

FHRAI clarifies all concerns related to service charges in meeting with DoCA

In its meeting with the Department of Consumer Affairs (DoCA), the Federation of Hotel & Restaurant Associations of India (FHRAI) submitted its official response on all of the concerns raised over the subject of service charge levied by restaurants. Standing its ground, FHRAI clarified that a restaurant collecting service charge is neither illegal nor in violation of the law. The association explained that a service charge, like any other charge collected by an establishment, is part of the invitation offered by the restaurant to potential customers. It is for customers to decide whether they wish to patronise the restaurant or not.

DoCA said that they could gather a holistic view on the subject from different stakeholders and after analysing all the aspects they may formulate a policy if required.

“A service charge is essentially a tip and it is up to the establishment to decide whether and how much to charge in the bill. A restaurant or hotel may just as easily absorb the service charge component into the charges being collected by it from the customer by simply including it in the prices on the menu. However, a service charge is meant for the benefit of the staff and so, some establishments make a conscious choice to adopt a policy beneficial towards its staff members. Levying service charge is a general practice adopted across the globe. It is neither illegal nor violating any law. Each establishment is free to create its own policy in this regard,” said Mr. Gurbaxish Singh Kohli, Vice President, FHRAI.

About concerns over transparency in adding service charge in the bill, FHRAI clarified that the charge is disclosed in advance and the same is clearly printed as a separate heading in the bill as a "charge", not a "tax". Thus, there is complete transparency with regard to the amount, the rate and the purpose of the charge.

“Information regarding the amount of service charge is mentioned by restaurants on their menu cards. Unlike many other service providers that charge customers under the guise of ‘Convenience Fee’ or ‘Airport Charges’ or

‘Usage Fee’, restaurants act fairly and clearly mention the amount being paid and its purpose. Since there is nothing hidden or deceptive about the levy, it can’t be considered unfair trade practice. We have advised our members in the event they choose to collect service charges, they must state the same clearly on their menu itself. Since it is a socio-economic measure, the rationale behind including it in the bill as a separate charge is also to clearly disclose to the customers that a specified portion of the amount paid by them is being given to the staff of the establishment,” said Mr. Pradeep Shetty, Jt. Hon. Sec., FHRAI.

FHRAI pointed out that hospitality establishments operate on the basic spirit and principle of ‘Atithi Devo Bhava’. Hotels and restaurants work with the motto of providing excellent experience to guests. The business of hospitality thrives on good customer experiences and positive word of mouth and all establishments strive continuously to ensure the same.

“A service charge is a mere solicitation of a nominal additional charge for providing a delightful and memorable experience to guests. In any case, a guest is assured of pleasant and delightful experience, irrespective. It is never the intent of any hospitality establishment to embarrass guests in the event of non-payment of service charge. An establishment hopes for repeat business, a positive word of mouth and embarrassing a guest would be counterproductive to this objective. A service charge is a part of the invitation by a restaurant to potential customers. It is for customers to decide whether they wish to patronize the restaurant or not,” concludes Mr. Kohli.