Reimbursement and compensation in case of transport cancellation or delay: rights and their enforcement

KEY FINDINGS

The right to reimbursement and compensation for consumers in the event of transport cancellation or delay is guaranteed under European Union (EU) law across various modes of transport. Consumers travelling to and/or from a Member State of the EU may claim a refund or re-routing, as well as a compensation if their journey is cancelled or sufficiently delayed. However, due to low awareness and procedural complexities, numerous consumers do not make their claims.

Following the COVID-19 outbreak, many trips have been cancelled as a result of measures introduced by Member States that substantially restricted travelling. Some companies have refused to refund customers and have imposed on them to use vouchers instead. A number of Member States have also enacted provisions which aimed to avoid reimbursement of travel tickets despite the fact that it was contrary to the EU law. Since the beginning of the COVID-19 crisis, the European Parliament, and the IMCO committee in particular, was continuously indicating that consumers’ rights to reimbursement need to be respected.

This briefing aims to provide consumers with guidance and practical advice concerning their claims for reimbursement and compensation following travel cancellations or delays. It points at complaint forms to use, facilitations such as an alternative dispute resolution and European small claims procedure. It also gives more precise information on claims concerning travel cancellations due to the COVID-19 crisis.

In most cases, the nature of the reimbursement claims is straightforward and would benefit from a system of automated enforcement, which would benefit consumers and would level the playing field for those businesses that honour consumer claims expediently.

General rules governing the right to reimbursement and compensation

1. Transport by air

Air passengers’ rights are governed by Regulation (EC) 261/2004. The legislation allows passengers to ask for reimbursement and compensation when: a) their flight is cancelled, b) their flight is delayed, or c) passengers are denied boarding against their will.
These rights only apply when (1) passengers are travelling to and/or from a Member State of the European Union, (2) passengers are not travelling free of charge or at a reduced fare not available to the public, and (3) passengers are using a motorised fixed wing aircraft.

The reimbursements can be made in the form of a voucher if the passenger agrees.

Rights to reimbursement/compensation for air transport depending on the problem encountered

<table>
<thead>
<tr>
<th></th>
<th>Assistance</th>
<th>Reimbursement</th>
<th>Compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cancellation</td>
<td>Meals, phone calls and accommodation, if necessary.</td>
<td>A choice between (a) reimbursement within seven days of the full cost of the ticket, (b) re-routing, under comparable transport conditions, to their final destination at the earliest opportunity or (c) re-routing, under comparable transport conditions, to their final destination at a later date and at the passenger's convenience, subject to seat availability.</td>
<td>Immediate compensation, following the criteria of the next table (see below), unless the cancellation was notified in advance or is due to extraordinary circumstances.</td>
</tr>
<tr>
<td>Delays</td>
<td>Meals, phone calls and accommodation, if necessary.</td>
<td>If the delay is at least five hours, passengers are given the choice between (a) reimbursement within seven days of the full cost of the ticket, (b) re-routing, under comparable transport conditions, to their final destination at the earliest opportunity or (c) re-routing, under comparable transport conditions, to their final destination at a later date and at the passenger's convenience, subject to seat availability.</td>
<td>Not applicable.</td>
</tr>
<tr>
<td>Boarding denied</td>
<td>Meals, phone calls and accommodation, if necessary.</td>
<td>A choice between (a) reimbursement within seven days of the full cost of the ticket, (b) re-routing, under comparable transport conditions, to their final destination at the earliest opportunity or (c) re-routing, under comparable transport conditions, to their final destination at a later date and at the passenger's convenience, subject to seat availability.</td>
<td>Immediate compensation, following the criteria of the next table (see below).</td>
</tr>
</tbody>
</table>

Source: Authors' own elaboration.
a. Cancellations

For flight cancellations, passengers are entitled to:

- assistance (meals, phone calls and accommodation, if necessary);
- a choice between (a) reimbursement within seven days of the full cost of the ticket, (b) re-routing, under comparable transport conditions, to their final destination at the earliest opportunity or (c) re-routing, under comparable transport conditions, to their final destination at a later date and at the passenger’s convenience, subject to seat availability. The payment can be made in the form of a voucher if the passenger agrees; and
- immediate compensation, unless the cancellation was notified in advance or is due to extraordinary circumstances.

