

CENTRAL CONSUMER PROTECTION AUTHORITY

Krishi Bhawan, New Delhi - 110001

Case No. CCPA- 2/16/2025-CCPA

In the matter of Chaayos (Sunshine Teahouse Pvt. Ltd.) regarding alleged levying of service charge, violation of Consumer Rights and Unfair Trade Practices

CORAM:

Ms. Nidhi Khare, Chief Commissioner

Mr. Anupam Mishra, Commissioner

Appearance:

Nikhil Mandhotra, Advocate

Date: 14th July, 2026

ORDER

1. The Central Consumer Protection Authority (CCPA) has taken suo-moto cognizance of the grievance from Mr. Shahank Sood registered at National Consumer Helpline 1915 (NCH) vide docket no. 6958017 dated 30.03.2025 against Chaayos (Sunshine Teahouse Pvt. Ltd.) (The Restaurant). The complainant alleged that the Restaurant charged "Service Tax" separately in addition to CGST and SGST. Furthermore, when requested to refund the amount, the Restaurant refused, stating that the charge was mandated by company management and is non-refundable. The Consumer in support of his grievance had attached the bill, which is reproduced below:



2. It is pertinent to mention that vide judgement dated 28th March, 2025 the Hon'ble High Court of Delhi in **National Restaurant Association of India & Ors. v. Union of India & Anr.** had held that: *"All restaurant establishments would have to adhere to the guidelines passed by the CCPA. If there is any violation of the same, action would be liable to be taken in accordance with law. CCPA is free to enforce its guidelines in accordance with law."* Further the Hon'ble High Court had upheld the applicability of the CCPA guidelines which is in the interest of consumers and declaring the levy of any mandatory service charge as contrary to law and violates the guidelines.
3. The NCH grievance (docket no. 6958017 dated 30.03.2025) is indicative of an unlawful levy of service charge, which may be unfairly impacting a wider number of consumers as a class. The CCPA in exercise of power conferred under Section 18(2) and Section 19 of the Consumer Protection Act, 2019 (the Act, 2019) conducted a preliminary inquiry to examine the veracity of the claim made against the aforementioned Restaurant.
4. In the preliminary inquiry, CCPA prima facie found, from the grievance registered on NCH, that the Restaurant had levied service charge on the bill despite the Hon'ble High Court of Delhi upholding the Guidelines to Prevent Unfair Trade Practices and Protection of Consumer Interest with regard to levy of service charge in Hotels and Restaurants, 2022 issued by CCPA (hereinafter referred to as Guidelines, 2022). Considering that the bill is software generated, the practice might be impacting a wider base of consumers visiting the restaurant thereby forming a class action as envisaged in section 10 of Consumer Protection Act 2019.
5. Based on the preliminary inquiry findings, CCPA directed the restaurant to furnish their response vide Notice dated 25th April, 2025 for violation of the Act, 2019 and *Guidelines to Prevent Unfair Trade Practices and Protection of Consumer Interest with Regard to Levy of Service Charge in Hotels and Restaurants issued on 04.07.2022.*
6. In response to the said notice, the restaurant made the following submissions on 01st May, 2025:
 - a. It is respectfully submitted that Chaayos has not, at any point, infringed upon the rights of consumers as a class, as alleged or otherwise. The Company reiterates that the service charge levied at its outlets is not mandatory. It is entirely voluntary and is applied solely at the discretion of the consumer. Moreover, the service charge is neither treated as non-refundable nor imposed unconditionally. Chaayos has a consistent and transparent practice of waiving

or refunding the service charge immediately upon any request made by the consumer, without any inquiry or resistance. Additionally, Chaayos ensures that consumers are well informed of this voluntary nature through clear and conspicuous signage displayed at the Point of Sale (POS) across all its outlets.

