



# **TRINITY COLLEGE FOR WOMEN NAMAKKAL**

**Department of Commerce**

**BUSINESS LAW**

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# AGENCY

## Principal and Agent Meaning

- ❖ Sec.182 of the Act defines “An agent is a person employed to do any act for another or to represent another in dealings with third person. The person for whom such act is done, or who is so represented is called the principal”.
- ❖ Any person who is of the age of majority (Above 18 years) according to the law to which he is subject and who is of sound mind may employ an agent.
- ❖ As between the principal and third persons, any person may become an agent.

## **ESSENTIAL OF AGENCY:**

### **Capacity of the persons (sec.183 and 184)**

Only a person who is of the age of majority and is of sound mind may employ an agent.

### **❖ Consideration (sec.185):**

The fact that the principal has agreed to be represented by the agent is sufficient “detriment” to the principal to support the contract of agent.

### **❖ No Contract of Agency is needed:**

It is not essential that a contract of agency be entered into. It is sufficient if a person acts on behalf of another and is accepted by the latter.

### **❖ There should be an Agreement between the Principal and Agent:**

The agreement may be express or implied

❖ **The agent must act in representative capacity:** The essence of the matter is that the principal authorized the agent to represent or act for him in bringing the principal into contractual relationship with a third person.

## Modes of Creation of Agency

By express  
authority

By implied  
authority

By  
ratification

By operation of  
Law

By estoppels

By holding Out

By necessity

## Modes of Agency

- Agency by Express agreement
- Agency by operation of law
- Agency by Necessity
- Agency by Estoppel
- Agency by Holding out.
- Agency by Ratification

## Kinds of Agent

### 1. Based On the Nature of Work Performed

- Mercantile Agents
- Factor
- Broker
- Commission agent
- Del Credere Agent
- Auctioneer
- Non –Mercantile Agent
- Insurance Agents
- Counsels or Advocates

## 2. EXTENT OF AUTHORITY:

- General agent
- Special agent
- Universal agent

## DUTIES OF AN AGENT

- ❖ Duty to Conduct the Business with skill and Care
- ❖ Duty to Render Proper Accounts
- ❖ Duty to Communicate with Principal
- ❖ Duty not to Deal on his own name
- ❖ Duty not to make Secret Profit
- ❖ Duty to Pay Sums (Amounts) Received
- ❖ Duty not to Delegate Authority

## RIGHT OF AN AGENT

- ✓ Retain money
- ✓ Right to get of Remuneration
- ✓ Right to lien
- ✓ Right to be indemnity (claim)
- ✓ Right to compensation

### Duties of the principal to agent

- ❖ The principal is bound to indemnify the agent against the consequences of all lawful act done by such agent in exercise of the authority conferred upon him.
- ❖ The principal indemnify the agent against the consequences of act done in good faith.
- ❖ The principal must make compensation to his agent in respect of injury caused to such agent by the principal's neglect.
- ❖ To pay the agent, the commission or other remuneration agreed.

# TERMINATION OF AGENCY

## I. By the act of Parties

- Mutual Agreement
- Revocation by the Principal
- Renunciation by the Agent

## II. Termination of Agency by operation of Law

- Performance of the contract
- Expiry of the period
- Death, Insanity or Insolvency of either party
- Destruction of the subject matter
- Principal or agent becomes alien enemy
- Dissolution of a company



## Distinction between Sub-Agent and Substituted Agent

S. No	Sub-Agent	Substituted-Agent
1	According to Section 191 of the Indian Contract Act, 1872 - A "sub-agent" is a person employed by, and acting under the control of, the original agent in the business of the agency.	A Substituted agent is a person who is named by the Agent for performing such part of the business of the agency as is entrusted to him.
2	Sub-Agent works under the control of the Agent. He is the agent of the Principle.	Substituted Agent works under the control of the Principle and he is an agent of the agent.
3	Sub-Agent is responsible to the Agent.	Substituted Agent is responsible to the principal.
4	The Agent is responsible for the acts of the sub-agent.	The agent is not responsible for the acts of the substituted-agent.
5	There is no Private of contract between the Principle and sub-agent.	There is private of Contract between the Principal and substituted-agent.

# THANK YOU

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