The amount of compensation depending on the duration of the flight

<table>
<thead>
<tr>
<th>Flight length (km)</th>
<th>≤ 1 500 km</th>
<th>1500-3 500 km and EU ≥ 1 500 km</th>
<th>≥ 3 500 km</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compensation</td>
<td>250 EUR</td>
<td>400 EUR</td>
<td>600 EUR</td>
</tr>
</tbody>
</table>

Source: Authors’ own elaboration.

These rights are not applicable when the passengers:

- are informed of the cancellation at least two weeks before the scheduled time of departure;
- are informed of the cancellation between two weeks and seven days before the scheduled time of departure and are offered re-routing, allowing them to depart no more than two hours before the scheduled time of departure and to reach their final destination less than four hours after the scheduled time of arrival; or
- are informed of the cancellation less than seven days before the scheduled time of departure and are offered re-routing, allowing them to depart no more than one hour before the scheduled time of departure and to reach their final destination less than two hours after the scheduled time of arrival.

b. Delays

Subject to the length of the delay, passengers are entitled to:

- assistance (meal, phone calls and accommodation, if necessary); and
- if the delay is at least five hours, passengers are given the choice between (a) reimbursement within seven days of the full cost of the ticket, (b) re-routing, under comparable transport conditions, to their final destination at the earliest opportunity or (c) re-routing, under comparable transport conditions, to their final destination at a later date and at the passenger’s convenience, subject to seat availability.
The delay required to be entitled to assistance

<table>
<thead>
<tr>
<th>Flight length (km)</th>
<th>≤ 1 500 km</th>
<th>1500-3 500 km and EU ≥ 1 500 km</th>
<th>≥ 3 500 km</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delay required to benefit from assistance</td>
<td>2 hours</td>
<td>3 hours</td>
<td>4 hours</td>
</tr>
</tbody>
</table>

Source: Authors’ own elaboration.

c. Boarding denied

Passengers who are denied boarding must be offered:

- assistance (meals, phone calls and accommodation if necessary);
- a choice between (a) reimbursement within seven days of the full cost of the ticket, (b) re-routing, under comparable transport conditions, to their final destination at the earliest opportunity or (c) re-routing, under comparable transport conditions, to their final destination at a later date and at the passenger’s convenience, subject to seat availability; and
- immediate compensation, with the same amounts as set in the table above.

2. Sea and inland waterways

Passengers travelling by sea and along waterways are protected in the event of delay or cancellation under Regulation (EU) 1177/2010.

Certain conditions must be met in order for passengers to invoke their rights: (1) the port of embarkation or/and disembarkation must be located on the territory of a Member State of the European Union, (2) the ship must be motorised, (3) must carry more than 12 passengers and (4) include at least 3 crew members.

Where a carrier reasonably expects a passenger service to be cancelled or delayed in departure from a terminal for more than 90 minutes, or if a passenger service is cancelled or delayed for more than 90 minutes at departure, passengers are entitled to:

- an immediate choice between (a) re-routing to the final destination, under comparable conditions at the earliest opportunity and with no additional costs or (b) reimbursement of the ticket price within 7 days and where relevant, a return service free of charge to the first point of departure, at the earliest opportunity. The payment may be made in the form of a voucher or other services equivalent to the price of the ticket if the passenger agrees;
- assistance (snacks, meals or refreshments), provided that they can be supplied.

If there is a delay on arrival at the final destination, passengers are entitled to compensation of 50% or 25% of the price of the ticket depending on the length of the delay and the duration of the trip.

The compensation must be paid within one month after the submission of the request for compensation. It may be paid in vouchers/other services if the conditions are flexible and if the passenger agrees.
3. Rail transport

The rights of passengers travelling by train on the territory of the European Union are governed by Regulation (EC) 1371/20075.