- b. Further, in relation to the specific instance involving the consumer Mr. Shashank Sood (Docket No. 6958017), it is respectfully submitted that the said consumer has, on certain occasions, voluntarily paid the service charge as reflected in the relevant bills enclosed with this response. However, in one particular instance pertaining to his order dated 27th March, 2025, no service charge was levied or collected upon the request of the consumer. The aforesaid bills, reflecting both instances where the service charge was paid voluntarily and where it was waived upon the consumer's request, clearly establish the Company's consistent practice of treating the service charge as optional and non-mandatory.
- c. At no point has the Company engaged in any unfair trade practice or acted in a manner that would infringe upon the rights of consumers. The Company remains committed to maintaining transparency and fairness in all its dealings with consumers.
- d. The Company reiterates that the service charge has always been presented in a manner that fully respects and preserves the consumer's discretion. The same has always been voluntary and optional, and at all times, customers have had the option to request the removal or refund of the service charge, and such requests have been duly honoured.
- e. The Company reiterates that in all instances where the service charge was paid by a consumer, the same was done voluntarily, and at no point after the placement of the orders did the said consumer raise any objection or request a refund of the said amount. It is categorically denied that Mr. Shashank Sood requested for refund of service charge, therefore, there is no question of the company denying to refund the same.
- f. The customer retains full discretion to accept or decline the service charge, and that the practice is not coercive in nature. At all times, customers have been informed of their right to opt-out, and the Company has consistently honoured requests for the removal or refund of the service charge.
- g. The Company collects the service charge only under the clearly defined term "Optional Service Charge" and does not misrepresent or rename it in any

manner. This practice, as outlined, does not qualify as an "unfair trade practice" under Section 2(47) of the Consumer Protection Act, 2019, as it is fully transparent, voluntary, and in compliance with applicable laws and regulations.

- h. At every store location, the Company has placed visible signage and digital communication at the POS to inform the customer that the service charge is voluntary and optional.
- i. The revised billing process ensures that GST is not levied on the service charge unless required by law and the service charge is shown separately and transparently. These updates are reflected in the sample bill as enclosed in the reply.
- j. Given that the Company operates over 180 stores across India, implementation of such changes at a pan-India scale required logistical coordination and reasonable time. It is pertinent to clarify that the service charge levied by the Company has never been mandatory, nor has it been treated as non-refundable.
- k. Subsequent to the court order, the Company has also revised its Standard Operating Procedures (SOPs) and bill formats to ensure explicit disclosure and clarity regarding the optional nature of the service charge.
- l. Further, the Company acknowledges the authoritative and binding nature of the CCPA's guidelines and assures continued adherence thereto and the Company has taken proactive measures to ensure complete compliance with the guidelines, and prominently communicating to consumers that the service charge is purely voluntary and may be accepted or declined at their discretion.
- m. The Company submits that it stands firmly in support of consumer welfare and is committed to ensuring transparency and fairness in all its business practices. In view of the above, it is respectfully submitted that the Company is in full compliance with the applicable law and the directions of the Hon'ble Court, and that no penal action is warranted under the circumstances.
- n. The company's intent, conduct, and operational practices have remained consistent with consumer welfare. The Company further reiterated that they have always aligned itself with the Guidelines dated 04.07.2022 issued by the Department of Consumer Affairs. Specifically, (a) no customer is ever denied service for refusing to pay the service charge, (b) all such charges are refunded upon request, and (c) our POS receipts and in store displays now clearly reflect the voluntary nature of the service charge. As of today, the changes ordered by

the Hon'ble High Court have been implemented fully across all outlets without fail.

