

**UNITED STATES OF AMERICA
DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY
WASHINGTON, DC**

GUIDANCE ON THE 24-HOUR RESERVATION REQUIREMENT

NOTICE

This notice provides guidance to U.S. and foreign air carriers regarding compliance with the customer service rule that requires carriers to hold a reservation at the quoted fare for 24 hours without payment or allow a reservation to be cancelled within 24 hours without penalty (the “24-hour reservation requirement”). The 24-hour reservation requirement is mandated by the Department of Transportation’s consumer rule “Enhancing Airline Passenger Protections” (14 CFR 259.5(b)(4), 76 Fed. Reg. 23110, 23166, Apr. 25, 2011) and applies to all reservations made seven days or more prior to the flight’s scheduled departure time.¹ To comply with the regulation, carriers may not deceive consumers about the 24-hour reservation requirement when consumers inquire about cancelling or changing a reservation within 24 hours of making or paying for that reservation. This guidance also clarifies that the Department’s Office of Aviation Enforcement and Proceedings (Enforcement Office) considers the failure to notify such consumers of the 24-hour reservation requirement to be unfair and deceptive in violation of 49 U.S.C. § 41712. It also considers the failure to offer a passenger a full refund in the original form of payment in the event of a cancellation request covered by the 24-hour reservation requirement to be an unfair and deceptive practice.

Disclosing the 24-Hour Reservation Requirement on Carrier Websites

In addition to complying with the requirements under 14 CFR 259.5 to adopt and adhere to a customer service plan, 14 CFR 259.6 requires that each U.S. and foreign air carrier that has a website marketed to U.S. consumers post its customer service plan, which must include a commitment pertaining to the 24-hour reservation requirement, on its website in an easily accessible format. This requirement is intended to better inform consumers about their rights, including those associated with the 24-hour reservation requirement, before purchasing tickets and whenever questions arise later. On the other hand, customer service plans are not always the

¹ In a subsequent Frequently Asked Questions document, we clarified that a carrier can choose either to hold the reservation free of charge for 24 hours or to allow consumers to cancel the reservation within 24 hours and receive a full refund and the carrier is not required to offer both options.

sole source of information on carrier websites regarding consumer rights. With respect to the 24-hour reservation requirement, carriers are expected not only to include this commitment in their customer service plans and to post the plans on their websites; they are also expected to incorporate the 24-hour reservation requirement into their general cancellation policies and make appropriate disclosures wherever those policies are provided to the public. Otherwise, the presentation of the carriers' general policies would likely mislead consumers who could avail themselves of the 24-hour reservation requirement about their rights.

The Enforcement Office recently reviewed several U.S. carrier websites and found that while all contain a customer service plan, there is a significant disparity in the methods of disclosing the 24-hour reservation requirement. On one end of the spectrum, some carriers disclose the 24-hour reservation requirement on their "Frequently Asked Questions" webpage, on the payment page before the finalization of an online reservation, and also through the "live chat" format upon inquiry. These notifications ensure that consumers are informed of their right to a full refund or free fare hold. On the other end of the spectrum, some carriers' websites disclose the 24-hour reservation requirement only on the customer service plan page and omit any mention of it on other webpages that describe cancellation policies and cancellation fees applicable to "non-refundable" or otherwise restricted tickets, and this is problematic.

The Enforcement Office considers the 24-hour reservation requirement to be an integral component of each carrier's cancellation policy; therefore, the Enforcement Office considers the failure to provide reasonable disclosure of the 24-hour reservation requirement along with general cancellation policies to constitute an unfair and deceptive practice in violation of 49 U.S.C. § 41712. The Enforcement Office recognizes that each carrier's website provides information regarding its cancellation policies differently. Accordingly, the following examples are intended to provide guidance regarding the Enforcement Office's view of what constitutes reasonable disclosure of the 24-hour reservation requirement. Disclosure should appear, at a minimum, on the "Terms and Conditions" page where the carrier's general cancellation policy is stated; during the online reservation process before a reservation is processed or a payment is submitted if any limitations on refundability are discussed; in the ticket "Terms and Conditions" pop-up window that is linked to a required step of a reservation; on any carrier FAQ page where the carrier's ticket reservation or cancellation policies are stated; during any online cancellation process before a cancellation is confirmed and a cancellation fee is assessed; and on the webpage where a carrier promotes "fare lock" or "fare insurance" types of ancillary service and charges a fee for holding a quoted fare without payment for a specified number of hours.² Future review

