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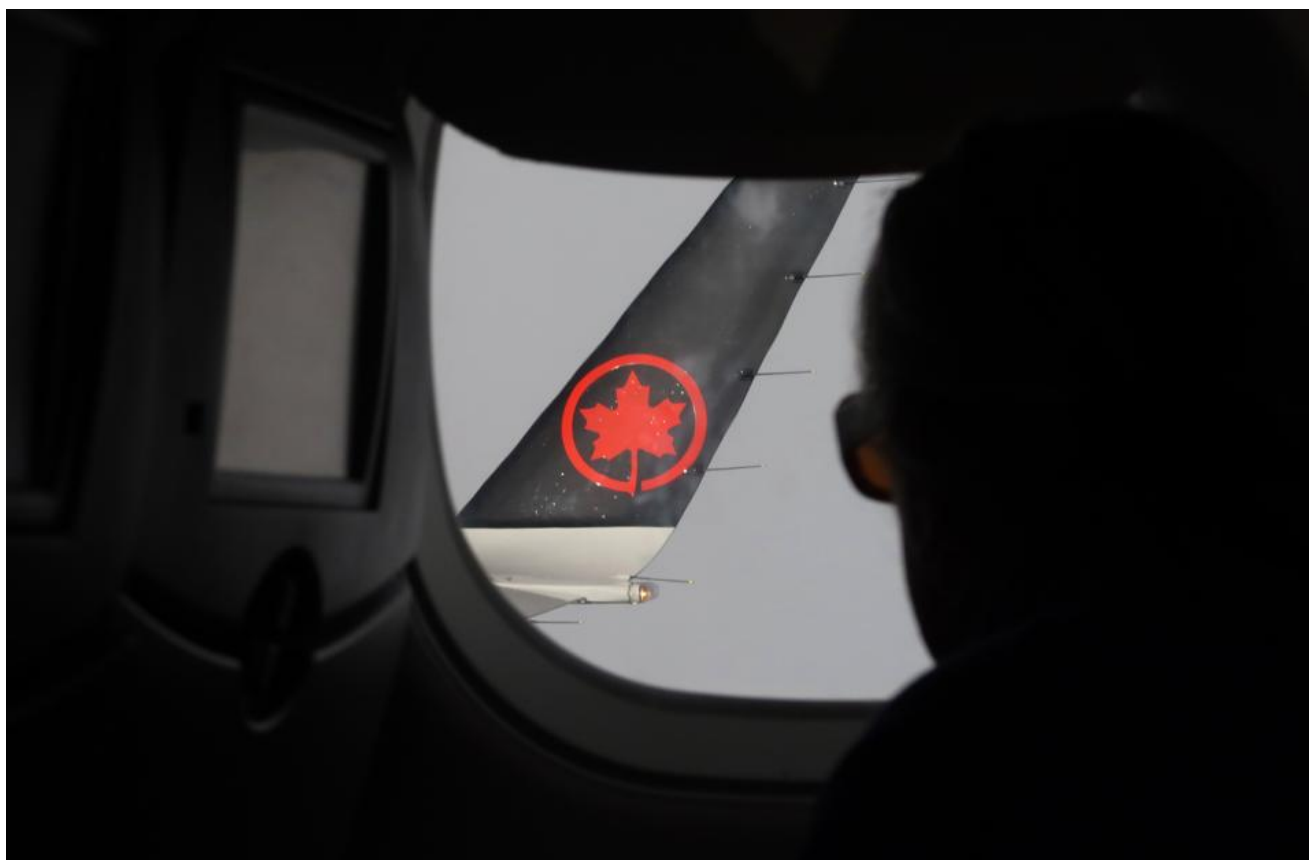
# What Air Canada Lost In 'Remarkable' Lying AI Chatbot Case

By **Marisa Garcia**, Senior Contributor. ⓘ Offering an insider's view of...

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NEWARK, NJ - DECEMBER 2: A passenger looks out the window as an Air Canada airplane takes off from Newark Liberty International Airport on December 2, 2023, in Newark, New Jersey. (Photo by Gary Hershorn/Getty Images) GETTY IMAGES

In a warning to global carriers adopting AI for customer service platforms, Air Canada lost a small claims court case against a grieving passenger when it tried and failed to disavow its AI-powered chatbot.

The passenger claimed to have been misled on the airline's rules for bereavement fares

when the chatbot hallucinated an answer inconsistent with airline policy. The Tribunal in Canada’s small claims court found the passenger was right and awarded them \$812.02 in damages and court fees.

Following the death of their grandmother, the passenger used Air Canada’s chatbot on the website to research flights which suggested the passenger could apply for bereavement fares retroactively. The passenger captured a screenshot of the chatbot’s response, which they showed to the Tribunal. The chatbot told the customer:

“Air Canada offers reduced [bereavement fares](#) if you need to travel because of an imminent death or a death in your immediate family...If you need to travel immediately or have already travelled and would like to submit your ticket for a reduced bereavement rate, kindly do so within 90 days of the date your ticket was issued by completing our Ticket Refund Application form.”

The crux of the Air Canada case lay in the underlined text, which was a live link to the airline’s [Bereavement Fares Policy](#) page on the airline’s website. That page contradicts the chatbot stating, “Please be aware that our Bereavement policy does not allow refunds for travel that has already happened.”

