

CENTRAL CONSUMER PROTECTION AUTHORITY

Krishi Bhawan, New Delhi - 110001

Case No. CCPA- 2/49/2025-CCPA

In the matter of Mirage Restaurant (V & RO Hospitality 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:

Mr. Jagadish Gopal

Date: 06th October, 2026

ORDER

1. The Central Consumer Protection Authority (CCPA) has taken suo-moto cognizance of the grievance from Anil Saseendran registered at National Consumer Helpline 1915 (NCH) vide docket no. 7123678 dated 11.05.2025 against Mirage Restaurant (V & RO Hospitality Private Limited) (hereinafter referred to as "The Restaurant"). The complainant alleged that *"Service charge of 1094 was compulsory charged from me, even though I stated this was not mandatory. They asked to raise this complain to court as for them, service charge was compulsory from every customer."* The Consumer in support of his grievance had attached the bill, which is reproduced below:

INVOICE
V&RO HOSPITALITY PRIVATE LIMITED
Mirage
6th Floor, 1 Shoba mall,
St. Marks Road,
Bangalore, Karnataka 560001
Phone: 9838941881
GSTIN: 29AAGCV4390M1ZL
FSSAI: 11221333000184

Bill No: 4785 Stwd: Susanta Jena
Date: 10-May-2025 Time: 23:27
Table No: 34 Pax: 2

TABLE

ITEM	QTY	AMT
Bellini	1	850.00
Grey Goose Perisian Chic	1	1200.00
Kamikaze	4	2200.00
Long Island Ice Tea	4	3700.00
Margarita	1	850.00
Minotaur	1	375.00
Whisky Sour	1	850.00
Xo Tossed Chicken	1	520.00
Pork Banh Mi Bites	1	395.00
Total Qty: 15		Sub Total: 10940.00
Service Charge		1094.00
Tax Summary		
TAX	RATE	AMT
CGST - F&B	2.5%	59.60
SGST - F&B	2.5%	59.60
Total Tax		119.20
Round off		-0.20
PAY: 12153.00		
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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 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, 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 adopted by the Restaurant might have impacted a wider base of consumers visiting the restaurant thereby making it a fit case for 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 19th May, 2025 for violation of various provisions 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 vide email dated 29th May, 2025 has submitted as follows:
 - a. The restaurant followed the principle that payment of service charge is completely voluntary, as mandated under the CCPA guidelines dated 04.07.2022 and reinforced by the Hon'ble Delhi High Court's judgement dated 28.03.2025.
 - b. The Restaurant do not compel any customer to pay the service charge.
 - c. The staff is trained to remove the service charge from the bill immediately when requested by the consumer, without argument or pressure.
 - d. In practice, approximately 17% -20% of the guests voluntarily opt to have the service charge removed, and the restaurant comply with every such request without hesitation. This clearly demonstrates that our billing practices are

transparent and flexible, and the restaurant respect every consumer's right to choose.

- e. The allegation made by the consumer under Docket No. 7123678 is unfounded. The Restaurant's internal review, including CCTV footage and billing records, revealed no indication that the customer objected to the service charge or requested its removal at any point during their visit. In fact, the customer paid the bill in full, including the service charge of 1094/-, without raising any concerns, and left the premises without any dissatisfaction expressed to the restaurant staff.
 - f. The Restaurant staff is thoroughly trained to inform customers that the service charge is completely voluntary and can be removed upon request. Had the customer raised an objection, the service charge would have been immediately removed, in line with its standard policy.
 - g. The Restaurant was therefore surprised to receive this complaint via the consumer forum, as it does not reflect the actual events of the day. The Restaurant remain committed to transparency and customer satisfaction, and take such matters seriously to uphold its standards of service.
 - h. However, the following corrective steps are to be taken:
 - (i) The Restaurant wish to refund the amount to the concerned consumer. To process the refund the restaurant kindly requested the consumer to share the necessary details (such as bank account or upi information).
 - (ii) The staff involved have been counselled and retrained to reinforce the voluntary nature of the service charge, ensuring compliance going forward.
 - i. The incident in question was an isolated lapse and is not reflective of the restaurant standard business practices. The restaurant's operations are rooted in fair, transparent, and consumer-friendly billing protocols. At no point is any form of coercion or unfair trade practice exercised at the establishment.
7. Upon examination of the response of the Restaurant, CCPA observed that the restaurant has claimed that approximately 17% to 20% of guests opt to have the service charge removed upon request which suggests that the restaurant has continued to levy service charge by default. Also, it has not given any justification for its continued levy of service charge in the food bill, which is in direct contravention of the Guidelines, 2022 issued by the Central Consumer Protection Authority (CCPA) and the judgment of the Hon'ble High Court of Delhi and has thus continued to adversely impact consumers as a class, even after issue of the notice.

