

LAW OF AGENCY

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Class-room live lectures edited, enlarged
and updated**

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LAW OF AGENCY

Sns. 182 to 238

Part of

INDIAN CONTRACT ACT.

Questions Bank

1. Delegates non protest delegate' - Explain with reference to Agency.
2. What are the various modes of creation as well as termination of Agency ?
3. Can an Agency coupled with an interest be revoked ?
4. What are Mutual rights and duties of the Principal and Agent ?
5. What is Ratification ? Explain the conditions for Valid ratification.
6. Write a note on :
(i) Del Credere Agent (ii) Mercantile Agent (iii) Sub agent

CHAPTER-10

LAW OF AGENCY

Ch. 10-1. Delegatus non protest delegate :

This rule is in Sn. 190 of the contract acct. It means that "An agent to whom authority has been delegated, cannot redelegate that to a third person". The reason is that the principal's confidence in the Agent, is at the root of the contract of agency. Accordingly, factors, auctioneers, brokers in whom confidence is reposed, have no power to delegate their duty or authority to others.

Exception : There is an exception. This is the appointment of a sub-agent.

(i) Where the nature or custom of the business requires that authority should be delegated to third persons, the agent may appoint a sub-agent.

ii) Such an authority is implied where the act to be done by the sub-agent is purely ministerial.

iii) Such delegation is implied from usage of trade or by nature of business in unforeseen emergencies. Architects, builders etc. may be appointed as sub-agent by usage.

iv) The principal may allow the agent to appoint a sub-agent expressly by or by implication.

Liability of principal : Where the sub-agent is properly appointed, the principal is represented by the sub-agent. The principal is responsible to third parties for the acts of the sub-agent. But, between the principal and agent, the agent is responsible to principal for the acts of the sub-agent.

2. Where the sub-agent is not properly appointed, the principal is not liable to third parties for the acts of the sub-agent. The agent is liable.

The sub-agent is liable for his acts to the agent. He is not liable to the principal, except in case of fraud, or wilful wrong.

Eg: P's agent A appoints a sub-agent S in commission agency, S fraudulently disposes of goods of P. Held, sub-agent liable to principal.

Substituted agent: (Sn. 194)

If an agent who has authority to name a person to act for his principal in doing business, names another person, such a person is

called substituted agent and not sub-agent. The authority of agent may be express or implied.

P directs his advocate A, to sell his property by auction and to name an auctioneer for this purpose. A names X and W to conduct auction. Here, X and W are substituted agents and not sub-agents.

There is a clear and marked line of difference between ordinary sub-agent and substituted agent.

The Supreme Court in Union of India Vs. Amar Singh, that when the exigencies or circumstances demand, the rule delegatus non protest delegate is relaxed, and a sub-agent may be appointed.

But, when the agent has the authority to name a person, he may duly name a substituted agent. The agent is bound to exercise his discretion, as a man of ordinary prudence would, in his own cause. If he so selects, then he is not responsible for acts of negligence of substituted agent, to the principal.

Eg. 1) A asks B, a merchant to buy a ship for him. B employ's a qualified surveyor S for the selection of ship. S does his job negligently. A buys but the ship was un-seaworthy and was lost. Here, B is not liable. But S is liable to A.

2) A sends goods to B to sell by auction. B appoints reputed K and W auctioneers to auction. K and W auction, collect proceeds but become insolvent. Here B is not liable to A.

Ch. 10-2. Del credere agent:

He is one who in consideration of an extra commission, called a del credere commission, undertakes that the persons with whom he enters into contract on behalf of the principal, will be in a position to perform their duties. Such an agency is inferred from the circumstances where extra commission is charged for the risk of bad debts. A del credere agent incurs only a secondary liability towards the principal.

He is in effect a surety to the extent of the default by insolvency of their parties.

Certified brokers of Bombay native stock and share brokers association are del credere agents.

Ch.10-3. Agency coupled with interest:

The general rule is that "the authority of an agent coupled with an interest is irrevocable". The meaning is that where the agent has an interest in the subject matter of the agency, the principal cannot revoke his authority to the prejudice of the agent.

a) P appoints A to sell a plot of land and to pay himself out of

the proceeds the advances A has made to P. P cannot revoke his authority.

b) A an agent advances money to P. P consigns 1000 bales of cotton to A to pay himself from sale price. P cannot revoke.

