CENTRAL CONSUMER PROTECTION AUTHORITY
Krishi Bhawan, New Delhi - 110001
Case No. CCPA- 2/75/2025-CCPA

In the matter of Gumbad Café regarding levying of service charge, violation of Consumer Rights, Misleading Advertisement and Unfair Trade Practices

CORAM:
Ms. Nidhi Khare, Chief Commissioner
Mr. Anupam Mishra, Commissioner

Appearance:
Ms. Aditi Jhakar, Advocate

Date: 10.11.2026

ORDER

1. The Central Consumer Protection Authority (CCPA) has taken cognizance on receipt of a grievance from Ali Akbar vide email dated 08th August, 2025 against Gumbad Café (The Restaurant). The consumer alleged that the Restaurant levied 10% as Service Charge, amounting to Rs. 392.50/-, on the ₹3,925.00 subtotal in Invoice No. 13308, followed by CGST of ₹98.13 and SGST of ₹98.13, resulting in a grand total of ₹4,514.00, without his consent. The Consumer in support of his allegations had attached the bill, which is reproduced below:



Gumbad Cafe
1061 , Hotel Aiwan e Shahi, 4th Floor, Gumbad cafe GST : 07CBNPK8052N1ZZ, Tax Invoice

Name:

Date: 08/08/25 21:37 **Dine In: T9**
Cashier: CASH Bill No.: 13308

Item	Qty.	Price	Amount
Water	2	80.00	160.00
Hookah @ 1500	1	1500.00	1500.00
Jama Masjid Special	1	595.00	595.00
Butter Naan	3	95.00	285.00
Cold Coffee	2	395.00	790.00
Chicken Biryani	1	595.00	595.00

Total Qty: 10 Sub Total 3925.00
Service Charge 10% 392.50
SGST 2.5% 98.13
CGST 2.5% 98.13
Round off -0.24
Grand Total ₹4514.00
Thanks

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 also held that 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 10% service charge on the bill despite 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) upheld by the Hon'ble High Court of Delhi. 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 27th August, 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.* A Reminder was subsequently issued on 29th October, 2025 but the restaurant did not furnish its response.

6. It is pertinent to mention that, notwithstanding the issuance of a statutory notice, the CCPA received a further grievance dated 25.11.2025, registered on the National Consumer Helpline (NCH) vide Docket No. 8224847, concerning the continued levy of service charge amounting to ₹1,078.50/-.The Restaurant neither tendered any response before the CCPA nor ceased the unauthorized levy of service charges. Under these circumstances, the CCPA, *vide* communication dated 6th February 2026, directed the Director General (Investigation) to conduct a detailed investigation into the matter.

7. On 5th June, 2026 the Director General (Investigation) has submitted the Investigation Report. The findings in the Investigation report are as under:

a. The Gumbad Cafe responded that the 10% service charge on the invoice represents voluntary contributions obtained after explicit customer consent, menu disclosure, and staff communication. However, the bill shows the charge added without customer contractual agreement. Moreover, Gumbad Cafe claimed the invoice format itself places responsibility on the customer to object at the billing stage; they wish to have the charge removed. Such billing practice places the customer in a disadvantageous, pressured situation. This indicates the Gumbad Café has indulged in deceptive billing and non-compliant to unfair contract despite the restaurant's subsequent acknowledgment of "corrective measures"

b. The Gumbad Cafe levied a "10% Service Charge– ₹392.50" on the ₹3,925.00 subtotal in Invoice No. 13308, followed by CGST of ₹98.13 and SGST of ₹98.13, resulting in a grand total of ₹4,514.00. This positions the service charge as a payable component alongside taxes and food, implying it is compulsory. Automatic inclusion misleads consumer into viewing it as mandatory, burdening them to object.

c. Levying a service charge on the invoice bill could potentially constitute an unfair trade practice when the customer lacks explicit information or feels pressured to pay. Automatically adding a 10% service charge to the bill may mislead customers into believing payment is compulsory. This creates a deceptive or coercive impression. Such conduct indicates that the restaurant indulges in unfair trade practice under Section 2(47), which prohibits misleading, deceptive, or coercive commercial behavior affecting the consumer's freedom of choice. This creates a deceptive or coercive impression. Such conduct indicates that the restaurant indulges in unfair trade practice under Section 2(47), which prohibits misleading, deceptive, or coercive commercial behaviour affecting the consumer's freedom of choice.

