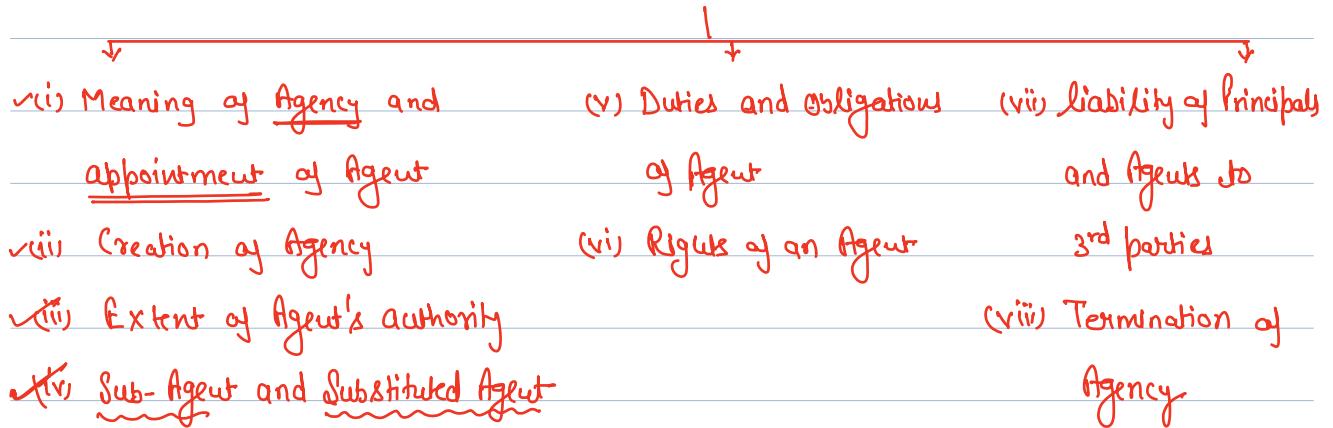


Part-III of Indian Contract Act, 1872

"Contract of Agency"



(i) Meaning of Agency and appointment of Agent:

- Agency may be defined as relationship

↓ between

One person and another
(Agent) ↓ (Principal)

where the first mentioned person brings the second mentioned person into legal relations with others. (3rd parties)

- Relationship of agency is said to exist, if

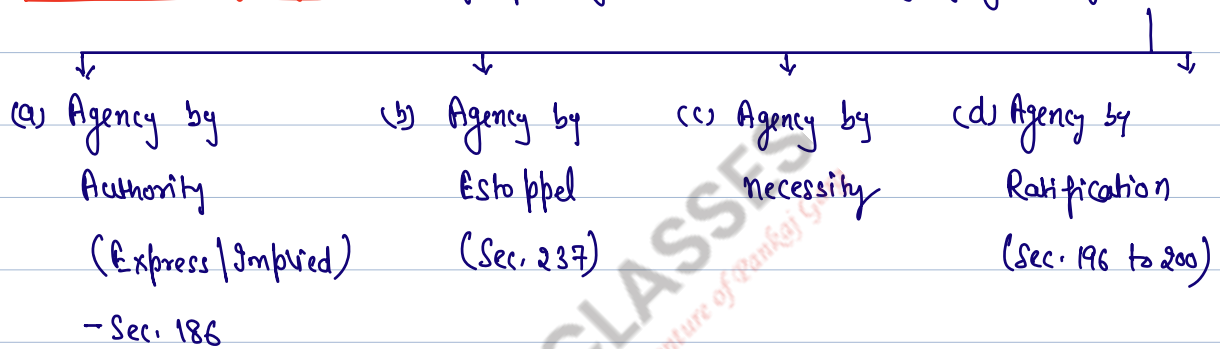
(a) person has the capacity to bind the Principal and make him answerable to 3rd parties;

and

(b) Privity of contract between Principal and 3rd parties can be established.

- Any person who has attained majority and is of sound mind, can employ an agent.
- A minor or a person of unsound mind may become an agent, but for any misconduct of such agent, principal shall not be able to proceed against him.

(ii) Creation of Agency: An agency may be created by any of following modes:



(iii) Extent of Agent's authority: (Sec. 188 - 189)

- Agent's authority means capacity to bind the principal to 3rd parties.
- It is determined by :

- ✓ (a) Nature of the act or the business for which he is appointed.
- ✓ (b) Things that are incidental to the business; and
- ✓ (c) Usage of the trade or business.

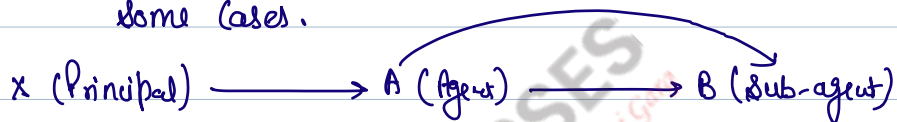
- Agent's authority includes authority to do:

- (a) Every lawful thing necessary for the purpose;
- (b) " " " Justified by various customs of trade; and
- (c) All necessary acts to protect the principal from loss, as would be done by a person of Ordinary prudence, in his own case.

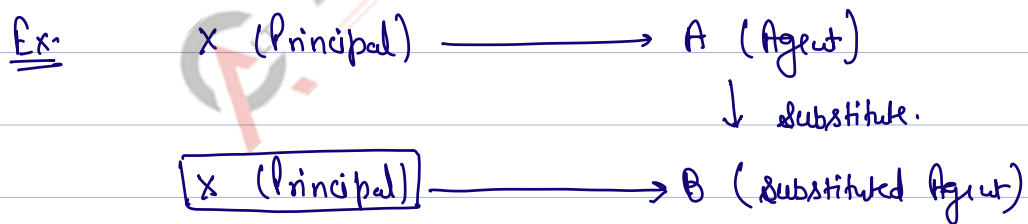
(iv) Sub Agent and Substituted Agent [Secs. 190-193 and Secs. 194-195]

Sub-Agent! - A person employed by and acting under the control of the original agent in business of agency is known as sub-agent.

- Appointment of sub-agent is not lawful, except in some cases.



Substituted Agent: A person appointed by the Agent to act for the Principal, with the knowledge and consent of the Principal.



Ex.

