

## **Oyo suspends payments to hotels; Partners say clause not in contract**

Softbank-backed Oyo has written to hotel owners invoking 'force majeure' clauses on their agreements as the Covid-19 pandemic has severely impacted the business of their hotels. Oyo states in the letter that since hotel revenues have dwindled and are unlikely to improve in the next few months it is constrained to exercise its 'force majeure' rights in suspending payments of the monthly benchmark revenue or any other amounts payable to them. But, a number of angry hotel owners said Oyo cannot invoke 'force majeure' as the clause was never included in the original agreements.

Under the benchmark revenue arrangement or the minimum guarantee model owners are to be paid a minimum guaranteed amount regardless of the business generated. If Oyo crosses a pre-set sales target from a hotel it manages then it also has to share with owners a percentage of the excess amount under the model. The letter goes on to state that Oyo proposes a revenue share model to effectively supersede the existing arrangement. As per the proposed new agreement it will deduct 10 % of net revenue generated from accommodation, besides other sales and marketing costs, channel charges and customer acquisition expenses.

Apex industry body Federation of Hotel and Restaurant Associations of India (FHRAI) said it had received complaints from owners on the letter. "We have reports that Oyo is now coercing hotels to agree and renegotiate to arbitrary and unreasonable terms by citing the pandemic and the 'force majeure' clause," said Gurbaxish Singh Kohli, vice president of industry body. "It is strange that Oyo has made tall claims in the media and to the government of offering free rooms for relief purposes which was without the express permission of the property owners, while on the other hand they are preying on these owners and partners at such a trying time for our industry," he added. Dilip Datwani, said he is planning to write to the company. "They don't want to pay us money and are taking owners for a ride." Oyo said it also reserves the right to completely terminate these arrangements if the situation worsens and it may not also be able to make payments under the proposed new agreement, if the hotels are being utilised to support essential services under the orders of the government or healthcare authorities.