

RIGHT OF REPENTANCE

Requiring airlines to refund tickets regardless of applicable fare conditions, can make travelling more expensive and stressful for the consumer.

The Issue

Several governments have enacted or are considering a provision called the “right of repentance” as part of consumer protection laws. This right provides passengers with the ability to cancel any ticket and obtain a full refund, within a certain period of time after purchase. In the US, customers can hold reservations for up to 24 hours without penalty; in Colombia, passengers can avail of a full refund up to five days after purchasing a ticket.

IATA's Position

The introduction of a “right of repentance” in consumer protection laws can lead to a series of harmful consequences for the very consumers the rule aims to protect:

- **More overbooking.** A repentance right takes inventory off the market for the duration of the refund period, blocking it from sale to other customers and risking that the seat may not be sold again. As a result, there is more uncertainty in the market for airlines as to the amount of revenues they will actually generate from specific flights. Airlines may therefore tend to overbook more in order to hedge against this uncertainty, resulting in a higher numbers of passengers denied boarding.
- **Higher fares.** The non-refundable fare is a cheaper option for consumers who are ready to commit to travel and are willing to travel under specific fare conditions. It is a product made possible by allowing airlines the certainty of being able to book the revenue. If airlines don't have that certainty, they will not be able to offer non-refundable fares in the marketplace and fares will likely rise to reflect the greater challenges of revenue management airlines will be faced with. In addition, promotional fares will likely cease to exist, depriving consumers of advantageous deals and depriving airlines of the opportunity to sell excess capacity at lower prices.

Such a provision may also violate a country's commitments under existing bilateral air service agreements. In many such agreements there is a “freedom of pricing” clause, which provides carriers the commercial freedom to determine fares and associated conditions.

Many governments have initiated “smarter regulation” or “better regulation” initiatives, which aim cut red tape and increase the ease of doing business. From this perspective, IATA believes a right of repentance is inconsistent with two widely accepted principles in this area:

- **Does it address a clear need?** Is there a market failure in this case that regulation needs to address? The fact that a variety of products exist in the market today – ranging from non-refundable fares to more flexible options – leads us to conclude this is not the case. The market compels airlines to provide a variety of products and services which meet the varying needs of consumers.



- **Is it fair and non-distortive?** Does a right of repentance apply to only to airline tickets, only or to all products? If consumers buy other products – e.g. rail or bus tickets – do they have a right to repent? If other modes of transport are not subject to the same regulation, it creates a competitive disadvantage and distorts the market.

The right of repentance, while a well-intentioned policy, can make travelling more expensive and less convenient for the consumers it aims to protect, in turn harming connectivity. Aviation delivers significant economic and social benefits to the global economy. In addition to connecting peoples and cultures, aviation contributes 3.5% of world GDP. Allowing airlines the commercial freedom to offer a variety of fares, and associated conditions, in the marketplace is key to ensuring increasing levels of connectivity throughout the globe and providing consumers with choice when they travel.