



BUSINESS LAW



Contract of Agency

Indian Contract Act, 1872

“He who acts through another is deemed in law to act himself.”

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Key Elements Covered

- Meaning and Definition
- Creation of Agency
- Types of Agents
- Duties & Rights of Agents
- Termination of Agency
- Case Studies & Conclusion

Meaning & Definition

Definition (Sec. 182, ICA, 1872)-

“An agent is a person employed to do any act for another, or to represent another in dealings with third persons. The person for whom such act is done, or who is represented, is called the principal.”

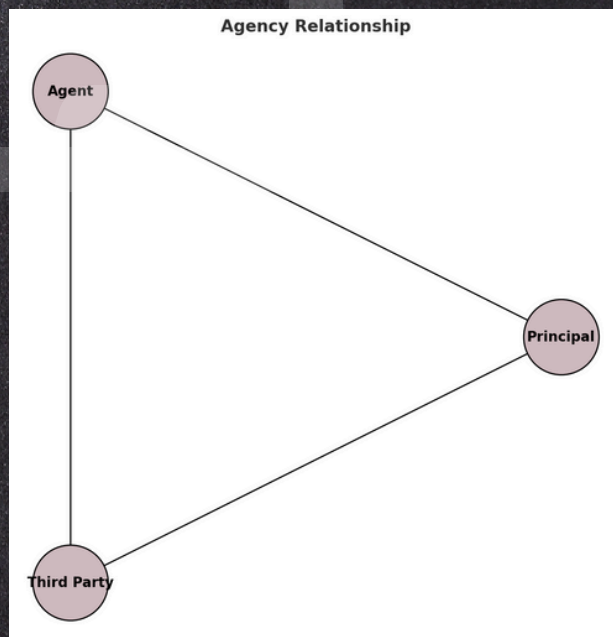
Parties to an Agency-

Principal – the person who authorises another to act on his behalf.

Agent – the person authorised to act for the principal.

Third Party – the person with whom the agent deals.

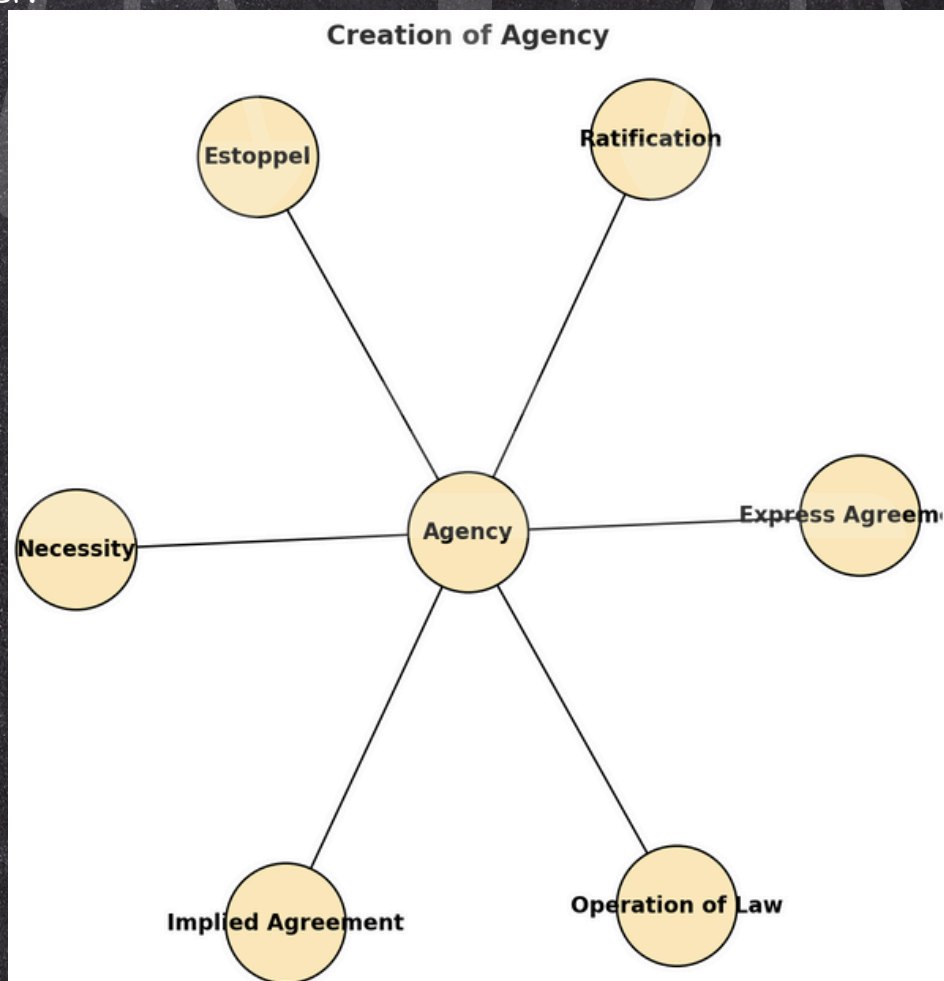
Key Point: An agency creates a legal relationship where the principal is bound by the acts of the agent.



