EXPLANATORY MEMORANDUM TO

THE PACKAGE TRAVEL AND LINKED TRAVEL ARRANGEMENTS (AMENDMENT) REGULATIONS 2026

2026 No. [XXXX]

1. Introduction

1.1 This explanatory memorandum has been prepared by the Department for Business and Trade and is laid before Parliament by Command of His Majesty.

2. Declaration

2.1 Kate Dearden, Minister for Employment Rights and Consumer Protection, at the Department for Business and Trade confirms that this Explanatory Memorandum meets the required standard.

2.2 Tony Thomas, Deputy Director for Consumer Policy, at the Department for Business and Trade confirms that this Explanatory Memorandum meets the required standard.

3. Contact

3.1 Willa Huang at the Department for Business and Trade can be contacted by email at the following address with any queries regarding the instrument: PackageTravel@businessandtrade.gov.uk.

Part One: Explanation, and context, of the Instrument

4. Overview of the Instrument

What does the legislation do?

4.1 The Package Travel and Linked Travel Arrangements (Amendment) Regulations 2026 ("the Regulations") amend The Package Travel and Linked Travel Arrangements 2018 ("the 2018 Regulations").

4.2 The purpose of this instrument is to make specific changes to areas of the 2018 Regulations to increase consumer protections and support businesses. Once in force, the instrument will remove the category of linked travel arrangements by absorbing the current definition of 'linked travel arrangement type A' into the definition of a 'package' and removing the category of 'linked travel arrangement type B' completely. It will also make amendments to Regulation 29, which governs the rights of organisers to seek redress from other parties where compensation is payable to a consumer. This amendment will establish a 14-day period for refund of cancelled services and clarify that the Regulations provide a right to redress. Consequential amendments are also made to the Regulations to remove references to 'linked travel arrangements'. The Government of Wales Act 2006 and the Civil Aviation (Air Travel Organisers' Licensing) Regulations 2012 are also updated to amend references to Linked Travel Arrangements.

Where does the legislation extend to, and apply?

4.3 The extent of this instrument (that is, the jurisdictions which the instrument forms part of the law of) is United Kingdom. Consumer policy is devolved to Northern Ireland. In line with agreements on the use of Retained EU Law ("REUL") powers, consent to

the legislative changes has been sought and provided – see paragraph 7.4. The instrument also makes consequential updates to the Government of Wales Act (2006). Detail of engagement and consent is given at paragraph 7.5.

4.4 The territorial application of this instrument (that is, where the instrument produces a practical effect) is the United Kingdom.

5. Policy Context

What is being done and why?

5.1 The 2018 Regulations set out the current framework for the travel sector. They establish a series of requirements for organisers of package holidays which aim to provide protections for travellers. This includes providing sufficient security for repatriations and refunds in the rare event of their own insolvency. The Air Travel Organisers' Licensing (ATOL) scheme fulfils this insolvency obligation for package holidays that include a flight. The Civil Aviation Authority (CAA) manages the ATOL scheme on behalf of the Secretary of State for Transport. The ATOL scheme is not within the scope of this instrument.

5.2 The Regulations are assimilated EU law and were made in 2018. They contain a compulsory review clause meaning they must be reviewed every five years. Full details on the consultation are given in section 7.

5.3 Having considered responses, the instrument will make the following changes:

Change 1: Absorb Linked Travel Arrangement Type A into package definition

5.4 This will provide full package protections when consumers make a booking in circumstances similar to current Type As. Many travel organisers already offer packages in Linked Travel Arrangement Type A circumstances. This change will simplify business compliance arrangements and provide for enhanced consumer protections.

Change 2: Remove Linked Travel Arrangement Type B entirely

5.5 Removing type Bs will support the Government's policy objective of facilitating domestic sector growth. Removing Type Bs will allow small businesses (for example, B&Bs) to refer customers to local activity providers without triggering package Regulations, while maintaining high standards of consumer protections. This supports the Government's economic growth mission.

