CENTRAL CONSUMER PROTECTION AUTHORITY
Krishi Bhawan, New Delhi - 110001
Case No. CCPA- 2/78/2025-CCPA

In the matter of Zorro- The Luxury Night Club (a unit of Rudra Hospitality Private Limited) regarding alleged levying of service charge, violation of Consumer Rights and Unfair Trade Practices

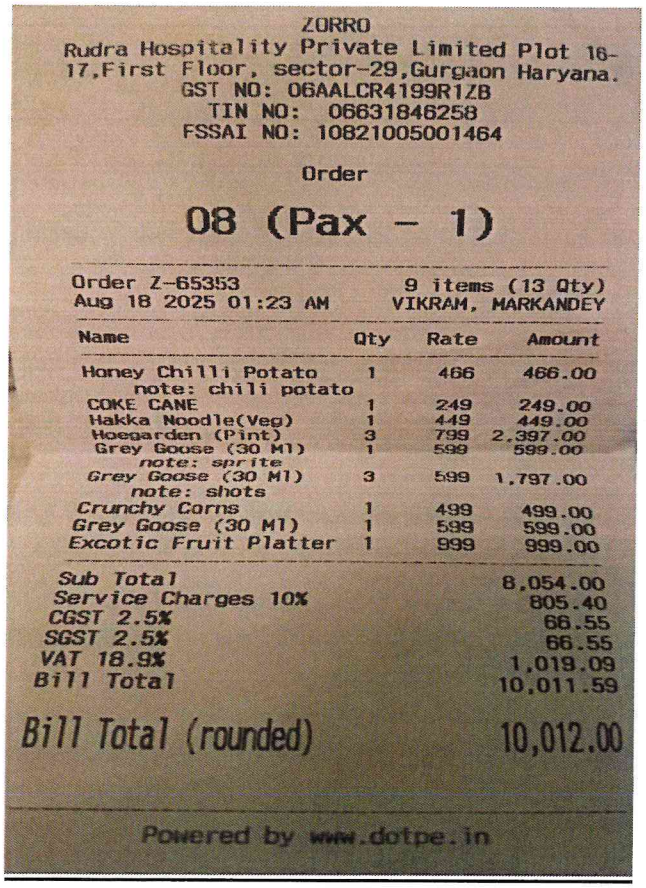
CORAM:
Ms. Nidhi Khare, Chief Commissioner
Mr. Anupam Mishra, Commissioner

Appearance:
Mr. Kapil Arora, Director of the company
Mr. Gaurav Makkar, Chartered Accountant of the company

Date: 09th June, 2026

ORDER

1. The Central Consumer Protection Authority (hereinafter referred to as 'CCPA') has taken cognizance based on the grievance received vide email from Mr. Sajal Garg dated 24.08.2025 against Zorro- The Luxury Night Club, Gurugram (a unit of Rudra Hospitality Private Limited) (hereinafter referred to as 'The Restaurant'). The grievance states 10% service charge (₹805.40) was added automatically without his consent. The Consumer in support of his allegations had attached the bill, which is reproduced below:



ZORRO
Rudra Hospitality Private Limited Plot 16-17,First Floor, sector-29,Gurgaon Haryana.
GST NO: 06AALCR4199R1ZB
TIN NO: 06631846258
FSSAI NO: 10821005001464

Order

08 (Pax - 1)

Order Z-65353 — 9 items (13 Qty)
Aug 18 2025 01:23 AM — VIKRAM, MARKANDEY

Name	Qty	Rate	Amount
Honey Chilli Potato	1	466	466.00
note: chili potato			
COKE CANE	1	249	249.00
Hakka Noodle(Veg)	1	449	449.00
Hoegarden (Pint)	3	799	2,397.00
Grey Goose (30 Ml)	1	599	599.00
note: sprite			
Grey Goose (30 Ml)	3	599	1,797.00
note: shots			
Crunchy Corns	1	499	499.00
Grey Goose (30 Ml)	1	599	599.00
Excotic Fruit Platter	1	999	999.00

