

★ SEC. 182 :- AGENCY :-

★ Agent is a person who is employed by another person to do any act or to represent the another person.

★ Principal is the person who employs or who is being represented

★ TRIE TEST OF AGENCY :- To check if Agency is present -

(1) whether a person has capacity to bind the (P) & make him answerable to a III person?

(2) whether a legal relationship [PRIVITY OF CONTRACT] can be created b/w (P) & III Party?

If the answer to above is YES. then Agency Exist.

MAXIM = He who acts through an Agent is himself acting.

★ SEC-183: Who can be (P)? = MAJOR & sound mind.

★ SEC-184: Who can be (A)? = Anyone [even minor & unsound mind]
But (A) will not be liable to (P) as a minor.

★ SEC-185: Consideration is not compulsory for contract of (A).

SEC-186/187 :- CREATION OF AGENCY :- expressed or implied

⇒ Implied Agency by :- Agency by Estoppel (Sec. 237) :- when (P) falsely represent (ex/im.) another person as Agent & III person believes & get induced by such representation then (P) will be liable & cannot defend himself

By necessity :- In case of emergency, to save (P) from loss an Agent can have special / extra-ord. authority similar to any ordinary person

By operation of law = When law treats a person as Agent. eg: Partner

MA

- ★ RATIFICATION :- SEC. 196 :- It means approving previous act after it happens. Approval after action. When agent beyond his authority does something & seeks for (P)'s approval later, (P) may elect to ratify or reject/disown such act. If (P) ratifies then it will have same effect as if it happened under authority

Essential elements of a valid ratification :-

- ⇒ 197 - Ratification may be expressed / implied
- ⇒ 198 - (P) shall have proper / full knowledge of facts
- ⇒ 199 - whole transaction must be ratified
- ⇒ 200 - Ratification shall not injure any III party's Rights.
- ⇒ Must be done in reasonable time ⇒ communicated ✓

Cannot be for any void or illegal acts.

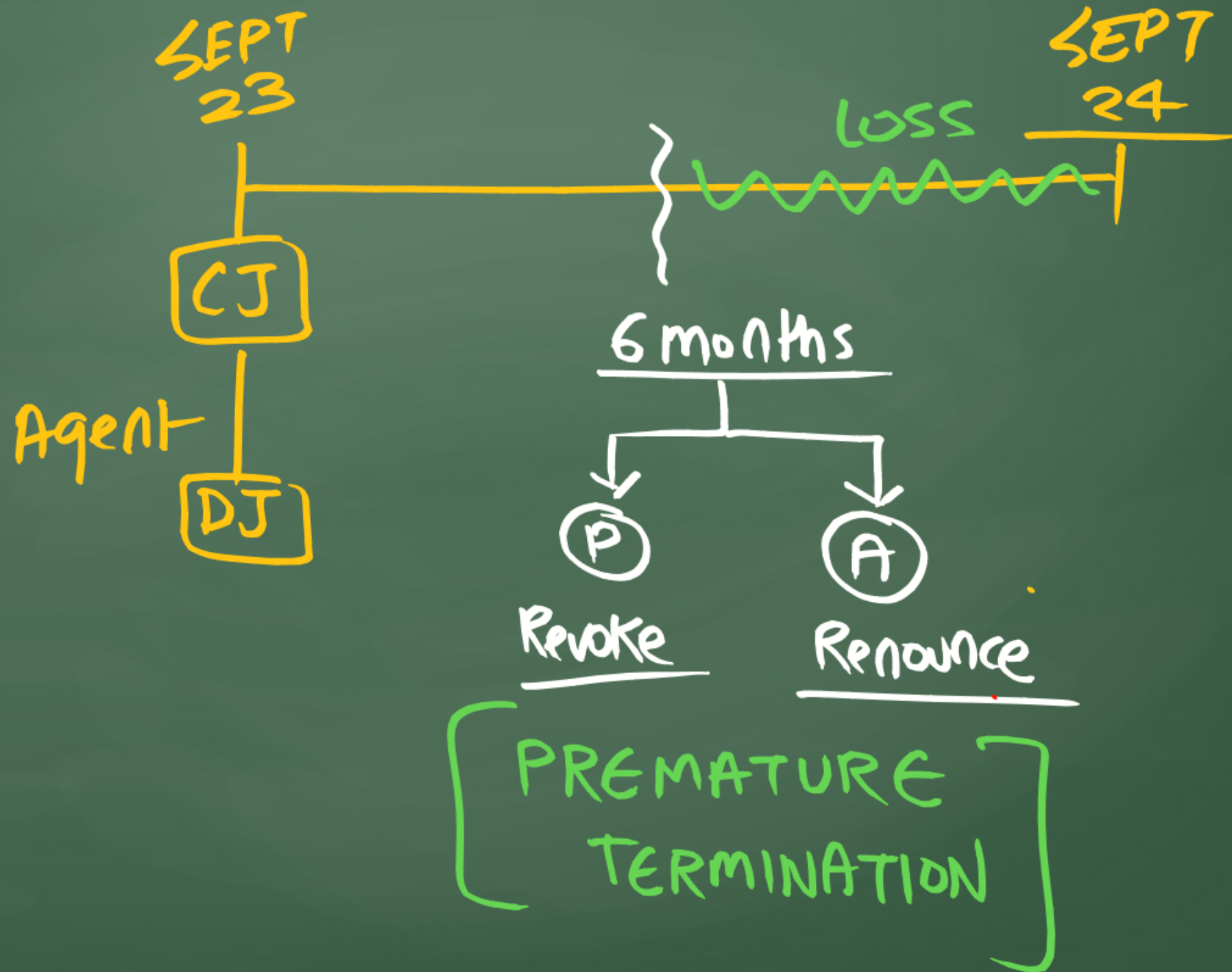
☆☆☆
 Concept building

207 - ex / implied.

