

Termination of agency essay sample



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Termination of agency. A contract of agency is a species of the general contract. As such, an agency may terminate in the same way as a contract is discharged except where the agency is irrevocable. Broadly speaking, an agency may be terminated either by the act of parties or by the operation of law. (a) Termination by act of parties:

A contract of agency may come to an end by the act of the parties as follows: 1. By agreement:

An agency is generally created by an agreement, it may also be terminated by an agreement so far as future transactions are concerned. Transactions that took place prior to the termination shall continue to bind the principal. However, notice to third party is necessary. 2. By revocation by the principal:

Sec. 203 provides that the principal may, except where the agency is

coupled with interest, revoke the agency at any time before the authority has been exercised so as to bind the principal. However, where the authority has been partly exercised the principal cannot revoke the authority in respect of acts and obligations already undertaken. Further, if the agency is for a particular period and it is revoked earlier, without sufficient cause, the principal must compensate the agent. A reasonable notice of revocation to the agent and third party must be given, otherwise the principal will be liable to third party for the acts of the agent and to the agent for compensation.

Revocation may be express or implied in the conduct of the principal or agent. 3. By revocation by the agent:

An agent has also a right to revoke the agency by giving a reasonable notice in the same manner and with same liabilities regarding compensation, as discussed above in the case of revocation by the principal.