry of a previous ATOL (i.e. renewal).

- 1.4 The CAA will carry out an assessment to determine whether it is satisfied with an ATOL holder's financial position. Where the CAA is not satisfied, it has the discretion to nevertheless grant or vary an ATOL to an applicant or ATOL holder whose resources it considers are not adequate for discharging its actual and potential obligations. Therefore, as part of its assessment, the CAA will assess what additional arrangements it may require from the applicant or ATOL holder in order to grant or vary an ATOL.

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

² See Policy Note "Criteria for an application for and grant of, or a variation to, an ATOL: financial" for further details.

- 1.5 When deciding whether or not to exercise its discretion to grant or vary an ATOL the CAA will consider, amongst other things, whether the resources and financial arrangements put in place are adequate in the event that the ATOL holder were to fail (as defined in the ATOL Regulations). On failure the ATOL holder may have unfulfilled obligations (such as refunds and repatriation costs) to consumers. These would, but for its failure, be actual obligations of the ATOL holder. By reason of its failure, any obligations not fulfilled by other arrangements made by the ATOL holder will fall to be met by the trustees of the ATT in accordance with the terms of the ATT Deed³.

2. Standard ATOL and Small Business ATOL

Bond provided to ATT

- 2.1 Bonds are irrevocable undertakings from third party banks or insurance companies (bond obligors) provided to the ATT trustees. In the event that an ATOL holder is unable to meet its obligations to its consumers, the CAA on behalf of the ATT trustees will make a demand for the bond money from the bond obligor. The bond money will be used by the CAA to appoint an alternative ATOL holder to provide consumers with their flight or trip or, where this is not possible, the CAA will use the money to bring home consumers that would otherwise be stranded abroad and/or reimburse consumers that have paid for flights or trips but not yet travelled.
- 2.2 The table below sets out the level of bonding that the CAA normally requires for Standard and Small Business ATOLs. Where a bond is required as a condition of granting an ATOL, the ATOL will not be granted until the bond has been provided to the CAA.

³ See ATT Trust Deed published on the ATOL website: [Air Travel Trust](#).