If a train is cancelled or delayed for more than 60 minutes at arrival, passengers are entitled to:

- assistance (meals, accommodation if necessary, unless the cancellation/delay is caused by bad weather); and

- a choice between (a) reimbursement of the full cost of the ticket within one month, (b) continuation or re-routing under comparable transport conditions to the final destination at the earliest opportunity, (c) or at a later date at the passenger's convenience6.

When no reimbursement is made, passengers are entitled to compensation whilst keeping their right of transport according to the table below.

<table>
<thead>
<tr>
<th>Delay length</th>
<th>60 - 119 mins</th>
<th>≥120 mins</th>
</tr>
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<tbody>
<tr>
<td>Compensation (% of ticket price)</td>
<td>25%</td>
<td>50%</td>
</tr>
</tbody>
</table>

Source: Authors' own elaboration.

The passengers are not entitled to these rights if they were aware of the delay before buying the ticket7. It must be paid within one month of the submission of the request.

Member States may derogate from this regulation for (a) domestic rail passenger services, (b) local services (urban, suburban and regional trains) and (c) if a significant part of the service is located outside of the European Union8.

If the delay is linked to force majeure, the carrier will still have to pay compensation9.

4. Coach and bus transport

Coach and bus passengers' rights are governed by Regulation (EU) 181/201110. These provisions apply when (1) the boarding and/or alighting of passengers is situated in a Member State, and (2) the scheduled distance is 250 km minimum11.

When a bus/coach is cancelled or delayed in departure from a terminal for more than 120 minutes or in the case of overbooking, passengers are entitled to a choice between (a) continuing the journey or re-routing to the final destination at no additional cost and at the earliest opportunity or (b) reimbursement of the ticket price within fourteen days.

If the carrier fails to give passengers the choice between option (a) and (b), they can claim compensation equivalent to 50% of the ticket price in addition to reimbursement. The compensation must be paid within one month of the submission of the request.

In the event of cancellation or of a 90 minute delay for a journey longer than three hours, assistance must be provided, such as snacks, meals and refreshments if they can be supplied, and accommodation if needed.

Until March 2021, Member States may however derogate from these obligations for (a) domestic regular services and (b) regular services with a significant part of the service operated outside the European Union12. To find out which Member States apply the exemption, please read the list of Member States with the applicable regime13.
5. The Package Travel Directive

Many consumers choose to go on holiday with package tours, including one or various types of accommodation and different means of transport. In order to protect consumers booking such holidays through tour operators or travel agencies, a directive on Package Travel was adopted (Directive (EU) 2015/2302)\(^1\). It applies when there is one organiser who is responsible for the performance of the package as a whole.

The directive provides that Member States must ensure that travellers purchasing a package are fully protected against the organiser’s insolvency. They must also provide security for the refund of all payments made by or on behalf of the travellers.

The directive does not cover: (a) travel packages shorter than 24 hours unless overnight accommodation is included, (b) packages offered occasionally and on a not-for-profit basis to a limited group, (c) packages purchased on the basis of an agreement with a person acting for purposes concerning his trade, business or profession\(^1\).

If an organiser of a package cancels the tour, travellers are entitled to a refund and compensation. If the organiser or retailer becomes insolvent, payments will be refunded. Reimbursements must be made within fourteen days after the package is terminated.

However, the trader does not need to pay compensation if the trip is cancelled due to "unavoidable and extraordinary circumstance", which is the case for COVID-19\(^1\). The decision to cancel the trip may also come from the travellers in this scenario.

If this occurs, travellers are entitled to a full reimbursement of any payments made for the tour package, within 14 days after termination of the contract\(^1\). They may, if they wish, obtain a voucher to take part in the trip at a later time.

Challenges of the enforcement of reimbursement and compensation rights

It is broadly acknowledged that practical enforcement of rights to reimbursement, granted to consumers under the EU law, is strongly fragmented and incomplete, causing market disruptions for companies and financial stress for consumers. Despite a comprehensive range of European rights granted to consumers, the effective enforcement of these rights is limited due to: 1) limited awareness of these rights among consumers, and 2) multiple barriers that consumers face when trying to individually enforce their rights\(^1\).

