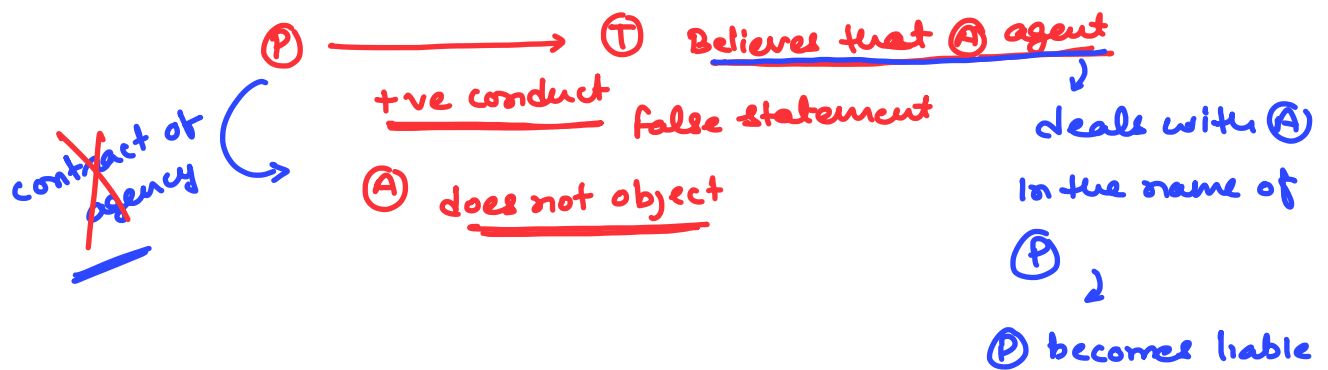


Chap 5 Unit 9 Law of Agency

- when principal appoints an agent to deal with 3rd party
- When a person has power to bind another person for his dealing
Agent principal Agent's Dealing
- Principal → minor x but Agent can be minor
- Agency without consideration = valid

Imp Types of agency

- ↳ expressed agency → oral / written contract between principal and agent
- ↳ Implied Agency → expressed x
- ↳ Agency by estoppel ✓



- ↳ Agency by necessities/emergency
✓ wife is an implied agent of her husband for the necessities

- Imp ↳ Agency by ratification subsequently accepting the unauthorized acts

(Rules of valid ratification)

- ↳ expressed / implied
- ↳ within authority of principal
- ↳ within reasonable time
- ↳ communication to 3rd party
- ↳ whole trans ✓ part trans. x
- ↳ no concealment of material facts
- ↳ ratification can not cause injury/harm

to the rights of 3rd party

↳ only lawful acts can be ratified

→ Extent of Authority of an agent

→ Normal Circumstance

Agent can do any act related to business assigned to him

Imp

→ Emergency

- Agent is not in position to communicate
- Agent can do any act to protect his principal from the loss ^{"Prudent"}

→

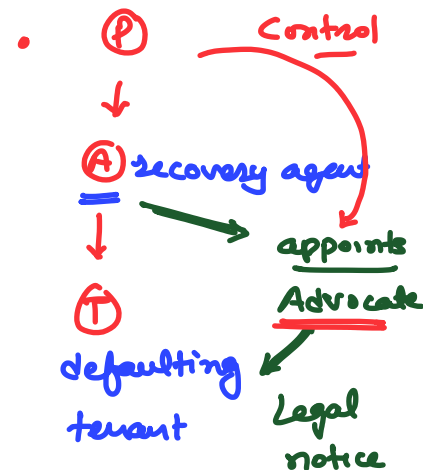
Sub-Agent

appointed by agent

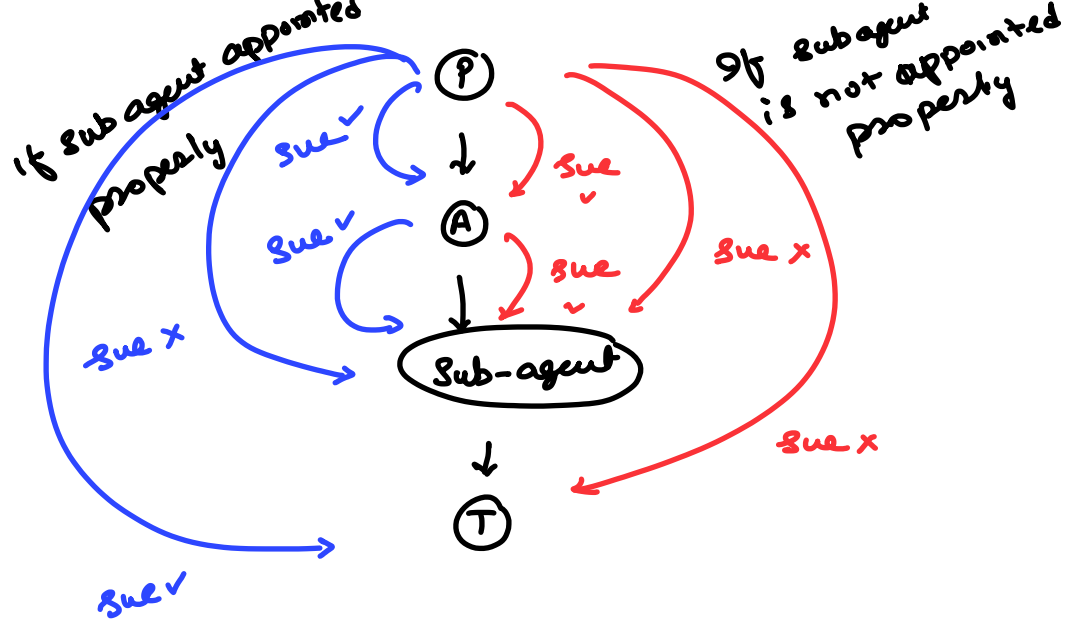
- delegation of work by agent to other person
- generally sub-agent can not be appointed
- Exceptions / expressed @ contract
 - with the consent of principal
 - emergency
 - nature of business
 - no confidentiality in business etc

