

LEGREB

AGENCY

Chapter 1 – NATURE AND FORM OF THE CONTRACT

ARTICLE 1868 (CONTRACT OF AGENCY)

Contract of Agency, a person binds himself to render some service or to do something in representation or on behalf of another, with the consent or authority of the latter.

Agency

- Agency is a **relationship** where **one person (the agent)** is allowed to deal or make agreements with other people for another person (**the principal**).

Notes

- Agency is **both a contract and a relationship of representation**. This means the agent acts for the principal.
- **When the agent acts within the authority** given, it is **as if the principal personally did those actions**. The principal is legally bound by them.
- The **relationship is based on trust and confidence** (fiduciary relationship).

The purpose of agency is to allow the principal to act through another person.

Agency is **NOT** the same as:

1. **Employer and Employee**
2. **Master and Servant**
3. **Employer and Independent Contractor**

The difference is:

- An **agent** can **affect or enter into contracts that legally bind the principal** with third persons.
- **Employees and independent contractors** usually cannot do this.

Example

If P owns land and wants to build a building:

1. **Independent Contractor** – P hires C to build the structure. C provides materials and workers.
2. **Employee** – P buys the materials and hires W to build under P's supervision.
3. **Agent** – P hires A to represent him and handle all matters related to the construction.

Characteristics of a Contract of Agency

- **Consensual** – It is formed by agreement.
- **Principal** – Its main purpose is representation.
- **Nominate** – It has a specific name under the law.
- **Unilateral** – Only one party has an obligation (if free).
- **Bilateral** – Both have obligations (if paid).
- **Preparatory** – It is made to help create other contracts later.

Essential Elements of Agency

1. There must be **consent**.
2. The **purpose** is to **perform a legal act involving third persons**.
3. The **agent acts for the principal**, not for himself.
4. The agent **acts within the authority given**.

Parties to the Contract

- **Principal** – The **person being represented**.
- **Agent** – The **person representing the principal**.

Capacity of the Parties

- **Principal** – **Must have legal capacity to act**.
- **Agent** – **Does not need full legal capacity** since he is not personally liable, but **someone completely incapable (like an insane person) cannot be an agent**.

Acts That May Be Delegated

General Rule: Anything a person can legally do, he can let someone else do for him.

Exceptions:

1. **Personal Acts** – Things that must be done personally by law or agreement, such as:
 - Voting
 - Making a holographic will
 - Making statements under oath
2. **Illegal Acts** – Acts that are **against the law cannot be delegated**.

Example: An alien (foreigner) cannot buy land through a Filipino agent.

ARTICLE 1869 (KINDS AND FORM OF AGENCY)

An agency may be **express or implied**.

- It is **express** when it is clearly stated.
- It is **implied** when it can be understood from:
 - The **acts of the principal**
 - The **principal's silence or inaction**
 - The **principal's failure to reject the agency**, even if he knows someone is acting for him without authority

Agency may be oral, **unless** the law requires it to be in a specific form (for example, written) (In short, **can be oral or written**).

KINDS OF AGENCY

1. According to Manner of Creation (Art. 1870)

- a. **Express** – **clearly stated**, either orally or in writing.
- b. **Implied** – **shown through actions, silence, or failure to object**.

2. According to Character (Art. 1875)

- a. **Gratuitous** – the **agent is not paid**.
- b. **Onerous / Compensated** – the **agent is paid** for his services.

3. According to Extent of Business Covered (Art. 1876)

- a. **General Agency** – **covers all the business of the principal**.
- b. **Special Agency** – **covers only one or specific transactions**.

4. According to Authority Given

- a. **Authority in General Terms (Art. 1877)** – includes **only acts of administration** (ordinary management).
- b. **Authority in Specific Terms (Art. 1878)** – **allows only specific act or acts stated**.

FORM OF AGENCY

In general, no special form is required.

The agent's authority may be:

1. **Express** (oral or written)
2. **Implied**

However, **in some cases, the law requires a specific form.**

Example (Art. 1874): **The sale of land** or any interest in land through an agent **must be in writing.**

IMPLIED AGENCY

Implied agency may arise from:

- a. **Acts of the principal**
- b. **Principal's silence or lack of action**
- c. **Failure to reject (repudiate) the agency**

Example 1 – Acts of the Principal (Ratification)

- **A** sold goods belonging to **P** without **P**'s consent.
- Later, **P** learned about the sale, accepted the money from it, and even gave **A** a commission.
- This is called **ratification**. Even if **A** had no authority at first, **P**'s actions approved the act, making it valid.

