



LinkedIn



Twitter



Website



## Consultation on Rebalancing ATOL



When the CAA introduced the Small Business ATOL (SBA) scheme in 2005, they did so with an admirable vision: to cut administration costs and red tape, and lower the regulatory barrier for small new entrants into the travel sector.

However, in a [CAA consultation](#) released earlier this week, the regulator announced plans to bring the curtain down on the SBA project, throwing the future into disarray for around 950 companies and changing the landscape for many Standard ATOL holders making less than £5m ATOL sales per year.

In this edition, we've summarised the main proposed changes and what they could mean for your business. Of course every situation is different and if you need assistance in determining your best course of action please [get in touch](#).

Finally, remember it is a consultation and if you want to have your say, you can respond directly to the CAA using our email template [here](#) or the button at the end of this email.

**Matt Purser, Martin Alcock and the TTC team**

---



## I'm an SBA, how will this affect me?

The CAA are proposing to phase out the SBA from 1 April 2015 so all SBAs will have decisions to make.

There are various options such as joining ATOL Accredited Bodies or Franchise schemes (see below) but ATOL holders who chose to remain regulated directly by the CAA will become Standard ATOLs, and will be subject to the following revised criteria:

- All ATOL holders will be licensed for a **minimum of £500,000 ATOL sales** even if they only take a handful of ATOL bookings per year. The current 500 passenger SBA limit will be scrapped.
- The **reduced SBA annual renewal fee of £915 will no longer be available**. All renewals will be priced at the Standard ATOL renewal fee of £1,365 (though there are discounts available for paying by Direct Debit and submitting renewals early).
- All ATOL holders will require a **minimum paid up share capital of £50,000** (current requirements for SBA: no minimum, Standard ATOLs: £30,000). This could mean you need to inject new cash in to your business to increase share capital, or it may be possible to capitalise existing reserves or shareholder loans. Your accountant should be able to advise you.
- All ATOL holders will have to hold **minimum Free Assets of £50,000** (currently SBA: no minimum, Standard: £30,000). This could require injection of further money in the form of share capital or subordinated loans. More details on the CAA Free Asset test can be found [here](#).
- The CAA have indicated all ATOL holders will also have to meet **additional financial tests**. Details are vague at this stage, but there are likely to be new financial ratios covering liquidity and profitability that will stand alongside the Free Asset Test. We should know more later in the year.
- The **minimum bond will increase to £75,000** (currently SBAs: bonded £40,000 in year 1 dropping to nil in year 4, Standard: minimum bond is £30,000). If you are required to provide a bond, you could be faced with a substantial increase in premium.
- There are likely to be **transition arrangements of up to 3 years** to enable existing ATOL holder to meet the new criteria, though this is not yet confirmed.

- There are also **implications for your choice of accountant**. Further details are below.

---

## **I'm a Standard ATOL holder, how will this affect me?**

If you are licensed for more than £5m of sales per year you are unlikely to notice many differences.

However if you are one of approximately 750 Standard ATOL holders licensed for less than £5m turnover, you will need to comply with all of the new criteria detailed above.

This means you will be subject to the new (as yet unspecified) financial tests, you may need to increase your share capital and recapitalise your business.

---



## **What are Accredited Bodies and ATOL Franchises?**

The CAA are looking for private sector solutions such as the ATOL Accredited Bodies or ATOL Franchises to pick up some of the SBAs. Joining such an organisation might be a more suitable solution for you:

### **What is an Accredited Body (AB)?**

ABs were introduced in 2012 and are licensed to provide a group ATOL solution for their members. As a member of an AB, you would be charged a fee to sell under the AB's ATOL number. You would also have access to group merchant facilities, commercial agreements with suppliers and range of other benefits.

### **Is the AB route right for me?**

The AB model undoubtedly has benefits but it isn't suitable for everyone.

You would need to begin operating on a trust account basis which would impact your cash flow. You would need to use the AB's back office I.T. system for recording bookings and you would be restricted to using suppliers approved by the AB. You would also lose your own ATOL number and would have to trade under the ATOL number of the AB.

### **What is a Franchise?**

An ATOL Franchise operates under a franchise agreement from the Air Travel Trust, and is licensed to oversee the activities of its members. Existing franchise arrangements work on a trust model broadly similar to an AB, but further models are likely to emerge built on bonding or failure insurance so its worth keeping an eye out for new options.

---

## What does it mean for my accountant?

The CAA are looking to place more reliance on accountants in future so in an attempt to improve quality, the CAA in conjunction with the Institute of Chartered Accountants (ICAEW) are introducing the ATOL Licensed Practitioner (LP) concept and tightening up the rules on accountant's liability insurance and independence.

From 1 October 2015, CAA will only accept accounts, reports or confirmations from an LP so If you want to continue using your existing accountant, they will have to qualify as an LP by 1 April 2015, possibly resulting in an increase to your accountancy fees.



*Copyright © 2014 Travel Trade Consultancy, All rights reserved.*

[unsubscribe from this list](#) [update subscription preferences](#)

*MailChimp*