

CONTRACT OF AGENCY

Extent of Agent's Authority

BY –

SURBHI WADHWA

Assistant Professor (Law)

Jiwaji University,

Gwalior



Extent of Agent's authority

- *Authority to do an act* - An agent has the authority to do every lawful thing which is necessary in order to do such act.
- **For example**, 'A' is employed by 'B', residing in London, to recover at Bombay a debt due to 'B'.



- A may adopt any legal process necessary for the purpose of recovering the debt, and may give a valid discharge for the same.
[Section 185]



Authority to carry on a business

- An agent has the authority to do every lawful thing necessary for the purpose, or usually done in the course, of conducting such business.



For example

- 'A' constitutes 'B' his agent to carry on his business of a shipbuilder. 'B' may purchase timber and other materials, and hire workmen, for the purpose of carrying on the business.
[Section 185]



Authority in emergency

- An agent has the authority to do all such acts for the purpose of protecting his principal from loss as would be done by a person of ordinary prudence, in his own case under similar circumstances.



For example

- An agent may have goods repaired if it be necessary *[Section 189]*.
- However, it is the duty of an agent, in cases of difficulty, to use all reasonable diligence in communicating with his principal, and in seeking to obtain his instructions. *[Section 213]*



When agent exceeds authority?

- Section 227 of the Act provides that when an agent does more than he is authorized to do, and when the part of what he does, which is within his authority,



- can be separated from the part which is beyond his authority, so much only of what he does as is within his authority is binding as between him and his principal.



For example,

- 'A', being owner of a ship and cargo, authorizes 'B' to procure an insurance for Rs. 4,000 on the ship.



- 'B' procures a policy for Rs. 4,000 on the ship, and another for the like sum on the cargo. 'A' is bound to pay the premium for the policy on the ship, but not the premium for the policy on the cargo.



- Section 237 of the Act provides that when an agent has, without authority, done acts or incurred obligations to third persons on behalf of his principal, the principal is bound by such acts or obligations, if he has by his words or conduct induced such third persons to believe that such acts and obligations were within the scope of the agent's authority.



For examples,

- 'A' consigns goods to 'B' for sale, and gives him instructions not to sell under a fixed price. 'C', being ignorant of B's instructions, enters into a contract with 'B' to buy the goods at a price lower than the reserved price. 'A' is bound by the contract.



- 'A' entrusts 'B' with negotiable instruments endorsed in blank. 'B' sells them to 'C' in violation of private orders from 'A'. The sale is good.





THANK
YOU