Example 2 – Principal's Silence or Failure to Object

- **P**'s property was being managed by **A**.
- Later, **A** appointed **B** to manage the property because **A** had to leave due to health reasons.
- **P** was informed about **B**'s appointment but did not object or appoint a new agent.
- Because **P** remained silent and did not reject **B**'s appointment, an **implied agency** may be considered to exist.

ARTICLE 1870 (ACCEPTANCE BY THE AGENT)

The **agent's acceptance** of the agency may be **express or implied.**

Notes

- Since agency is a contract, **there must be consent** from **both** the **principal and the agent.**
- **Both must agree** for the agency to exist.

ARTICLE 1874 (SALE OF LAND THROUGH AN AGENT)

When a **piece of land or any interest** in land is **sold through an agent**, the **agent's authority must be in writing.**

- If the authority is **not in writing**, the sale is **void.**

Notes

- Under **Art. 1403, No. 2(e)** of the Civil Code, a **sale of real property (land)** is **unenforceable** if it is not in writing, **even if no agent is involved.**
- **Art. 1874 applies specifically to sale of land through an agent**, not to purchase.
- However, the authority to purchase land is covered under **Art. 1878(5).**

ARTICLE 1875 (PRESUMPTION OF COMPENSATION)

An **agency is presumed to be for compensation**, **unless** there is **proof that it is free.**

Notes

- **If no amount of compensation is agreed upon**, the **agent is entitled to receive a reasonable payment** based on the value of his services.

ARTICLE 1876 (ACCEPTANCE BY THE AGENT)

An agency is either **general or special**.

- **GENERAL AGENCY** - includes **all the business matters** of the principal.
- **SPECIAL AGENCY** - includes **only specific transactions or particular acts**.

Notes

- The **difference** between general and special agency is **based on the scope of business covered**.
- A **general agency** is **NOT the same** as an agency **couched in general terms** under Art. 1877. They are different concepts.

CLASSIFICATION OF AGENTS

- **Universal Agent** – Authorized to do **all acts** that the principal can personally and legally delegate.
- **General Agent** – Authorized to handle **all the business** of the principal, or all **business of a certain kind**, or **business in a certain place**. This usually relates to a specific trade, business, or employment.
- **Special or Particular Agent** – Authorized to act **only in one or more specific transactions**.

ARTICLE 1877 (AUTHORITY CONFERRED)

When an agency is **couched (expressed) in general terms**, it includes **only acts of administration, even if:**

- The principal says he is not withholding any power,
- The agent may do whatever he thinks appropriate, or
- The agency says it allows general and unlimited management.

Notes

- An **agency couched** in general terms may still be either a **general agency** or a **special agency**. They **are not automatically the same**.

AGENCY COUCHED IN GENERAL TERMS

It includes **only acts of administration**, meaning:

- **Usual and necessary acts to manage** or take care of property or business.
- It **does NOT include acts of ownership**, such as selling or mortgaging property.

ARTICLE 1878 (SPECIAL POWERS OF ATTORNEY)

a **Special Power of Attorney (SPA)** is required in certain cases. This means **the agent must have clear and specific written authority** to perform the following acts:

1. To **make payments** that are **not usually considered acts of administration**.
2. To **make novation**, meaning to **change or replace an existing obligation**.
3. To **compromise**, submit matters to arbitration, give up the right to appeal, waive objections to venue, or give up a right already acquired by prescription.
4. To **waive an obligation for free** (without compensation).
5. To **enter into a contract** where ownership of **immovable property (land or buildings) is transferred** or acquired, whether free or for payment.
6. To **make gifts**, except **small customary gifts for charity or gifts to employees** in the managed business.
7. To **loan or borrow money, unless borrowing is urgent and necessary to preserve property** under administration.

8. To **lease real property** for more than one year.
9. To **bind the principal** to provide a service **without compensation**.
10. To **bind the principal** in a **partnership contract**.
11. To **make the principal a guarantor or surety** for another person.
12. To **create or transfer real rights over immovable property** (like mortgage or usufruct).
13. To **accept or reject an inheritance**.
14. To **ratify or recognize obligations** made **before the agency existed**.
15. To **perform any other act** of **strict dominion**.