8. In light of the above observations, CCPA vide letter dated 30th June, 2025 directed Director General (Investigation) to conduct a detailed investigation.
9. The Director General (Investigation) submitted the Investigation Report dated 05th June, 2026 vide email dated 16th June, 2026. The findings in the Investigation report are as under:
 - a. Mirage Restaurant automatically added a 10% Service charge of ₹ 1094/- to the ₹10,940/- subtotal on the May 10, 2025 invoice—before applying CGST and SGST of 359.60 each, yielding a grand total of ₹12,153/-. The pre-inclusion of the charge inflated the taxable base to ₹12,034/- without any documented consent mechanism, separate opt-in, or post-order acceptance option, effectively making it mandatory while the restaurant claimed it was discretionary via menu mentions or verbal communication—thus shifting the rejection burden onto the consumer. However, restaurant re-iterated that the allegations raised by the consumer under Docket No. 7123678 are wholly unfounded and factually incorrect. Their internal review of the incidence revealed that the customer never objected to the service charge or requested its removal at any point during their visit. Even though the restaurant provided the latest invoice showing removal of Service charge by compliance, it is a clear indication that the restaurant indulged in violations by imposing a service charge unreasonably or putting conditions that put the consumer into stressful situations, amounting to a violation under Section 2(46)(vi) of the Consumer Protection Act, 2019.
 - b. The bill from Mirage Restaurant lists a “Service charge 10% — ₹1,094” as a standard line item, presented similarly to statutory taxes like CGST & SGST. This presentation creates the impression that the payment is mandatory, placing the burden on the consumer to actively object at the counter to avoid paying it. Any practice that misleads consumers or falsely represents a charge as compulsory constitutes an unfair trade practice. Since the service charge is automatically levied and integrated into the bill with GST applied on top, the billing format itself constitutes a false or misleading representation, thereby substantiating that the restaurant’s practice amounts to violation under Section 2(47) of the Consumer Protection Act, 2019.
 - c. The bill from Mirage Restaurant shows a service charge of ₹1,094 on a subtotal of ₹10,940, with GST applied on the enhanced amount, resulting in a final bill of ₹12,513. This demonstrates that the consumer paid tax on a non-statutory charge, and the total payable amount was inflated due to the automatic inclusion of the service charge without any recorded voluntary consent.

Consumers are entitled to protection against unfair trade practices, the right to be informed. The automatic addition of the service charge undermines informed choice, creates pressure at the billing stage, and makes it socially uncomfortable for consumers to object, imposing a financial burden unless actively disputed. Offering a refund after payment does not rectify the violation, as the infringement occurs at the time of billing, when consent must be free and informed. The default inclusion of service charges negates voluntariness, thereby amounting to a violation under Section 2(9) of the Consumer Protection Act, 2019.

- d. In view of the findings on record, it is conclusively established that the automatic levy of Service Charge @10% (₹119.2) by Mirage Restaurant, Bengaluru, amounts to indulgence in violation of Section 2(9), 2(46), 2(47), Consumer Protection Act, 2019.

10. Thereafter, the Investigation Report submitted by DG (Investigation) was shared with the Restaurant vide letter dated 17th June, 2026 to furnish its comments and an opportunity of hearing was also provided to the Restaurant on 03rd July, 2026 under Section 20 and 21 of the Act, 2019 before passing an order. However, the hearing was adjourned to 15th July, 2026.

