

## 15.3: Duties of Agents and Principals

Because they are in a fiduciary relationship, agents and principals owe each other specific duties. While the duties are similar in nature, there are differences based on their roles.

### Duties of Agents

Figure 15.2 Duties of Agents



Agents are fiduciaries of principals and so they are required to act with the highest duty of care. In particular, agents owe principals the following duties:

Duty	Description
Account	Agent must keep proper records to account for all principal's money and property given to agent
Care	Agent must act reasonably, in good faith, and avoid negligence at all times
Inform	Agent must inform principal of all material facts that affect principal's interests
Loyalty	Agent cannot engage in any dealings that compete or interfere with the principal's business or interests
Obedience	Agent must obey all principal's instructions within scope of agency unless they are illegal or unethical
Protect confidential information	Agent cannot use or disclose principal's confidential information

If an agent breaches a duty owed to the principal, the principal has three available remedies:

1. The principal may recover damages the breach has caused;
2. The principal may receive any profit the agent received as a result of a breach of the duty of loyalty; and
3. The principal may rescind a transaction when the duty of loyalty is violated.

### Duties of Principals

Principals also owe duties to agents as part of the fiduciary relationship. These duties are:

Duty	Description
Compensation	Principal must pay agent for work performed
Honesty	Principals cannot deceive agents about the nature and scope of the work they are to perform
Indemnification	Principal must hold agent harmless and free from legal liability for actions properly taken on principal's behalf
Loyalty	Principal cannot engage in any dealings that prevent agent from performing agency tasks

Duty	Description
Reimbursement	Principal must reimburse agent for money reasonably expended on behalf of principal

Figure 15.3 Duties of Principals

Duties of Principal



If a principal breaches a duty owed to the agent, the agent has two available remedies:

1. The agent may recover damages the breach has caused; and
2. The agent may terminate the agency relationship.

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