

## **PT Trustees Ltd (“PT Trustees”) Responses to “Package travel – updating the framework 2025” Consultation**

PT Trustees welcomes the opportunity to contribute to the “Package Travel – Updating the Framework 2025” consultation. We refer to our previous submission to the December 2023 Call for Evidence on the Package Travel Regulations, as well as our responses to the January 2023 consultation on ATOL Reform: Assessing the Impact of the Options for Reform.

Throughout these consultations, PT Trustees has consistently supported the Hybrid Trust and Bond/Insurance model.

As a major provider of Bespoke and/or regulated Trust and Escrow services for Travel and Non-Travel business verticals to financially protect beneficiary funds, PT Trustees has a proven track record in operating effective, compliant, and scalable Trust/Escrow Accounts and Hybrid models for insolvency protection. Our experience clearly demonstrates that there is no conflict in operating a Hybrid Trust and Bond/Insurance arrangement. On the contrary, it represents a pragmatic and clearly defined modern solution that balances financial protection, operational flexibility, and regulatory oversight.

PT Trustees operates Hybrid Trust and Insurance model in Europe and indeed such a model is the subject of current PTR consultations in Europe.

There is a misconception that Hybrid Trust and Bond/Insurance models cannot co-exist due to uncertainties about responsibilities. Our experience clearly shows there is no such conflict providing the Trust Deed is drafted precisely as is the case with Trust Deeds we use for our Hybrid models. The Hybrid model is not complex. The Trust Deed removes complexity and provides clearly defined rules which are executed and monitored by independent professional trustees. In practice, this model has proven both sensible and practical enabling a proportion of consumer funds to be secured within a Trust Account, while the remainder, which is protected by an appropriate bond or insurance policy, provides the flexibility of cash flow for the organiser to pay suppliers.

There is no conflict since each stakeholder’s role is clearly defined in the Trust Deed. In an event in default, a Hybrid model offers clarity of responsibility and operates efficiently because of the granular data that an organisation like PT Trustees holds for all bookings. PT Trustees knows precisely the quantum of funds held in Trust for each booking with the balance protected by the bond or insurance mechanism.

The Hybrid model gives Travel Organisers greater flexibility. It allows working capital to be managed more effectively (while still protecting defined consumer funds); and enhances confidence for Merchant Acquirers, bond providers and insurers. The presence of an independent trustee ensures rigorous oversight, transparency, and real-time access to reconciled, granular data, which is essential for risk management.

For regulators, bond providers, insurers, and Merchant Acquirers, this means confidence in the integrity of the consumer protection framework. And for consumers, it provides certainty that their funds are safeguarded, and refunds will be processed swiftly and fairly when needed.

We strongly echo a major Travel Organiser's call for clear safeguards around client money. As they noted in their response: *"The only secure and low-cost way to safeguard client money against travel company failure is to prohibit firms from spending it before they have earned it, be that in a Trust or Escrow account."* Like this Travel Organiser, we see the trust model as a proven, cost-effective method for consumer protection, one that can be profitable and transparent.

In a sector as dynamic and trust sensitive as travel, we believe the Hybrid Trust and Bond/Insurance model, administered by experienced trustees like PT Trustees, is effective and essential, addressing both protection of consumer funds and the commercial imperative of Travel Organisers.

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### How rules should apply to UK-only package holidays

- 1. Question:** Do you think that domestic-only arrangements that do not include travel should be exempt from the regulations?

**PT Trustees Response:**

No. Funds related to domestic-only arrangements that do not include travel should be protected otherwise we are in danger of creating a two-tier protection regime and potentially causing confusion for travellers and uncertainty for Travel Organisers.

Should this exemption be introduced, the financial costs of compensation in the event of a failure would likely shift to Merchant Acquirers. It would therefore not be unreasonable for Merchant Acquirers to seek additional security or guarantees to mitigate their financial exposure and protect their interests.