2 Reasonable Notice



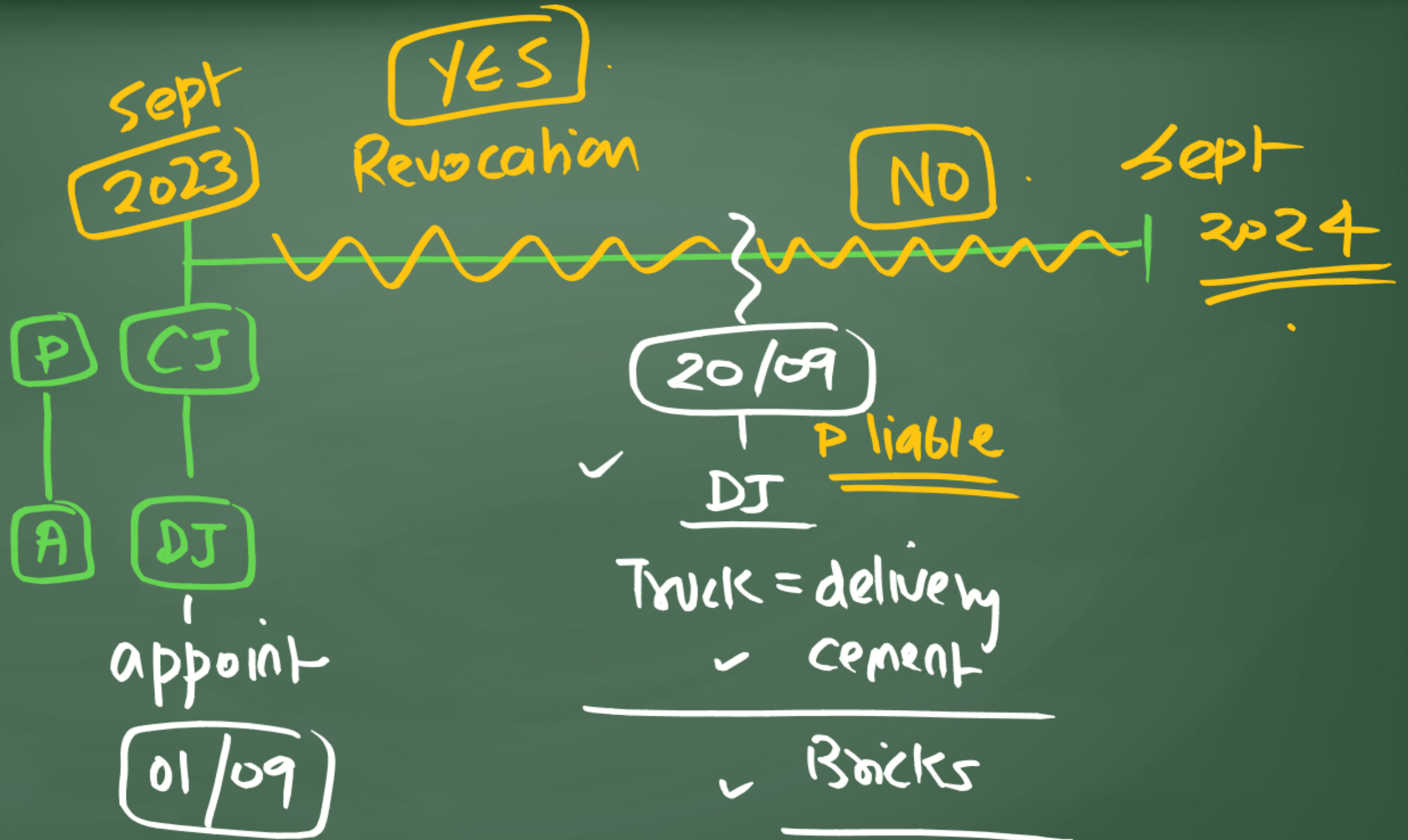
2 Compensation



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concept building
203 / 204

Revocation
can be
done
before (A)
binds (P)
legally

eq ← Before
20th.



★ REVOCAION OF Authority :-

R & R can be
exp/imp = 207

201 = Termination of Agency = RBI-RUDE

★ R = Revocation :- 203 - Principal can revoke agency or agent's authority at any time but before the authority has been exercised means before P becomes - liable.

★ 204 - If A has partly exercised his authority then in that case P cannot revoke after that & P will be liable for acts done.

★ R = Renunciation :- Agent can renounce his authority in the same way as P. Both P & A in case of Revocation & Renunciation will follow 2 section.

⇒ 205 | 206 ⇒ Compensate for premature revocation & renunciation. Also reasonable notice before renouncing & revocation to each other but if anyone does w/o notice & anyone suffers loss then they will pay damages.

★ **B** = on Completion of Business :- An agency automatically comes to an end when the business completes. (Purpose)

★ **I** = Insolvency = PRINCIPAL'S = on him adjudicating as insolvent.