d. The consumer paid tax on a statutory charge, inflating the total payable amount due to the automatic inclusion of the service charge without any recorded voluntary contract agreement by the customer. In this case, the customer was entitled to protection against unfair trade practices, the right to be informed.

e. The automatic addition of the service charge undermines informed choice, creates pressure at the billing stage, and makes it socially uncomfortable for customers to object, thereby imposing a financial burden unless actively disputed invoice. Offering a refund in such cases after payment does not rectify the violation, as the infringement occurs at the time of billing, when consent

must be free and informed. This clearly indicates that the restaurant has violated consumer rights.

f. In view of the findings on record, it is conclusively established that Gumbad Café violated Section 2(9), 2(46), 2(47), Consumer Protection Act, 2019.

8. Thereafter, the Investigation Report submitted by DG (Investigation) was shared with the Restaurant vide letter dated 27th July, 2026 to furnish its comments and an opportunity of hearing was also provided to the Restaurant on 07th August, 2026 under Section 20 and 21 of the Act, 2019 before passing an order.

9. A hearing was duly scheduled on 07th August, 2026 however, no representative appeared on behalf of the restaurant, nor did they submit any comments regarding the investigation report. Consequently, a subsequent hearing was held on 6th October 2026, during which Ms. Aditi Jhakar, Advocate, represented the restaurant and made the following submissions:

a. The restaurant operates its business in the Old Delhi area.

b. It is respectfully submitted that the alleged initial notice dated 26th August 2025 was never served upon or received by the Restaurant. The earliest communication received by the Restaurant was the electronic mail on February 2026, seeking specific clarifications and requisitioning relevant records for the inquiry. In bona fide compliance with the said communication, it duly furnished all requisite documents and clarifications to facilitate the investigation.

c. The Ld. Counsel submitted that while attempting to respond to the notice, the emails sent to the official email IDs of the restaurant bounced back due to incorrect email addresses.

d. Upon verification by the CCPA via live screen sharing of the restaurant's official social media profiles (Facebook and Instagram), it was established that the statutory notices had been duly transmitted to the official email address (mailgumbadcafe@gmail.com) published by them.

e. The CCPA noted that a commercial enterprise cannot evade service of statutory processes by pleading defective, inactive, or unmonitored internal email infrastructure. Furthermore, in light of the submission made by the learned counsel that their own communication to the restaurant on these addresses bounced or failed delivery, the counsel was directed to obtain specific instructions from the restaurant as to whether the declared email addresses remain functional and whether it maintains an active, updated electronic address for official communications.

f. The Restaurant admitted and sought to justify the levy of service charge on the ground that its printed food menu contained a disclaimer that the service charge was 'voluntary' and that restaurant's staff deleted the charge whenever a consumer objected. The CCPA categorically rejected this contention, observing that Clause 7(i) of the CCPA Guidelines (2022) strictly prohibits the automatic or default addition of a service charge to a food bill. During the hearing, the CCPA further observed that the burden of disputing or seeking the removal of an unauthorized service charge cannot be shifted onto the consumer.

g. The learned counsel submitted that the restaurant would get its software updated and reconfigured to eliminate the automated addition of service charge.

10. Subsequent to the notice, CCPA have received many complaints on the NCH, regarding service charge hence, directed the restaurant to submit complete documentary proof of refunds to all complainants whose grievances were registered on the National Consumer Helpline. CCPA vide email dated 07th October, 2026 shared the list of NCH Grievances with the Restaurant.