The unintended consequence will be to complicate the position in that a Travel Organiser is likely to be asked to provide two forms of protection, one under the PTRs and the other one to the Merchant Acquirer.

In the event of a failure, there will be two parties involved, creating confusion and additional administrative work for consumers as to who is going to refund them.

What is not clear to us is the potential impact on insurance premiums. Excluding travel from domestic-only packages from protection may alter the insurer's risk profile and pricing model. If a significant element of the covered risk is removed, it is unclear whether the remaining cover, for non-travel-related elements, would result in higher premiums.

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- 2. Question:** If you offer or have considered offering domestic packages, what impact does the current regulatory regime have on your decision to put together domestic packages?

**PT Trustees Response:**

PT Trustees has no comment.

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**3. Question:** Would removing domestic packages that do not include a travel element from the scope of the regulations support businesses to:

a) offer more choice? **PT Trustees has no comment.**

- i) Yes
- ii) No
- iii) I do not know

b) offer lower cost options? **Unlikely.**

- i) Yes
- ii) No
- iii) I do not know

Please explain your response, setting out how and to what extent this reform could lead to benefits or detriment to business.

**PT Trustees Response:**

We do not follow the logic that in removing domestic packages that do not include a travel element from the scope of the regulations would result in businesses offering lower cost options. We think it would expose businesses to reputational risks and potential loss of confidence of consumers.

- Striking a balance between providing choices and ensuring quality consumer protection is a challenge that needs careful consideration. It will undoubtedly lead to higher administration costs as businesses will need to modify their systems and train their people to adapt to this new model. There is also then the challenge of explaining to consumers why they may not be receiving the same level of protection or why the level of protection has been reduced or curtailed.
- It is crucial to remind, as regulators are aware, that there is a growing demand for increased protection in view of the greater number of package holidays being booked. The influence being that these packages are protected. The pandemic made consumers aware how important it is to book a holiday with protection, whether domestic or international. Despite consumers not fully comprehending the full intricacies involved, they are certainly aware of the need for protection when booking holidays, which is why they often choose to pay with debit and with credit cards.

A business that can market and sell their holidays with protection benefits from increased consumer confidence.

- We would advocate that DBT might consider improving the Regulations by introducing Consumer Protection Certificates for domestic packages, mirroring the ATOL certificates used for international packages. We raised this point in our response to the Call for Evidence Consultation in 2023.

## Regulation of linked travel arrangements (LTAs)

**4. Question:** What do you think the regulatory position on linked travel arrangements should be?

- kept as it is
- simplified by extending the scope of type A and removing type B
- something else
- I do not know

Please explain your answer, outlining potential impacts on businesses and consumers and any evidence that informed your position.

### PT Trustees Response:

We recommend eliminating the concept of LTAs altogether and instead clarifying whether a sale constitutes a package or not. If LTAs are to be retained, extending the scope of Type A is a more practical framework.

If DBT believes that certain arrangements should be regulated, those arrangements should be included within the definition of a package and should be made simple for everyone. There is no benefit of including arrangements within the PTRs that are not packages (but could potentially become packages). This approach introduces ambiguity and confusion for both Travel Organisers and consumers.

## Flexibility over how insolvency protection is provided

**5. Question:** Would increasing flexibility in how businesses can get insolvency protection benefit businesses to meet their obligations under the regulations?

- yes
- no
- I do not know

PT Trustees, based on its 13 years' experience, strongly advocates a data driven approach to assist in the protection of consumer funds. That would require an independent party such as a trustee to receive, process and manage granular data. Such an arrangement would provide great assistance to both the Travel Organiser and responsible bodies to fully understand whether consumer funds are protected.

The collation and management of such data should then be used to define the insolvency protection model on a case-by-case basis.

The CAA's latest consultation on the proposal to amend ATOL standard Term 5 in February 2025 does indeed talk about Travel Organisers with turnover of above £20M as being required to record, maintain and provide to the CAA upon request, specific items of booking data for each public sale (as defined in ATOL Standard Term 3.3).

