

# CMA Cancellations and Refunds

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The Coronavirus (COVID-19) pandemic has had an enormous effect on all areas of business. There has been significant disruption to the travel and events industries, with many flights cancelled and events such as weddings unable to take place. Consumers have requested refunds where trips or events have been cancelled due to Coronavirus.

Businesses are attempting to mitigate the effect as far as possible to improve chances of survival, but the Competition and Markets Authority (CMA) has expressed concerns about refusal of refunds or unfair practices being adopted where consumers have been obliged to cancel due to Coronavirus. The CMA has recently announced that it will raise or recommend proceedings in court against companies that break consumer protection law.

The CMA exists to ensure that consumers get a good deal when buying products and services, and that businesses operate within the law. The CMA recently established a COVID-19 Taskforce, as it was anticipated that there would be many consumer protection issues during the pandemic. The majority of complaints received thus far by the Taskforce have related to refunds and cancellations, particularly about businesses making the refund process complex, charging high cancellation or administration fees and putting pressure on consumers to accept vouchers instead of cash refunds.

On 30th April 2020 the CMA issued a statement of its position on consumer protection law as it relates to refunds. In particular, the CMA indicated that it would expect customers to be offered full refunds where any of the following circumstances apply:

- A business has cancelled a contract without providing any of the promised goods or services.
- No service is provided by a business; for example, where services cannot be provided due to Government health measures.
- A consumer cancels, or cannot receive services, due to Government health measures.

There are some limited exceptions to this position, such as where a consumer has already received some of the services in advance of cancellation, in which case they may not be entitled to a full refund. A business may be entitled to make a small deduction from a refund to cover the costs incurred under a contract prior to cancellation when it cannot recover those costs by other means. Such deductions are expected to be rare and of low value where they do occur.

Where contracts are for regular services with regular payments being made, consumers are entitled to be refunded for any services that are not provided due to Government public health measures or are entitled to withhold payment for any services that they cannot use. Businesses may be entitled to receive a small payment towards costs until the contract can be resumed, but this will only be allowed where it is expressly and clearly provided for in the contract.

The CMA has stated that this position applies even where a consumer has paid a 'non-refundable' deposit towards services. Businesses should not charge any administration fee for processing refunds. The time taken to process refunds should be reasonable and made clear to consumers. The CMA accepts that it may take longer than usual to process refunds during the pandemic and has not given any further indication as to what length of time will be considered reasonable.

The CMA has indicated that it is permissible to offer alternatives to cash refunds, such as the issue of vouchers or credit for the amount of the booking or allowing the consumer to re-book for a later date. There should not however be any pressure on consumers to accept such alternatives, and they should not be misled into doing so. It must be made clear that a full cash refund is an equally available option. Any restrictions that apply to vouchers, credits and re-booking, such as a defined time period within which vouchers can be redeemed, must be fair and made clear to consumers.



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