★ **V** = unsound mind / Insanity :- Agency automatically terminates if **(A) / (P)** becomes insane or of unsound mind

D = Death = Same as above

E = Expiry of time - Agency terminates after/on expiry of a fixed term means whether purpose is accomplished or not.

202 = when is Agency **IRREVOCABLE**? When the agent is personally interested in the subject-matter of Agency. means Agent has interest in the property which is **(SM)** of agency.

★ Effect of Termination :-

★ 208 :- Agent's authority comes to an end means termination takes effect when it becomes known to him.

★ :- The same thing applies to / for III person as well.

209 :- ON death / insanity = Agency revokes automatically but - it is Agent's duty / obligation to take all the reasonable steps to protect (late principle) or his LR's interest which they had entrusted upon him.

210 :- On Agent's authority termination, sub-agent's authority also terminates. (sub-agents appointed by Agent)

★ Extent of Agent's authority :-

★ SEC. 188 :- In Normal Circumstances :- An agent who has an authority to carry on a business, will also have authority to do every lawful thing which is necessary to conduct the business in an ordinary manner.

★ SEC. 189 :- In case of Emergency :- Reffer Implied authority topic Agent can do all such acts to save (P) loss / protect him as a man of ordinary prudence would have done. Conditions :- **God Story**

- (1) Possession = Agent (with)
- (2) Good faith = Act in qf job (P) best interest
- (3) Urgent = there should be real quick need for a commercial action

- (4) Reasonable action = most sensible / practical action
- (5) Communication = (A) could not contact (P).

★ Duties & obligation of An Agent :- Student-Teacher story

- ★ (1) 212 Duty to follow instructions & customs :- It is the duty of an agent to conduct the BIZ as per (P) instruction & if not then follow the customs. If the agent act otherwise & (P) suffers loss then agent shall indemnify [If Profit then give it to (P)]
- ★ (2) 214 Duty to communicate to obtain instruction :- It is the duty of an Agent to communicate with (P) with all reasonable diligence to obtain / seek instruction in case of delivery.
- ★ (3) 212 - Duty to keep reasonable care / skill :- An agent shall always possess required skills & take reasonable care while conducting BIZ on (P) behalf. If done otherwise & (P) suffers DIRECT loss then (A) will compensate for it.
- ★ (4) 213 - Duty to render proper accounts :- It is agent's duty to show / maintain proper accounts for (P) whenever demanded & with supporting doc. like vouchers

★ (5) 215 - Duty of Not to deal in his own account :- An agent cannot do BIZ on his own name without P's consent & if done then P can repudiate & claim any benefit received by the Agent.

★ (6) 216 - Duty Not to make secret profit :- The relationship b/w P & A is of fiduciary nature (trust) hence he shall not make any amount over & above his agreed remuneration.

★ (7) 190 - Duty not to delegate :- An agent cannot employ another person & delegate his work unless it is required by customs or nature of the work or as per the agreement.

★ (8) 218 - Duty to pay all sums recd for P :- It is the duty of agent to pay all sums recd on P behalf after deducting permitted amounts.

217 = RIGHT OF AN AGENT TO RETAIN ARE: Remuneration of Agent
↓ Advance given for BIZ
Expenses for BIZ.

(9) Do not misuse confidential info. of P



218

Duty of An Agent

to pay whatever sums
deca in the nome of **(P)**

Permitted \leftarrow Subject to deductions

eg: 10L = Revenue \rightarrow **(P)** But-

(1L)	Biz (expenses)	}	(-)
(2L)	(A) (Adv. given)		
<hr/>			
7L			

217

Rights of an Agent

To Retain 3 sums :- **ARE**

- A = Advance given [2L]
- R = Remuneration [2L]
- E = Expenses. [1L]

eg :- 10L = Revenue

(1L)	= Exp	}	Retain
(2L)	= Advance		
(2L)	= Remuneration		
<hr/>			
5L \rightarrow (P) Pay			

★ Summary sheet - JOBS RIGHTS OF AN AGENT :- RRIL

★ (1) R - Retain sums = ARE [already covered in Duties] - 217

★ (2) R - Remuneration = Right to receive remuneration as per contract

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& if no contract then customs. [Deduction of amount/work
not handled properly or poorly handled] - 219 / 220

(3) I - Indemnification for lawful acts :- If Agent has done all lawful acts
for the business & faces litigation/exp then (P) must indemnify. 222

(4) I - Indemnification for Good faith :- If (A) acts in authority & as per
(P) instruction & faces loss/damage then (P) must indemnify. 223

221 (5) L = Right to create Lien on (P)'s = Property / Goods / Papers [Possession with
the (A) Required]

224 (6) (P) not liable for any illegal/criminal Act.

225 (7) (P) liable to (A) for his negligence which has caused injury to the agent.