## PT Trustees Response:

Increased flexibility, along the lines adopted for ATOL Packages, should potentially assist businesses in meeting their obligations under the Regulations by providing tailored approaches that align with their specific operational needs and challenges. PT Trustees endorsed the Hybrid option in its ATOL Reform submission in March 2023 and the PTR Updating the Framework response in December 2023.

**PT Trustees strongly advocates the Hybrid Approach**, a combination of Trust and Bond/Insurance to cover funds not in Trust. This model would be both realistic and effective in protecting consumers. For instance, there may be a requirement to place 60% of consumer funds into the Trust Account and have in place a Bond or an Insurance to cover the remaining 40% of the funds not in Trust.

Key benefits of such an approach:

➤ Tailored Flexibility

This approach allows the regulator to tailor the split per Travel Organiser that addresses consumer protection and from a Travel Organiser's perspective, in a way that best fits its cash flow and working capital needs. A one-size-fits-all and a fixed value insurance bond that stays the same throughout the year, regardless of changing level of risks, is both expensive and an imprecise tool in addressing actual risks.

➤ Cash-flow Relief

By holding only a portion of funds in trust, Travel Organisers retain liquidity to pay suppliers and operate, while the Bond/Insurance covers the remainder. Clearly such monies should not be used for working capital.

➤ Risk-Sharing with Insurers

Insurers bear a defined slice of insolvency risk (the bond portion), making them more willing to underwrite cover at competitive rates because granular data through PT Trustees reduces their uncertainty.

➤ Improved Market Capacity

Sharing risk and providing trustees' real-time data encourages insurers (and reinsurers) to deploy more capacity to the travel sector, alleviating the "hard market" squeeze on pure insurance solutions.

➤ Merchant-Acquirer Confidence

Acquirers see lower settlement risk when trust accounts (monitored by independent trustees such as PT Trustees) protect consumer funds – they are less likely to demand onerous security or simply refusing to provide acquiring.

➤ Simplicity and Scalability

There need not be many such models. In practice and based on PT Trustees' real world experience such models are relatively simple and, in any case, risks would end up being

assessed by the insurers as they are experts in that field and they in turn rely on the Trustee to manage the risk, so far as operation of the Trust is concerned.

➤ Transparency and Oversight

Such a model is both flexible and transparent in that Stakeholders have full access to reconciled transactional data for Consumer Protection. **The collation, management and use of granular data has to be a critical component of any Trust, not least a Hybrid Trust.**

➤ Event in Default:

In an event in default, there will be great clarity based on this granular data as to the quantum of refunds to be made. There will be no doubt as to how much money is held in a Hybrid Trust for every booking, with the balance in respect of an individual booking covered by an insurance or bond. The administration and management of refunds will be relatively straight forward since there will be accurate and clear information as to who is to be refunded and the quantum of the refund.

Indeed, the management of refunds in an event of default would be clearly outlined and governed by the provisions of the Trust Deed, so there is transparency and clarity about roles and responsibilities. From our experience, the primary challenge during major failures has consistently been the availability of accurate data, as to who to refund and the quantum of the refund. In the arrangement we operate at PT Trustees, and that we recommended in this consultation, there should be no doubt because the granular data exists. It is therefore essential that contingency planning is incorporated into the Trust Deed.

The Trustee or the regulator could use the services of a fulfilment partner. There is prior identification, advance planning and clear direction in operating a Hybrid Trust arrangement with clearly defined roles and responsibilities in an event in default. The collation and maintenance of granular data is very important.

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**6. Question:** Would there be any risk associated with increased flexibility in insolvency protection, particularly for compliance and enforcement?

**PT Trustees Response:**

We do not believe that there are likely to be risks associated with increased flexibility in insolvency protection.

