

Your guide to packages and Linked Travel Arrangements

Abta's **Simon Bunce** explains how the PTD will change from 2018

The new Package Travel Directive (PTD) will clear its final hurdles in Brussels this autumn and come into effect in the UK in the summer of 2018.

The first step to prepare for the changes is to understand which holidays will be affected.

The new definition of a 'package' is much wider than we are used to. It won't just encompass all holidays which include two or more travel services (transport, accommodation, car hire and other tourist services) that are booked under a single contract with a tour operator. It will also include holidays where the services are booked with separate suppliers where the customer selects the travel services from one shop, call centre or website – including through a travel agent – before agreeing to pay.

This wider definition will turn many holidays that are currently sold as Flight-Plus into packages.

Alongside the package, the directive also creates a new type of regulated holiday – the Linked Travel Arrangement (LTA).

An LTA is a holiday that includes two or more travel services but applies when the customer makes a single visit to a shop or website, and selects and pays for each service separately.

This may not be a particularly common sales model at present, as the customer risks the flight they need not being available after booking the hotel, or vice versa. However, the likely lower

regulatory and compliance costs might see this become a more popular model in future.

These LTA holidays offer less protection to customers, with consequently fewer obligations on the travel company offering them.

There has been much talk of 'click-through' holidays, where a customer typically buys a flight on an airline website and is then directed to buy accommodation on a partner or linked website.

These holidays will be regulated in future either as a package or an LTA. It will be a package when the customer's name, payment details and email address are shared between the two websites, and the customer books the second service within 24 hours of the first. Or it will be an LTA when the customer

"This wider definition will turn many holidays that are currently sold as Flight-Plus into packages"

purchases the second service within 24 hours in response to targeted marketing by web link or email without their name, payment details and email address being transferred.

As with the current directive, packages (and in future LTAs) lasting fewer than 24 hours that do not include overnight accommodation are exempt from regulation, as are single travel services such as flight-only or accommodation-only sales.

The new directive also retains the current exemption for packages organised only occasionally, although the organiser must operate on a not-for-profit basis and offer the packages only to a limited group.

A major change under the directive is the exemption of business travel when travel services are sold to someone buying for business purposes, not on an ad hoc basis. In order to be exempt, there must be a general agreement in place between the travel company and the buyer outlining the terms of the business travel sales for a period of time or a series of sales.

● *This is the first of a three-part series by Simon Bunce on the new Package Travel Directive*

at a glance

NEW DEFINITION OF A 'PACKAGE'

Will apply to two or more services, whether or not sold under separate contracts, if:

● Combined by one trader

OR

● Sold at an inclusive price

OR

● Advertised as a 'package' or similar

OR

● Bought from separate traders through a linked booking process, concluded within 24 hours, with the customer name, payment details and email transferred

Will NOT apply to:

- Trips of fewer than 24 hours with no overnight stay
- Business travel with a 'general agreement' between travel firm and buyer
- Not-for-profit, occasional arrangements

NEW LINKED TRAVEL ARRANGEMENT (LTA)

Will apply to two or more services for a single trip:

- Sold and paid for separately, within 24 hours under separate contracts with individual providers, upon a single contact with a point of sale

OR

- Sold and paid for separately through a linked booking process without transferring customer details

NOTE

- 1) 'Services' means 'carriage', not just flights, plus accommodation, car hire and 'other tourist services'
- 2) A Flight-Plus booking will be a package
- 3) A travel agent may be an 'organiser' or a 'retailer' of a package, depending how they sell



Simon Bunce is head of legal services at Abta

What the new regulations mean to holiday providers

Abta head of legal affairs **Simon Bunce** explains the requirements when selling holidays under the new directive

The new Package Travel Directive (PTD), which comes into effect in 2018, lays down specific rules for sellers of packages and Linked Travel Arrangements (LTAs).

These include new requirements regarding the information that must be given to customers before they make a booking and amended rules about financial protection.

In addition to the usual information about the main details of a booking – such as the dates, destination and price – organisers and retailers of package holidays will be required to give standard information that sets out the rights the customer or customers have because they have bought a package.

This includes information about the customer's right to raise complaints with the organiser if any of the services are not provided properly, the right to an emergency contact number, cancellation rights in the event of significant changes before departure, and information about the financial protection in the event of the organiser's failure.

Customers buying package holidays will also be entitled to information about whether the holiday is generally suitable for persons with reduced mobility. They will also be entitled to ask for precise information on the suitability of the holiday in light of their particular needs.

Information must also be given about

the language in which services will be conducted, if relevant.

In addition, there is standard information that travel companies must give to customers buying an LTA. This will explain that these holidays provide less protection than a package. It will tell customers that they will not get the rights available to package customers and that the seller is responsible only for the travel services it provides, not for the additional services.

It will also explain that any financial protection covering the seller does not protect the customer if the other service providers go bust. Details of what constitutes an LTA were outlined in the first part of this series (*Travel Weekly*, August 6).

"Retailers will be required to give information that sets out a customer's rights"

Package organisers will continue to need financial protection for customers in the event of their failure. At the moment, this is typically done through a scheme such as Abta's or via an Atol.

