

Coronavirus (COVID-19): Cancellation and refund updates

The Competition and Markets Authority (CMA) remains of the view that a consumer will generally be entitled to a refund when they have paid money in advance for services or goods that cannot be provided because of the coronavirus pandemic.

Given the evolving situation, the CMA has provided more detail on issues such as the difference between lockdown laws and government guidance, and their impact on cancellations and refunds.

Lockdown laws

These are pieces of legislation such as the various Health Protection Regulations across the UK. If contracts cannot go ahead because of lockdown laws then, for most consumer contracts, the CMA would expect a consumer to be offered a full refund.

If contracts are partially affected by lockdown laws then, depending on the circumstances and the scale of the impact, consumers may be entitled to a refund or a price reduction.

Government guidance

The government has issued guidance in place of or in addition to lockdown laws. As these are guidance and not law, whether a consumer is entitled to a refund will vary according to the specific circumstances.

For example, if a package holiday is cancelled in light of Foreign and Commonwealth Office advice against travel to the relevant country, there are specific protections which mean that consumers should be entitled to a full refund.

In other situations, it will not always be the case that a full refund is due because government guidance does not create legal restrictions and will not necessarily mean that a contract cannot be performed.

But even where that is the case, it is important for businesses and consumers to follow government guidance and it is the CMA's view that businesses should treat their customers fairly and responsibly, including trying to find a mutually acceptable solution.

The CMA has also written to certain package travel companies involved in group trips to explain its view on when customers should be offered a refund.

This follows complaints about some package travel organisers advising customers that they are not entitled to a refund as their contract was between the company and a group, such as a school, rather than made directly

with the customer. It is the CMA's view that the Package Travel Regulations apply to these group travel packages, and that individual customers should be entitled to a refund if they have paid money in advance for a group trip that is cancelled because of the pandemic.

The CMA's statement on consumer protection law, setting out its views, is designed to help consumers understand their rights and to help businesses treat their customers fairly. Ultimately only a court can decide how the law applies in each circumstance.

Head of the CMA's Covid-19 Taskforce Will Hayter said:

Our view is that consumers will generally be entitled to a refund when they have paid in advance for services or goods that cannot be provided because of legal restrictions as a result of the pandemic.

If complying with government guidance adversely impacts consumers, our message to businesses is that they should treat their customers fairly and responsibly – including trying to find a mutually acceptable solution.

In the case of package holidays, including some group trips, if these are cancelled because of the pandemic, for example because of changing Foreign Office travel advice, our clear view is that individual customers who have paid in advance should be entitled to a full refund.

Today's updates come as part of wider CMA work on cancellations and refunds, which has included commitments from major holiday lets firms Sykes Cottages and Vacation Rentals to offer people refunds for cancelled bookings.

Notes to Editors

1. The package holiday regulations referred to are the Package Travel and Linked Travel Arrangements Regulations 2018.
2. For media enquiries, contact the CMA press office on 020 3738 6460 or press@cma.gov.uk.