There is an exception. The principal may revoke the agent's authority before the agent has exercised the authority so as to bind the principal. However, where the authority has been partly exercised the principal cannot revoke the authority.

A authorises B to buy 1000 bales of cotton on account of A and to pay out of A's moneys in B's hands. B buys by making himself personally liable for the price. A cannot revoke B's authority

.CHAPTER-11

RATIFICATION

Ratification :

When an act is done by the agent on behalf of the principal without his knowledge or authority, the principal may elect to ratify or disown such acts. When he ratifies, the legal consequence is that the act is as good as done with previous authority, and the principal becomes liable. If he refuses, he is not liable. Ratification may be express or implied.

Eg : A agrees without authority and buys goods for P. Afterwards P sells them to C. There is implied ratification.

Conditions for Valid ratification :

i) Ratification is not valid if the knowledge of the principal is materially defective about the facts.

ii) There is no ratification of a criminal or illegal act of the agent.

iii) The act must have been purported to be in the name of the principal, then only he may ratify.

iv) Ratification of a part of the transaction operates to confirm the whole transaction.

v) Ratification must be within a reasonable time.

vi) Ratification must not injure the right or interest of third parties.

Eg: P is the owner and A is the agent. B is the lease holder. The lease is terminable with 3 months notice. A without authority gives notice to B. Later P ratifies. Held: The ratification is invalid as it has affected the right of the lease-holder B.

CHAPTER-12

CREATION OF AGENCY

Modes of creation as well as termination of agency :

An agent is a person employed to do any act for another or to represent another in dealing with third persons. There are certain modes to create agency.

a) By direct appointment:

A principal may create an agency either under an oral agreement or by simple writing or by the execution of an instrument known as Power of Attorney.

b) By implication of law :

In the absence of any agreement, oral or written, agency may be deemed to have been created under certain circumstances by implication of law.

c) By necessity :

Though agency is not created to do a particular thing, by virtue of necessity agency is presumed.

For ex : If husband and wife live together, the wife may purchase the domestic necessities in the name of the husband and make him responsible to pay the amounts as though the wife was his agent.

d) By estoppel:

The term estoppel means preventing by words of mouth or an action done by a person, to contradict his own previous representation or conduct.[not to blow hot and cold]

e) By ratification :

The person who is not a duly appointed agent will assume the authority of an agent if any of his action done for the benefit of another person is ratified by that another.

There are several kinds of agents: special agent, general agent, sub-agent or co-agent. An agent may be called as broker, factor, auctioneer, commission agent or del credere agent.

Modes of Termination of Agency :

a) Revocation by the principal : But agency coupled with an interest cannot be revoked.

b) Renunciation by agent.

c) Completion of the business.

d) Death or insanity of the principal or the agent.

e) Principal becoming insolvent.

f) By efflux of time.

In case the agent has some interest in the subject it is called 'agency coupled with interest'. It cannot be revoked by the principal.

P is due to pay Rs.2,000/- to A. P entrusts a business to A which fetches Rs.4,000/- profit to P. P says to A that from out of that amount A may recover debt Rs. 2,000/- after the completion of the business. P cannot revoke the agency before the completion of the business, because As interest will be affected.

CHAPTER-13

MUTUAL RIGHTS AND DUTIES OF PRINCIPAL AND AGENT .

Sections 211 to 216 deal with agent's duties to his principal.

i) Agent is bound to conduct the business according to the direction given by the principal, otherwise, he must compensate any loss suffered by the principal on account of excess of authority.

ii) He must conduct the business as a reasonable man taking all reasonable precautions with utmost skill.

iii) Agent is bound to render proper and true accounts.

iv) Agent is bound to obtain instructions from the principal in case of unforeseen circumstances.

v) Agent must deal on account of his principal and not on his account.

The following are the rights of an agent:

i) Agent may retain all money due to himself in respect of advance made, expenses properly incurred by him in the conduct of the business.

ii) Agent is entitled to commission or remuneration. In this regard he is entitled to retain the principal's goods, paper or properties. This is known as agent's lien.

iii) Agent is entitled to be indemnified for any damage or injury suffered by him during the course of his agency.