11. The hearing was held on 15th July 2026 wherein Mr. Jagadish Gopal, employee of V & RO Hospitality Pvt. Ltd. represented the restaurant and submitted that the restaurant is not compulsorily charging service charge upon the consumer. At the entrance itself a board has been put up 'if you wish not to pay service charges, please inform the service provider". During the hearing, CCPA directed the restaurant to submit their comments on investigation report and copy of sample bills confirming that no service charge is collected.

12. On 27th July, 2026, the Opposite Party submitted its comments on investigation report stating as follows:

- a. The findings substantially proceed on the basis of the tax invoice dated 10.05.2025 without dealing with or assigning reasons in respect of the material explanations, documentary evidence and compliance measures placed on record by the restaurant such as:

- (i) Screenshots of the billing software demonstrating that service charge is not automatically or mandatorily imposed, and that the software provides an in-built functionality for both addition and removal of service charge depending upon the customer's choice.

- (ii) Bills issued without service charge, demonstrating that service charge was removed upon the request of customers, thereby evidencing that the service charge is not mandatory in practice and that customers are provided with an effective choice.
 - (iii) Photographs of the display boards/banners installed at the restaurant premises clearly informing customers that payment of service charge is voluntary and may be removed upon request.
 - (iv) The restaurant's explanation that all its staff are specifically instructed and trained to inform customers regarding the voluntary nature of the service charge and to remove the same immediately whenever requested, without any objection or hesitation.
 - (v) The restaurant's evidence showing that several customers have, in fact, requested removal of the service charge and that every such request has been duly honoured, demonstrating that the option is genuine and effectively implemented.
 - (vi) The restaurant's explanation that the complainant never objected to the service charge during the visit and that, notwithstanding the same, the restaurant voluntarily offered to refund the amount purely in the interest of consumer goodwill and without admitting any liability.
 - (vii) The detailed explanation that the service charge does not result in unjust enrichment of the Company, as a substantial portion thereof is distributed amongst the employees in accordance with the internal policy of the restaurant and is not retained by the Company as profit.
 - (viii) That various compliance measures have been voluntarily adopted by the restaurant after issuance of the CCPA Guidelines, 2022 and the judgement of the Hon'ble Delhi High Court to ensure transparency, consumer awareness and an effective choice regarding payment of service charge.
- b. Regarding the observation of the Investigation Report that there existed no "documented consent mechanism" or "opt-in mechanism", it is respectfully submitted that neither the Consumer Protection Act, 2019, nor the CCPA guidelines dated 04.07.2022 prescribe any particular mode or format through which such consent is required to be obtained, whether by way of a written acknowledgement, digital acceptance or any independent opt-in procedure.
- c. The relevant consideration is whether the customer possessed an effective and meaningful choice to decline payment. The documentary evidence furnished by the Restaurant demonstrates that such choice was available through the billing

software, and it was communicated to customers through display boards and staff instructions, and was routinely implemented whenever requested.

- d. It is respectfully submitted that the finding relating to violation of consumer rights may also be reconsidered in light of the documentary evidence already furnished by the Restaurant. It had specifically placed on record:

- (i) display boards informing customers that service charge is voluntary;
- (ii) disclosures made at the restaurant premises;
- (iii) the billing software demonstrating that service charge is not a default feature and may be added or removed;
- (iv) actual instances where service charge was removed;
- (v) staff training regarding the voluntary nature of service charge; and
- (vi) the voluntary offer to refund the service charge without prejudice.

These documents collectively demonstrate that customers were provided with an effective opportunity to exercise their choice regarding payment of service charge.

- e. The Restaurant had specifically demonstrated that a significant percentage of customers routinely seek removal of the service charge and that every such request is accepted without objection. It is therefore respectfully submitted that this factual aspect may also kindly be considered while appreciating the voluntary nature of the service charge policy followed by the Restaurant.
- f. The restaurant has also submitted an internal communication dated 29.06.2025 wherein it has directed the team not to collect service charge from customers, effective from 01st June, 2025. Moreover, following points were highlighted/written in the notice:

- (i) Do not add service charge to any customer bill.
- (ii) Tipping is completely up to the customer. If they want to give tip directly, that's fine.
- (iii) Our billing system, menus and bill format have already been updated.
- (iv) Please do not ask customers to insist that they pay service charge.

