

Can you help Air New Zealand donate to the Salvation Army?

Speed read

Air New Zealand continues to illustrate how to handle, or not handle, Fair Trading Act concerns. I reckon many NBR readers have inadvertently paid too much to Air New Zealand on their domestic fares, and there's a way you can get that back.

Air New Zealand has said it will refund the inadvertently paid charges.

Below is an email to the airline that you could copy and paste, to send the airline to recover this. And, what about getting Air New Zealand to pay the refund to the Sallies instead?

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The Detail

Why the refund?

In 2014, I wrote in NBR twice [[New ad campaign problematic for Air New Zealand?](#)² and [Will regulator take a look at Air NZ's 'drip' pricing?](#)³] around legal issues as to the airline's online sales process, noting that headline fares (that is, what you see early on in the process such as fares of \$99) have charges added to those fares as the customer clicks through the process. This issue, called drip pricing, can be a Fair Trading Act (FTA) problem and overlaps with:

- A successful FTA prosecution by the Commerce Commission of Air New Zealand back in 2005 (the airline has form in this drip pricing area); and
- Prosecutions, currently underway, of Virgin and Jetstar by the Commission's Australian equivalent, ACCC, for adding a charge for credit card booking in the online process, on top of the headline fare. This is being pursued under similar Australian law and is something

that Air New Zealand does too; our Commerce Commission has said it will wait to see what happens in Australia before deciding what to do, which is a sensible use of scarce resource.

My articles (including my third [my latest [Air New Zealand and IAG provide contrasting case studies on how to handle Fair Trading Act complaints](#)⁴]), focussed on the Air New Zealand scenario to illustrate the FTA risks for marketers, and also the importance of careful handling including after the regulator is involved. I am not saying there is necessarily an FTA: rather there are issues to consider.

One aspect for Air New Zealand is its addition to the headline fare of a \$10 insurance charge, on an "opt-out" basis (that is, you get charged the \$10 unless you select otherwise).

When you think of typical domestic fares (say around \$60 to \$350), and in turn the profit margins, a \$10 uplift is a decidedly material figure on a fare.

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Many if not most NBR readers use the airline's online (including mobile) booking platform with its \$10 opt-out insurance charge. I expect that it's not the sort of insurance that most people travelling for work would want or use. So business travellers will typically opt out. I reckon quite a few though will have inadvertently paid the \$10, having missed the opt-out during a typically on-the-fly booking in a busy work day. Certainly over the years I've missed it quite a few times.

That is why there is well known criticism of opt-out marketing and contracting processes. Customers can buy into things inadvertently in the real world.

The Commerce Commission is considering what to do about this under the Fair Trading Act. In the meantime, Air New Zealand is sticking to its guns and the opt-out approach remains.

Leaving aside the legal concerns, I'm not happy Air New Zealand is doing this, and, I expect, deriving material bottom line profit as a result, due to inadvertent \$10 payments. For each customer the total figure is not big. Collectively, I am picking there's a sizeable number for the airline caused by inadvertent payments. I have no idea of the numbers but say 10% of customers inadvertently pay the insurance: that produces a sizeable uplift on the airline's profit on its domestic operations.

How Air New Zealand handled my request for a refund

To try and get my facts right, and in fairness to the airline, I asked it to comment on my latest article. Among other things, their legal team emailed me to say that *"any inadvertent purchases of insurance brought to our attention are promptly refunded unless there has been a claim on the policy."*

So, last month I emailed the airline to say that I had inadvertently paid insurance

charges and I wanted a refund. I said, rightly I think, they could work out the figures from their records. After all, if their approach means I inadvertently paid multiple \$10s, why should I trawl laboriously through hundreds of flights rather than them using their computer systems? Plus, they'll have the systems to do this, even if that needs some juggling.

The airline's reply doesn't fit easily with what its lawyers told me. Having referred to the opt-out charge, the airline said:

"When the card payment details are entered, our customers are therefore accepting the price which is being quoted to them. If they do not wish to purchase the insurance then they would need to remove this from their booking."

Mr Wigley, please note that insurance can be cancelled within 12 calendar days of the date of purchase."

Interestingly, the screen shot used in the airline's reply shows a return airfare totalling \$108 and an insurance charge uplift of \$20 (that is, just shy of a decidedly material 20% uplift on the base fare). We aren't talking about relatively small numbers here.

One the key take-outs from my articles is how important it is to get it right when a corporate is in a regulator's sights. My request went through the main online contact point so the response is hardly an outlier, but even outliers need to be carefully handled when regulators are involved.

Overall, this opt-out approach and the follow up actions are, for me, not what large corporates should be doing in business, leaving aside the added legal dimension.



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On the latter, we've suggested the Commission could look at steps that include a refund programme for all inadvertent purchasers.

In my articles, I've emphasised that, when dealing with managing FTA issues, own-goals such as the airline's handling of the refund request should be avoided. For one thing, they drive adverse media.

Contrast that with the impressive approach, in the face of FTA concerns, by insurer, IAG. Faced with FTA problems with its insured customers, IAG quickly alerted the Commission, worked with the Commission, and instituted a proactive refund and remedial programme. In the end, the Commission went to the media complimenting the insurer on its early disclosure, cooperation, and willingness to put things right. IAG turned a bad situation into one that enhances the brand and enhances trust. I'd readily buy insurance from IAG having heard about how they handled this.

As LV Martin famously said back in the day: *"It's the putting it right that counts."*

Air New Zealand pays the Sallies

Here's the email you might write, assuming inadvertent \$10 payments. Particularly important is to require the airline to unearth the payments, instead of its customers doing that: the payments are too small for most Air New Zealand customers to trawl back through old tickets so Air New Zealand forcing that would end refunds in most cases. I hope the airline doesn't take that line when dealing with its customers.

Perhaps send something like this to airnz@mailsy.custhelp.com:

"I have inadvertently paid insurance charges when booking online whether on the web or mobile sites. Please refund, paying the Salvation Army instead of me. Please confirm what you do. You will be able to work out the payments made from your records. My airpoints number is x."

1. <http://www.nbr.co.nz/article/can-you-help-air-new-zealand-donate-salvation-army-167275>.

2. <http://www.wigleylaw.com/assets/Uploads/Air-New-Zealand-ad-campaign-provides-another-example-for-business-on-Fair-Trading-Act-risk.pdf>.

3. <http://www.wigleylaw.com/assets/Uploads/Will-regulator-take-a-look-at-Air-New-Zealands-drip-pricing.pdf>.

4. <http://www.wigleylaw.com/assets/Uploads/Air-New-Zealand-and-IAG-provide-contrasting-case-studies-on-how-to-handle-Fair-Trading-Act-complaints.pdf>.

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