

The Agency Law refers to the agreement between a person who is usually referred to as an agent, who acts on behalf of another person, company or government, usually referred to as Principal.

An agency is created when Principal asks a person to make delivery as an agent through a contract leading to responsibility of the principal for actions made by the agent.

According to the law, the scope of an agent's authority is considered in determining an agent's legal responsibility for his or her actions. According to the contract between Peter and John, John's scope does not allow him to purchase beer. According to the law, if the agent exceeded his or her authority, by entering into an agreement, the agent is then financially liable to the principal for not upholding the fiduciary duty. And since John has exceeded his scope, he should pay Distilleries himself and not Peter.

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