



**UNITED STATES OF AMERICA
DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY
WASHINGTON, D.C.**

Issued by the Department of Transportation
on the 21st day of July, 2017

American Airlines, Inc.

**Violations of 49 U.S.C. § 41712 and 14 CFR
Parts 259 and 374**

Docket OST-2017-0001

Served: July 21, 2017

CONSENT ORDER

This consent order concerns violations of 49 U.S.C. § 41712, 14 CFR 259.5(b)(5), and 14 CFR Part 374 by American Airlines, Inc., (American). This order directs American to cease and desist from future similar violations of 49 U.S.C. § 41712, 14 CFR 259.5(b)(5), and 14 CFR Part 374, and assesses \$250,000 in civil penalties.

Applicable Law

Pursuant to Regulation Z of the Board of Governors of the Federal Reserve System, 15 U.S.C. §§ 1601-1693r and 12 CFR Part 226 (Regulation Z) and the related Department of Transportation (Department) implementing rule, 14 CFR Part 374, establishing that, with respect to refund requests involving airline tickets purchased with a credit card, a creditor—here American—must transmit a credit statement for a passenger refund to the credit card issuer within seven business days of receipt of full documentation for the refund requested. In addition, pursuant to 14 CFR 259.5, a covered carrier must adopt and adhere to a customer service plan that includes a commitment to provide prompt refunds when ticket refunds are due. More specifically, pursuant to 14 CFR 259.5(b)(5), the Department requires that, with respect to tickets purchased with cash or similar forms of payment, an airline must provide a refund within 20 business days of receipt of full documentation of such a request.¹ Failure to process a refund within the stipulated time

¹ See *United Airlines, Inc.*, Order 2013-8-27 (August 20, 2013). See also *Paragon Air, Inc.*, Order 2009-7-17 (July 17, 2009); *Boston-Maine Airways Corp.*, Order 2006-7-7 (July 7, 2006); *Northwest Airlines, Inc.*, Order 87-11-33 (November 16, 1987).

periods violates section 259.5(b)(5) and Part 374 and constitutes an unfair and deceptive practice and unfair method of competition in violation of 49 U.S.C. § 41712.

Facts and Conclusions

In response to multiple consumer complaints, the Office of Aviation Enforcement and Proceedings (Enforcement Office) initiated an investigation of American's refund practices in 2016. After conducting a thorough investigation, the Enforcement Office found that in the first and second quarters of 2015, American failed to process a significant number of refund requests in a timely manner. By failing to timely process refunds for air transportation, American violated 14 CFR Part 374 and engaged in an unfair and deceptive practice in violation of 49 U.S.C. § 41712.

Furthermore, pursuant to 14 CFR 259.5, American adopted a customer commitment regarding refunds, among other things, and made it available on its website, www.aa.com. In its customer commitment, American pledged that for all eligible paper and electronic tickets and optional products and services purchased within the U.S. with a credit card or cash, refunds would be provided within seven business days of receipt of the required refund information. American also pledged that tickets and optional products and services purchased with a check would be refunded within 20 business days of receipt of the required information. American's failure to adhere to this commitment violates 14 CFR 259.5(b)(5) and 49 U.S.C. § 41712.

Response

In response, American affirms its commitment to timely refunds for its customers and notes that it takes seriously compliance with all obligations under its Customer Service Plan and Regulation Z. American explains that the merger of American Airlines and US Airways required that the two companies consolidate, among other things, the Refunds and Customer Relations systems—both systems are part of the refund process. American states that the Refunds and Customer Relations systems were integrated in late 2014 and early 2015, and the period of time covered by this consent order is the first and second quarters of 2015. American further states that it recognized that the integration caused a degradation of timely refund process and made significant investments at that time to improve the timeliness rate. American explains that they hired contractors, implemented mandatory overtime, and developed and implemented system enhancements to reduce the processing time.

Decision

The Enforcement Office views seriously American's violations of 49 U.S.C. § 41712, 14 CFR 259.5(b)(5), and 14 CFR Part 374. Accordingly, after carefully considering the facts in this case, including those set forth above, the Enforcement Office believes that enforcement action is warranted. In order to avoid litigation, and without admitting or denying the violations described above, American consents to the issuance of this order to cease and desist from future violations of 49 U.S.C. § 41712, 14 CFR 259.5(b)(5), and 14 CFR Part 374 and to the assessment of \$250,000 in compromise of potential civil penalties otherwise due and payable pursuant to 49 U.S.C. § 46301. The compromise assessment is appropriate considering the nature and extent of the

violations described herein and the size and sophistication of the carrier, and serves the public interest. It represents a strong deterrent against future similar practices by American and other carriers.

This order is issued under the authority contained in 49 CFR Part 1.

ACCORDINGLY,

1. Based on the above discussion, we approve this settlement and the provisions of this order as being in the public interest;
2. We find that American Airlines, Inc., violated 14 CFR Part 374 by failing to timely process refunds for air transportation with credit cards, as required by the Consumer Credit Protection Act and Regulation Z of the Board of Governors of the Federal Reserve System, 15 U.S.C. §§ 1601-1693r and 12 CFR Part 226;
3. We find that by engaging in the conduct described in ordering paragraph 2, above, American Airlines, Inc., failed to adhere to its customer commitment regarding refunds in violation of 14 CFR 259.5(b)(5);
4. We find that by engaging in the conduct described in ordering paragraphs 2 and 3, above, American Airlines, Inc., engaged in an unfair and deceptive practice and unfair method of competition in violation of 49 U.S.C. § 41712;
5. We order American Airlines, Inc., and its successors and assigns to cease and desist from further violations of 49 U.S.C. § 41712, 14 CFR Part 374, and 14 CFR 259.5(b)(5);
6. We assess American Airlines, Inc., \$250,000 in compromise of civil penalties that might otherwise be assessed for the violations described above;
7. We order American Airlines, Inc., to pay within thirty (30) days of the issuance of this order the penalty assessed in ordering paragraph 6, above, through Pay.gov to the account of the U.S. Treasury. Payments shall be made in accordance with the instructions contained in the Attachment to this order. Failure to pay the penalty as ordered shall subject American Airlines, Inc., to the assessment of interest, penalty, and collection charges under the Debt Collection Act and to further enforcement action for failing to comply with this order.

This order will become a final order of the Department ten (10) days after its service date unless a timely petition for review is filed or the Department takes review on its own motion.

BY:

BLANE A. WORKIE
Assistant General Counsel for
Aviation Enforcement and Proceedings

*An electronic version of this document is available at
www.regulations.gov*