



Surcharge sting hits holiday prices

The weak pound and high fuel costs mean surcharges may be added to many package holidays this summer

A trip to the Galápagos Islands and Ecuador was the holiday of a lifetime for Colin and Sandra Simpkins and it took them four years to save the £7,860 cost.

The Simpkins planned the three-week dream holiday as a joint 60th birthday treat. They paid £400 deposit in July 2008 and settled the bill on 19 December, ready to leave on 18 February.

Sting at the till

On January 13, however, just five weeks before the couple were due to leave, tour operator CTS Horizons demanded another £763.44 saying that fluctuating currency rates had affected the cost of the holiday.

Colin said: 'We were amazed they could do this. Despite contesting the charge and complaining to them in the strongest terms, we were forced to pay,

'This is a stark choice for consumers – pay up or lose everything'



The Blue-footed Booby (above) is among wildlife seen on the Galápagos Islands

under protest, the additional amount or lose our holiday.'

He believes surcharging means customers bear the brunt of risks taken by travel firms: 'This is a stark choice for the customer – pay up or lose everything.'

CTS Horizons told us that it deeply regrets having to impose currency surcharges but had to do so because it had not fixed its currency exchange rate. This left it open to the falling value of the pound against the dollar last year.

CTS Horizons general manager Heather Chan said: 'Both our clients and CTS are unfortunate victims of the terrible financial crisis that has led to the drastic fall in the value of sterling.'

The return of surcharging

Surcharging, common in the late 1970s and early 1980s, has become more frequent in the past year. Tour operators say this is largely due to the weak pound and increasing fuel prices.

WHY SURCHARGE?

Surcharges arise when the costs of putting together a package holiday increase for tour operators. They're an extra charge on top of the cost of your holiday and are legal. Packages usually include three main parts: flights, fuel and accommodation.

Flights account for around 60% of the total cost with transfers, accommodation and any other add-ons making up the other 40%.

Tour operators often cost the various parts of a package holiday one to two years in advance, which means that costings for summer/autumn 2010 will be set this summer. They argue that, as a result of this model, surcharges are necessary to recoup losses due to discrepancies in fluctuating currency costs, government taxes and charges and/or the price of fuel.

often this happens and anecdotal evidence suggests it's rare. Abta claims that its members pass on reductions in costs to customers through competitive pricing and cheaper deals when the costs of creating a package holiday decrease.

All tour operators must by law absorb the first 2% cost increase of a holiday before asking customers for a surcharge.

They must also state clearly in their terms and conditions that they reserve the right to surcharge, otherwise they breach the PTRs and Abta's Code of Conduct if they impose one.

Late notice of charges

The PTRs say that if a tour operator is going to levy a surcharge, they must do so no later than 30 days before the date of travel. They also say the tour operator must notify the consumer 'as quickly as possible in order for him to take appropriate decisions... to withdraw from the contract without penalty...'

Colin Simpkins argues it's 'inconceivable' that CTS didn't know months before he paid for his holiday that it had been adversely affected by a weak pound and should have notified the couple sooner.

He is seeking a refund from CTS Horizons. The company told us that it has done nothing wrong.

A 'significant' increase

If you don't agree with a surcharge levied by your tour operator, you can argue that the price increase is 'significant'.

If it's considered 'significant', you have the right to cancel your holiday and get a full refund under the PTRs. However, there's no definition of what's considered 'significant', so this is difficult to argue.

However, the Office of Fair Trading has laid out its view on what is considered significant in its 'guidance on unfair terms in package holiday contracts' which states: 'The OFT takes the view that an increase of 10% or more is likely to be considered significant.'

But there is sometimes an exception to this. The OFT guidance also states that: 'A smaller increase might also be considered significant, for example if the holiday is expensive', as in the case of the Simpkins.

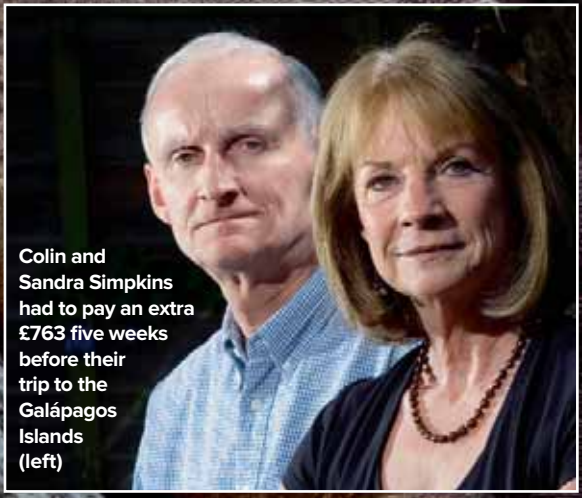
Which? says

When surcharging was at its height, Which? Holiday received hundreds of

Checklist

How to deal with surcharging

- Ask your tour operator what its policy is on surcharging and how likely it is a surcharge will be levied.
- Read the terms and conditions of your contract and ensure they accord with the Package Travel Regulations. If there's no provision for surcharging in the contract and the operator attempts to introduce one, it will be in breach of the PTRs.
- If your tour operator imposes a surcharge, get a full breakdown of how it has been calculated.
- Before booking your holiday, factor in a 10% contingency to your budget to cover surcharges.
- To avoid surcharging, you can buy individual parts of your holiday separately. Holidays bought this way won't be protected financially, so pay by credit card for values between £100 and £30,000 so you're covered if the company goes bust or something goes wrong.



Colin and Sandra Simpkins had to pay an extra £763 five weeks before their trip to the Galápagos Islands (left)

Between May 2008 and April 2009, there has been a 67% increase in the number of Abta members that surcharge. Abta represents thousands of British travel agents and tour operators and members must ask its permission to surcharge. This is usually given as, according to Abta, its members only surcharge as a last resort. Members of AITO (the Association of Independent Tour Operators) don't need permission to impose a surcharge.

Surcharges – your rights

The Package Travel Regulations (PTRs) 1992 say a tour operator can surcharge customers only if the contract states precisely how the revised price is to be calculated and it is solely for:

- transportation costs, such as fuel
- exchange rates applied to a package
- dues, taxes or fees chargeable for services such as landing, embarkation or disembarkation at ports and airports.

The regulations allow operators to increase the price of a package holiday, but also say they should pass on cost reductions. It's difficult to monitor how

letters from members affected by it. We would hate to see a widespread return to this deeply unpopular practice.

At best, we would like surcharging on package holidays abolished. Prices should be transparent, so it's clear what we're paying for before we buy a holiday.

At the very least, tour operators should clearly explain to customers before they buy a package there is a chance of them having to pay a surcharge later.

Tour operators should try to ensure customer satisfaction. Adding surcharges will lose custom and cause damage to their reputation and business.

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