



Mandatory Levy of Service Charge by Restaurants Violates Consumer Law: CCPA

Automatic Addition of Service Charge Declared Unfair Trade Practice

Penalties imposed up to ₹50,000; restaurants directed to refund service charge and modify billing systems

Action triggered by consumer complaints on National Consumer Helpline (NCH) supported by invoices

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The Central Consumer Protection Authority (CCPA) has taken suo motu cognizance against 27 restaurants located across the country for violation of consumer rights and adoption of unfair trade practices under **Section 2(47) of the Consumer Protection Act, 2019**, relating to the mandatory levy of service charge.

The action follows the judgment of the Hon'ble High Court of Delhi dated **28 March 2025**, which upheld the Guidelines issued by CCPA on levy of service charge. **The Court held that mandatory collection of service charge by restaurants is contrary to law** and observed that all restaurant establishments are required to adhere to the CCPA guidelines. The Court further affirmed that CCPA is fully empowered to enforce its guidelines in accordance with law.

The Guidelines to Prevent Unfair Trade Practices and Protection of Consumer Interest with Regard to Levy of Service Charge in Hotels and Restaurants, issued by CCPA on 4 July 2022, stipulate that:

1. No hotel or restaurant shall add service charge automatically or by default in the food bill
2. No service charge shall be collected by any other name
3. Consumers shall not be forced to pay service charge and must be clearly informed that it is voluntary and optional
4. No restriction on entry or provision of services shall be imposed based on refusal to pay service charge
5. Service charge shall not be added to the bill and subjected to GST

Investigations revealed that several restaurants, including **Café Blue Bottle, Patna, and China Gate Restaurant Private Limited (Bora Bora)**, Mumbai, were automatically levying a **10%** service charge by default, in clear violation of the Consumer Protection Act, 2019 and the CCPA Guidelines, which have now been upheld by the Hon'ble High Court of Delhi.

The action was initiated based on complaints received on the National Consumer Helpline (NCH), supported by invoices clearly reflecting default addition of service charge. A detailed investigation established that such practices amount to Unfair Trade Practice under Section 2(47) of the Act.

In the **case of Café Blue Bottle, Patna**, the CCPA directed the restaurant to:

- Refund the full amount of service charge to the consumer
- Discontinue the practice of levying service charge with immediate effect
- Pay a penalty of ₹30,000

In the case of **China Gate Restaurant Private Limited (Bora Bora), Mumbai**, the restaurant refunded the service charge during the hearing. The CCPA further directed the restaurant to:

- Modify its software-generated billing system to remove default addition of service charge or any similar charge
- Pay a penalty of ₹50,000 for violation of consumer rights and unfair trade practice
- Ensure that its email ID available on public platforms remains active and functional at all times for effective consumer grievance redressal, as mandated under the Act

The Central Consumer Protection Authority is closely monitoring complaints received on the National Consumer Helpline regarding levy of service charge and will continue to take strict action against non-compliant restaurants to safeguard consumer rights and prevent unfair trade practices.

RT/ARC

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