Notes

- These acts involve ownership or control over property
- They are **called acts of strict dominion**, which are different from acts of administration (ordinary management).
- Because **these acts are serious and may greatly affect the principal's rights** or property, the **law requires a Special Power of Attorney**.

ARTICLE 1881 (AGENT MUST ACT WITHIN AUTHORITY)

The **agent must act within the scope of his authority**.

- However, the **agent may also do acts that are necessary or helpful** in accomplishing the purpose of the agency.
- This means the **agent cannot go beyond what was allowed, but** he can do **reasonable acts** needed to achieve the principal's goal.

ARTICLE 1882 (AGENT MUST ACT WITHIN AUTHORITY)

The **agent does not exceed his authority if he performs the act in a way that is more beneficial to the principal** than what was originally instructed.

- **If the result is better** for the principal, the act will **still be valid**.

AUTHORITY OF AN AGENT

- **Authority** is the **power given to the agent to affect the legal rights and obligations** of the principal.
- It comes from the principal's consent.

WHEN IS THE PRINCIPAL BOUND BY THE ACT OF THE AGENT?

1. When the agent **acts within authority and on behalf of the principal**.
2. When the **principal ratifies** (approves) the act, **even if the agent originally had no authority**.
3. When the **agent performs** the agency in a way that is **more advantageous to the principal**.
4. When the principal's own actions **mised a third person in good faith**.
5. When **limitations** on the agent's authority were **unknown to the third person**, and could not have been known.
6. When the **principal gives the agent documents signed in blank**, allowing the agent to fill them up.

Notes

- **If** the agent **acts without authority or beyond his authority**, the act is **unenforceable** against the principal.
- However, it **becomes valid** if the **principal ratifies it**, either **expressly** (clearly stated) or **impliedly** (through actions).

ARTICLE 1883 (AGENT ACTING IN HIS OWN NAME)

If an **agent acts in his own name** instead of clearly stating he is acting for a principal:

- The **principal cannot be held liable** by the third party.
- The **third party cannot claim against the principal.**

In this situation, the **agent is directly responsible** to the third party, **as if the transaction were entirely his own, except** when the **contract involves things that belong to the principal.**

- This rule **does not affect** any actions **between the principal and agent.**

KINDS OF PRINCIPAL

- **Disclosed Principal** – The **third party knows** that the **agent is acting for a principal** and **knows** the **principal's identity.**
- **Partially Disclosed Principal** – The third party **knows** the **agent may be acting for a principal, but does not know** the **principal's identity.**
- **Undisclosed Principal** – The third party **has no idea** that the **agent is acting for a principal.**

Notes

- This article applies when an agent is **supposed to act for the principal** but instead acts **in his own name.**

General Rule: The **agent is directly responsible** to the third party, as if it were his own contract.

Exception: If the **contract involves things belonging to the principal**, the principal may still be affected.

Chapter 2 – OBLIGATIONS OF THE AGENT

Specific Obligations of the agent:

1. Follow agency terms (1884)
2. Compensate damages if duties not performed (1884)
3. Finish business after principal's death if delay is risky (1884)
4. Preserve property until agent appointed (1885)
5. Advance funds if agreed (1886)
6. Follow principal's instructions (1887)
7. Avoid acts causing loss (1888)
8. Liable for conflicts of interest (1889)
9. Do not lend to self without consent (1890)
10. Report transactions & deliver receipts (1891)
11. Responsible for substitute's acts (1892)
12. Pay interest if using principal's funds (1896)
13. Mark goods for different principals (1904)
14. Inform principal of credit sales (1906)
15. Bear risk of collection if guaranteed (1907)
16. Indemnify for failure to collect (1908)
17. Liable for fraud or negligence (1909)

ARTICLE 1884 (AGENT'S DUTY TO PERFORM AND FINISH BUSINESS)

Once the agent accepts the agency, **he is obliged to carry it out.**

- The **agent is liable for damages if he fails** to perform, and the principal suffers losses.
- If the **principal dies**, the **agent must finish any ongoing business** if **delaying it could cause danger.**

Notes

- **General contract** rules apply: any **fraud, negligence, delay, or failure to comply** makes a **person liable for damages**.
- Although death of the **principal normally ends the agency**, the agent must still complete ongoing transactions if delay would be risky.

