

Guidance consultation

Cancellations and refunds: helping consumers with rights and routes to refunds

July 2020

1 Introduction

Summary

- 1.1 Since the outbreak of the coronavirus (Covid-19) pandemic, there has been an unprecedented number of trips, holidays, and other events cancelled. In these circumstances, consumers are likely to be entitled to claim a refund from the travel or service provider.
- 1.2 In most circumstances, it is quickest and easiest for consumers to go to the retailer for a refund in the first instance. For a holiday or trip, this may include the hotel, travel agent or airline, or for an event this may be the events company or venue. However, in some circumstances, the consumer may not be able to get a refund from the retailer.
- 1.3 For packaged holidays, if the provider goes out of business, consumers should contact ABTA or ATOL (or a similar guarantee scheme) who represent travel agents and tour operators in the UK. In many circumstances, travel is protected under these industry schemes and consumers may be eligible for a refund.
- 1.4 If the consumer is not covered by a guarantee scheme, then they might be able to make a claim with their credit or debit card provider or their travel insurer.
- 1.5 On 29 June 2020, we [published 2 statements](#) to help consumers understand their rights when claiming a refund for cancelled events or travel arrangements and outlined what we expected from firms.

- 1.6 These statements also committed us to follow up with further guidance outlining our expectations of card providers and insurance providers when helping consumers who are trying to claim money back, where they have not been able to get a refund from either their retailer (ie the travel or service provider) or a relevant guarantee scheme (eg ABTA, ATOL or IATA).
- 1.7 This proposed guidance aims to address the harm caused as a direct result of the coronavirus pandemic. We are proposing that it should be effective for 6 months following the publication of the Final Guidance.

Outcomes we are seeking

- 1.8 This guidance aims to:
- help consumers identify their options to claim for any cancelled travel or events as quickly and easily as possible, from the provider that is likely to produce the best possible outcome for them
 - reduce the risk of consumers being passed between firms, where this is not in the consumer's interest
 - reduce potential inconvenience and frustration for consumers who are struggling to claim for cancelled travel arrangements or events
 - increase consumer understanding of the benefits of the different options available to them
- 1.9 This guidance sets out what we expect from insurance providers and card providers to help consumers when they are claiming for a cancelled trip or event. This guidance applies to any situation where an insurance provider refers a consumer to a card provider for a claim. Most notably we have seen this in the travel industry, but we are aware of other insurance policies this would apply to, for example, event cancellations or wedding cancellations.
- 1.10 In this guidance, when we refer to a claim against a card provider, this may refer to a chargeback claim or a claim covered by section 75 of the Consumer Credit Act (a 'section 75 claim'), and we expect card providers to help consumers with the type of claim that is best for them.
- 1.11 As well as this guidance, we will be working with the Money and Pensions Service (MaPS) to deliver these messages to consumers in the best way possible to increase awareness among consumers of the options available to them.

Who this applies to

- 1.12 This guidance is relevant to:
- insurance providers
 - credit card providers

- debit card providers
- consumer organisations

Next steps

- 1.13 We are asking for comments on this Guidance Consultation (GC) by 13 August 2020. Stakeholders can respond by email to: cancellationsandrefunds@fca.org.uk
- 1.14 We will consider feedback and publish Final Guidance, depending on the responses to this consultation.

2 Context

Wider context

- 2.1 The contractual terms of credit cards, relevant card scheme rules, legislation and specific terms within insurance policies set out the circumstances in which financial services firms have liability in the event of cancelled travel arrangements or events. This is often complex and can be case specific.
- 2.2 If a consumer is eligible for a section 75 claim with their credit card provider, this can often lead to a better outcome for the consumer in terms of the amount of compensation they will receive, relative to an insurance claim, as insurance is likely to have an excess and claim limits. However, there is potential for consumers to be inconvenienced and frustrated if their insurance provider asks them to check with their card provider before making an insurance claim, without explaining why they should do this and how it might lead to a better outcome. To further complicate matters, a section 75 claim against a card provider may not always be possible.

Consumer experience and potential harm

- 2.3 We know that consumers may be experiencing inconvenience and frustration, due to:
- Complexity and delays in getting pay-outs from both card providers and insurance providers.
 - Some insurance providers may not be explaining adequately to consumers why they are being asked to contact their card provider before making an insurance claim, and the possible benefits of this. This creates a risk of consumers feeling confused and treated unfairly, even though the proposed route might deliver a better outcome.
 - Insurance providers asking consumers who are not eligible for a card claim to speak to their card provider, only to be sent back to their insurance provider, causing consumers to feel as though they are being treated unfairly.
- 2.4 To address this potential harm, we propose guidance, as set out below.

3 Proposed temporary guidance - insurance

- 3.1 This guidance is addressed to insurance providers and builds on the [FCA Principles for Business](#): Principles 1 (Integrity), 2 (Skill, care and diligence), 6 (Customers interests), 7 (Communications with clients) and [ICOBS 8.1](#).
- 3.2 The guidance aims to protect consumers who may suffer inconvenience and frustration when trying to get a refund when a service they have booked is cancelled. This may be due to complexity and delays with pay-outs or consumers feeling that they have been passed between different regulated firms without understanding why, and where this might not be in their best interests.
- 3.3 This guidance will be effective for 6 months [date to be inserted]
- 3.4 Insurance firms should:
- Take reasonable steps to minimise the possibility that they refer their customers to card providers, where this would not be in the consumer's interest (ie when they are unlikely to have a valid claim with their card provider). This could include:
 - outlining to the customer what section 75 covers, including where they might not be eligible for the protection
 - asking questions to assess if the customer is unlikely to have the basis for a claim, under section 75, against the card provider
 - highlighting case study examples to help consumers to decide what to do
 - considering possible arrangements with card providers to reduce the scope for consumers to be unfairly passed among regulated firms
 - Explain to their customers why they are asking them to go to their card provider first (where relevant).
 - Explain to their customers the benefits of claiming with their card provider, and why this might lead to a better outcome for them. For example, the customer may be able to claim the full amount they paid (including any consequential losses and expenses) without paying an excess, or recoup losses for all party members on the booking, some of whom may not have insurance.
- 3.5 Any potential claim on an insurance policy will depend on the terms of the policy. However, where an insurance provider requires policyholders to demonstrate or reasonably mitigate a financial loss under the terms of the policy, policyholders should not have to go to unreasonable lengths to do this. For example, where a travel provider is resisting a refund, and the policyholder is unlikely to have a valid section 75 claim, a policyholder should not be expected to take more than reasonable steps to pursue it.

Q1: Do you agree with the guidance set out in section 3?

4 Other considerations

- 4.1 We also expect credit and debit card providers to handle claims in a reasonable timescale, and remind firms of their obligations to treat customers fairly. If there are delays in processing claims, firms should explain clearly the reason for the delay. Where a claim is subsequently rejected they should communicate this clearly and fairly.
- 4.2 Alongside this guidance, we will work with MaPS to continue to get key messages out to consumers in the best way possible. This may include highlighting the difference between section 75, chargeback and insurance claims, and explaining the limitations of each.

Annex 1- Questions in this paper

Q1: Do you agree with the guidance set out in section 3?