General

PRINCIPAL'S LIABILITY

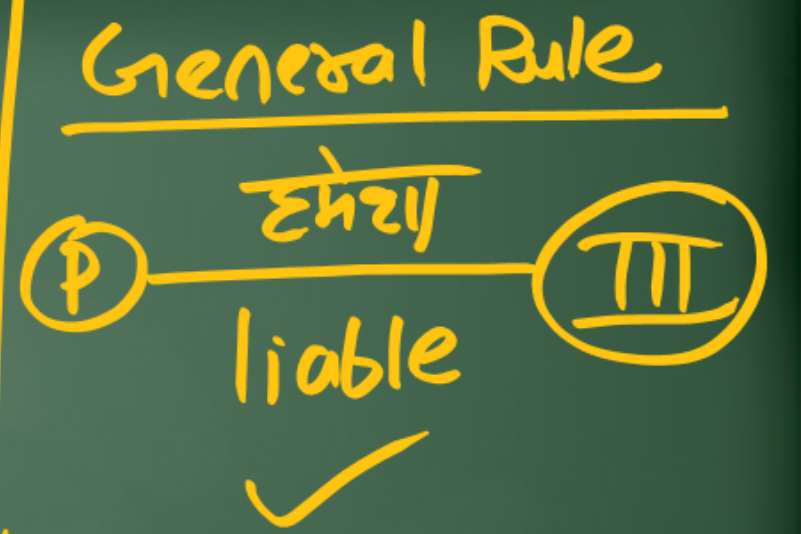
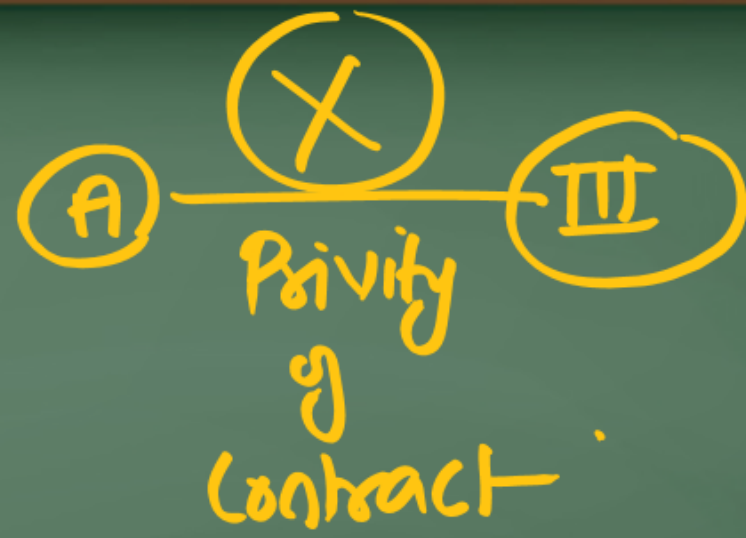
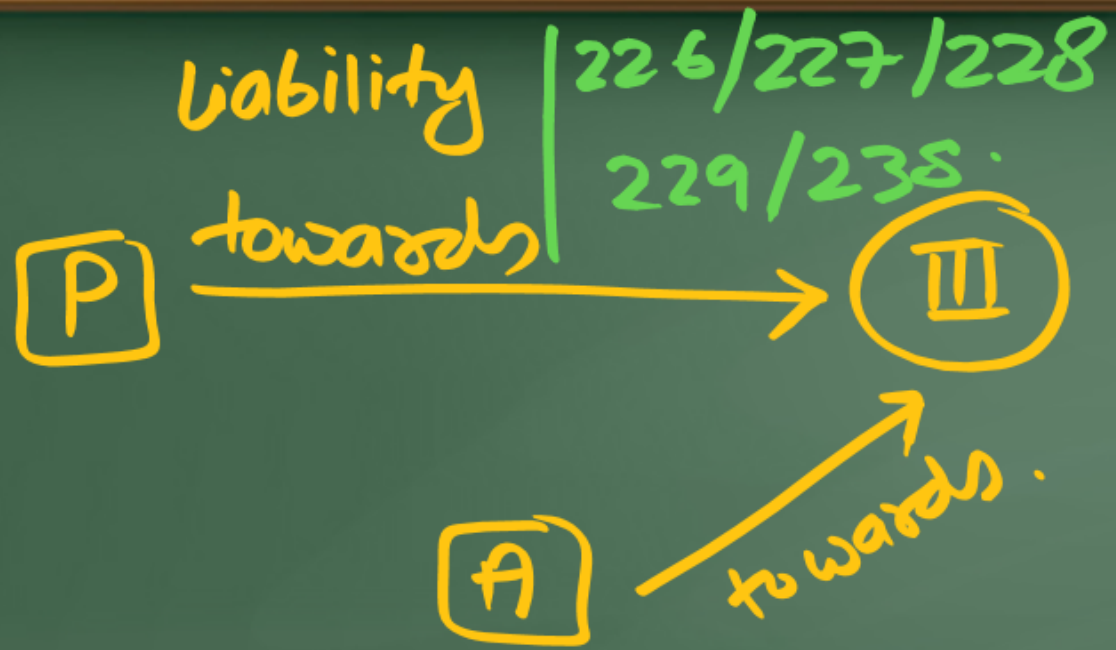
The liability remains that of the principal unless there is a contract to the contrary.



An agent does all acts on behalf of the principal but incurs no personal liability.

This is because there is no privity of contract and passing of consideration between the agent and third party.

An agent also cannot personally enforce contracts entered into by him on behalf of the principal.



