

Section-3

Q. Explain the law of agency under Contract Act. Explain the methods of termination of agency.

The 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 to create legal relations with a third party.

In India, section 182 of the Contract Act 1872 defines Agent as "a person employed to do any act for another or to represent another in dealings with third persons".

Termination of agency by Act of the parties - An agency can be terminated by the act of the parties in any one of the following ways -

(i) Mutual agreement - The agency may be terminated at any time and at any stage by the mutual agreement between the principal and his agent.

(ii) Revocation of the agent's authority by the principal - The principal may revoke the authority of his agent before it has been exercised by the agent so as to bind the

principal.

3. Revocation by the agent - Agent, after giving a reasonable notice to the principle, may renounce the b/s of agency.

Termination of agency by operation of law - An agency can be terminated by operation of law in any of the following cases:-

- ① Performance of the contract.
- ② expiry of time.
- ③ Death or insanity of either party.
- ④ Insolvency of the principal.
- ⑤ Destruction of subject matter.
- ⑥ Principal becoming an alien enemy.
- ⑦ Dissolution of a company.
- ⑧ Termination of sub-agent's authority.
- ⑨ Subsequent event rendering the agency unlawful.