Sub Total	8,054.00
Service Charges 10%	805.40
CGST 2.5%	66.55
SGST 2.5%	66.55
VAT 18.9%	1,019.09
Bill Total	10,011.59
Bill Total (rounded)	10,012.00

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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 grievance was 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 (hereinafter referred to as '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 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 02nd September, 2025 for violation of the Act, 2019 as well as violation of *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 04th November, 2025:

    a) It is submitted that the restaurant had placed a board, clearly stating that "service charge is not compulsory".

    b) It is contended that no coercion or pressure was ever exerted on the consumer to pay the service charge. To demonstrate their bona fide intentions, the Restaurant stated that they have historically refunded the service charge to consumers who expressed a desire not to pay it.

c) The Restaurant further asserted strict adherence to the Guidelines, 2022 laid by CCPA concerning the prevention of unfair trade practices, ensuring consumers are well-informed that the service charge is entirely voluntary, optional, and at their sole discretion. Consequently, they deny any violation of Section 2(47) of the Consumer Protection Act, 2019.

d) The Restaurant further submitted that they collected the service charge after completing the service. The steward serving the table asks the guest if they are satisfied with his service and the consumer must have been satisfied otherwise he/she would not have paid it. The service charge goes to the welfare of the staff. If at all, the consumer wants a refund, he/she can write a letter to us, which will be considered.

7. Upon examination of the response of the Restaurant, CCPA observed that the Restaurant's contention that they have historically refunded the service charge to a few consumers warrants a deeper inquiry. This admission raises critical questions that require detailed investigation such as whether the Restaurant has completely ceased the practice of levying a service charge after the judgement of Hon'ble High Court of Delhi upholding the Guidelines issued by CCPA on service charge.

8. In light of the above observations, CCPA vide letter dated 21st November, 2025 directed Director General (Investigation) to conduct a detailed investigation.

9. The Director General (Investigation) submitted the Investigation Report dated 06th February, 2026 to CCPA vide email dated 12th February, 2026. The findings in the Investigation report are as under:

a) The restaurant failed to provide any documentary evidence substantiating its claim, despite issuance of a final reminder. This conduct indicates a lack of cooperation in the investigation and reflect non-compliance with statutory obligations.

b) During the investigation, it was observed that despite these guidelines and judicial pronouncement, the Restaurant levied a service charge on the customer's bill dated 18.08.2025 without prior consent, thereby contravening their directions.

c) The investigation revealed that the Restaurant, in its submissions to the CCPA, justified service charge on the ground that customer would not have paid it unless they were satisfied and stated that refunds would be considered upon written letter by the customer.

d) This approach disregards the Restaurant's obligation to proactively inform consumers that the service charge is voluntary. By shifting the burden onto the consumer to seek refunds through a written letter, the Restaurant failed to ensure easy and accessible grievance redressal, thereby violating the applicable guidelines.

e) On examination of the bill, it was observed that VAT was levied only on alcoholic beverages and not on the entire bill. Specifically, 18.9% VAT i.e. Rs. 1,019/-, was applied on total alcoholic beverages valued at Rs. 5,392 (Rs. 2,397+Rs. 599+Rs. 1,797+Rs. 599).

f) It is further mentioned that the restaurant should have two separate billing systems for food and alcoholic beverages to provide greater clarity and transparency to consumers regarding the applicable charges.

g) Based on the investigation conducted the restaurant is in violation of Section 2(9), Section 2 (46) (vi) and Section 2 (47) of the Act, 2019. The restaurant also violates CCPA Guidelines to prevent Unfair Trade Practices and Protection of Consumer Interest with regard to Levy of Service Charge in Hotels and Restaurants.