7. Upon examination of the response of the Restaurant, CCPA observed that the matter required detailed investigation as the restaurant has not justified on why the service charge was imposed in the name of "Optional Service Charge", despite the Guidelines issued on 2022 clearly mentions that *"No hotel or restaurant shall add service charge automatically or by default in the bill"* and the Hon'ble High Court of Delhi has upheld these Guidelines. CCPA was satisfied that there exists a prima facie case of Unfair Trade Practice and violation of consumer rights under the Act, 2019 along with the above-mentioned Guidelines of 2022 which impacted consumer as a class.
8. In light of the above observations, CCPA vide letter dated 14th May, 2025 directed Director General (Investigation) to conduct a detailed investigation.
9. The Director General (Investigation) submitted the Investigation Report vide email dated 19th May, 2026. The findings in the Investigation report are as under:
 - I. It is observed that the Hon'ble Delhi High Court, in its judgment dated 28.03.2025 in National Restaurant Association of India & Ors. v. Union of India & Anr., unequivocally held that:

"While this Court holds that the mandatory collection of service charge is contrary to law and violates the guidelines, it is also of the opinion that if consumers wish to pay any voluntary Tip for services which. they had enjoyed, the same would obviously not be barred. The amount however, ought not to be added by default in the bill/invoice and should be left to the customer's discretion."
 - Despite this binding judicial pronouncement, the Company levied a service charge in the customer's bill dated 30.03.2025, thereby contravening the directions of the Hon'ble Court. The levy was not left to the customer's discretion and was added by default, in direct violation of the legal standard.
 - II. The consumer, Mr. Shashank Sood, registered a grievance with the National Consumer Helpline (NCH) on 30.03.2025. The NCH issued an initial communication to the Company dated 04.04.2025, followed by reminders dated 11.04.2025 and 15.04.2025. Despite repeated outreach, the Company failed to resolve the grievance or provide any substantive redressal, indicating procedural non-compliance and disregard for consumer grievance mechanisms.

- III. The Company has submitted that it revised its invoice formats to label the charge as "Optional Service Charge" and updated its Standard Operating Procedures (SOPs) to reinforce staff awareness. However, these measures were undertaken post-facto and do not negate the fact that the service charge was levied on 30.03.2025, after the High Court's judgment and in violation of the binding Guidelines issued by the Central Consumer Protection Authority dated 04.07.2022.
- IV. The Company's conduct is found to be in breach of the following provisions of the CCPA Guidelines:
- Addition of service charge by default in the bill.
 - Failure to ensure that the charge is voluntary and at the Consumer's discretion.
 - Lack of timely redressal of consumer grievance.
 - Imposition of service charge despite judicial and regulatory prohibitions.
- V. Based on the facts established during the course of investigation, the submissions made by Chaayos, and the documentary record available, the Investigating Authority concludes that the Company has violated the provisions of the Consumer Protection Act, 2019, by:
- Imposing service charge post-judgment without consumer discretion
 - Failing to redress consumer grievance despite repeated reminders
 - Engaging in default billing practices contrary to law

The conduct of the Company, as established through investigation, falls within the ambit of Section 2(47) and Section 2(9) of the Consumer Protection Act, 2019.

10. The Investigation Report submitted by DG (Investigation) was shared with the Restaurant vide letter dated 27th May, 2026 to furnish its comments and an opportunity of hearing was also provided to the Restaurant on 10th June, 2026 under Section 20 and 21 of the Act, 2019 before passing an order.

11. On 10th June, 2026, the restaurant submitted following documents:

- I. Authority Letter authorizing me to represent my client, Sunshine Teahouse Private Limited (Chaayos);
- II. Regulatory Update dated 01.05.2025 Regarding Discontinuation of Service Charge Across Chaayos;

- III. Regulatory Update dated 01.05.2025 Regarding Service Charge – Compliance Measures; and
- IV. Latest invoices evidencing that no service charge is being levied or mentioned on the invoices issued by Chaayos.

12. As per the above documents the restaurant has submitted that Chaayos shall discontinue the levy and collection of service charge across all outlets and ordering channels with immediate effect. Accordingly, the Operations and Technology teams are required to undertake all necessary system and process changes to ensure that service charge is removed from:

- POS and billing systems;
- Online ordering platforms and applications;
- Menus and customer-facing communications;
- Store-level operational practices; and
- Any other platform or touchpoint through which service charge may currently be levied or collected.
- The concerned teams are requested to coordinate and implement the above changes on priority.