The new regulations will require any protection scheme to protect the company's sales across the EU, which should make cross-border trading easier.

The directive also means that, as now, package organisers are responsible if any of the travel service providers involved in a holiday goes bust.

Travel companies that arrange LTAs either through click-through sales or via separate sales on websites or in shops will need financial protection to protect the money they hold. When they do this as a travel agent, it will be similar to the pipeline money protection given by Abta retail bonding. When the travel company arranging the LTA is an airline, this will be protection both for the refund of any money held if the airline goes bust before departure and protection for repatriation if the airline fails while the customer is overseas.

● Look out for the third and final part of this series by Simon Bunce in the coming weeks



Simon Bunce is head of legal services at Abta

NEW INFORMATION REQUIREMENTS

SALE OF PACKAGE HOLIDAYS

Both the package organiser and retailer must provide customers with details of:

- Right to raise complaints with organiser
- Right to cancel in event of 'significant' changes
- Financial protection in the event of company failure
- Emergency contact number
- Whether holiday suitable for those with reduced mobility
- If requested, whether a holiday suits the client's particular needs
- If relevant, the language in which services are provided

These are in addition to the standard details of booking. Package organisers will be required to protect customers against the failure of any supplier, as now, but with protection extended to sales across the EU.

SALE OF LINKED TRAVEL ARRANGEMENTS (LTAs)

The seller/arranger must explain:

- The holiday is less protected than a package
- The purchaser will not have the rights of a package customer
- The seller is responsible only for the services it provides
- Its financial protection excludes the failure of other suppliers

The LTA seller will be required to protect customer payments they take against failure. An airline selling an LTA will require financial protection to cover refunds and repatriation.

Implications of the package travel directive for agents

Abta's **Simon Bunce** explains how the PTD will change from 2018

One of the most significant rights the current Package Travel Directive (PTD) gives to customers is the right to hold the package organiser responsible for things that go wrong on holiday, even if the actual services are delivered by other suppliers. The new Package Travel Directive, due to come into effect in 2018, will reinforce this right.

Under the new directive, if you put together a package for a customer, you will be responsible for all the services included as part of the package. This means agents who put together a flight and a hotel, for example, will have the same responsibilities as traditional package holiday organisers.

As at present, the customer will be able to cancel the holiday and receive a full refund from the organiser if any of the travel services are significantly altered before departure.

It also means that if the services that form the package are not delivered properly, the organiser will have to fix any problems or make arrangements for suitable alternatives. If the problems cannot be resolved, and the impact on the customer's holiday is substantial, the customer will have the right to demand to be taken home early at no extra cost.

When the holiday is not provided as it should be – say a hotel is a three-star rather than the five-star property that was booked – the customer may be entitled to a drop in the price of the holiday and

compensation from the organiser.

The new directive addresses unavoidable and extraordinary circumstances, such as the ash cloud that grounded flights in 2010.

At present, it is unclear whether an organiser must pay for any extended accommodation if a customer is unable to return home at the end of their holiday. The new directive makes clear the organiser will have an obligation to pay for necessary accommodation, but only for a period of three days. This accommodation should be the same standard as the package accommodation, if possible. After that, the organiser will be required to provide assistance but will not have to pay for further accommodation. The customer may also have rights against the airline or other transport provider.

"The new directive addresses unavoidable circumstances, such as the ash cloud of 2010"

The limit of three days does not apply if the affected customer notified the organiser before departure that they have reduced mobility, are pregnant, are an unaccompanied minor or need specific medical assistance. In these cases, there is no set limit.

While the liability of package organisers will not change significantly under the new directive, many travel companies may face such liability for the first time due to the widened definition of a package, particularly those offering Flight-Plus arrangements.

All travel companies should review their business models and ensure they adequately protect their positions through effective trading terms with customers and suppliers, and through insurance.

Customers buying Linked Travel Arrangements (LTAs) – a new type of holiday created by the directive – have no additional rights to claim against an LTA arranger for any problems with a holiday other than those under the individual contracts and, in very limited cases, of financial failure.



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at a glance

LIABILITIES EXTENDED

A package 'organiser' – such as an operator – will be liable for delivery of services when things go wrong, as now.

Depending on their business model, travel agents and OTAs may face liabilities similar to tour operators, in particular those now selling Flight-Plus arrangements.

Agents who put together a flight and a hotel or car hire will have the same liabilities as a package organiser, including responsibility to:

- Pay a full refund if a holiday is significantly altered pre-departure
- Fix problems/make alternative arrangements if things go wrong
- Reimburse/compensate a consumer if a holiday falls short of that booked
- Pay for up to three nights' extra accommodation in 'unavoidable and extraordinary circumstances', such as the 2010 ash cloud.

This three-day limit on claims by consumers not requiring assistance is new. There is no time limit where notified in advance of reduced mobility, pregnancy or other need.

The new Linked Travel Arrangements bring no additional liabilities other than those specified in individual contracts or in limited cases of financial failure.

Abta advises all firms to review their business models, check trading terms with customers and suppliers, and ensure they have adequate insurance.

Download it

This is the third and final part of Simon Bunce's guide to how the PTD will change. To download all three, go to: bit.ly/PTDexplained