Creation of Agency

Agency can be created in the following ways-

1. By Express Agreement - Written or oral authority (e.g., Power of Attorney).
2. By Implied Agreement - Created by conduct or circumstances.
3. By Necessity - When a person acts to protect another's interest in emergency (e.g., ship captain selling goods to save cargo).
4. By Ratification - Approval of an unauthorised act by the principal.
5. By Estoppel - When principal's conduct leads others to believe a person is his agent.
6. By Operation of Law - Example: partners are agents of each other.



Types of Agents

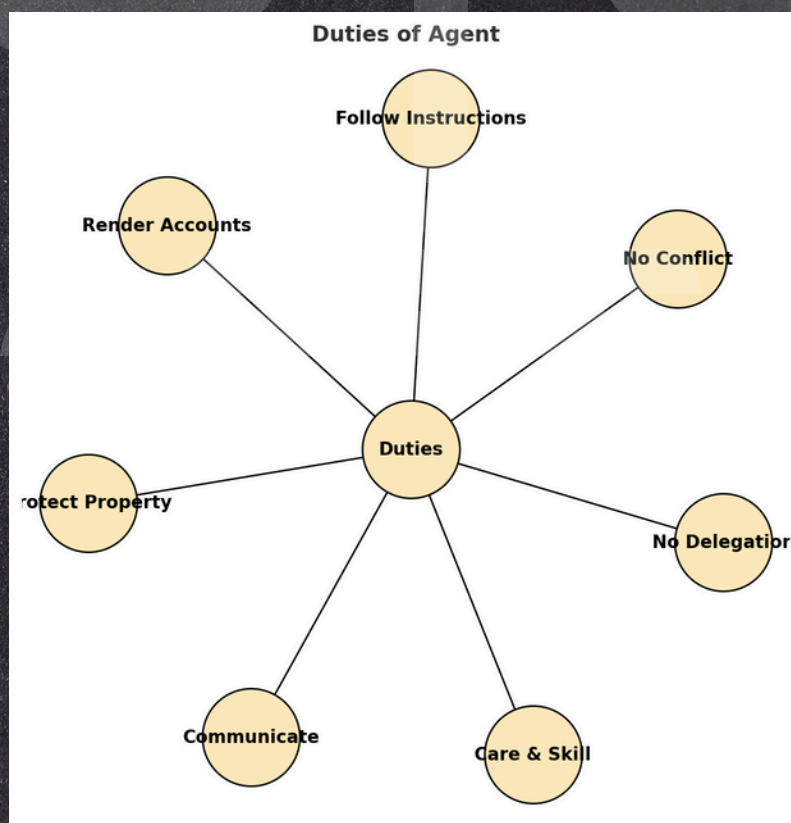
Main Types-

- General Agent – authorised to do all acts in relation to a particular trade/business.
- Special Agent – authorised for a specific act only.
- Sub-Agent – employed by an agent with authority of principal.
- Co-Agent – two or more agents jointly appointed.
- Factor – agent with possession of goods to sell in his own name.
- Broker – agent who negotiates contracts but does not possess goods.
- Commission Agent – sells goods on behalf of principal for commission.
- Auctioneer – agent who sells goods by auction.