General Rule :- (P) is liable towards T parties as :-

(P) liability
towards
T parties

- Agent is not - Personally liable (X)
- Agent cannot - Personally enforce the contract.
- There is no privity of contract \$ } b/w (A) & (T)
no consideration

(Connect sec. 230 as well) - Agent's liab = General Rule



PRINCIPAL'S Liability

AGENT

within his scope of authority

P = Liable

226

Agent-

outside his scope of authority

227

separable YES

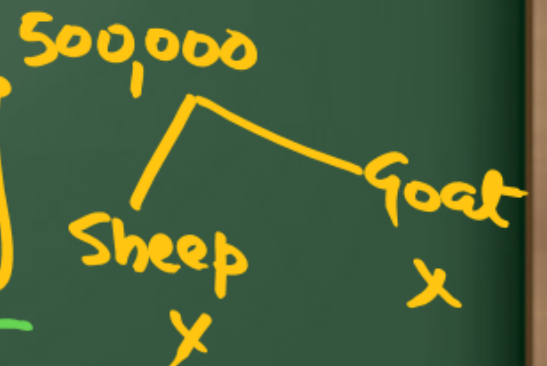
eg  Autho ✓
 Autho X

P = liable only for authorised acts of (A) which can be separated

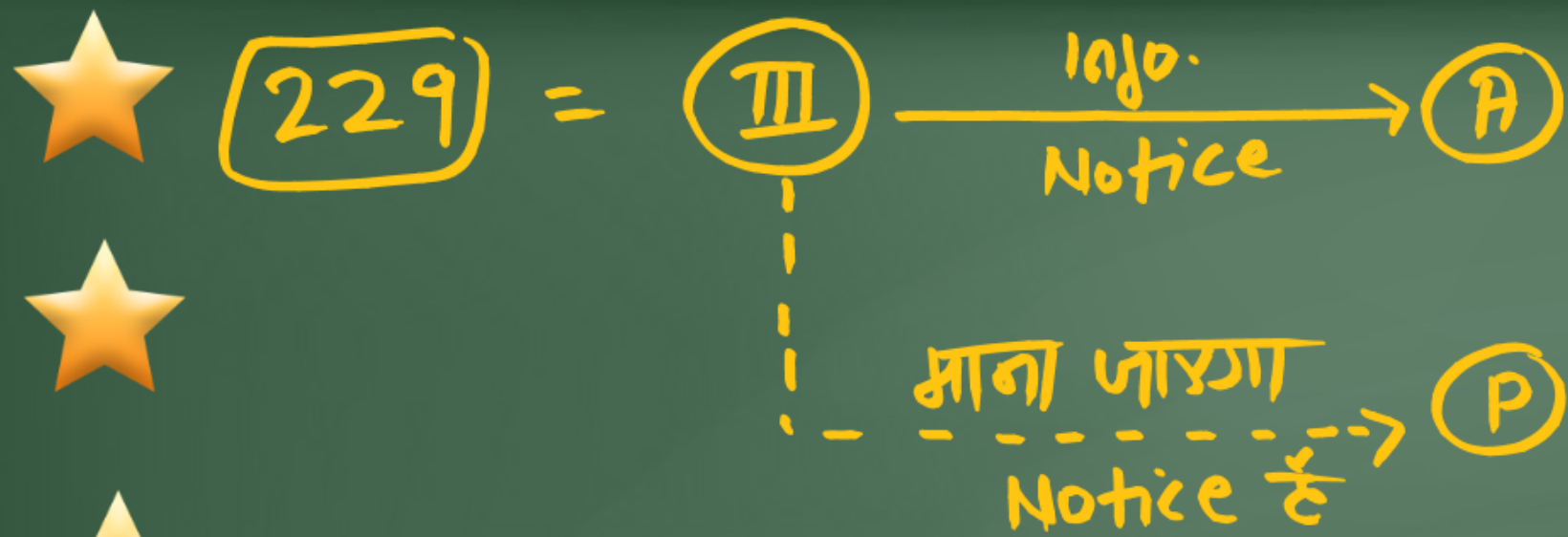
228

Not separable

eg: 500 Sheep authorised ✓
+ 100 Goats unauthorised



Fully Repudiate the whole transⁿ

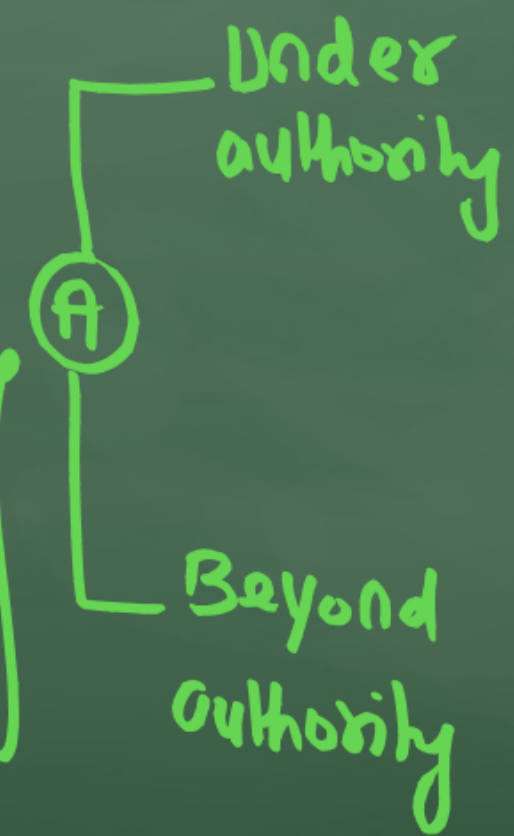


Notice to Agent = Notice to $\textcircled{\text{P}}$
 Info. with Agent = Info. to principal