13. Based on the comments on the investigation report again, a hearing was held on 28th July, 2026 wherein Mr. Jagadish Gopal represented the restaurant and submitted as follows:

- a. The restaurant discontinued levying service charges immediately after receiving the CCPA notice in May 2025. Furthermore, this practice was officially halted across all operations with effect from 1st July, 2025 as provided in the comments on the investigation report.

- b. The Pune outlet was permanently closed in March 2026, and plans are currently underway to close the Mumbai outlet as well, leaving only the Bangalore branch operational following the closure of these locations.
- c. Refunds to affected consumers are still pending due to the unavailability of the consumer details.
- d. The restaurant also clarified that there is an inadvertent error of dates in the internal communication dated 29.06.2025 and the restaurant has stopped levying service charge effective from 01st July, 2025.

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

- a. Section 2(9) (ii) and (v) of the Act, 2019 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 non-statutory but mandatory service charge is added later, it conveys an express or implied representation that the restaurant, a service provider had deliberately concealed an important information about price of the food and service thereof, constituting an unfair trade practice.
- c. Section 2 (46) "unfair contract" means a contract between a manufacturer or trader or service provider on one hand, and a consumer on the other, having such terms which cause significant change in the rights of such consumer, and imposing on the consumer any unreasonable charge, obligation or condition which puts such consumer to disadvantage;
- d. 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.
- e. 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.”

f. 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.*

15. 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 pertinent to note that when a restaurant displays prices on its menu, a component of service is already inherent in the pricing of the food and beverages offered, ensuring consumers are informed of the actual cost upfront. Because establishments have absolute freedom to set their menu prices, placing an order constitutes consent only to pay the displayed price plus applicable taxes. Consequently, levying service charge creates an express or implied representation that the restaurant concealed the true cost of food and service, thereby misrepresenting the final cost of dining out.
- (b) Further, 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, requiring consumers to opt out rather than opt in. This contradicts the restaurant's submission that the charge is discretionary, not-compulsory and adequately communicated as "service charge may be added at your discretion" through display boards. This aspect is also borne out from the Investigation Report, which records that the restaurant's invoice indicates that the pre-inclusion of the charge inflated the taxable base without any consent mechanism, effectively making it mandatory while the restaurant claimed it discretionary. This presentation creates the impression that the payment is mandatory, placing the burden on the customer to actively object at the counter to avoid paying service charge.

- (c) The practice of the restaurant to levy Service Charge automatically undermines informed choice, creates pressure at the billing stage and makes it socially uncomfortable for consumer to object, imposing a financial burden and that subsequent refund of the amount does not erase the violation occurring at the time of billing when consent must be free and informed.
- (d) The facts and evidences in this case clearly established that the service charge was mandatorily levied on all consumers till 01st July, 2025, in contravention of the CCPA guidelines and the judgement of Hon'ble High Court of Delhi dated 28th March, 2025.
- (e) 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 by default on bill, is contrary to consumer interest and violative of consumer rights. Moreover, 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.
- (a) 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) Misleading advertisement under Section 2(28) (i) and (iii) of the Act, 2019.
- (iv) Engaging in Unfair Trade Practice as defined in section 2(47) of Act, 2019 read with section 2(46) (vi) of 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.

16. 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

17. Having regard to the totality of facts, findings, and statutory mandates, it is concluded that the mechanism of "opt-out" rather than "opt-in" fundamentally vitiates consumer free consent. According to the Guidelines, 2022, no hotel or restaurant shall add service charge automatically or by default in the bill and shifting the burden onto the consumer to identify, contest, and demand the removal of the levy at the time of payment exploits social dynamics. 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 July, 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.

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

- a. Reimbursement of the Service Charge paid by the consumer.
- b. The Restaurant shall discontinue and refrain from levying or collecting any service charge automatically or by default, or under any other name, and shall ensure strict compliance with the Guidelines to Prevent Unfair Trade Practices and Protection of Consumer Interest with Regard to Levy of Service Charge in Hotels and Restaurants dated 04.07.2022.
- c. Considering the established violations and applying the statutory factors under Section 21(7) of the Consumer Protection Act, 2019, the Restaurant is directed to pay a penalty of ₹ 30,000/- only.

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