Duties of an Agent

Major Duties of an Agent-

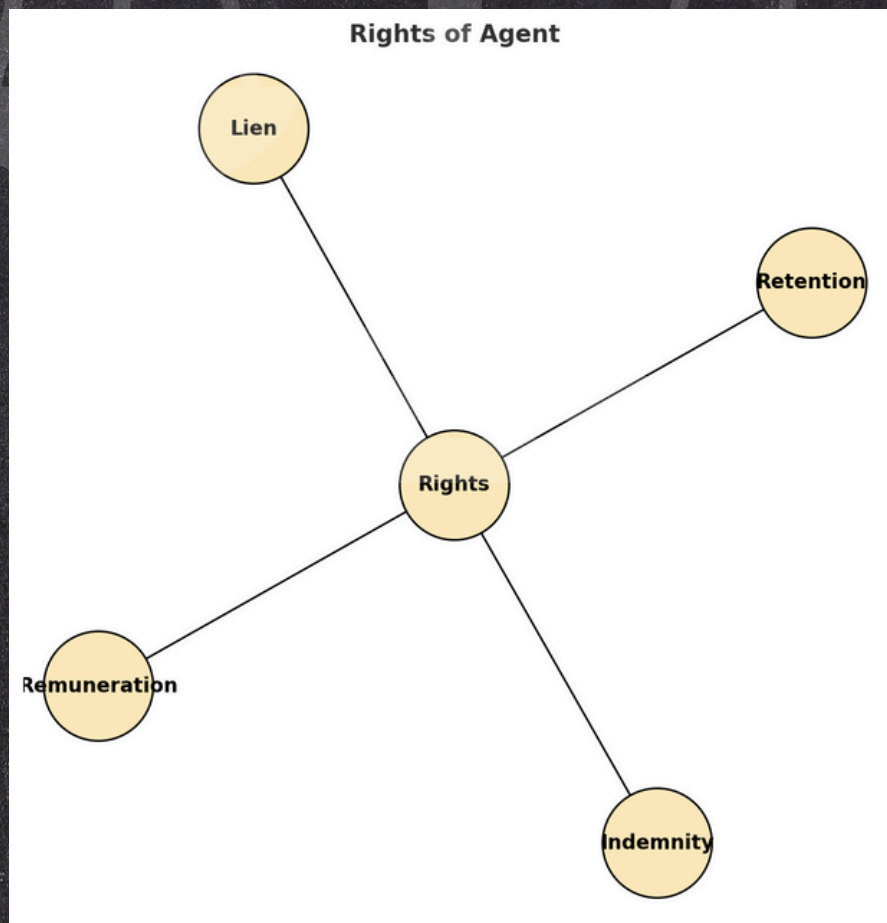
1. Follow Instructions – Act within authority given by principal.
2. Act with Care & Skill – Reasonable diligence expected.
3. Render Proper Accounts – Maintain accurate records.
4. Communicate with Principal – Especially in difficulty or doubt.
5. Avoid Conflict of Interest – Cannot secretly deal on own account.
6. Protect Principal's Property – Preserve goods or interests of the principal.
7. Not to Delegate Authority – Unless permitted.



Rights of an Agent

Rights enjoyed by an Agent-

1. Right to Remuneration – Payment for services.
2. Right of Lien – To retain goods or money until dues are paid.
3. Right to Indemnity – Principal must compensate for lawful acts done.
4. Right to Retain Money Received – Against advances or expenses.



Termination of Agency

Modes of Termination-

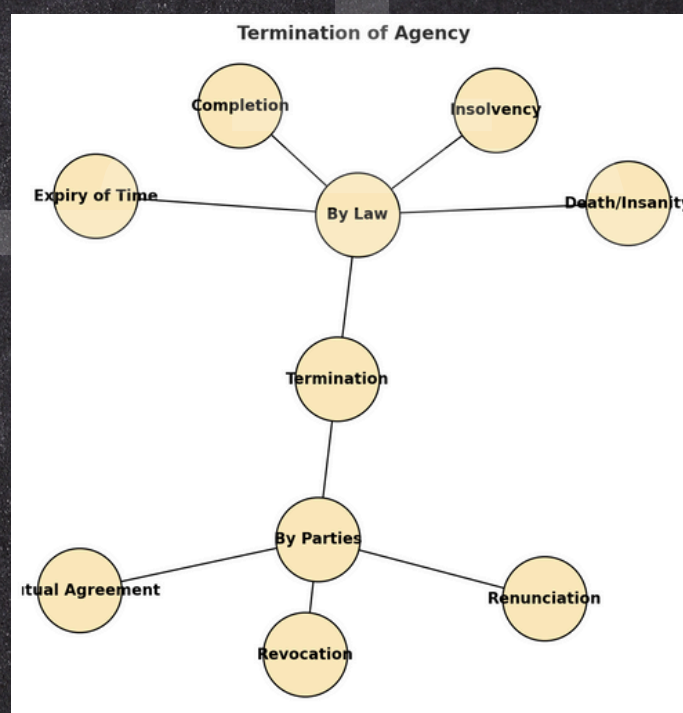
By Act of Parties:

- By mutual agreement
- By revocation by principal
- By renunciation by agent

By Operation of Law:

- Expiry of time
- Completion of business
- Death/insanity of principal or agent
- Insolvency of principal

Key Note: After termination, the agent's authority ends and he cannot bind the principal.



Case Studies & Conclusion

Important Case Laws-

1. *K.D. Kamath & Co. v. CIT (1971)*: Partnership may imply agency, partners act as agents binding firm through authorized and implied actions.
2. *State of Rajasthan v. Basant Nahata (2005)*: Authority is fundamental in agency contracts; without valid authority, acts cannot bind the principal.
3. *Syed Abdul Khader v. Rami Reddy (1979)*: Ratification validates unauthorized acts retrospectively, principal bound as if authority existed originally.

Conclusion-

- A Contract of Agency plays a vital role in business and commerce.
- It allows principals to act through agents and bind themselves legally.
- Protects both consumers and businesses by defining rights, duties, and remedies.