11. Pursuant to the directions issued during the hearing convened on 6th October 2026, and in response to the CCPA's communication dated 7th October, 2026, the restaurant tendered its response submitting as under:

a. It has duly refunded the disputed service charge to the aggrieved consumers identified in the National Consumer Helpline (NCH).

b. With respect to one complaint pertaining to Ms. Niharika, the restaurant submitted that the refund could not be processed as the billing amount was not specified in the grievance record and attempts to ascertain the transaction details telephonically were unsuccessful, as the complainant declined to share the information.

c. The Restaurant formally placed on record that it has amended and reconfigured its billing module in accordance with the regulatory directions of the CCPA to eliminate the automated addition of service charge.

d. The Restaurant clarified that in respect of the notice concerning Mr. Vijay Bansal, a comprehensive reply was tendered on 6th April 2026 to the complainant's legal counsel *vide* email, and a physical copy thereof was dispatched to the CCPA at Krishi Bhawan, New Delhi on 7th April 2026 via Speed Post, placing the postal receipt on file.

12. 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, a component of service is inherent in the price of food and beverages offered by the restaurant, about which the consumer is duly informed. Pricing of the product thus covers both the goods and services component. 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. 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.*

g. 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

13. 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 10% to every bill. The Restaurant's argument that customers were free to request the removal of the service charge is fundamentally untenable as the CCPA observed a clear violation of Clause 7(i) of the Guidelines, 2022 which mandates that *"No hotel or restaurant shall add service charge automatically or by default in the bill"* from the fact that the Opposite Party modified its billing software only after the CCPA taking cognizance. This default inclusion of service charge operated as an opt-out mechanism, thereby shifting the burden onto consumers to actively contest it at the billing counter. Emphasizing that a service charge or tip is a voluntary payment at the

consumer's discretion, the CCPA concludes that pre-adding such amounts to the invoice is in direct contravention of the Guidelines 2022, and the Act, 2019.

b. 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 Restaurant have absolute freedom to set their menu prices, placing an order constitutes consent only to pay the displayed price plus applicable taxes. Consequently, this practice of levying service charge violates fundamental principles of fairness and contravenes Section 2(28) of the Consumer Protection Act, 2019, as it amounts to misleading representation and 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.

c. The Restaurant's practice of disclosure on the menu card in fine print stating that service charge was "voluntary" *while* automatically levying the charge on the invoice, undermines free and informed consumer consent. By mandating that the restaurant's staff deleted the charge whenever a consumer objected, the restaurant effectively institutes a coercive "opt-out" mechanism. This unlawfully shifts the burden onto the consumer to actively dispute at the billing counter, exerting social pressure to comply and imposing a financial burden on the consumer amounts to unfair trade practice. Also, conclusively established by the Director General (Investigation), printing a fine-print disclaimer does not satisfy the legal requirement of obtaining prior, express, and affirmative consent.

d. 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.

e. The Restaurant's failure to update its automated billing software until 6th/7th October 2026, despite the notice issued on 27th August, 2025 establishes that the service charge was routinely and mandatorily imposed on all consumers by default and no corrective measures to stop it, were taken immediately. Such an automatic levy directly violates the CCPA Guidelines, 2022, and provision of

Consumer Protection Act, 2019 which conveys an express or implied representation, including deceptive methods that make non-mandatory charges appear compulsory places an excessive burden on consumers to object through confusing bill formats.

f. 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.

14. Having regard to the findings, it is concluded that the mechanism of "opt-out" rather than "opt-in" fundamentally vitiates consumers' free consent. According to the Guidelines, 2022, no hotel or restaurant shall add a service charge automatically or by default to the bill, and shifting the burden onto the consumer to identify, contest, and demand the removal of the levy at the time of payment undermines true voluntariness of the consumer. It is also pertinent to note that, the restaurant modified its POS billing software after eighteen months of the Hon'ble High Court of Delhi in *National Restaurant Association of India & Ors. v. Union of India & Anr.* (decided on 28th March 2025) authoritatively settled the law by upholding the CCPA Guidelines (2022) demonstrates that it continuously, systematically levied service charge on all consumers. Given that the restaurant operates in a prominent, high-density heritage and tourism destination in Old Delhi, the restaurant must be catering a vast and continuous influx of domestic and international consumers, all of whom were subjected to the default automated levy adversely impacted consumers as a class, thereby attracting the applicability of Section 21(7) of the Consumer Protection Act, 2019.

15. Considering the observations and conclusions recorded above, the CCPA issues the following directions for compliance:

a. 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.

a. Considering the established violations and consideration of facts stated in para 17 above, the Restaurant is directed to pay a penalty of ₹10,000/- 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