



Airline Insolvency Review Team

By email: airlineinsolvency@dft.gsi.gov.uk

15 May 2018

Dear Sir/Madam,

Worldpay response to the Airline Insolvency Review: A call for evidence

I am writing on behalf of Worldpay in response to the Airline Insolvency Review's call for evidence, published 16 April 2018. Worldpay is a leading payments technology company with significant capability to power global integrated omni-commerce. Worldpay processes over 40 billion transactions annually through more than 300 payment types across 146 countries and 126 currencies. We provide payment services to a number of large international airlines, including British Airways, the UK's flagship carrier.

We recognise the inconsistencies in consumer protection that currently exist and which the Review is aimed at addressing. We think there is scope for all market participants – including consumers, airlines, payment intermediaries, and taxpayers – to benefit from harmonisation in these protections. We would also support the Review's exploration of insurance-based solutions to the issue.

In the event of the insolvency of an airline for which we acquire card payments for air ticket purchase, we face significant liability for chargebacks from passengers that have paid for their tickets using cards. In some circumstances following airline insolvency, we will also face liability through our agreements with travel protection schemes (such as ATOL).

In the call for evidence, views are requested on the proposed principles for the review. Overall, we believe these will form a strong foundation for the review. In terms of specific comments on each principle:

- **The beneficiary pays for protection:** To minimise potential moral hazard, Worldpay agrees with the position set out in the call for evidence that the primary direct beneficiaries of any increased protections – that is, passengers – should bear at least some of the increase in costs resulting from any proposed changes.
- **Efficient allocation of risk:** We agree that the current situation in which protections vary, based on the booking channel (travel agent vs direct from airline) and payment instrument used (credit vs debit card), creates risks and is suboptimal. There are also additional consumer protection considerations and risks associated with repatriating stranded passengers. Where an airline fails to deliver the services to passengers, those passengers have the right to claim back for the use of certain payment methods (like cards), but not all (like cheques or bank account transfers). The payments industry (UK Finance) and financial services regulators (such as The Payment Systems Regulator) are doing work to consider consumer protection across the payment methods in use, in particular in light of the introduction of the Second Payment Services Directive. The risks of airline insolvency should be allocated to those best placed to manage and control them. This includes passengers themselves (who have the choice of airline they fly with) but also, for example, commercial entities that specialise in the management of insolvency risk, such as insurance companies.

- **Minimisation of market distortions:** We agree that this is a key principle. We note that the market for payment acquiring services is a global one and urge the review to avoid proposals that could either (i) place UK-based acquirers at a competitive disadvantage to our non-UK-based competitors, or (ii) make the provision of acquiring services to airlines economically unfeasible.
- **Simplicity for passengers:** Given the current rapid pace of payments innovation, we expect that the payment methods and instruments used by consumers is likely to increase. As a result, we would encourage the approach to harmonisation of consumer protections to be independent of payment method or instrument.

We would be happy to meet with you to discuss our submission and our wider commercial approach to providing payment services to the airline industry.

Yours sincerely,



Director of Public Policy