Change 3: Refund and redress from third parties

5.6 Business to business contracts remain the most appropriate avenue for businesses to agree their terms. However, for various structural reasons, these can create challenges for some travel organisers. The Government wishes to support and empower travel organisers to obtain redress from third parties. To strengthen this, the Government will take forward the following changes:

- establish a 14-day period for refund of cancelled services, and
- clarify that the Regulation confers a "right to redress" and not just a "right to seek redress."

Change 4: Consequential amendments

5.7 The instrument also updates the Government of Wales Act 2006 and the Civil Aviation (Air Travel Organisers' Licensing) Regulations 2012 to amend references to linked travel arrangements.

5.8 The changes will support growth in the market, by significantly simplifying compliance, while retaining consumer confidence in both the travel sector and the Regulations. They will also aid business resilience by helping organisers to recover costs from suppliers.

5.9 Any changes to the Regulations require legislation to give effect. The changes are being made using powers under section 14(1)-(3) and 20(1) (supplementary) of the Retained EU Law (Revocation and Reform) Act 2023 ("REUL Act").

What was the previous policy, how is this different?

5.10 **Linked Travel Arrangements** – these are a category created by the 2018 Regulations where at least two different types of travel services (such as flights and hotels) are purchased separately but are linked together, typically through a targeted offer or online booking process. This is different from a package holiday, where all components are booked together with one payment. These arrangements offer less protection than package holidays. These protections relate to insolvency and only apply to the total booking if the first travel service becomes insolvent. There are currently two types of Linked Travel Arrangements - A and B.

- Type A: Consumer books multiple services during same transaction from different providers. E.g., you book a flight through an airline or travel company and, during the same visit to their shop or their website, you also pay for, or agree to pay for, a hotel from a different company.
- Type B: Trader facilitates booking of second service from another trader within 24 hours. E.g., you book a flight with an airline and then receive a confirmation email offering car rental from another business (done in such a way that none of your sensitive data is passed on between providers). If, within 24 hours of your original flight booking, you take up the offer booking the car rental, this is considered a linked travel arrangement.

5.11 Under the Regulations, both arrangements generally only protect consumers if the primary booking provider becomes insolvent. The consultation consensus was that they are complex for businesses and misunderstood by consumers, who believe they offer stronger protections than they do (also echoed in DBT research[1]). The consultation explored how best to approach these arrangements to simplify them for industry, support business growth, and retain consumer protections. It was clear that clarity and consistency were valued by consumer groups and businesses.

5.12 The new policy facilitates this clarity and consistency by absorbing the definition of Type A into the definition of package and removing Type B entirely.

5.13 In addition, the previous regulations were structured in such a way that businesses were prevented from being able to 'partner up' with other local businesses to provide value added offers to consumers. The consultation proposed to exempt domestic trips without travel from package definition to support small businesses, grow UK domestic tourism, and increase consumer choice. However, whilst this proposal received support, serious concerns were raised about weakened consumer protections. The removal of Linked Travel Arrangements Type B will help facilitate businesses across the UK to collaborate to offer better value offers to consumers whilst retaining the valued protections associated with packages.

[1] https://assets.publishing.service.gov.uk/media/67e69c1337baea91c58c9ffa/Package_Travel_-_Updating_the_Framework_-_Consumer_Research_Report.pdf

5.14 **Regulation 29** – the previous legislation supported travel providers seeking redress from third party suppliers, specifically in circumstances where it was the third parties' fault that led to the organiser having to compensate a traveller (e.g. where an activity company cancels an activity at short notice). However, the provision was viewed as weakly drafted, meaning organisers struggled to enforce their rights and litigation has been brought to clarify whether or not the regulation confers a statutory right to redress (which is the Government's intention) or merely makes clear that an organiser could bring a claim for redress in such circumstances. The new legislation will introduce clarity to Regulation 29 alongside time limitations on redress from third parties. It will achieve this firstly, by re-wording the regulation to make it clear that it infers a right to redress. Secondly, the new legislation will require refunds to be paid in 14 days where services are cancelled. These changes will ensure organisers are fairly treated, supporting growth and consumer choice.