The following are the principal's duties :

1. Principal must indemnify his agent for all lawful acts done in exercise of authority.

2. Principal is bound to compensate in respect of all civil acts of the agents. But he is not liable for criminal acts of the agents.

3. For Misrepresentation or Fraud by agent acting in the course of the business for the benefit of the principal within the scope of the authority, the principal is bound to indemnify the agent.

THE END

REFERENCE SECTION

Selected Sections

Indian Contract Act

CHAPTER

X

LAW OF AGENCY

182. **"Agent" and "principal" defined.**-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".

183. **Who may employ agent.** 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. 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.

185. **Consideration not necessary.**-No consideration is necessary to create an agency,

186. **Agent's authority may be expressed or implied.** An authority is said to be express when it is given by words spoken or written. An authority is said to be implied when it is to be inferred from the circumstances of the case; and things spoken or written, or the ordinary course of dealing, may be accounted circumstances of the case. Illustration A owns a shop in Serampore, living himself in Calcutta, and visiting the shop occasionally. The shop is managed by B, and he is in the habit of ordering goods from C in the name of A for the purposes of the shop, and of paying for them out of A's funds with A's knowledge. B has an implied authority from A to order goods from C in the name of A for the purposes of the shop

188. **Extent of agent's authority.**-An agent having an authority to do an act has authority to do every lawful thing which is necessary in order to do such act. An agent having an authority to carry on a business has authority to do every lawful thing necessary for the purpose, or usually done in the course, of conducting such business.

189. **Agent's authority in an emergency.**-An agent has authority, in an emergency, 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. Illustrations (a) An agent for sale may have goods repaired if it be necessary. (b) A consigns provisions to B at Calcutta, with directions to send them immediately to C, at Cuttack. B may sell the provisions at Calcutta, if they will not bear the journey to Cuttack without spoiling.

Sub-Agents 190. **When agent cannot delegate.** An agent cannot lawfully employ another to perform acts which he has expressly or impliedly undertaken to perform personally, unless by the ordinary custom of trade a sub-agent may, or, from the nature of the agency, a sub-agent

must, be employed.

191. **"Sub-agent"** defined. A " sub-agent " is a person employed by, and acting under the control of, the original agent in the business of the agency.

192. Representation of principal by sub-agent properly appointed.- Where a sub-agent is properly appointed, the principal is, so far as regards third persons, represented by the sub-agent, and is bound by and responsible for his acts, as if he were an agent originally appointed by the principal. Agent's responsibility for sub-agent. The agent is responsible to the principal for the acts of the sub agent. Sub-agent's responsibility. The sub-agent is responsible for his acts to the agent, but not to ,the principal, except in case of fraud or wilful wrong.

193. Agent's responsibility for sub-agent appointed without authority.-Where an agent, without having authority to do so, has appointed a person to act as a sub-agent, the agent stands towards such person in the relation of a principal to an agent, and is respon- sible for his acts both to the principal and to third persons; the principal is not represented by or responsible for the acts of the person so employed, nor is that person responsible to the principal.

194.Relation between principal and person duly appointed by agent to act in business of agency.-Where an agent, holding an express or implied authority to name another person to act for the principal in the business of the agency, has named another person accordingly, such person is not a sub-agent, but an agent of the principal for such part of the business of the agency as is entrusted to him. Illustration (a)A directs B, his solicitor, to sell his estate by auction, and to employ an auctioneer for the purpose. B names C, an auctioneer, to conduct the sale. C is not a sub-agent, but is A's agent for the conduct of the sale.

195. **Agent's duty in naming such person.**-In selecting such agent for his principal, an agent is bound to exercise the same amount of discretion as a man of ordinary prudence would exercise in his own case; and, if he does this, he is not responsible to the principal for the acts or negligence of the agent so selected. Illustration (a)A instructs B, a merchant, to buy a ship for him. B employs a shipsurveyor of good reputation to choose a ship for A. The surveyor makes the choice negligently and the ship turns out to be unseaworthy and is lost. B is not, but the surveyor is, responsible to A. .

