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DoorDash to pay \$2.5 million to settle District of Columbia driver gratuity lawsuit

Though the tip policy changed last year, the delivery specialist will pay \$1.5 million in relief to ‘Dashers’ whose tips were used as wages between 2017 and 2019

Lisa Jennings | Nov 25, 2020

DoorDash has agreed to pay \$2.5 million to settle a lawsuit charging that the third-party delivery specialist misled consumers in Washington, D.C. about how tips were paid to drivers, the city's Attorney General said Tuesday.

The settlement includes \$1.5 million in relief that will be paid to delivery workers, known as "Dashers," as well as \$750,000 to the District of Columbia and \$250,000 that will be directed to two charities in the city. DoorDash will also be required to maintain a payment model that ensures all tips go to workers without lowering their base pay, and it will be required to provide "clear and easy" access to information about its tipping policies, Attorney General Karl Racine's office said.

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The agreement is the result of a 2019 lawsuit filed by Racine's office that alleged that, between 2017 and 2019, DoorDash used tips given to its gig delivery workers to subsidize their pay, in a way similar to the tip credit afforded restaurant servers.

The lawsuit argued that DoorDash violated the city's consumer protection laws by encouraging consumers to leave tips and leading those consumers to believe they were boosting the pay of delivery workers. However, DoorDash was using those tips to cover its own payments to workers instead of passing them along as a gratuity, meaning the more consumers tipped, the less DoorDash paid its workers.

"Today's settlement rights a wrong that deceived D.C. consumers and deprived workers of monies that they should have been paid," said Racine in a statement. "Gig economy companies provide important and necessary services, especially during the pandemic. However, the law applies to these companies, just as it does to their brick-and-mortar counterparts. All businesses in the District must provide consumers with truthful information and cannot deprive workers of monies they have earned."

In the settlement, DoorDash, which did not immediately respond to requests for comment, denied the allegations. The company said it changed its tipping policy last

year.

The Los Angeles-based delivery provider has also faced similar charges in New York, where a report in The New York Times revealed the tipping practices in July 2019 . The policy was changed a few weeks later .

The settlement in D.C. comes a few days after DoorDash filed its prospectus for an initial public offering . Securities and Exchange Commission filings indicate the company has more than 1 million Dashers.

The company plans to list its shares on the New York Stock Exchange under the ticker symbol DASH.

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