ONLY FOR BIZ PURPOSES

★ **238** = $\textcircled{\text{P}}$ liab.
 in case of

- ★ Fraud
- ★ Misrep.
- ★ TORT



eg: $\textcircled{\text{A}}$ = P = liable

eg: $\textcircled{\text{A}}$ = P Not liable

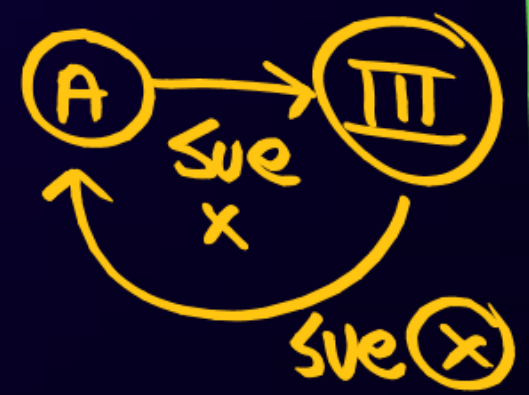
230 - Agent cannot personally enforce, nor be bound by, contracts on behalf of principal -

- In the absence of any contract to that effect,
- an agent cannot personally enforce contracts
- entered into by him on behalf of his principal, nor
- is he personally bound by them.
- He can neither sue nor be sued on contracts made by him
- on his principal's behalf.



General Rule :-
SEC. 230

- ① Agent not personally liable
- ② Agent cannot enforce the contract
- ③ Privity of contract =



But exceptions
=>

★ Exceptions to SEC. 230 :- means AGENT will be Personally Liable :-

★ Summary → I - Ex - Foreign - Ex - U - P.

★ (1) Foreign Principal :- when contract of Sale / Purchase is made by an Agent for a principal who is residing o/s India (Foreign) then Agent will be held liable.

U (2) U - Undisclosed / Unnamed P :- when Agent does not disclose P's name means keep his name as secret OR agent does not tell about P existence then Agent will be held liable.

Ex - I (3) Non-Existence or Incompetent P :- when P is incompetent or does not exist eg: A co. before incorporation then Agent will be liable.

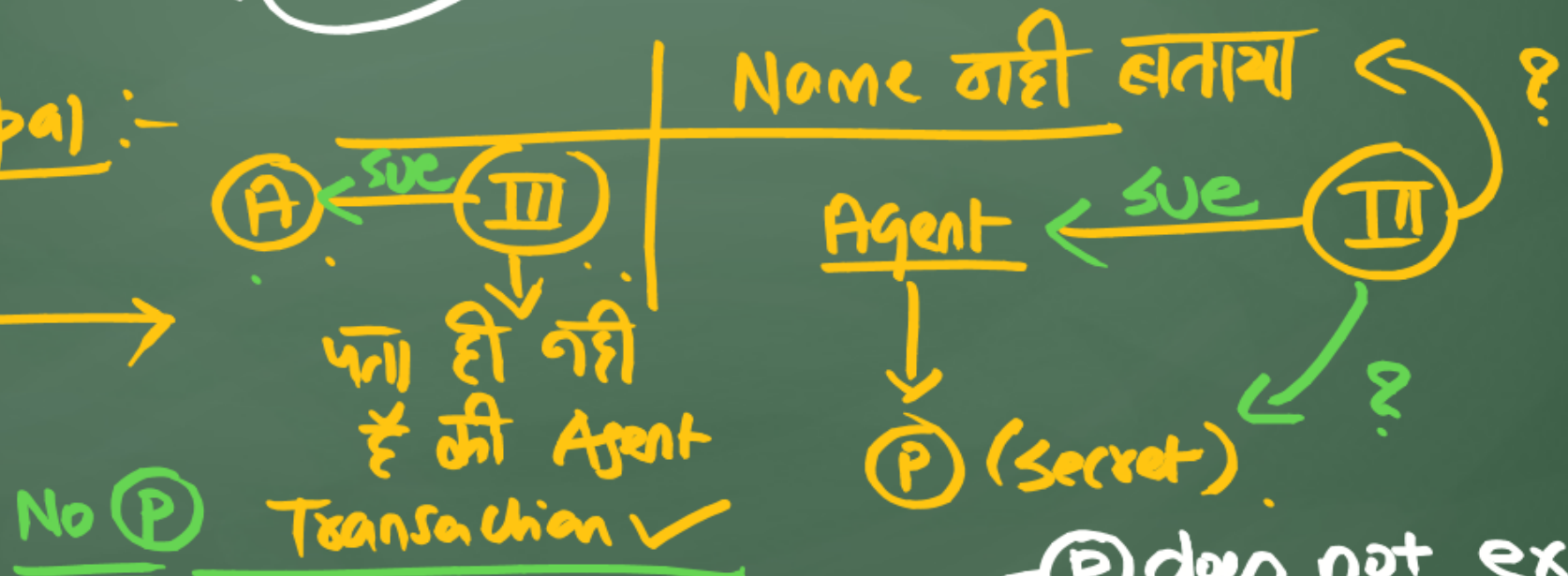
P (4) Pretended Agent :- when A pretends & he is not an actual agent, P does not Ratify.

Ex (5) Exceeds authority :- In such case P will not be liable to any III party.