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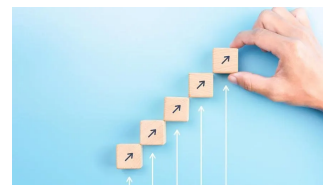
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Air Canada argued that as the link was provided in the chatbot’s response the passenger had an opportunity to confirm the chatbot’s reply. But the court found Air Canada failed to explain why the passenger should not trust information provided on its website by its chatbot.

The passenger learned later through Air Canada employees that Air Canada did not accept retroactive bereavement applications, but still pursued the refund because “they relied on

the chatbot's advice" according to [case records](#). Air Canada offered a \$200 flight voucher to satisfy the passenger's complaint, which the passenger refused.

## Chatbot Failure Was "Negligent Misrepresentation"

The Tribunal determined the claim against Air Canada constituted "negligent misrepresentation."

"Air Canada argues it cannot be held liable for information provided by one of its agents, servants, or representatives – including a chatbot. It does not explain why it believes that is the case. In effect, Air Canada suggests the chatbot is a separate legal entity that is responsible for its own actions. This is a remarkable submission. While a chatbot has an interactive component, it is still just a part of Air Canada's website. It should be obvious to Air Canada that it is responsible for all the information on its website. It makes no difference whether the information comes from a static page or a chatbot," Christopher C. Rivers, Civil Resolution Tribunal Member, wrote in his decision on the case.

Rivers found Air Canada "did not take reasonable care to ensure its chatbot was accurate." The airline failed to explain to the Tribunal "why the webpage titled 'Bereavement travel' was inherently more trustworthy than its chatbot. It also does not explain why customers should have to double-check information found in one part of its website on another part of its website."

## Has Air Canada Invested Too Heavily In AI?



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Air Canada introduced Artificial Intelligence Labs in 2019 to apply AI towards improving its operations and customer experience.

"Big data and AI are now a big part of our business," Calin Rovinescu, Air Canada President and CEO told [Future Travel Experience](#) at time.

Last year, Air Canada also announced big plans for AI-powered voice customer service chatbots, which could ultimately replace the same people who explained to the bereaved passenger involved in the case that the website chatbot was wrong.

Curiously, as reported in [Business Traveler](#), Air Canada's Vice President and Chief Information Officer Mel Crocker acknowledged that the airline's initial investment in AI-powered voice customer service is higher than paying their call center workers to handle simple customer questions.

"We're not going into this with a view of killing jobs," he said. "But if we can use a human to solve something that requires a human touch, and technology to solve something that can be automated, we will do that."

In what comes across now as an ironic statement, Crocker added, "The biggest benefit of

AI to us is that it fundamentally creates a better customer experience. And happier customers means they are travelling more with Air Canada.”

The small claims court case did not cost Air Canada much in terms of dollars and cents, but it hasn't helped its customer service reputation. The airline could easily afford to pay the passenger the bereavement fare difference.

Had Air Canada done so, it would not have drawn so much attention to the problem as it researched what prompted the chatbot to misinform the customer. But the case raised important questions and potentially set a precedent on airlines' liability for the performance of their AI-powered systems.

## Consumer Rights Versus AI Hallucinations

AI tools are vulnerable to hallucinations, where they appear to make up information out of the blue.

“AI hallucination is a phenomenon wherein a large language model (LLM)—often a generative AI chatbot or computer vision tool—perceives patterns or objects that are nonexistent or imperceptible to human observers, creating outputs that are nonsensical or altogether inaccurate,” IBM IBM-0.6% explains on its website.

Air Canada's rival WestJet went through one such [hallucinatory incident](#) in 2018. Its chatbot, Juliet, incorrectly interpreted a happy customer's glowing comment on a cabin crewmember's care over her succulent cutting and referred that customer to a suicide hotline. No harm was done in that case, and the airline's customer found the situation amusing.

But as the more recent Air Canada incident shows, AI hallucinations can come at a price.

While airlines are not financial institutions, their handling of significant transactions and currency-like loyalty points and miles make them vulnerable to liability when a hallucinating AI misinforms consumers. The U.S. Consumer Financial Protection Bureau closely monitors the use of artificial intelligence and the impact of the technology on consumer rights.

In research [published](#) last year on banking chatbots, CFPB found chatbots can help answer basic customer questions, but “their effectiveness wanes as problems become more

complex.”

“Review of consumer complaints and of the current market show that some people experience significant negative outcomes due to the technical limitations of chatbots functionality,” they noted in their report. “There are many kinds of negative outcomes for the customer, including wasted time, feeling stuck and frustrated, receiving inaccurate information, and paying more in junk fees. These issues are particularly pronounced when people are unable to obtain tailored support for their problems.”

CFPB also warned “financial institutions risk violating legal obligations, eroding customer trust, and causing consumer harm when deploying chatbot technology. Like the processes they replace, chatbots must comply with all applicable federal consumer financial laws, and entities may be liable for violating those laws when they fail to do so. Chatbots can also raise certain privacy and security risks. When chatbots are poorly designed, or when customers are unable to get support, there can be widespread harm and customer trust can be significantly undermined.”

Air Canada is not alone in using AI to answer common customer queries. Many airlines and airports worldwide have introduced automated chats and bots into their customer service flow directly on their websites and apps and on popular social media channels.

But as the technology is not infallible, airlines will need to consider their legal and financial exposure to AI hallucinations. They may need to rethink [how far AI](#) can take them at this stage.

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