



Ministry of Consumer Affairs, Food & Public Distribution

Azadi Ka
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Delhi High Court imposes ₹1,00,000 cost on Restaurant and Hotel Associations for non-compliance of its directions pertaining to Service Charge

Cost to be paid to the Department of Consumer Affairs,
Government of India

More than 4,000 complaints registered on NCH against service charge since issuance of CCPA guidelines

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The Hon'ble Delhi High Court has passed Order on 24th July, 2023 directing the National Restaurant Association of India (NRAI) and the Federation of Hotel & Restaurant Associations of India (FHRAI) to pay ₹1,00,000 each as costs for complete non-compliance of the directions as per its order dated 12th April, 2023. The Hon'ble Court has directed that the costs shall be paid to the Department of Consumer Affairs, Government of India.

It may be mentioned that as per Order dated 12th April, 2023, the Court had directed that:-

- (i) Both the associations shall file a complete list of all their members who are supporting the present writ petitions by 30th April 2023
- (ii) Both the associations shall place their stand and file a specific affidavit on the following aspects:-
 - (a) Percentage of members who impose service charge as a mandatory condition in their bills
 - (b) Whether the associations shall have objection in the term service charge being replaced with alternative terminology so as to prevent confusion in the minds of the consumer that the same is not a Government levy such as 'Staff welfare fund', 'Staff welfare contribution', 'Staff charges', 'Staff welfare charges', etc.

(c) Percentage of members who are willing to make service charge as voluntary and not mandatory, with option being given to the consumers to make their contribution to the extent that they are voluntarily willing subject to a maximum percentage that may be charged.



The restaurant associations were required to do necessary compliance as per the above-mentioned directions. However, neither of the associations filed the affidavits in terms of the said order.



The Court noted that the clear impression that it gets is that the restaurant associations are in complete non-compliance of the orders dated 12th April, 2023 and had filed the affidavits without serving the respondents properly so as to ensure that the hearing does not proceed before the Court.



The Court granted one last opportunity to properly file these affidavits within 4 days subject to payment



of ₹1,00,000/- as costs in each of the petitions which shall be paid to the Pay and Accounts Office, Department of Consumer Affairs, New Delhi by way of a Demand Draft. Non-compliance with this direction will result in the affidavits not being taken on record. The matter is now scheduled for hearing on 5th September, 2023.

It may be mentioned that a number of consumers have complained against forceful collection of service charge on the National Consumer Helpline (NCH). Since the guidelines issued by the CCPA in July, 2022, more than 4,000 complaints have been registered highlighting:

- a. Forcing consumers to pay service charge involuntarily even when they are dissatisfied with the service provided by the restaurant/hotel
- b. Making payment of service charge mandatory
- c. Portraying service charge as a charge which is levied by or has the approval of the government
- d. Embarrassing and harassing consumers including by bouncers in case they resist paying service charge
- e. Charging exorbitant amount of money in the name of such charge as 15%, 14% etc.
- f. Service charge has also been collected by disguising it by other names such as 'S/C.', 'SC', 'S.C.R.' or 'S. CHARGE' etc.

AD/NS

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