Substitute Agent

- appointed by Agent to complete a particular task related to business of agency which can not be performed by agent himself



- | Position of P | Position of Sub-agent |
|---|--|
| ① | is the agent of agent |
| ② | Sub-agent is not an agent of principal |
| ③ can be held liable by 3 rd party if sub-agent was appointed properly | Principal can not sue sub-agent |
| | in case of any omission of sub agent / misconduct only Agent can sue sub-agent |
| | principal can sue agent for any loss due to sub-agent |



Imp Duties of an agent

1. follow the instructions of P
2. take reasonable care during the business of agency
3. Communicate with principal in case of difficulty
4. provide proper accounts to P on demand
5. not to make secret profit
6. not to deal on own account
7. payment to P
8. not to use confidential information
9. not to appoint sub-agent

Practical
Que.

default by A

P can recover loss from
A or can repudiate
the trans

Imp Power of an Agent

1. Right to get remuneration / agreed ✓
— x → reasonable ✓
2. retain the money of principal for remuneration
3. right of lien on the goods of Principal
4. Right of indemnification → injury to A due to lack of skills of P

no indemnification
in case of criminal
act

lawful acts
acts done by agent in good
faith

Principal's Liability for the acts of agent

↳ which falls within scope/authority

↳ any act which falls outside the authority

x ↗ ratification by Principal ✓

= ok

= Agency by Ratification and

Principal will be liable

Excess auth.
of agent is
separable ✓

x

+

not liable for such acts

= Principal is not liable for excess/unauthorized portion

↳ Notice to agent = Notice to principal

↳ fraud by Agent = fraud by principal
(during agency)

Personal Liability of Agent

- generally not liable

- {Exceptions}

- Principal is the resident of foreign country

- Principal is minor/incompetent

- unauthorized trans not ratified by principal

- expressed agreement eg Del credere agency

Undisclosed principal

When agent becomes
surety for the performance
of 3rd party (for extra
commission)

{Rule/concept of undisclosed principal}

When agent does not disclose the principal
while dealing with 3rd party

Principal discloses himself
subsequently

x
= Personal Trans of Agent

Identity
of principal
matters ✓

3rd party can repudiate
the trans

x
= Third Party can
accept the
transaction

= 3rd party can
deduct amt due
from Agent

→ Termination of Agency

- on the completion of fixed time
- on the accomplishment of business
- before the completion of fixed time | accomplishment of business

↳ By revocation of authority/agency by Principal

fault of agent ↗ without fault of agent
= P shall pay compensation to A

↓
no compensation to A

↳ By renunciation by agent

↘ without fault of principal
= A shall compensate to P

= no compensation to P

→ Death insanity of P / A

→ Insolvency of P

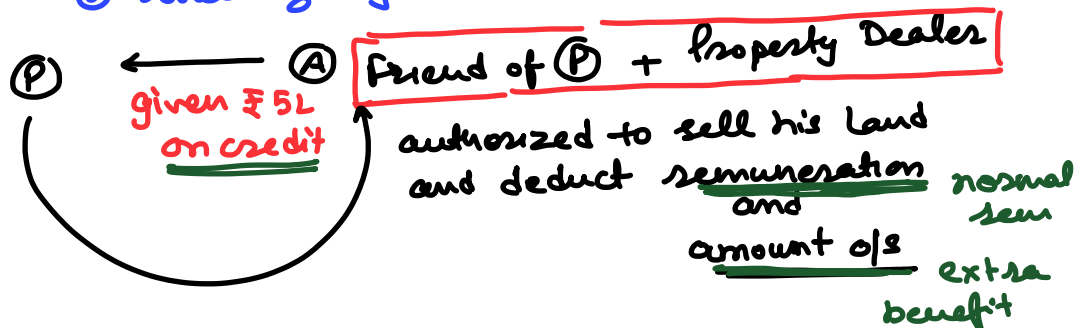
and A is bound to take reasonable care of goods/money belonging to P until legal heirs claims

- termination is effective when it comes into the knowledge of Agent
- termination is effective against the 3rd party until public notice is given
- If termination of agent = sub-agent is automatically terminated

Irrevocable Agency

midnote

① when agency is coupled with interest



In such case P can not revoke the agency until interest of A is satisfied

② when agent has exercised his past authority