6. Legislative and Legal Context

How has the law changed?

6.1 This instrument amends the 2018 Regulations.

6.2 Regulation 1 provides that the Regulations will commence on 6th April 2027 but do not apply to any package travel contract or linked travel arrangement, as defined in regulations 2(1) and 2(3) respectively, of the 2018 Regulations, which were entered into before that date.

6.3 Regulation 2 amends the 2018 Regulations in three main respects. Regulation 2(2)(c) amends regulation 2(5) of the 2018 Regulations (interpretation) to add a further category to the definition of "package" where travel services are provided to a traveller by separate contracts with individual service providers, if a single trader has facilitated, on the occasion of a single visit to, or contact with, the trader's point of sale, the separate selection of, and separate payment for, each of the travel services by the traveller. Regulation 2 also repeals references to "linked travel arrangements" from the 2018 Regulations. Regulations 2(4) and (13) repeal regulation 26 (insolvency protection and information requirements for linked travel arrangements) together with Schedules 6 to 10. Regulation 2(6) replaces regulation 29 (right of redress) with new regulations 29A, which provides a right to a refund, and 29B, which provides a right of redress.

6.4 Regulation 3 sets out the consequential amendments.

Why was this approach taken to change the law?

6.5 These changes could not have been achieved by other means as they amend secondary legislation.

7. Consultation

Summary of consultation outcome and methodology

7.1 The Government's call for evidence[2] (18 September-13 December 2023), targeted stakeholder engagement, and externally commissioned consumer research highlighted several areas within the Regulations that could benefit from revision and reform.

[2] https://www.gov.uk/government/calls-for-evidence/package-travel-legislation-updating-the-framework

Following this, a consultation to test specific areas for improvement ran between 7 April 2025- 30 June 2025[3].

7.2 The consultation received 113 responses from a wide range of interested parties. These included approved bodies, consumer groups, airlines, lawyers, members of the leisure and hospitality sector, accommodation providers, and many more.

7.3 There was a strong sentiment across stakeholders that consumers should continue to benefit from protections when purchasing package holidays. The full consultation response has been published online[4].

7.4 Engagement with devolved governments has been undertaken through the call for evidence, consultation, and legislative process. Consumer protection and its enforcement is a transferred matter in Northern Ireland. As a result, the 2018 Regulations and the updates are within the legislative competence of the Northern Ireland Assembly. Written consent was obtained between Kate Dearden, Minister for Employment Rights, Competition and Markets at the Department for Business and Trade and Dr Caoimhe Archibald, Minister for the Economy of Northern Ireland.

7.5 A small consequential amendment is required to the Government of Wales Act 2006 to protect the definition of "linked travel arrangements" as it exists on 5th April 2027 which is the day before the definition is removed from the PTR 2018. The amendment does not alter the legislative competence of the Senedd as currently they are unable to legislate in relation to linked travel arrangements (owing to the reservation) and they will still be unable to legislate after the amendment, as the concept of linked travel arrangements will cease to exist. Engagement was undertaken with Welsh government policy officials and Welsh government legal services. They confirmed they were content with the proposed amendments.

8. Applicable Guidance

8.1 The Government will reissue their previous guidance[5] to reflect these new changes. This will be published ahead of the Regulations coming into force.

Part Two: Impact and the Better Regulation Framework

9. Impact Assessment

9.1 A full Impact Assessment has not been prepared for this instrument because the estimated Equivalent Annual Net Direct Cost to Business is below the ± £10 million De Minimis threshold. Thus, in line with the Better Regulation Framework, a De Minimis Assessment has instead been produced. The analysis builds upon the work conducted in the 2023 Impact Assessment[6], which considered, among other options, the removal of Linked Travel Arrangements from the regulations. It has been updated and adapted where necessary to reflect the current proposed policy.