A Eurobarometer survey\(^1\) carried out in 2019 indicated that only 32% of respondents declared to be aware of their rights to reimbursement or compensation\(^1\). Only 1/3 of consumers enforce their rights as they do not know what to do or do not expect a satisfactory outcome\(^1\).

Since the air passengers' rights regulation came into force, approximately 180 cases have been debated at the European Court of Justice alone in order to clarify the meanings of delay, extraordinary circumstances, technical defects, time of arrival, etc. Both carriers and National Enforcement Bodies (NEBs) indicate that national courts give judgements on the same topics with contradicting outcomes. The concepts of
assistance, re-routing under comparable conditions and conditions for compensation are still not applied in a uniform manner.

Members States do not always implement correctly the rights guaranteed for consumers in European directives. In July 2020, the European Commission launched infringement proceedings by sending a letter of formal notice to Czechia, Cyprus, Greece, France, Italy, Croatia, Lithuania, Poland, Portugal and Slovakia on the grounds that their national rules infringe EU law on consumers' and travellers' rights, in particular Article 12(4) of the Package Travel Directive.

Companies which benefit from consumer claims not being introduced or not being effectively pursued, get an unfair advantage over their competitors, while consumers suffer significant losses.

How to individually claim a reimbursement or compensation

In order to claim a reimbursement or compensation directly from the carrier, consumers of air transportation services can use the following EU complaint form.

If the carrier fails to respond or if the response is not satisfactory, consumers may complain to the National Enforcement Body in the EU country where the incident took place. Which NEB should be contacted will depend on the mode of transport: air, rail, maritime, or road. The drawback of this procedure is that if the carrier chooses to refuse the consumer’s complaint, the NEBs in general cannot take binding decisions with regards to individual complaints.

When encountering difficulties with a request, a consumer may resort to the assistance of the European Consumer Centres (ECC) which can help to settle a dispute with a seller based in another EU country (or Iceland or Norway). The list of ECCs per Member State can be found here.

If a consumer’s complaint is not followed, the consumer concerned may resort to an alternative dispute resolution (ADR) or to a court.

Alternative dispute resolution allows for settling a complaint out-of-court with the assistance of an impartial dispute resolution body. Resolving consumer disputes this way is easier, faster and less expensive than going to court. However, some carriers may chose not to be bound by decisions of alternative dispute resolution bodies. Competent dispute resolution can be identified following this link.

If transport, accommodation or travel packages have been booked online, consumers can submit their complaint on the European Online Dispute Resolution platform. The complaint will then be transferred to the ADR body within 30 days. Following the nomination of the ADR body, the entire process will take 90 days.

Ultimately, consumers can take their case before national courts in order to claim a reimbursement or a compensation. Courts remain the ultimate way of binding dispute resolution although this path is more lengthy, costly and may prove to be complex in some cases.

In order to facilitate the enforcement of cross-border claims not exceeding EUR 5,000 by courts, the European Parliament and the Council established a European small claims procedure. Filing of this claim does not require assistance of a lawyer and can be made by completing a simple form available electronically. The regulation applies between all Member States of the European Union with the exception of Denmark. The small claims procedure operates on the basis of standard forms. It is a written procedure unless an oral hearing is considered necessary by the court. The regulation also establishes time limits for the parties and for the court, in order to speed up litigation.

If a Member State has enacted law contrary to EU law (e.g. a law allowing airlines to impose vouchers), consumers can submit a complaint to the European Commission through this form. However, the
Commission’s action in response to complaints is unlikely to directly resolve a consumer’s personal situation. Following the submission of the request, the Commission may take up to 12 months to assess the complaint. Submitting a complaint to the Commission does not suspend the time limits for starting legal action under national law.

**Invoking rights to reimbursement during the COVID-19 pandemic**

The European legal framework protects consumers in cases of cancellation and delays in various situations, including the COVID-19 pandemic, regardless of the mode of transport or reservation.

