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Definition of Agent, Principal and Agency

Section 182 Provides that An "agent" is a person employed to do any act for another, or to represent another in dealings with third persons. The person for whom such act is done, or who is so represented, is called the "principal".

Agent - A person, employed to do any act for another, or to represent another in dealing with third persons, is called an agent on behalf of some other person.

Principal- A person for whom such act is done or who is so represented, is called is principal.

Agency: The relationship between an agent and the principal is called agency may be created by an express or implied agreement.

Example : A appointed B to purchase 1000 bages of Sugar on his behalf. In this case, A is the principal, and B, is the agent. And the relationship between A and B is known as agency.

Essentials of valid Agency

(Section 183, 184 and 185)

1. Agreement between Principal and Agent

The Agency must be created by an agreement between the principal and Agent. The agreement may be express or implied.

2. Representative capacity of an Agent

In Agency the agent acts in representative capacity and he had power to bind his principal with the third persons.

Example- X appointed Y as his agent and authorised him to purchase 100 bagas of rice for him. Y purchased the rice from Z on credit on behalf of his principal. In this case, the principal X is bound by the purchase made by Y on his behalf.

3. Who may employ agent (section-183)-Any person who is of the age of majority according to the law to which he is subject, and who is of sound mind, may employ an agent.

Thus the Principal must be:

- (i) Completed 18 years of age;
- (ii) of sound mind:

It means minor or a person of unsound mind is not able to appoint an agent. An agent acting on behalf of an incompetent principal will be personally liable.

4. Who may be an Agent (Sec- 184)

As between the principal and third persons, any person may become an agent, but no person who is not of the age of majority and of sound mind can become an agent, so as to be responsible to his principal according to the provisions in that behalf herein contained.

Generally, an agent incurs no personal liability while contracting on behalf of his principal. Therefore, it is not necessary that he should be competent to contract. Thus, any person may become an agent and he need not be competent to contract

It means if principal appoints an agent who is minor; the principal shall be bound by the acts of the Agent. He cannot recover any compensation from incompetent agent.