

## **AGENCY CONTRACT**

**Meaning of Agency:** Agency is relation between an agent his principal created by an agreement. Section 182 of the Contract Act defines an Agent as “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 whom is so represented is called the principal”.

### **Essential Features of Agency:**

1. The principal
2. The agent
3. An agreement
4. Consideration not necessary
5. Representative capacity
6. Good faith
7. The competence of the principal.

### **Modes or Methods or Creation of Agency**

1. **Agency by express agreement:** A contract of agency may be made by express words, whether written or oral.
2. **Agency by implied agreement:** “An authority is said to be implied when it is to be inferred from the circumstances of the case.

(a) **Agency by estoppels:** When a principal by his conduct or act cause a third person to believe that a certain person is his authorized agent the agency is aid to be an agency by estoppels.

(b) **Agency by necessity:** It mean the agency which comes into existence when certain circumstances compel a person to act as an agent for another without his express authority.

(c) **Agency by holding out:** When a principal by his active conduct or act and without any objection permits another to act as his agent, the agency is the result of principal's conduct as to the agent.

3. **Agency by ratification:** Ratification means confirmation of an act which has already been done. Sometimes, an act is done by a person on behalf of another person but without another person's knowledge and authority. If he accepts and confirm the act, he is said to have ratified it.

4. **Agency by operation of law:** In certain circumstances the law treats a person as an agent of another person.

**For example,**

(a) when a partnership is formed, every partner automatically becomes agent o another partner.

(b) when a company is formed its promoters are treated as its agents by operation of law.

## **RIGHTS AND DUTIES OF AGENT**

### Rights of an Agent

1. Right to retain money received on principal's account.
2. Right to receive remuneration.
3. Right of lien on principal's property.
4. Right to be indemnified.

5. Right to compensation for injury caused by principal's neglect.

### Duties of an Agent

1. To follow the direction of the principal.
2. To conduct the business of agency with reasonable skill and diligence.
3. To render accounts on demand
4. To communicate with the principal.
5. Not to deal on his own account
6. To pay the amounts received for the principal
7. Not to delegate his authority
8. Not to act in excess of authority
9. Duty on termination of agency by principal's death or insanity.

### **TERMINATION OF AGENCY**

Termination of agency means revocation (cancellation) of authority of the agent  
the modes of termination of agency may be classified as :

#### **(a) Termination of Agency by the act of the Parties.**

1. By revocation of authority by the principal
2. By renunciation (giving up) of business of agency by the agency
3. By mutual agreement

#### **(b) Termination of agency by Operation of Law.**

1. Completion of business of agency
2. Death or insanity of principal or agent
3. Insolvency of the principal

4. Destruction of subject matter

5. Expiry of time

6. Agency subsequently becoming unlawful.

7. Termination of sub agent's authority revocable agency when the authority of agent cannot be revoked by the principal it is said to be an irrevocable agency.

**An agency is irrevocable in the following cases:**

1. If the agency is coupled with interest: when an agent himself has a special interest in the property which forms the subject matter of the agency, such agency is said to be coupled with interest.

2. Where the agent has partly exercised his authority

3. When the agent has incurred a personal liability.