The introduction of Hybrid consumer protection models should not pose undue challenges to both Trustees and Travel Organisers. Indeed, as noted in 5 above, such an arrangement of a Hybrid trust and Bond/Insurance, if it is operated correctly, on the contrary, provides great benefits and goes a long way to mitigating consumer protection risks.

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7. **Question:** In what other ways could the cost to package travel businesses of securing insolvency protection be reduced without compromising consumer protections?

**PT Trustees Response:**

Balancing cost reduction with consumer protections is vital, and a combination of strategies can help make insolvency protection more affordable for businesses while maintaining high standards of security for consumers.

- Operating a Trust Account under a Hybrid Trust and Bond/Insurance arrangement offers lower overall costs by reducing both Merchant Acquirer fees and insurance premiums.
- Independent trustees, like PT Trustees, provide a continually enhanced systems with granular transaction data, at a fraction of the cost.
- Trust Accounts managed by PT Trustees scale efficiently for Travel Organisers of any size or business model, without complex integration issues.
- Real-time, reconciled data from PT Trustees provides clear visibility in respect of protected consumer funds, thereby enabling proactive risk mitigation and management.
- The growing use of AI incorporating analytical reviews of this data is a further benefit of recording, managing and processing granular data.

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8. **Question:** What are the risks and or benefits of keeping the regulations as they are?

**PT Trustees Response:**

Maintaining the current regulations will continue to restrict access to insurance and acquiring services while also contributing to increased costs and enhanced security requirements imposed by both insurers and Merchant Acquirers.

COVID-19 highlighted the reluctance of these key stakeholders to take on insolvency risk.

Insurance remains expensive and scarce and since Brexit, access to EU capacity has been lost.

Hybrid models that incorporate both Trust Account and Bond/Insurance spread the risk between the two parties. Access to granular data enhances the capacity to bear and manage these risks.

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**Territorial restrictions on insurance cover**

9. **Question:** What should we do concerning insurance cover for insolvency protection providers?

- relax territorial restrictions to allow supply by those regulated outside the UK, subject to protections being developed
- retain the requirements as they currently are
- something else

- I do not know

Please explain your answer, outlining:

- potential impacts on businesses and consumers
- the cost and quality of cover
- any evidence that informed your position

**PT Trustees position:**

Re-admit European regulated insurers in the market. They were accessible pre-Brexit.

**Impact:**

- Businesses gain access to a larger pool of insurers, driving down premiums through competition.
- Consumers retain strong protection because overseas insurers must meet UK benchmarks.

**Cost & Quality:**

- Premiums should fall as more insurers enter the market.
- Quality remains high under UK-equivalent oversight

**Evidence:**

- PT Trustees' Hybrid Trust Account and Bond/Insurance arrangements demonstrate that sharing risk and providing granular data encourages insurers to offer dependable, cost-effective cover.

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**10. Question:** How do we ensure non-UK based providers still provide good quality reliable services?

**PT Trustees Response:**

UK insurance brokers should be permitted to source the best product for their Travel Organiser's clients, as they currently do when working with UK insurers they know and trust. The brokers are well versed and extremely knowledgeable as to the quality and veracity of insurance being offered. This process should be extended to include approved European insurers. In principle, there should be no distinction between working with a UK or European insurer, provided the insurer meets the necessary regulatory standards.

There is no reason regulators could not maintain an approved list of insurers eligible to provide insurance bonds, similar to the approach already adopted for ATOL bonds. When the CAA accepts a bond from an insurer, it is effectively recognising the insurer as a fit and proper bond provider. This principle should be equally applicable to non-flight insurance bonds.



European insurers are regulated within their own jurisdictions. While we acknowledge that regulatory frameworks may vary across countries, it should be feasible for UK regulators to determine which jurisdictions meet their standards and are therefore acceptable.

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**11. Question:** What impact would doing so have on the cost and quality of cover?