13. On 10th June, 2026. Advocate Nikhil Mandhotra represented the restaurant and submitted as follows:

- a. It was submitted that the Company does not compulsorily levy service charge on its customers and that, in accordance with its policy, the service charge is voluntary in nature.
- b. The restaurant further submitted that the change in billing process and SOPs takes time as software vendor has to feed every data accordingly.
- c. The restaurant has stopped levying service charge from 01st May, 2025.
- d. The restaurant has more than 180+ outlets in India.

14. In light of the above CCPA received a subsequent email dated 17th June, 2026. The restaurant indicated that they had communicated with the complainant regarding the refund of the service charge and requesting the Complainant to provide his bank account details for processing the refund.

15. Before delving into the specifics of the case, it is pertinent to examine the relevant legal framework that governs such transactions.

- a. As per the Consumer Rights enshrined under Section 2(9) (ii) and (v) of the Act states that the consumer rights includes- "the right to be informed about the quality, quantity, potency, purity, standard and price of goods, products or services, as the case may be, so as to protect the consumer against unfair trade practices" and "the right to seek redressal against unfair trade practices or restrictive trade practices or unscrupulous exploitation of consumers."
- b. From the bare reading of Section 2 (28) of the Act, 2019 it can clearly be concluded that when a restaurant displays a menu with specific prices, the consumer is duly informed about the cost of the food. However, if a mandatory service charge is added later, it conveys an express or implied representation that the restaurant, a service provider had deliberately concealed the actual price of the food and service thereof, constituting an unfair trade practice.
- c. Furthermore, Section- 2(47) of the Consumer Protection Act, 2019 defines "Unfair Trade Practice" which includes deceptive or unethical methods used to promote the sale of goods, use or supply of any goods or provision of services.
- d. CCPA had issued *Guidelines to Prevent Unfair Trade Practices and Protection of Consumer Interest with Regard to Levy of Service Charge in Hotels and Restaurants*, on 4th July, 2022. The extracts of which are given below:

"3. Service charge is being levied in addition to the total price of the food items mentioned in the menu and applicable taxes, often in the guise of some other fee or charge.

4. It may be mentioned that a component of service is inherent in price of food and beverages offered by the restaurant or hotel. Pricing of the product thus covers both the goods and services component. There is no restriction on hotels or restaurants to set the prices at which they want to offer food or beverages to consumers. Thus, placing an order involves consent to pay the prices of food items displayed in the menu along with applicable taxes. Charging anything other than the said amount would amount to unfair trade practice under the Act.

7. Therefore, to prevent unfair trade practices and protect consumer interest with regard to levying of service charge, the CCPA issues the following guidelines –

- (i) No hotel or restaurant shall add service charge automatically or by default in the bill.
- (ii) Service charge shall not be collected from consumers by any other name.
- (iii) No hotel or restaurant shall force a consumer to pay service charge and shall clearly inform the consumer that service charge is voluntary, optional and at consumer's discretion.
- (iv) No restriction on entry or provision of services based on collection of service charge shall be imposed on consumers.
- (v) Service charge shall not be collected by adding it along with the food bill and levying GST on the total amount."

e. The Hon'ble High Court of Delhi [**National Restaurant Association of India & Ors. Vs Union of India & Anr.**] passed the Judgment on 28th March, 2025 held in favor of CCPA wherein the Court held the following:

- i. Service charge or TIP as is colloquially referred, is a voluntary payment by the customer. It cannot be compulsory or mandatory. The practice undertaken by the restaurant establishments of collecting service charge that too on a mandatory basis, in a coercive manner, would be contrary to consumer interest and is violative of consumer rights.
- ii. The collection of service charge and use of different terminologies for the said charge is misleading and deceptive in nature. The same constitutes an unfair trade practice under Section 2(47) of the CPA, 2019.
- iii. The guidelines framed by the CCPA are thus valid and are in the interest of the consumers and the same are upheld.
- iv. While this Court holds that the mandatory collection of service charge is contrary to law and violates the guidelines, it is also of the opinion that if consumers wish to pay any voluntary Tip for services which they had enjoyed, the same would obviously not be barred. The amount however, ought not to be added by default in the bill/invoice and should be left to the customer's discretion.
- v. All restaurant establishments would have to adhere to the guidelines passed by the CCPA. If there is any violation of the same, action would

be liable to be taken in accordance with law. CCPA is free to enforce its guidelines in accordance with law.

