

## **Notice to Police Federation clients regarding travel insurance and financial failure cover in the light of the collapse of “Low Cost Holidays”**

We have had a small number of our Police Federation members affected by the collapse of “Low Cost Holidays” which has resulted in them being disappointed that the travel insurance will not provide cover for them.

Of the three travel insurers we use, none would provide cover in these circumstances and it would be rare in the market place for cover to be in place.

Bankruptcy/liquidation of a tour operator, travel agent or transportation company is an industry standard exclusion as the consumer is protected in the vast majority of situations by the ATOL/ABTA bonds and also additionally if paying by credit card. Those customers who paid by debit cards may be able to claim back via the chargeback scheme, where banks give customers back their cash when something goes wrong. Claims must be made within 120 days of the holiday start date. Unlike with credit cards, this is not a legal requirement and at the bank’s discretion.

Some policies available do have cover for Financial Failure Protection at an additional cost, but even this cover would not pay out in the situation regarding “Low Cost Holidays” as it primarily designed to cover consumers who arrange their own holidays rather than go through a travel agent or tour operator for the financial failure of an accommodation or transport booked direct with the supplier.

As “Low Cost Holidays” moved their headquarters to Spain, they avoided the requirement, to be bonded by ATOL and instead were regulated under Spanish Law. We do understand that they are regulated in Spain and if both a flight and hotel were booked the customer can try to reclaim from Govern de les Illes Balears, the Spanish local authority. To do so, the customer needs to email [info.lchspain@caib.es](mailto:info.lchspain@caib.es). However, we are of the understanding that the level of protection offered is poor with any sum reclaimable very limited.

We do sympathise with any members who are left without any insurable losses, but we would like to emphasise that the lack of provision for any cover under the travel insurance is not a reflection of the quality of the policy wording which we believe continues to offer comprehensive, wide and affordable cover to members.

As the overwhelming majority of travel agents and tour operators selling holidays from the UK are ATOL/ABTA bonded, the additional financial failure protection cover is not required for the majority, especially if paying by credit card.

We have enquired with insurers about the prospects of providing cover for such events in the future, but this is a problematic area, as it is impossible to “manage the credit risk” of such poorly regulated companies. From an insurer perspective this presents an unquantifiable risk from an unregulated or poorly regulated operator who chooses to operate from overseas and therefore avoid the need to comply with UK law and offer the consumer the required protection.

The “Low Cost Holidays” case has highlighted the importance of booking trips either through an ATOL/ABTA bonded agent, or if not, paying on credit card is essential. If these guidelines are adhered to, then no members will find themselves without the protection required.

We are sorry that some Federation members have been left without cover due to this financial collapse, but we do believe that to introduce cover into schemes to which only a very small number of members would have any need for; and which must be paid for by all, would not be Treating the Customer Fairly.