

Contract Act 1872Agent's duty to his Principal

Sec-211 Agent's duty in conducting principal business → means duty to follow directions or custom.

An agent is bound to carry out the business entrusted to him according to the directions of principal. In the absence of his directions the agent must follow the customs prevailing in the business of the kind at the place.

case law - Firm of Pratap Chandra Nepali vs Firm of Venkat Sethi and sons AIR 1974.

Example - '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, on its to make such investments. 'A' must make good to 'B' the interest usually obtained by such investment.

Sec - 212 Skill and diligence required from agent means duty to take reasonable care and skill.

An agent must conduct the business of the agency with the skill of a man of an ordinary prudence engaged in similar business

unless the principal has a notice of his want of skill. The agent will have to make compensation to his principal for any direct loss or damage arising from his own neglect, want of skill or misconduct.

Example 'A', an agent for the sale of goods having authority to sell on credit, sell to 'B', on credit, without making the proper and usual enquiries as to the solvency of 'B'. 'B', at the time of such sale is insolvent. 'A' must make compensation to his principal in respect of any loss thereby sustained.

Sec-213 Agent's accounts. means
Duty to keep accounts.

An agent is bound to render proper accounts to his principal on demand.

Sec-214 Agent's duty to communicate with principal means duty to behave like a man of ordinary prudence.

In case of difficulty an agent is bound to use all reasonable diligence in communicating with his principal, and in seeking to obtain his instruction.

In case, there is no time to consult the principal, he may act with the discretion of an ordinary man.

Sec-215 Right of principal when agent deals, on his own account in business of agency without principal's consent means duty to avoid conflicts of interests.

When an agent deals, on his own account, in business of agency without principal's consent 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 agent have been disadvantageous to him.

Example '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.

Sec-216 Principal's right to benefit gained by agent dealing on his own account in business of agency: means duty to handover secret profits or duty not to earn secret profits.

If the agent, without the knowledge of his principal, deals in the business of the agency on his own account the principal is entitled to claim from him any profit which has resulted from the transaction.

Sec-218 Agent's duty to pay sums received

for principal means duty to give all sums received under agency -

An agent's duty to pay his principal all sums received on his account subject to deduction, such as, money due to himself in respect of advance made or expenses properly incurred, and also the remuneration due to him.

Sec-190 when agent cannot delegate

As a general rule an agent cannot delegate his authority to a third person without the consent of his principal except in cases where the very nature of the business may require the delegation of authority

Sec-209 Agent's duty on termination of agency by principal's death or

insanity - An agent is bound to take

on behalf of the representatives of his late principal all reasonable steps for the protection and preservation of the interest entrusted to him when an agency is terminated by the death or insanity of the principal.