² We note that if a carrier allows passengers to cancel a reservation within 24 hours and receive a full refund, it is permissible for the carrier to charge an ancillary fee for "fare lock" service that covers any number of hours. If a carrier chooses to comply with the 24-hour reservation requirement by allowing a fare to be held for 24 hours without full payment, it may offer a "fare lock" service for a fee to lock in the flight itinerary and price for any

of carrier websites for unfair or deceptive practices will consider whether a carrier's disclosure of its cancellation policies is compliant on a case-by-case basis.

Verbally Disclosing the 24-Hour Reservation Requirement

Similar to the website disclosure discussed above, carriers must fully and accurately disclose their cancellation policies, including the 24-hour reservation requirement, through reservation agents or customer service agents upon receiving direct inquiries from consumers by telephone or in person at the ticket counter. We consider any inquiry regarding a carrier's general cancellation policies or specifically regarding the 24-hour reservation requirement to be a "direct inquiry." In addition, the 24-hour reservation requirement should be disclosed following any discussion that provides carriers with sufficient information to determine that the inquirer made his or her reservation within the previous 24 hours and could reasonably be expected to take advantage of the 24-hour reservation requirement if informed of it. For example, if a consumer calls the carrier to change an itinerary covered under the 24-hour reservation requirement, and the carrier knows or should know that the reservation was made within the previous 24 hours (e.g., the carrier's agent is informed that the reservation was made "yesterday"), the carrier should disclose the 24-hour reservation requirement and offer to cancel and rebook the itinerary.³

Refunds for Cancellations under the 24-Hour Reservation Requirement

For any online cancellation that is covered by the 24-hour reservation requirement, in deciding whether to pursue enforcement action, the Enforcement Office considers it to be a violation of 14 CFR 259.5(b)(4) and an unfair and deceptive practice for a carrier not to offer consumers the option of receiving a full refund in the original form of payment before the cancellation request is submitted. Carriers may offer other refund options, such as, for example, carrier-issued credits, but such offer should not be pre-selected as the default choice of refund form or appear as the more prominent refund option.

Similarly, for any telephone or in-person cancellation request that is covered by the 24-hour reservation requirement, section 259.5(b)(4) requires carriers to offer the requester a full refund in the original form of payment.

number of hours in excess of 24 hours but the offer should clearly disclose that during the first 24 hours the fare lock applies regardless of whether a "fare lock" service is purchased.

³ Alternatively, if the carrier is willing to waive the change fee, it does not need to disclose the 24-hour reservation requirement. Otherwise, under section 259.5(b)(4), the carrier should provide the option of cancelling the original itinerary without a change or cancellation fee and booking the desired itinerary. The carrier is entitled to charge any difference in fares between the two itineraries in such a case. If a consumer seeks to cancel a portion of a roundtrip itinerary, the price of which is conditioned upon the purchase of a roundtrip ticket, carriers may decline to honor the 24-hour reservation requirement unless the consumer agrees to cancel the entire itinerary.

Refunds processed under the 24-hour reservation requirement must be processed within the timeframes mandated by Regulation Z of the Board of Governors of the Federal Reserve System, 12 CFR Part 1026 (formerly 12 CFR Part 226), and 14 CFR Part 374 for credit card purchases, and by Department enforcement precedent for purchases using other forms of payment. Those refund processing timeframes must also be disclosed in the carrier's customer service plan. See 14 CFR 259.5(b)(5).

Questions regarding this notice may be addressed to the Office of Aviation Enforcement and Proceedings (C-70), 1200 New Jersey Avenue, S.E., Washington, D.C. 20590.

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