Ratification

196. Right of person as to acts done for him without his authority. Effect of ratification.-Where acts are done by one person on behalf of another, but without his knowledge or authority, he may elect to ratify or to disown such acts. If he ratify them, the same effects will follow as if they had been performed by his authority.

197. Ratification may be expressed or implied. Ratification may be expressed or may be implied in the conduct of the person on whose behalf the acts are done. Illustrations (a)A, without authority, buys goods for B. Afterwards B sells them to C ,on his own account; B's conduct implies a ratification of the purchase made for him by A. (b)A, without B's authority, lends B's money to C. Afterwards B accepts interest on the money from C. B's conduct implies a

ratification of the loan. .198.Knowledge requisite for valid ratification.-No valid ratification can be made by a person whose knowledge of the facts of the case is materially defective.

199.Effect of ratifying unauthorized act forming part of a transaction.-A person ratifying any unauthorized act done on his behalf ratifies the whole of the transaction of which such act formed a part

200.Ratification of unauthorized act cannot injure third person.- An act done by one person on behalf of another, without such other person's authority, which, if done with authority, would have the effect of subjecting a third person to damages, or of terminating any right or interest of a third person, cannot, by ratification, be made to have such effect. Illustration A, not being authorized thereto by B, demands, on behalf of B, the delivery of a chattel*, the property of B, from C, who is in possession of it. This demand cannot be ratified by B, so as to make C liable for damages for his refusal to deliver.

201. Termination of agency. An agency is terminated by the principal revoking his authority; or by the agent renouncing the business of the agency; 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

202.Termination of agency where agent has an interest in subject- matter.-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. 67 Illustrations 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.** .

203. When principal may revoke agent's authority.

The principal may, save as is otherwise provided by the last preceding section, revoke the authority given to his agent at any time before the authority has been exercised so as to bind the principal.

204.Revocation where authority has been partly exercised.-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. Illustration 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

205.Compensation for revocation by principal, or renunciation by agent.-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.

206. Notice of revocation or renunciation.-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 and renunciation may be expressed or may be implied in the conduct of the principal or agent respectively. Illustration A empowers B to let A's house. Afterwards A lets it himself. This is an Implied revocation of B's authority.

208. When termination of agent's authority takes effect as to agent, and as to third persons.

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. Illustration A directs B to sell goods for him, and agrees to give B five per cent. commission on the price fetched by the goods. A afterwards, by letter, revoke B's authority . B, after the letter is sent, but before he receives it, sells the goods for 100 rupees. The sale is binding on A, and B is entitled to five rupees as his commission

209.**Agent's duty on termination of agency by principal's death or insanity.**-When an agency is terminated by the principal dying or becoming of unsound mind, the agent is bound to take, on behalf of the representatives of his late principal, all reasonable steps for the protection and preservation of the interests entrusted to him.

210.**Termination of sub-agent's authority.**-The termination of the authority of an agent causes the termination (subject to the rules herein contained regarding the termination of an agent's authority), of the authority of all sub-agents appointed by him. Agent's duty to principal

211.**Agent's duty in conducting principal's business.**-An agent is bound to conduct the business of his principal according to the directions given by the principal, or, in the absence of any such directions, according to the custom which prevails in doing business of the same kind at the place where the agent conducts such business. When the agent acts otherwise, if any loss be sustained, he must make it good to his principal, and, if any profit accrues, he must account for it. Illustration A, an agent engaged in carrying on for B a business, in which it is the custom to invest from time to time, at interest, the moneys which may be in hand, omits to make such investment. A must make good to B the interest usually obtained by such investments.

212. **Skill and diligence required from agent.**-An agent is bound to conduct the business of the agency with as much skill as is generally possessed by persons engaged in similar business, unless the principal has notice of his want of skill. The agent is always bound to act with reasonable diligence, and to use such skill as he possesses; and to make compensation to his principal in respect of the direct consequences of his own neglect, want of skill or misconduct, but not in respect of loss or damage which are indirectly or remotely caused by such neglect, want of skill or misconduct

213. Agent's accounts.-An agent is bound to render proper accounts to his principal on demand.

214. Agent's duty to communicate with principal.-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.

215. Right of principal when agent deals, on his own account, in business of agency without principal's consent.-If an agent deals on his own account in the business of the agency, without first obtaining the consent of his principal and acquainting him with all material circumstances which have come to his own knowledge on the subject, the principal may repudiate the transaction, if the case shows either that any material fact has been dishonestly concealed from him by the agent, or that the dealings of the agent have been disadvantageous to him.