10. The Investigation Report submitted by DG (Investigation) was shared with the Restaurant vide letter dated 24th February, 2026 to furnish its comments and an opportunity of hearing was also provided to the Restaurant on 16th March, 2026 under Section 20 and 21 of the Act, 2019 before passing an order. However, no representative appeared on behalf of the restaurant, nor did they submit any comments regarding the investigation report. Another opportunity of hearing was provided on 16th April, 2026.

11. On 16th April, 2026, Mr. Gaurav Makkar, Chartered Accountant represented the restaurant and submitted that:

a) After the Guidelines and Judgement of Hon'ble High court of Delhi, the restaurant has put a board outside the restaurant "service charge is not mandatory" and has followed the imposition of service charge as optional.

b) Additionally, the restaurant stated that the service charge was added following due consultation with the consumer. The restaurant is now attempting to identify the consumer to issue a refund for that amount.

c) There are no other branches or affiliates associated with this restaurant.

12. The restaurant had submitted its comments on investigation report vide email on 27th April, 2026 which is as follows:

    (i) As per the investigation report, the restaurant is not charging VAT on the total bill, so the complainant's allegation is entirely unfounded.

    (ii) Regarding service charge being levied, it is submitted that following the final judgement dated 28th March 2025 by the Delhi High Court, the restaurant has completely stopped charging service charge on default basis. It is optional on part of the consumer.

    (iii) Further, any Service Charge previously levied has been duly refunded on the request of the respective consumer.

    (iv) The restaurant further reiterate that it has stopped automatic levy of Service Charge after the final judgement dated 28th March 2025 by the Hon'ble High Court of Delhi.

13. In light of the restaurant's response to the investigation report, the CCPA convened another hearing on 19th May, 2026. However none appeared on behalf of the restaurant. Again a hearing was scheduled on 02nd June, 2026 wherein Mr. Kapil Arora, director of the Restaurant and Mr. Gaurav Makkar, Chartered Accountant of the company represented and submitted as follows:

    a) The restaurant was established in the year 2022.

    b) The restaurant further submitted that they are not a member of NRAI or FHRAI.

    c) It was submitted that they have ceased levying service charges from the date of the judgment and had updated their billing system accordingly. Consequently, the CCPA has directed them to file an undertaking along with copies of the updated sample bills.

14. The restaurant vide email dated 09th June, 2026 has submitted few sample invoices of April, 2026 along with the Sales transaction records of July, 2025., However the restaurant has notably failed to submit any undertaking nor did it disclose the specific date from which any such compliance or structural change was implemented.

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. Furthermore, while the restaurant asserts that it has ceased levying the service charge following the relevant judicial precedent, it has failed to furnish any documentary evidence or system logs to corroborate the claim. This effectively negates the restaurants contention before CCPA that the service charge was voluntary.

(b) The restaurant in its reply dated 04th November, 2025 has admitted that they have refunded a few consumers in the past. This admission concludes that presenting a pre-printed bill forces an "opt-out" burden onto the consumer, forcing them to enter into an adversarial negotiation with staff to have the charge removed. This systemic automation effectively strips the transaction of any genuine consumer consent and lack of reasonable effort to align its practices with regulatory Guidelines, 2022.

(c) 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 determined that even if the restaurant has only one outlet but it's usage of software based bill generation system ensures a substantial consumer reach, whereby service charge have been added by default on all the consumers. The admission of past refunds establishes that a blanket practice must have been applied to its substantial consumer base. Considering these factors and conduct of the Restaurant; CCPA finds it necessary to levy a penalty.

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

I. Refund full amount of service charge of Rs. 805.40 to the consumer Mr. Sajal Garg.

II. Discontinuation of practice of levying service charge forthwith.

III. To ensure prompt and effective redressal of consumer grievances, the restaurant's email ID available on its public platform should be active and functional at all times.

IV. Further in light of para mentioned above, the restaurant Zorro-- The Luxury Night Club (a unit of Rudra Hospitality Private Limited) is directed to pay a penalty of Rs. 20,000/-

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