ARTICLE 1885 (DUTY WHEN AGENCY IS DECLINED)

If a person **refuses an agency**, he must still **care for and preserve the goods** sent by the owner **until**:

- The **principal appoints another agent**, or
- The **principal takes charge of the goods himself**.

Notes

- Similar to Art. 1929, which applies when an agent **withdraws** from an agency.
- In both cases, **the agent must act responsibly until the principal resolves the situation**.

ARTICLE 1886 (ADVANCING FUNDS)

If the **contract says the agent must advance funds**, he is **obliged to do so**, **except** when the **principal is insolvent**.

Notes

- Normally, the **principal must provide the money** needed to execute the agency (Art. 1912).
- **Insolvency** of the principal is an **exception and can end the agency** (Art. 1912[3]).

ARTICLE 1887 (FOLLOWING INSTRUCTIONS)

The **agent must act according to the principal's instructions**.

- If **instructions are not given**, the **agent must act like a good parent** ("good father of a family") depending on the nature of the business.

Notes

- **Instructions** are the **directions given by the principal**.
- **Authority** is the **extent or limits** of what the agent can do.
- **Acting against instructions** may **result in damages**, but **instructions may be ignored if** they are **illegal** or **if** disobeying **protects the principal's security interest** (e.g., lien).
- This is different from acting outside the scope of authority (Art. 1881), which makes acts unenforceable.

ARTICLE 1888 (AGENT MUST AVOID HARM TO PRINCIPAL)

An **agent must not carry out the agency if** doing so **would clearly cause loss or damage to the principal**.

Reason

- The **agent's duty is to serve** the principal's interests, **not to harm** them.
- The **agent must exercise due diligence** when performing the agency.

ARTICLE 1889 (CONFLICT OF INTEREST)

The agent is liable for damages if he chooses his own interest over the principal's.

Reason

- Agency is a fiduciary relationship, requiring good faith and loyalty.
- This rule applies **whether** the agency is paid (onerous) or free (gratuitous).

Example:

- P authorizes A to buy specific goods.
- A must not sell P's goods for personal profit.
- A's obligation is to buy at the lowest price, not to favor his own profit by selling at the highest price.

Recall

- Purchase by guardian, agent, or executor/administrator is **voidable** (1491).
- Sale between spouses is **void**.

ARTICLE 1890 (BORROWING OR LENDING MONEY)

- If the agent is authorized to **borrow money**, he may borrow from himself at the current interest rate.
- If the agent is authorized to **lend money**, he cannot borrow it himself **without** the principal's consent.

Notes

- A **Special Power of Attorney (SPA)** is required for the agent to borrow or lend money (1878[7]).

Reason

- The agent could be a bad debtor, so consent and proper authority are needed to protect the principal.

ARTICLE 1891 (RENDERING ACCOUNTS)

Every agent must report all transactions and deliver to the principal everything received through the agency, even if the principal is not yet owed the amount.

- Any agreement that tries to exempt the agent from reporting is **void**.
- If the agent keeps or misuses the principal's money or property, he may be **liable for estafa** (fraud) under RPC 315(1)(b).

Example:

- P hires A as a full-time salesman.
- A must turn over any excess money received from sales and may only keep the stipulated salary.
- A cannot make extra profit from the agency.

Question & Answer

- **Q:** Must the principal demand payment for the agent to be liable for delay?
- **A:** No. The agent is automatically **bound to deliver** whatever he received through the agency.

ARTICLE 1892 (APPOINTMENT OF A SUBSTITUTE)

An agent may appoint a substitute **if** the principal has not forbidden it.

- The agent is responsible for the substitute's acts in the following cases:
 - If the agent was not allowed to appoint a substitute.
 - If the agent appoints a person **without the principal's designation**, and the substitute is obviously incompetent or insolvent.

- **Any acts** of the substitute **done against the principal's prohibition** are **void**.

Notes

- The **agent can delegate** duties **only if permitted**.
- He **must ensure the substitute is competent and reliable**.
- The **principal is protected from any misconduct or incompetence** of the substitute.

ARTICLE 1893 (ACTION AGAINST SUBSTITUTE)

In certain cases, the **principal may bring an action against the substitute** for obligations contracted under the substitution.