Illustration A directs B to sell A's estate. B buys the estate for himself in the name of C. A, on discovering that B has bought the estate for himself, may repudiate the sale, if he can show that B has dishonestly concealed any material fact, or that the sale has been disadvantageous to him.

216. Principal's right to benefit gained by agent dealing on his own account in business of agency.-If an agent, without the knowledge of his principal, deals in the business of the agency on his own account instead of on account of his principal, the principal is entitled to claim from the agent any benefit which may have resulted to him from the transaction. Illustration A directs B, his agent, to buy a certain house for him. B tells A it cannot be bought, and buys the house for himself. A may, on discovering that B has bought the house, compel him to sell it to A at the price he gave for it.

217. Agent's right of retainer out of sums received on principal's account.-An agent may retain, out of any sums received on account of the principal in the business of the agency, all moneys due to himself in respect of advances made or expenses properly incurred by him in conducting such business, and also such remuneration as may be payable to him for acting as agent.

218. Agent's duty to pay sums received for principal.-Subject to such deductions, the agent is bound to pay to his principal all sums received on his account.

219. When agent's remuneration becomes due.-In the absence of any special contract, payment for the performance of any act is not due to the agent until the completion of such act; but an agent may detain moneys received by him on account of goods sold, although the whole of the goods consigned to him for sale may not have been sold, Or although the sale may not be actually complete.

220. **Agent not entitled to remuneration for business misconducted.**- An agent who is guilty of misconduct in the business of the agency is not entitled to any remuneration in respect of that part of the business which he has misconducted. Illustration A employs B to recover, 1,00,000 rupees from C, and to lay it out on good security. B recovers the 1,00,000 rupees; and lays out 90,000 rupees on 71 good security, but lays out 10,000 rupees on security which he ought to have known to be bad, whereby A loses 2,000 rupees. B is entitled to remuneration for recovering the 1,00,000 rupees and for investing the 90,000 rupees. He is not entitled to any remuneration for investing the 10,000 rupees, and he must make good the 2,000 rupees to B.

221. Agent's line on principal's property.-In the absence of any contract to the contrary, an agent is entitled to retain goods, papers and other property, whether movable or immovable, of the principal received by him, until the amount due to himself for Commission, disbursements and services in respect of the same has been paid or accounted for to him.

Principal's duty to agent

222. Agent to be indemnified against consequences of lawful acts.- The employer of an agent is bound to indemnify him against the consequences of all lawful acts done by such agent in exercise of the authority conferred upon him. Illustration B, at Singapore, under instructions from A of Calcutta, contracts with C to deliver certain goods to him. A does not send the goods to B, and C sues B for breach of contract. B informs A of the suit, and A authorizes him to defend the suit. B defends the suit, and is compelled to pay damages and costs, and incurs expenses. A is liable to B for such damages, costs and expenses

223. Agent to be indemnified against consequences of acts done in good faith.-Where one person employs another to do an act, and the agent does the act in good faith, the employer is liable to indemnify the agent against the consequences of that act, though it cause an injury to the rights of third persons. Illustration A, a decree-holder and entitled to execution of B's goods, requires the officer of the Court to seize certain goods, representing them to be the goods of B. The officer seizes the goods, and is sued by C, the true owner of the goods. A is liable to indemnify the officer for the sum which he is compelled to pay to, C, in consequence of obeying A's directions

224. Non-liability of employer of agent to do a criminal act.- Where one person employs another to do an act which is criminal, the employer is not liable to the agent, either upon an express or an implied promise, to indemnify him against the consequences of that Act.1* Illustrations (a) A employs B to beat C, and agrees to indemnify him against all consequences of the act. B thereupon beats C, and has to pay damages to C for so doing. A is not liable to indemnify B for those damages.