16. In light of the above provisions and consideration of the investigation report of DG Investigation (CCPA) along with the submissions of the Restaurant, CCPA arrives at the following findings:

- (a) It is important to note that the genesis of the service charge in the bill is the command embedded in the billing software, leading to default addition of service charge to every bill. Therefore, it shall be erroneous to presume that the service charge was voluntary. This effectively negates the restaurant's contention before CCPA that the service charge was voluntary. The facts and evidences in this case clearly established that the service charge was mandatorily levied on all consumers till 01st May, 2026, in contravention of the CCPA guidelines and the judgement of Hon'ble High Court of Delhi dated 28th March, 2025.
- (b) The restaurant's liability is also established through a clear pattern of deliberate non-compliance of the Guidelines, 2022 issued by CCPA which has been upheld by the Hon'ble High Court of Delhi. The restaurant has demonstrated a blatant violation of both judicial and regulatory directives.
- (c) The restaurant's failure to update its software-generated billing system till 30th April, 2025, proves that it had made no reasonable effort to align its practices with the law. This refusal to rectify automated billing errors suggests a continued unauthorized collection, thereby rendering the restaurant fully liable for the consumer rights violations.
- (d) Hence, the Restaurant is in violation of the following provisions of Consumer Protection Act 2019:
 - (i) Consumer rights under section 2(9) (ii) of the Act, 2019.
 - (ii) Consumer rights under section 2(9) (v) of the Act, 2019.
 - (iii) Engaging in Unfair Trade Practice as defined in section 2(47) of Act, 2019 read with section 2(46) (vi) of Act, 2019;
 - (iv) Misleading advertisement under Section 2(28) (i) and (iii) of the Act, 2019.
 - (v) Guidelines to Prevent Unfair Trade Practices and Protection of Consumer Interest with Regard to Levy of Service Charge in Hotels and Restaurants, on 4th July, 2022.

17. Considering the above findings and the violations noted in the foregoing paras the CCPA is empowered under Section 20 and 21 of the Consumer Protection Act, 2019 to issue directions to modify the advertisement or discontinue such advertisement and practices, if necessary, it may, by order, impose a penalty which may extend to ten lakh rupees and for every subsequent contravention may extend to fifty lakh rupees. Further, Section 21 (7) of the above Act, 2019 prescribes that following may be regarded while determining the penalty:

- i. the population and the area impacted or affected by such offence;
- ii. the frequency and duration of such offence;
- iii. the vulnerability of the class of persons likely to be adversely affected by such offence;
- iv. the gross revenue from the sales effected by virtue of such offence

18. It is evident that the restaurant has a substantial consumer reach and market presence as the restaurant has more than 180+ outlets in India, and levy of service charge by default on bill has the potential to affect a large number of consumers. It is also pertinent to note that, as per the restaurant's own submission, it discontinued the levy of service charge with effect from 01st May, 2025, i.e., subsequent to the Central Authority taking cognizance of the present matter. Therefore, the conduct of the restaurant attracts the applicability of Section 21(7) of the Act, 2019.

19. In light of the above CCPA issues the following directions:

- I. Reimbursement of the Service Charge paid by the consumer.
- II. To take immediate steps to modify its software generated billing system by removing default addition of service charge or charge by any other name.
- III. The restaurant is further directed to pay a penalty of Rs. 50,000/-

The Restaurant shall submit a compliance report of the above-mentioned directions to the CCPA within 15 days from the receipt of this order.


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Nidhi Khare
Chief Commissioner


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Anupam Mishra
Commissioner