★ Concept building:-

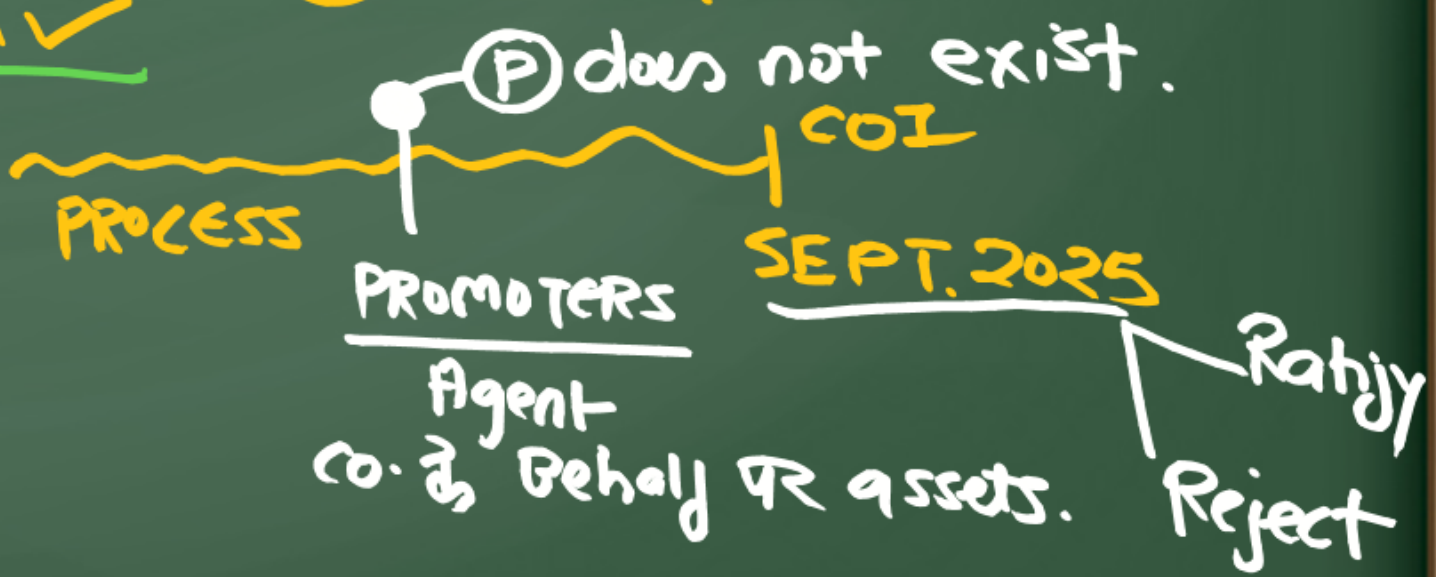
★ Ex 1: Foreign Principal:- India / Europe → Personally liable.
 Agent | (P)

★ Ex 2: Undisclosed Principal:-
unnamed



Ex 3:- (P) — Non-exist
 Incompetent

CO'S ACT
 ↓
 INC



★ RIGHTS OF A THIRD PARTY :-

★ (1) SEC 231 :- If undisclosed Agent makes a contract with a III party who does not know that they are dealing with Agent nor suspects of it & (P) wants performance of the contract but III party has a right to repudiate the contract. Assuming that III party would have never entered into the contract if he had knowledge about the (P).

★ (2) SEC. 232 :- when agent is supposed to be (P) :- When agent does not disclose that he is acting as an agent & (P) want performance then (P) will get performance but subject to rights / obligⁿ b/w Agent & the III party. Eg: (P) ← 50,000 after set off [1L - 50K].

