

Articles of principal and agent between the



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Articles 2, 3 and 4 apply to suits by principals against agents; they do not apply to suits by agents against principals. Article 3 is attracted to every suit filed by the principal against the agent for recovery of movable received by the agent from the principal and not accounted for. The word 'movable' would include money. Article 3 is not confined to suit of accounts only. It is applicable to other suits filed by the principal against the agent.

In *Rajmohan v. Poolchand*, (AIR 1957 MP 237), it has been held that the language of the Article 3 makes it clear that the suit contemplated by it must be one which involves taking account and a suit for account filed by the principal against the agent is governed by the Article 3 of the Limitation Act, 1963. Where there is relationship of principal and agent between the plaintiff and the defendant, the suit contemplated by Article 3 would attract Article 3. Article 3 will be attracted if the relationship of principal and agent is established either by agreement or by arrangement. In *Western India Oil Distribution Co. Ltd.*

v. Ratna Sabapathy, (AIR 1948 Mad. 76), it has been held that when the petrol pump and the tanks were handed over to the defendant as agent for sale of petrol then on termination of such agency to the suit for return of the petrol pump and the tanks. Art. 3 will be attracted as it is a suit by the principal against- the agent within the contemplation of Article 3. When the parties are in fiduciary relationship with each other Art. 3 is not attracted because the doctrine of agency does not apply in case of fiduciary relationship. When there is neither a suit for account by the principal against the agent nor a suit for recovery of movable by the principal against the agent, Article 3 is not attracted.

In order to establish Article 3 would apply, agency should be established. An agent is not a servant or an independent contractor. The agency may be express or implied. It may be created by agreement of parties or by operation of law.

The written document is not necessary to create a contract of agency. In *Jagin Singh v. Dhanu*, (AIR 1958 Pun. 487), it has been held that Article 3 applies to suit for accounts not only between the principal and the agent but also between their legal representatives, and the omission of any mention of the legal representatives in the word under “ description of suit” does not mean that the Article is not intended to apply to a suit against the legal representatives. Hence, a suit of the description referred to in Article 3 may be brought against the legal representatives of the agent.

In a suit for account by the principal where the agency is subsisting the cause of action arises from the date of refusal of the demand. In case of termination of agency, the demand for account on such termination furnishes the starting point of limitation. When the agency is not terminated the limitation will run from the time the account is demanded and refused. When there is no express refusal the refusal has to be implied from the conduct of the agent.

So if there is a demand for account and the agent had not responded to such demand for account there is refusal by implication to render account.

According to Section 201 of the Contract Act, an agency is terminated,— (i) By the principal by revoking his authority; or (ii) By the agent renouncing the business of the agency; or (iii) By the business of the agency being

completed; or (iv) By either the principal or agent dying; or (v) (By either the principal or agent) becoming of unsound mind; or (vi) The principal being adjudicated an insolvent under the provision of any Act for the time being in force for the relief of insolvent debtors. In *K. B. Ammal v. A. Nadar*, (AIR 1970 Mad.

76), it has been held that a contract of agency entered into by a firm is terminated upon its dissolution and in so far as third parties are concerned the termination of contract of agency takes effect only from the time the third party obtained knowledge of it. In *Janardhan v. Gangaram*, (AIR 1951 Nag. 313), it has been held that Section 201 of the Contract Act is not exhaustive but is really illustrative and the question whether an agency is terminated or not has to be decided upon the general principle of law. In *Lakshmi Chand v. Chajju Mai*, (AIR 1926 Lah.

200), it has been held that where all the transactions on behalf of the principal had been completed on 29th May, 1920, but the parties had agreed that the accounts should be settled on 1st June, 1920, the agency did not terminate until the 1st June, 1920. As per the provisions of Section 202 of the Contract Act, where the agent has himself an interest in the property which form a subject-matter of agency the agency cannot, in the absence of an express contract be terminated to the prejudice of such interest. Death of an agent causes termination of the agency. In *Bhagirath v. Prem Chant*, (17 Cal. L. J.

201), it has been held that where there are two joint agents, death of one does not terminate the agency of the other surviving agent. Reasonable

notice must be given of revocation of authority by the principal or renunciation of the agency by the agent. The termination of authority of an agent does not so far as regards the agent, taken effect before it becomes known to him or so far as regards third person, before it becomes known to him. In *Shankar Alva v. Ramayya*, (AIR 1964 Mys.

16), it has been held that when suit for accounts has been brought within the period of limitation prescribed under Article 3 of the Limitation Act the account may be taken of the whole period during which the agent was acting as an agent of the plaintiff principal irrespective whether such period exceeds the period of three years as prescribed in Article 3 of the Limitation Act. Article 3 does not say that the plaintiff is entitled only for account of the period for three years prior to the date of the suit. In *Ram v.*

Jagadish, (AIR 1922 Cal. 355), it has been held that in a suit brought in 1891, the account from 1899 may be claimed by the principal.