

## **Chapter 19—Relationship of Principal and Agent**

### **B. Creation of Agency**

**An agency may be created absent a contract, so consideration may not be required. What is required is a manifestation by the principal to have the agent act on his behalf and consent to so act by the agent. In some circumstances a person is held liable as a principal, even though no actual agency has been created. Agency by estoppel exists when the situation reasonably leads someone to believe an agency exists.**

## **C. Duties of Agent to Principal**

**The duties are usually defined in the contract. Other duties are imposed by law, unless the parties agree otherwise. An agent is a fiduciary (a person in a position of trust and confidence) and owes her principal the duties of obedience, diligence, and loyalty; duty to inform; and duty to provide an accounting.**

**Duty of obedience—an agent must act within the limits of his authority and follow all reasonable instructions. Any unauthorized action, improper delegation of authority, or commission of a tort within the scope of employment would constitute a breach of this duty.**

**Duty of diligence—An agent must exercise reasonable care and skill in conducting the principal's business (must not act negligently), but he may also be held to a higher, special skill level if he possesses this capability.**

## **D. Termination of Agency**

### **Acts of the Parties**

**Lapse of time—authority conferred on agent for a specified period of time terminates when the time expires or, if no period is specified, at the end of a reasonable period.**

**Fulfillment of purpose—agent's authority to perform a specific act or accomplish a particular result terminates when the agent performs the act or achieves the result.**

**Mutual agreement of the parties—the principal and agent by mutual agreement may terminate the agency relationship at any time.**

**Revocation of authority—a principal may revoke an agent's authority at any time. But if such revocation constitutes a breach of contract by the principal, the agent may recover damages.**

**Renunciation by the agent—the agent has the power to end the agency by notifying the principal that she renounces the authority given her by the principal. If the renunciation violates a contractual obligation then the agent is liable to the principal.**