

## Termination of Agency (S.201 to 210)

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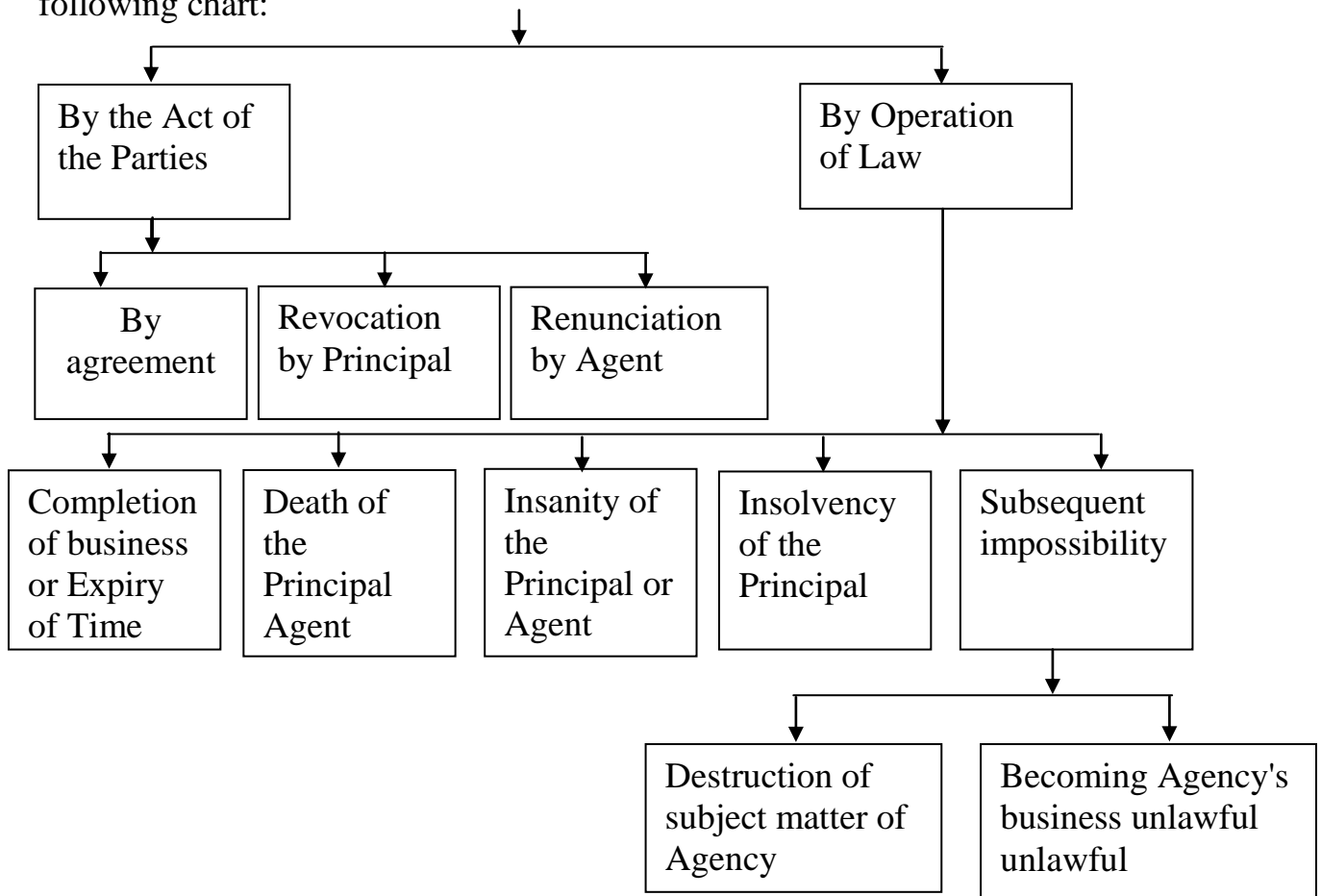
### Termination of Agency (S.201 to 210)

**Meaning :** When the relationship between principal and his agent is ended. It is called termination of Agency.

#### Mode of termination of Agency

Mode of termination of Agency are motioned in S. 201 of Contract Act S.201 provides that: An agency is terminated by the Principal revoking his authority or a by the agent renouncing the business, or by the business of the agency being completed or by either the principal or agent dying or becoming of unsound mind; or by the principal being adjudicated an insolvent under the provisions of any Act for the time being in force for the relief of insolvent debtors.