225. Compensation to agent for injury caused by principal's neglect.-The principal must make compensation to his agent in respect of injury^{2*} caused to such agent by the principal's neglect or want of skill. Illustration A employs B as a bricklayer in building a house, and puts up the scaffolding himself. The scaffolding is unskillfully put up, and B is in consequence hurt. A must make compensation to B. Effect of agency on contracts with third persons

226. Enforcement and consequences of agent's contracts.-Contracts entered into through an agent, and obligations arising from acts done by an agent, may be enforced in the same manner, and will have the same legal consequences, as if the contracts had been entered into and the acts done by the principal in person. Illustrations (a) A buys goods from B, knowing that he is an agent for their sale, but not knowing who is the principal. B's principal is the person entitled to claim from A the price of the goods, and A cannot, in a suit by the principal, set-off against that claim a debt due to himself from B.

227. Principal how far bound, when agent exceeds authority. .-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.

228. Principal not bound when excess of agent's authority is not separable.-Where an agent does more than he is authorized to do, and what he does beyond the scope of his authority cannot be separated from what is within it, the principal is not bound to recognize the transaction. Illustration A authorizes B to buy 500 sheep for him. B buys 500 sheep and 200 lambs for one sum of 6,000 rupees. A may repudiate the whole transaction.

229. **Consequences of notice given to agent.**-Any notice given to or information obtained by the agent, provided it be given or obtained in the course of the business transacted by him for the principal, shall, as between the principal and third parties, have the same legal consequences as if it had been given to or obtained by the principal. Illustrations (a) A is employed by B to buy from C certain goods, of which C is the apparent owner, and buys them accordingly. In the course of the treaty for the sale, A learns that the goods really belonged to D, but B is ignorant of that fact. B is not entitled to set-off a debt owing to him from C against the price of the goods.

230. **Agent cannot personally enforce, nor be bound by, contracts on behalf of principal.**-In the absence of any contract to that effect, an agent cannot personally enforce contracts entered into by him on behalf of his principal, nor is he personally bound by them. Presumption of contract to contrary. Such a contract shall be presumed to exist in the following cases: (1) where the contract is made by an agent for the sale or purchase of goods for a merchant resident abroad; (2) where the agent does not disclose the name of his principal (3) where the principal, though disclosed, cannot be sued.

231. Rights of parties to a contract made by agent not disclosed.- If an agent makes a contract with a person who neither knows, nor has reason to suspect, that he is an agent, his principal may require the performance of the contract ; but the other contracting party has, as against the principal, the same rights as he would have had as against the agent if the agent had been principal. If the principal discloses himself before the contract is completed, the other contracting party may refuse to fulfil the contract, if he can show that, if he had known who was the principal in the contract, or if he had known that the agent. was not a principal, he would not have entered into the contract

232. Performance of contract with agent supposed to be principal.- Where one man makes a contract with another, neither knowing nor having reasonable ground to suspect that the other is an agent, the principal, if he requires the performance of the contract, can only obtain such performance subject to the rights and obligations subsisting between the agent and the other party to the contract. Illustration A, who owes 500 rupees to B, sells 1,000 rupees' worth of rice to B. A is acting as agent for C in the transaction, but B has no knowledge nor reasonable ground of suspicion that such is the case. C cannot compel B to take the rice without allowing him to set-off A's debt.

233. Right of person dealing with agent personally liable.-In cases where the agent is personally liable, a person dealing with him may hold either him or his principal, or both of them, liable.

Illustration A enters into a contract with B to sell him 100 bales of cotton, and afterwards discovers that B was acting as agent for C. A may sue either B or C, or both, for the price of the cotton.

234. Consequence of inducing agent or principal to act on belief that principal or agent will be held exclusively liable.

.-When a person who has made a contract with an agent induces the agent to act upon the belief that the principal only will be held liable, or induces the principal to act upon the belief that the agent only will be held liable, he cannot afterwards hold liable the agent or principal respectively. A person untruly representing himself to be the authorized agent of another, and thereby inducing a third person to deal with him as such agent, is liable, if his alleged employer does not ratify his acts, to make compensation to the other in respect of any loss or damage which he has incurred by so dealing.

236. Person falsely contracting as agent not entitled to performance.-A person with whom a contract has been entered into in the character of agent, is not entitled to require the performance of it, if he was in reality acting, not as agent, but on his own account. **237. Liability of principal inducing belief that agent's unauthorised acts were authorized.**-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 agent's authority.

THE END
