

# Termination of agency by the act of parties essay sample



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QUESTION: Explain the ways of termination of agency by the act of the parties. Termination of Agency “ By the act of the parties”

By the act of the parties, there are 2 ways of termination of agency can be done. The first is the agency contract can be terminated by mutual revocation. Once they agreed to terminate the agency, the agent has no longer any authority to act on behalf of the principal, and the principal would not be liable for any contract made by the agent after that termination. Another way is based on Section 154 of Contract Act 1950 stated that termination of agency can be done by unilateral revocation by the principal or unilateral renunciation by the agent. When revocation or renunciations of agency want to be made, principal or agent must give a reasonable notice otherwise the agent or principal is entitled to the damages which is refer to Section 159 of Contract Act 1950. Besides that, based on Section 160 of Contract Act 1950 stated that revocation or renunciation may be expressed or implied in the conduct of parties.

For the example case is Sohrabji v Oriental Security Assurance Co (1946) AIR 1946. In this case the court held that 3 and 1/2 months was insufficient to properly terminate the agency relationship, which has lasted for almost 50 years. Therefore, an agency of a long standing requires a longer period of notice of termination which is 2 years notice is reasonable notice for the cases of Sohrabji v Oriental Security Assurance Co. Other case is Syarikat Jaya v Star Publication (M) Bhd (1990) 1 MLJ 31 was held that the 6 month notice is reasonable in terminating a relationship of sole agency. Meaning, the notice given to principal shall have a reasonable period of tenure as agency. Agent's authority may revoke at any time but before the agent has <https://assignbuster.com/termination-of-agency-by-the-act-of-parties-essay-sample/>

exercised his authority which is based on Section 156 of Contract Act 1950. But, if the principal failed to give a reasonable notice of termination to the agent, the measure of damages that the agent would be entitled to, is the amount that the agent might have earned under the contract of agency had he not been prevented from continuing his duty as an agent. Including the agent's commission or remuneration or expenses and liabilities incurred by him in the course of his duty. But, not all agencies can be terminated. There are exceptions in certain situation that the principal is prevented from revoking the agent's authority.

The first exception is based on Section 155 of Contract Act 1950. It state that termination of agency cannot be made when the agent himself has an interest property, which is subject-matter of the agency. Example cases is Smart v Sanders which an agent was sent with goods, to be sold on behalf of the principal and the agent made advances to the principal for security of the goods. It was held that the agency cannot be terminated by the principal because the agent has an interest in the goods, by paying the security of the goods. Second exception is based on Section 157 that stated principal cannot revoke the authority given to his agent after the authority has been partly exercised by the agent. Example cases is Read v Anderson which is the principal instructed a turf commission agent to place bets on his behalf, but agent have lost. Then according to custom, a turf commission agent always bets in his own names and becomes solely responsible to person with who the bet is made. If he failed to pay a lost bet, he is subject to certain disqualification, which will have a serious impact on his business. It was held

that the principal could not revoke the turf commission agent's authority after losing the bet.

The principal would have to indemnify the agent for the amount, which the agent had paid to the person with whom he made the bet. The notice of termination is only effective when it comes to the knowledge of agent and 3rd party. For the cases of Pichappa Chitty v Hj. Jah which was held that the plaintiff who advanced money to an agent appointed, but whose authority had been revoked without the agent's and plaintiff's knowledge, was entitled to recover the money from the principal. Other cases is Trueman v Loder, it was held that the 3rd party who dealt with an agent whose authority had been revoked, was able to claim from the principal, the goods supplied because the 3rd party had no knowledge of the revocation. In the conclusion, if a parties want to made a termination of agency, it should have a reasonable notice for the parties before the agent has exercised the authority, it must be done by express or implied from the conduct of parties and the notice of termination have to come to the knowledge of the agent and 3rd party to make the termination effectively.