This applies when:

- The **agent was not allowed to appoint** a substitute, or
- The **agent appointed** a substitute **without specifying a competent person**, and the **substitute is incompetent or insolvent**.

Notes

- The **principal's right to sue the substitute** is an **exception** to the rule that **contracts bind only the contracting parties, their assigns, or heirs** (1311[1]).

Scenarios

>> **Substitution prohibited** – Agent **exceeds authority**; all acts of the substitute are **void**.

>> **Substitution authorized** – Substitute **acts release the agent from responsibility, unless** the substitute is **incompetent or insolvent**.

- **Exception:** If the **substitute is designated by the principal**, the **agent is exempt from liability**.

>> **Substitution not authorized, but not prohibited** – The law recognizes the substitution; **both** agent and substitute are responsible.

ARTICLE 1897 (LIABILITY OF AGENT)

The **agent is not personally liable to third parties** he deals with.

- **Unless** he expressly binds himself, or
- **Exceeds his authority** without **informing** the third party **of his limits**.

ARTICLE 1898 (AGENT EXCEEDING AUTHORITY)

If an **agent acts in the principal's name but exceeds his authority**, and the **principal does not ratify** the contract:

- The contract is **void if** the third party **knows the agent's limits**.
- The **agent is liable if** he **promised to secure the principal's ratification but fails**.

General Rule: An agent is not liable for acts done within instructions and authority.

Exception:

- Agent **binds himself personally**.
- Agent **exceeds authority** – contract **unenforceable**.
- Agent **promised to secure ratification and failed**.

Exceptions to Exceptions:

- If the **agent gave notice of his limits** and the **third party still dealt with him** – **neither** principal nor agent are **bound** (1897).
- If the **agent knew his own limits** (1898).
- If the **principal ratifies the act** (1910[2]).

Chapter 3 – OBLIGATIONS OF THE PRINCIPAL

Specific obligations of the principal:

1. Comply with agent's contracts (1910)
2. Advance necessary funds (1912)
3. **Reimburse the agent (1912)**
4. Indemnify the agent for damages as long as the agent **was not negligent or at fault** (1913),
5. Pay compensation. If no fee was agreed, the principal must pay the **reasonable value** of the agent's services.

ARTICLE 1910 (PRINCIPAL'S DUTY TO COMPLY WITH AGENT'S CONTRACTS)

The principal must fulfill all obligations the agent made **within the scope** of his authority.

- **If** the agent exceeds his authority, the principal is not bound.
- The principal becomes bound **only if** he ratifies the act, either **expressly** (clearly stated) or **tacitly** (implied by actions).

ARTICLE 1912 (ADVANCING AND REIMBURSING FUNDS)

The principal must advance funds to the agent if the agent requests them, to carry out the agency.

Notes

- The principal is obliged to provide the means to execute the agency.
- Demand is not necessary for the principal to be in delay; the obligation exists automatically (correlates with 1169[1]).

- The **obligation to reimburse cannot be avoided** even if the undertaking fails, because the **agent's duty is only to represent the principal**, not to guarantee success.

Clarification

- **Principal's duty to advance funds: must do so** if the agent requests.
- **Agent's duty to advance funds** (Art. 1886): bound **only if stipulated, unless** the principal is insolvent.

Effect

- If the **principal fails to advance funds**, the **agent is not liable for damages** caused by non-performance.

Reason

- The **agent's responsibility is to represent the principal**, not to ensure that the business is successful.

ARTICLE 1913 (INDEMNITY FOR DAMAGES)

The principal must indemnify (compensate) the agent for any damages caused during the execution of the agency, **as long as** the agent acted without fault or negligence.

Notes

- The **principal's liability is limited** only to damages caused by performing the agency.

Example:

- **P** authorized **A** to scout properties in Mindanao.
- **A** met an **accident while scouting**.
- **P** must **indemnify A** for damages since **A** was not at fault.

ARTICLE 1914 (RIGHT TO RETAIN AS PLEDGE)

The agent may retain the things under the agency as a pledge **until** the principal:

- **Reimburses the agent** for advances (Art. 1912), **and**
- **Pays indemnity** for damages (Art. 1913).

Notes

- This is a **legal pledge created by law**.
- **DEFINITION:** A pledge is a **contract where a movable or document is delivered to secure a debt or obligation**.
- Once the **obligation is fulfilled**, the **pledged item must be returned with** any profits or benefits it produced.

