

Wedding and event venue provider

From: Gordon Ashworth
Project Director

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Dear Sir or Madam

Advance payment and cancellation terms in the consumer contracts of wedding and event venue providers

The Competition and Markets Authority (CMA),¹ in cooperation with members of the Consumer Protection Partnership (CPP),² including Trading Standards Services (TSS) and Citizens Advice (CitA), has been assessing the use of advance payment and cancellation terms in business to consumer contracts. This included reviewing contract terms used by a number of providers of venues for weddings and other events (such as anniversary and birthday parties) and enquiries made by consumers to CPP members, to consider providers' compliance with consumer protection law.

The CMA and the CPP found that advance payment and cancellation terms are commonly used by venue providers, including terms regarding non-refundable deposits, schedules of advance payments and sliding scales of cancellation charges. In certain circumstances, these terms may be unfair to consumers, cause consumers financial loss and breach consumer protection law.

Consequently, we are writing to major venue providers, including your business, to raise your awareness of the potential for consumer contract terms to be unfair, and the need for you to ensure that your contract terms comply with consumer protection law.

For the avoidance of doubt, the CMA has not opened a formal investigation or made a finding on whether your business' terms could be unfair. However, based on our

¹ The Competition and Markets Authority (CMA), the UK's primary competition and consumer authority, has a lead role regarding unfair terms law, which it carries out in partnership with Trading Standards Services (TSS), and targets its action where it can secure wide-ranging changes to markets.

² The Consumer Protection Partnership (CPP) brings together key partners within the UK consumer landscape to jointly identify and prioritise areas where there is greatest consumer harm, and to agree and coordinate collective action. Its members include the CMA, Department for Business, Innovation and Skills, TSS and Citizens Advice.

findings across this sector, we recommend that you review, and where necessary revise, your current consumer contract terms to ensure they comply with consumer protection law.

Should you review your terms, you may find it helpful to consider the CMA's recently updated [guidance on unfair contract terms](#), and the short guides for [businesses on unfair contract terms](#), and [advance payment and cancellation terms](#). The latter highlights some issues regarding advance payment and cancellation terms that would merit a particular focus as part of your review. The CMA has also published a short [guide](#) for consumers to inform them of their rights and how to respond if they think they have been subject to an unfair cancellation term.

It is also recommended that you engage with your relevant TSS when reviewing your terms. We have worked closely with TSS and have provided information and guidance to the [Chartered Trading Standards Institute](#) to assist TSS to consider terms and take appropriate action to ensure compliance.

The CMA and TSS can take action (ranging from guidance to enforcement action) to stop businesses using unfair terms, where the CMA or TSS consider terms in consumer contracts to be unfair.

Key issues

The Consumer Rights Act 2015 requires terms in consumer contracts and notices to be fair. Terms are unfair if their wording tilts the rights and responsibilities between the consumer and the business too much in favour of the business. Terms should be communicated to consumers in a clear, informative and easily understandable way.

The CMA and CPP review of consumer contract terms, and of consumer enquiries made to CPP members, found examples of potentially unfair advance payment and cancellation terms.

The CMA and the CPP consider that terms regarding advance payments and cancellation charges are *less likely* to be fair where:

- **Deposits** are non-refundable when the amount is more than that required by the business to represent the consumer's payment to reserve the services.
- **Advance payments** are more than that required by the business to cover its actual costs.
- **Non-refundable advance payments** and **cancellation charges** are calculated to cover all of the business' costs and loss of profit.
- **Sliding scales of cancellation charges** allow the business to recover more from the consumer than the losses it is likely to suffer if the consumer cancels.

If, on cancellation by consumers, the amount kept or charged by the business is too much, or consumers have to pay a fixed amount in all circumstances, the business may be receiving double compensation, and consumers may be paying a disproportionate financial sanction.

The CMA and the CPP consider that terms regarding advance payments and cancellation charges are *more likely* to be fair where:

- **Deposits** act as a reservation fee for the services and so are a small percentage of the total price.
- **Advance payments** and instalment schedules reflect only the business' actual costs and leave consumers with a final amount of the total cost still to pay when the business provides the services.
- **Non-refundable advance payments** and **cancellation charges** reflect the business' net costs *or* net loss of profit resulting *directly* from the cancellation – for example, the business' actual loss of profit minus the amount it has saved from not providing the services or finding another consumer.
- **Sliding scales of cancellation charges** provide certainty to consumers and reflect the business' genuine pre-estimate of loss resulting *directly* from the cancellation.

Next steps

Unfair terms are not legally binding on consumers, who can challenge them in court. Only a court can determine if a term is unfair. However, the CMA and TSS will consider taking enforcement action against a business where there is evidence that they are relying on potentially unfair terms.

We recommend that you review, and where necessary revise, your consumer contract terms, particularly your advance payment and cancellation terms, to ensure they comply with consumer protection law. It is to your benefit to ensure your terms are clear and fair. This will save you time, help prevent disputes and reputational damage, and protect your business if something goes wrong.

If you wish to seek advice on your consumer contract terms, you may wish to obtain independent legal advice and contact Trading Standards (either your Primary Authority, Home Authority or local authority TSS, as appropriate) and/or a Trade Association.

We have informed the relevant Trading Standards that we have raised these issues with your business. We have also published a generic version of this letter and our

short guides for business and consumers on the [CMA's webpages](#). More information on unfair contract terms in general is also available from the [CMA's webpages](#).

Yours faithfully

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