[3] https://www.gov.uk/government/consultations/package-travel-legislation-consultation-on-proposed-amendments

[4] https://www.gov.uk/government/consultations/package-travel-legislation-consultation-on-proposed-amendments/outcome/government-response-to-package-travel-updating-the-framework-2025-consultation

[5] https://www.gov.uk/government/publications/package-holidays-complying-with-regulations-guidance-for-businesses

[6] https://assets.publishing.service.gov.uk/media/650abf7afbd7bc0013cb51ca/package_travel_regulations_impact_assessment.pdf

Impact on businesses, charities and voluntary bodies

9.2 The impact on business, charities or voluntary bodies is expected to be a net benefit. This legislation absorbs Type A Linked Travel Arrangements (LTAs) into the package definition, which means businesses offering these arrangements will face higher ongoing compliance costs. Monetised one-off costs to businesses include expenses associated with updating IT systems and familiarisation with the regulatory changes. The total estimated cost to businesses over the 10-year appraisal period is £98 million.

9.3 These costs are anticipated to be more than offset by the benefits to businesses of other aspects of the policy intervention. The legislation removes Type B Linked Travel Arrangements from the regulations, which will reduce costs to businesses offering these arrangements. An additional ongoing benefit is the reduction in administrative burden, as businesses previously offering Type B LTAs will no longer need to submit paperwork to approved bodies to comply with bonding requirements. The total estimated benefit to businesses over the 10-year appraisal period is £117 million.

9.4 The present value of net costs to business (PVNCB) is estimated to be -£19 million; £98 million of costs minus £117 million of benefits. The overall estimated annual net direct cost to business (EANDCB) is -£2.2 million, demonstrating our expectation that over the appraisal period the cost savings associated with this policy outweigh the costs.

9.5 In addition to the quantified analysis undertaken, it is recognised that the legislation will strengthen the redress mechanism for businesses dealing with third-party suppliers; this change is expected to reduce legal costs and court fees for businesses. This reduction in legal costs incurred by businesses represents an additional benefit; however, it has not been possible to robustly quantify this benefit.

9.6 The legislation does impact small or micro businesses. No approach is taken to minimise the impact of the regulation requirements on small or micro businesses (employing up to 50 people) as the overall net impact on them is positive, as outlined in Paragraph 9.2.

9.7 There is no, or no significant, impact on the public sector because they are generally outside the scope of this policy.

9.8 The changes are compliant with section 14(5) of the Retained EU Law (Revocation and Reform) Act 2023 as they do not increase the overall regulatory burden.

10. Monitoring and review

What is the approach to monitoring and reviewing this legislation?

10.1 The approach to monitoring the 2018 Regulations is to review every 5 years, in line with the statutory review clause of regulation 39.

Part Three: Statements and Matters of Particular Interest to Parliament

11. Matters of special interest to Parliament

11.1 None.

12. European Convention on Human Rights

12.1 The Minister for Employment Rights, Competition and Markets at the Department for Business and Trade has made the following statement regarding Human Rights: "In my view the provisions of The Package Travel and Linked Travel Arrangements (Amendment) Regulations 2026 are compatible with the Convention rights."

13. The Relevant European Union Acts

13.1 This instrument is made under sections 14(1)-(3) and 20(1) (supplementary) of the Retained EU Law (Revocation and Reform) Act 2023 and therefore relates to the reform of assimilated law. This was the most suitable mechanism as it allows for secondary legislation to make the amendments.

Equalities

13.2 The Minister for Employment Rights, Competition and Markets at the Department for Business and Trade, Kate Dearden has made the following statement: "The instrument does not amend, repeal or revoke a provision or provisions in the Equality Act 2006 or the Equality Act 2010 or subordinate legislation made under those Acts.

13.3 The Minister for Employment Rights, Competition and Markets at the Department for Business and Trade, Kate Dearden has made the following statement regarding use of legislative powers in the European Union (Withdrawal) Act 2018: "In relation to the instrument, I, Minister for Employment Rights, Competition and Markets at the Department for Business and Trade, Kate Dearden have had due regard to the need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010."