Chapter 4 – MODES OF EXTINGUISHMENT OF AGENCY

ARTICLE 1919 (MODES OF EXTINGUISHING AN AGENCY)

An agency ends (is extinguished) in the following cases:

1. **Revocation** – The **principal cancels** the agency.
2. **Withdrawal of the agent** – The **agent quits or refuses to continue**.
3. **Death, civil interdiction, insanity, or insolvency** – Of **either** the **principal or the agent**.
4. **Dissolution of the firm or corporation** – That **created or accepted the agency**.
5. **Accomplishment of the purpose** – The **object of the agency is completed**.
6. **Expiration of the period** – The **agency was set** for a specific time and it ends.

Modes of Extinguishing an Agency

- **By agreement** – Items 5 and 6 (completion or expiration).
- **By subsequent act of the parties** – Items 1 and 2 (revocation or withdrawal).
- **By operation of law** – Items 3 and 4 (death, incapacity, insolvency, or dissolution).

Notes

- Agency requires **both principal and agent** to exist and be capable.
- **Civil interdiction** – **Legal disqualification preventing a person from managing or disposing of property during a sentence** (Art. 34, RPC).
- **Dissolution** – Ends the **legal existence of a corporation**

Other Modes of Extinguishment

- **Extinguishment of obligations** – Payment, loss of the thing, remission, confusion/merger, compensation, novation (1231).
- **Change in law** – If the subject becomes illegal.
- **Change in conditions not anticipated** – For example, war or other unforeseen events.

ARTICLE 1920 (REVOCAION OF AGENCY)

The principal may revoke the agency **at any time** and can **require the agent to return the agency document**.

- **Revocation may be express** (clearly stated) or **implied** (inferred from actions).
- **If the agent withdraws**, it is called **renunciation** (1919[2]).

Exception (1927)

The principal cannot revoke if:

1. It is a **bilateral contract** depending on the agency.
2. The **agency is necessary to fulfill an existing obligation**. A
3. A **partner appointed as manager of a partnership cannot be removed unjustifiably**.

Notes

- Applies whether the agency is **gratuitous (free) or onerous (paid)**.

IMPLIED REVOCATION

Examples

- **Appointment of a new agent** – Art. 1923
- **Principal directly manages the business** – Art. 1924
- **By Special Power of Attorney (SPA)** – Art. 1926

ARTICLE 1923 (APPOINTMENT OF A NEW AGENT)

Appointing a new agent for the same business **revokes the previous agency from the day notice is given** to the former agent.

Notes

- Revocation is **not effective** until communicated to the first agent.
- **Third parties acting in good faith without knowing** the revocation are **protected** (1921, 1922).

Example

- **P** authorizes **A** to sell land.
- Later, **P** authorizes **B** to sell the **same land**.
- **A's** authority is **revoked from the day he receives notice**.

ARTICLE 1924 (REVOCAION BY DIRECT MANAGEMENT)

Agency is revoked if the principal **directly manages the business** that was entrusted to the agent, **dealing directly with third parties**.

Exception: If the principal **intends** for both the principal and agent to manage together, the agency is **not revoked**.

Notes

- If the principal's purpose is **to avoid paying the agent's commission**, the revocation is considered **bad faith**.
- The agent is **still entitled to any commission due**.

ARTICLE 1926 (REVOCAION BY SPECIAL POWER OF ATTORNEY)

A **general power of attorney** is **revoked partially** by a **special power granted to another agent** regarding the specific matter in the special power.

Notes

- This is a **partial revocation** of the **general power**.
- A **specific power** prevails over a **general power**.

Example

- **P** appoints **A** as manager of the business, including **hiring personnel**.
- **P** grants **B** a **special power to hire personnel**.
- **A's** general authority to hire is **revoked for that specific matter**, but other powers remain.

ARTICLE 1927 (EXCEPTION TO REVOCATION AT WILL)

An **agency cannot be revoked** in certain situations, **even though generally** the **principal may revoke at will**:

- This article **protects third-party interests** and ensures the **agency cannot be revoked unfairly**.
- It covers cases where the **agency is essential to a contract, obligation, or secured interest**.

General Rule

- Normally, the **principal can revoke an agency at any time**.
- Likewise, the **agent may withdraw with proper notice to the principal**.

