

Agency

Business & Management

When one person can bind another, and the two kinds of authority.

Actual authority

- Expressly given, or implied by role
- The principal has genuinely agreed
- Written delegation, job description
- Internal to the relationship

Apparent (ostensible) authority

- What a third party reasonably believes
- Created by the principal's own conduct
- Binds even where actual authority was limited
- Protects the third party

THE DIFFERENCE THAT MATTERS

Holding someone out as having authority creates it in the eyes of a third party, whatever the internal limits say.

Educational reference. Internal limits on authority bind only those who know about them. Communicate them to counterparties.