1. **Supremacy of EU law over national measures**

With the outbreak of COVID-19, restriction measures were implemented and many trips were cancelled. Although passenger rights are governed by EU law, numerous Member States put in place legislation obliging consumers to use a voucher rather than a refund, thus contradicting European provisions.

It is important to point out that the consequences of this contradiction are governed by the principle of supremacy of EU law, which was established in 1964 in the case of *Costa v ENEL* and has become the cornerstone of European legislation. This principle entails that when the EU enacts in a field falling within its competences, EU law prevails over national legislation. Domestic provisions conflicting with European legal provisions must be set aside (*C-106/77 Simmenthal*). This principle applies whether the national law was adopted before or after the Costa case and aims to ensure the uniform protection of European citizens across all Member States.

2. **Rights to claim reimbursements for cancellations due to COVID-19**

The spread of the COVID-19 pandemic has aggravated problems of reimbursements. Many consumers have seen their trips being cancelled without correct enforcement of their rights under EU law. In order to raise awareness of rights and protect consumers, the European Parliament has held many debates, where MEPs highlighted the need for better enforcement of consumers’ reimbursement rights. On 23 March 2020, the IMCO committee addressed a letter to the EU Commission Executive Vice-President Margrethe Vestager, Commissioners Thierry Breton and Didier Reynders, as well as to the Croatian Presidency of the Council, calling for further action to be taken to tackle the COVID-19 crisis and indicating at importance of reimbursement rights for European consumers. The IMCO committee met on 2 April 2020 with Commissioner Thierry Breton and on 14 April 2020 with Commissioner Didier Reynders to review COVID-19 related measures and instruments, stressing the prevalence of the European right to reimbursement in case of cancellations. MEPs have also submitted written questions concerning the reimbursement of tickets bought by European consumers.

It is essential to recall that reimbursements can be made in the form of a refund or a voucher, and that this decision remains at the discretion of the consumer. Imposing a voucher on consumers is contrary to EU law. On 18 March 2020, the Commission recalled these rules by issuing *Interpretative Guidelines* on EU passenger rights regulations in the context of the developing situation with COVID-19. and again on 13 May 2020 with the *Commission Recommendation* on vouchers offered to passengers as an alternative to
reimbursement for cancelled package travel and transport services in the context of the COVID-19 pandemic.

However, claims for compensation are unlikely to succeed for air transportation, maritime transportation and consumers booking travel packages. In these cases, the right to compensation will not apply if a carrier can prove that cancellation (in case of air transportation) or cancellation/delay (in case of maritime transportation) is caused by extraordinary circumstances which cannot have been avoided even if all reasonable measures had been taken.

Automated enforcement and Artificial Intelligence - a possible way forward

The Court of Auditors, in its 2018 report found that the current system of handling reimbursements and compensation implies a significant administrative burden on both carriers and consumers as millions of claims have to be individually submitted and handled, resulting in non-transparency and discriminatory treatment. The Court recommended obliging the carriers to execute automatic (without a specific request) payments to consumers who have provided the necessary information at the time of purchasing the ticket.

By analogy to solutions applied in the field of computing and privacy, the enforcement of consumer rights to reimbursement could be made by design. The legal obligations could be integrated into the technological design of IT systems operated by carriers and the technical architecture should include the rules on reimbursement.

According to research commissioned by the IMCO committee, Artificial Intelligence could directly contribute to the implementation of consumer protection law by addressing the detection of law infringements and the assessment of compliance, as well as by supporting consumers in the exercise of their rights. Artificial Intelligence may help consumers and their organisations in determining illegal contractual clauses. An example in this direction is offered by CLAUDETTE, an online system which uses machine learning techniques to automatically detect unfair clauses in online contracts and in privacy policies.

Ibid. Article 3.


Ibid. Article 17.


Ibid. Article 16.

Ibid. Article 17.

Ibid. Article 12.

Ibid. Article 2(4) and 2(5).


Ibid. Article 2.

Ibid. Article 12(2).