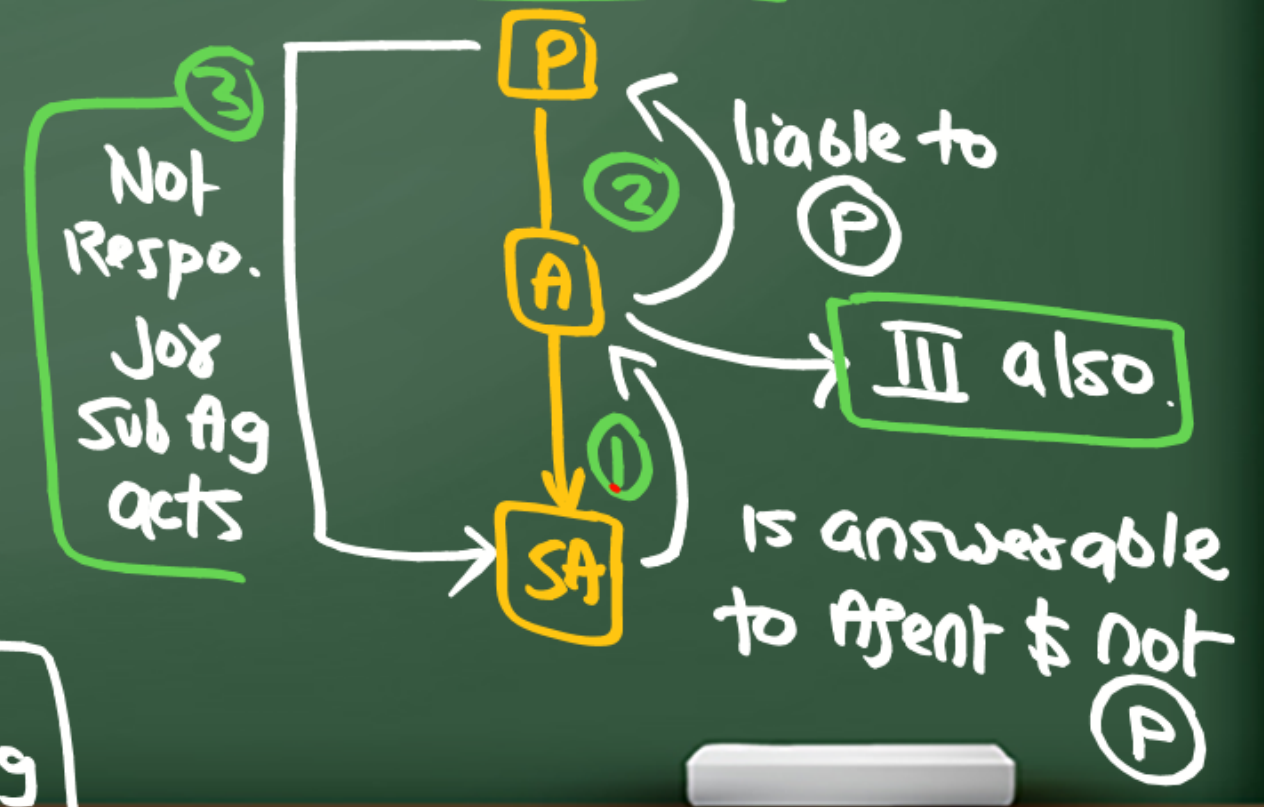
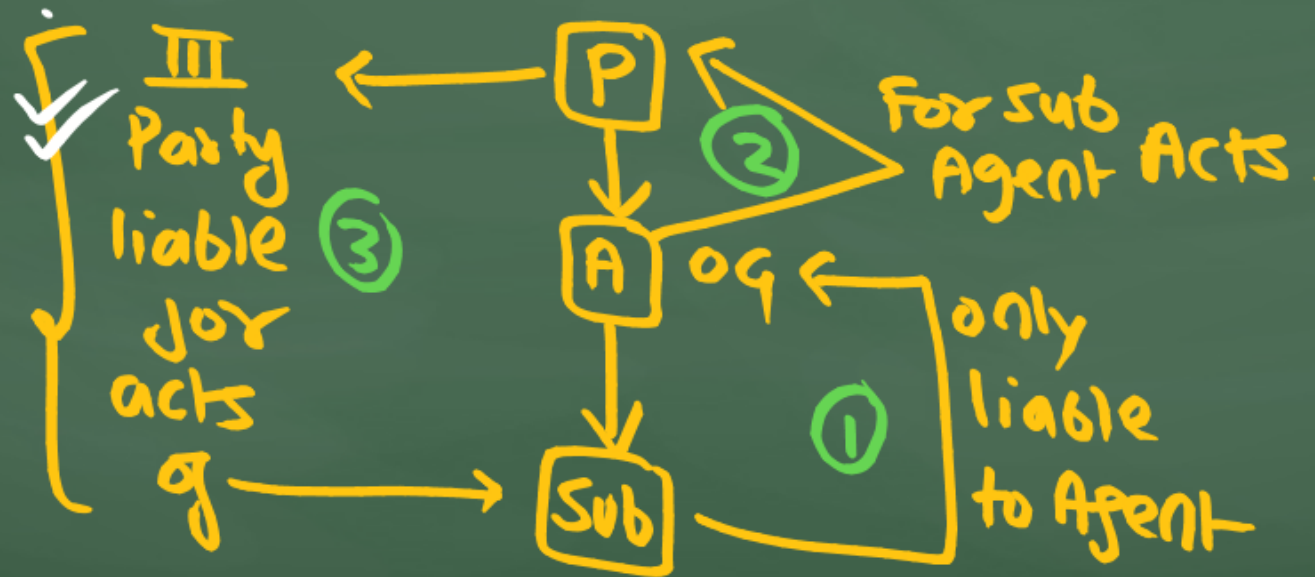
RIGHT TO SUE | SEC. 233 -
III party can sue (P) Both.
(A)

(4) 234 :-
III - 4th induce (P) [I will sue A exclusively (only)] → Then later cannot sue Agent - who? III party
 induce (A) [I will sue P exclusively] → Then later cannot sue (P)

SUB AGENT | 190-193 | General Rule :- Further delegate | Agent cannot lawfully employ any other person - **SEC. 190**



- Contract expressly
- Custom of Trade
- Emergency



is Sub Agent liable to (P)?

No.	He is liable only to (A)	except in case of Fraud/wilful wrong
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★ Substituted Agent ⇒

★ SEC. 194 :- (1) He is an agent of the (P) & he is not a sub-Agent.
(2) He is appointed by agent only.

★ SEC. 195 :- (1) It is Agent's duty to name a person (substituted) with proper care as a man of ordinary prudence will do.
(2) If he does this then - he (or Ag) is not responsible for the acts of substituted Agents.

For difference b/w sub Agent & substituted - Refer the table

The End

..... syllabus - done

15/04/25
2:01 PM



Homework



BUSINESS LAWS

MAY 1.0 \$ 2.0



COMES to an End

~~Advantages~~
gain