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Law of agency is an area of commercial law dealing with a set of contractual, quasi-contractual and non-contractual fiduciary relationships that involve a person, called the agent, that is authorized to act on behalf of another (called the principal) to create legal relations with a third party.

Agent and principal are defined under Section 182 of the Indian Contract Act, 1872. According to the section, "an agent is a person employed to do any act for another or to represent another in dealing with third persons. The person for whom such act is done, or who is so represented, is called the principal."

A contract of agency is a species of the general contract. As such, an agency may

terminate in the same way as a contract is discharged except where the agency is irrevocable. The relation of principal and agent can only be terminated by the act or agreement of the parties to the agency or by operation of law.

The agency may be terminated at any time and at any stage by the mutual agreement between the principal and his agent.

Therefore, the authority of an agent terminate when the principal and the agent agree to terminate it.