Exception

1. **Bilateral contract depends on the agency** – The agency is necessary to fulfill a contract between the principal and a third party.
2. **Agency is the means of fulfilling an existing obligation** – The agency is used to perform something the principal is already bound to do.
3. **Partner appointed as manager of a partnership** – Removal is unjustifiable under the partnership contract.

Additional Rules

- The agency is **irrevocable if it is for the interest of third parties**.
- The agency is irrevocable **if it is for the mutual interest of both principal and agent** (1930).

Example:

1. **Bilateral contract example**
 - **P** sells a factory to **B** for 1M, **B** pays 800k now, balance 200k in 6 months.

- **P** appoints **A** to manage the factory; profits go to pay the balance.
 - **P cannot revoke the agency**, as it is necessary for completing the bilateral contract.
2. **Fulfilling an obligation example**
 - **P** borrows 50k from **B**.
 - **P** gives **A** power to collect rents and apply them to the debt.
 - **P cannot revoke the agency**, because it is needed to satisfy an existing obligation.
 3. **Agency coupled with interest example**
 - **P** borrows 10k from **A** and pledges property as security.
 - **A** is given power to dispose of the property if **P** defaults.
 - This agency is **irrevocable**, because it is coupled with an interest.

ARTICLE 1928 (WITHDRAWAL OF AGENT)

An **agent may withdraw from the agency by giving due notice** to the principal.

General Rule: The **agent can withdraw at any time, whether the agency is gratuitous (free) or onerous (paid), based on** the principle against **involuntary servitude**.

Liability

- **Without just cause** – Agent must **indemnify the principal** for any resulting damage.
- **With just cause** – Withdrawal **due to impossibility or serious detriment to the agent** (or fortuitous events) **does not create liability**.

ARTICLE 1929 (DUTY TO CONTINUE UNTIL PRINCIPAL IS READY)

Even if the agent withdraws for a valid reason, he must continue acting **until** the principal has a reasonable opportunity to take over or address the situation.

- Correlates with **Art. 1885** – when a supposed agent declines, he must still **preserve and manage the property or business temporarily**.

ARTICLE 1930 (AGENCY SURVIVING THE DEATH OF THE PRINCIPAL)

An agency can remain in effect **even after** the death of the principal if it was created:

- In the **common interest of the principal and agent**, or
- In the **interest of a third person** who has **accepted the agency in his favor**.

General Rule: Normally, **agency ends with the death of the principal**.

Reason

- **Agency is based on representation**, and when the **principal dies, there is no one left to represent**.
- **Exceptions:**
 - **Mutual interest:** Agency benefits both the principal and agent.
 - **Third-party interest:** Agency benefits a third party who has accepted the arrangement (stipulation pour autrui – Art. 1311[2]).

Example

- **P** borrows 5k from **B**, payable in 1 year.
- Before payment is due, **P** sells land to **A** and **authorizes A to pay B** from the sale proceeds.
- **B** accepts **A's** agency.
- **Even if P dies, B** still has the right to receive payment from **A**.

ARTICLE 1931 (EFFECT OF AGENT'S ACTIONS WITHOUT KNOWLEDGE OF TERMINATION)

Any action the agent does **without knowing** that the **agency has ended** (e.g., death of the principal or other cause) is **valid** and **binding on third parties who acted in good faith**.

Notes

- **Third parties** who dealt in good faith are **protected**.
- Both the **agent and third party** must have acted in **good faith**.
- Correlates with **Art. 1884[2]** – the agent must finish business already started if delay could cause danger.

Example:

- **P** authorizes **A** to sell land. **P** dies.
- **A**, unaware of **P's** death, sells land to **X**.
- Can **P's** heirs recover the land?
 - **No**, if both **A** and **X** acted in good faith.
 - **Yes**, if either **A** or **X** acted in bad faith.

ARTICLE 1932 (DUTY OF AGENT'S HEIRS)

If the **agent dies**, his heirs must:

- **Notify the principal** of the agent's death.
- **Take necessary measures** in the interest of the principal **until the principal can act**.

Notes

- **Agency ends with the death of the agent.**
- **Heirs have a temporary duty** to protect the principal's interests.
- Based on **Art. 1311** – heirs are liable only **up to the value of the property** they received from the decedent.