**PT Trustees Response:**

- **Cost:** Opening the market to well-regulated European insurers should result in greater competition, increased insurance capacity and lower premiums.
  - **Quality:** By tying non-UK insurers into UK-level reinsurance and compensation arrangements, we preserve the same claims-handling standards and financial resilience that consumers expect today.
  - **Capacity:** Expanding access to insurers operating in other markets naturally leads to increased capacity. Despite broader economic challenges, the travel sector continues to grow, making the availability of sufficient consumer protection more critical than ever. Introducing European insurers into the UK market, provided they operate to the same standards as UK insurers, would help ensure a broader supply of high-quality insurance products, ultimately strengthening consumer protection.
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**12. Question:** What should be done to the ‘significant proportion’ criterion included in the current definition of other tourist services?

- the ‘significant proportion’ criterion be removed
- retain the definition as it is
- something else
- I do not know

Please explain your answer outlining any risks and or benefits, impacts on business and any evidence that informed your decision.

**PT Trustees Response:**

We believe the current definition is overly complex. The “significant proportion” test creates a two-tier protection regime and potentially causing confusion for travellers and uncertainty for Travel Organisers. Any two items constitute a package.

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**13. Question:** Is it clear what forms an ‘essential feature’ of the package, so consumers and businesses understand when a package has been created?

- yes
- no

- I do not know

**PT Trustees Response:**

As noted above, this definition is complex and may cause confusion to travellers and uncertainty to Travel Organisers.

**14. Question:** What are the consequences and benefits of options 1 and 2 relating to the 'significant proportion' criterion?

**PT Trustees Response:**

Option	Benefits	Risks
<b>Option 1:</b> Remove the 25% test	Simplifies the rules and stops businesses from tweaking prices	
<b>Option 2:</b> Keep the 25% test		Continues complexity and opens the door to disputes over how costs are allocated.

**Redress from third parties**

**15. Question:** Should the regulations be changed to require suppliers to provide redress to organisers within 14-days?

- yes
- no
- I do not know

**PT Trustees Response:**

Yes, implementing a statutory 14-day deadline would support Travel Organisers' cashflow and enhance client service by ensuring prompt and orderly refunds to consumers. The trustee can play a key role in facilitating this process, particularly when operating with the benefit of granular data.

**16. Question:** Should any time limit for payment of redress apply only in narrower circumstances than regulation 29 (for example, only where the third party has cancelled or wholly failed to provide the relevant service)?

- yes
- no

- I do not know

**PT Trustees Response:**

Yes.

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**17. Question:** What else could improve package travel organisers' ability to get timely and effective redress from suppliers?

**PT Trustees Response:**

PT Trustees recommends that the law should impose equivalent refund obligations on suppliers, requiring them to return funds promptly when a valid refund claim is submitted by a Travel Organiser. Suppliers should not be permitted to delay and prevaricate. Clear and enforceable terms outlining this obligation should be straightforward to draft and incorporated into all supplier contracts.

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**18. Question:** What are the difficulties of leaving legislation as it currently is?

**PT Trustees Response:**

It is difficult to justify maintaining the status quo, given the ongoing challenges experienced by Travel Organisers in obtaining timely refunds from suppliers. PT Trustees believes this consultation is both timely and necessary and strongly believes that the legislation needs to be improved, for the reasons outlined in our submission above. It is essential that any changes do not water down consumer protection or create uncertainty, either for consumers or Travel Organisers, about what is and isn't protected, particularly if a two-tier system were to be introduced.

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**19. Question:** What are the benefits of leaving legislation as it currently is?

**PT Trustees Response:**

PT Trustees' response builds on all the points outlined above. There are no benefits to maintaining the legislation in its current form. The Package Travel Regulations 2018 are now seven years old, and the landscape has changed drastically since then, for reasons we are all familiar with. It is time for meaningful reform, in line with the wider efforts currently being undertaken by the CAA through its various consultations.

We are encouraged that other stakeholders, such as major Travel Organisers, share our view that client funds should be ringfenced and protected through Trust-based structures.