S.201 which provides termination of agency is not exhaustive: Termination of Agency may be (1) by the Act of Parties and (ii) by the operation of law Termination of Agency may be under stood with the help following chart:



**1. By the Act of the Parties:**

The agency can be terminated by the act of the Principal or agent by any of the following mode:

**(A) By agreement:** - By mutual agreement between Principal and Agent the agency can be terminated at any time or any stage.

**(B) Revocation by the Principal:-** Agency can be terminated by the Principal revoking the Agent's authority. The Principal can revoke only his agent's authority when it has not been exercised by the Agent Reasonable notice must be given for such revocation. Revocation may be express or implied. For **example** – A empowers B to let A's house. Afterwards A lets it himself. This is an implied revocation of B's authority.

**(i) Where Authority has been partly exercise Principal cannot revoke his Agent's authority: - [S.204]-** The principal cannot revoke the authority given to his agent after the authority has been partly exercised, so far as regards such acts and obligations as arise from acts already done in the agency.

**Examples:** (a) A authorizes B to buy 1,000 bales of cotton on account of A, and to pay for it out of A's moneys remaining in B's hands. B buys 1,000 bales of cotton in his own name, so as to make himself personally liable for the price. A cannot revoke B's authority so far as regards payment for the cotton.

(b) A authorizes B to buy 1,000 bales of cotton on account of A, and to pay for it out of A's moneys remaining in B's hands. B buys 1,000 bales of cotton in A's name, and so as not to render himself personally liable for the price. A can revoke B's authority to pay for the cotton.

**(ii) Termination of agency where agent has an interest in subject- matter [S.202]-**Where the agent has himself an interest in the property which forms the subject-matter of the agency, the agency cannot, in the absence of an express contract, be terminated to the prejudice of such interest. Such type of agency is called agency coupled with interest or irrevocable agency.

**Example:**

- (a) A gives authority to B to sell A's land, and to pay himself, out of the proceeds, the debts due to him from A. A cannot revoke this authority, nor can it be terminated by his insanity or death.
- (b) A consigns 1,000 bales of cotton to B, who has made advances to him on such cotton, and desires B to sell the cotton, and to repay himself out of the price, the amount of this own advances. A cannot revoke this authority, nor is it terminated by his.
- (C) Renunciation by Agent- Agency can be renounced by the agent in the same manner in which the principal can revoke the agent's authority.

**Compensation for revocation by principal, or renunciation by agent [S. 205]-** Where there is an express or implied contract that the agency should be continued for any period of time, the principal must make compensation to the agent, or the agent to the principal, as the case may be, for any previous revocation or renunciation of the agency without sufficient cause.

**Notice of revocation or renunciation[S.206]-** Reasonable notice must be given of such revocation or renunciation otherwise the damage thereby resulting to the principal or the agent, as the case may be, must be made good to the one by the other.

**Revocation Agency of Operation of Law**

- (A) **Completion of Business or Expiry of time:** - When the business of agency is completed, the relationship between Principal and agent also comes to an end automatically. Similarly, where the agency has been created for a fixed time the Agency is automatically terminated on the expiry of that time.
- (B) **Death of the Principal or Agent:-** When either the principal or the agent dies, the agency relationship is automatically terminated.

**(C) Insanity of Principal or agent-** When either the principal or his agent becomes unsoundmind, the agency relationship is automatically terminated.

**(D) Insolvency of the Principal-**When the Principal is declared as an insolvent, the agency relationship is terminated.

**(E) Subsequent impossibility-** Agency is also terminated when after the creation of the agency.

(i) the subject matter of the agency business is destroyed:

(ii) Business of the agency becomes lawful.

**When termination of agent's authority takes effect as to agent, and as to third person [S.208]-** The termination of the authority of an agent does not, so far as regards the agent, take effect before it becomes known to him, or, so far as regards third persons, before it becomes known to them.

**Examples:**

(a) A, at Madras, by letter, directs B to sell for him some cotton lying in a warehouse in Bombay, and afterwards, by letter, revokes his authority to sell, and directs B to send the cotton to Madras. B, after receiving the second letter, into a contract with C, who knows of the first letter, but not of the second, for the sale to him of the cotton. C pays B the money, with which B absconds. C's payment is good as against A.

(b) A directs B, his agent, to pay certain money to C. A dies, and D takes out probate to his will. B, after A's death, but before hearing of it, pays the money to C. The payment is goods as against D. the executor.

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