

COURSE NAME - LAW
CLASS- B.A.LL.B-2ND SEM
SUBJECT- SPECIAL CONTRACT
TOPIC- PARTNERSHIP -2

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Duties of Partners:

1. To Observe Good Faith

As per [Sec. 9 of the Indian Partnership Act](#),

Partners are bound to carry on the business of the firm to the greatest common advantage, to be just and faithful to each other, and to render true accounts and full information of all things affecting the firm to any partner or his legal representative.

It is an absolute provision and it is not possible for any partner to contract himself out even by an agreement with the other partners.

2. To Indemnify for Loss

[Sec. 10 of the Indian Partnership Act](#) provides that

Every partner shall indemnify the firm for any loss caused to it by his [fraud](#) in the conduct of the business of the firm.

This obligation is imposed upon every partner to save the other partners from loss caused to them by the fraud of a partner in conducting the business of the firm. It is an absolute provision. It is not subject to the terms of the contract between the partners. A clause in the partnership deed exempting a particular partner from liability to the firm for loss caused by his fraud shall be invalid and unenforceable.

3. To Attend to his Duties Diligently

Every partner is bound to attend diligently to his duties in conducting the business of the firm.

4. Not to Claim Remuneration

It is the prime duty of a partner to take part in the management of the partnership business. So none of them is entitled to any remuneration for taking part in the conduct of the business. However, it is usual to allow some remuneration to the working partners provided there is a specific agreement to that effect.

5. To Indemnify for Willful Neglect

Where a partner carries on the business of the partnership willfully negligently, but without a fraudulent intention, and the firm suffers any loss due to such negligence, the loss should be borne by the partner himself. But an act done by a partner in good faith and bonafide cannot be considered to be an act amounting to wilful negligence.

6. To Share Losses

In the absence of any contract to the contrary, each partner is liable to contribute to the firm's losses equally.

7. To Hold and Use Property of the Firm

One of the important duties of partners in a partnership is using property of the firm exclusively to conduct partnership business. The partners may agree differently. But it should be supported by a specific agreement to that effect.

8. To Account for Private Profits

A partner is accountable for the private profits, without the consent or knowledge of other partners, arising out of transactions of firm or from the use of its property or goodwill.

9. To Account for the Profits of a Competing Business

If a partner carries on a business of the same nature as that of the firm in which he is a partner and such a business competes with that of the firm, he shall account for all profits made by him in that competing business to the firm.

However, this Section is also subject to a contract between the partners. As such, by virtue of a contract, the partners may allow any partner to carry on any business, whether competing or not. It is equally open to them to restrain any partner from carrying on any business other than that of the firm while he is a partner, and such an agreement is not to be considered as being in restraint of trade, as per Sec. 11(2) of the Indian partnership Act

A partner is required to act within the scope of his actual or apparent authority.

If he act excessively and the other partners do not ratify his unauthorized acts, he will be liable to the other partners for the loss that they may suffer as a result of such acts.

11. Not to Assign his Rights

A partner cannot assign his rights or interests in a [partnership firm](#) to an outsider, so as to make the outsider, a partner in the firm's business without the consent of other partners. In case, such an assignment has been made, the assignee cannot, during the continuance of the firm, interfere in the conduct of the business, or require accounts or inspect

Rights of Partners

1.Rights of Partners in a Business Partnership

2.Rights of Partners on dissolution of Partnership

1.Rights of Partners in a Business Partnership

1. Right to Take Part in the Conduct of the Business

Sec. 12(a) stipulates that each partner in a business partnership have the right to take part in the business proceeding. But this right is subject to a contract to the contrary. However, this right may be waived by a partner himself.

2. Right to be Consulted

In case of matters affecting the business, each partner can has the right to be consulted. Further, every partner has the right to express his views in front of other partners also. Sometimes, difference of opinion arises among the partners. If it is over an ordinary matter, the same may be settled by a majority of the partners, whereas if it is over a fundamental matter, it can be settled only with the consent of all the partners.

3. Right to have Access to Books

Every partner in a business partnership can access and inspect any of the books of the firm as per law. It can be exercised either by the partner himself or by his authorized agent. The partners cannot object to inspection of books by the agent of a partner, unless they have a reasonable ground for believing that the trade secrets might be leaked out.

4. Right to Share Profits

Every partner is entitled to have equal share in the profits of the firm. At the same time, the partners are equally liable to all the losses sustained by the firm unless otherwise agreed upon as per the partnership agreement.

5. Right to Interest on Capital

Ordinarily, no interest is payable to the partners. However, if it is allowed by an express or implied agreement or by the custom of trade, a partner can charge interest on capital. In such a case also, interest shall be paid only out of profits.

6. Right to Interest on Advance

A partner who contributes additional advance to the firm apart from the amount of his capital for the purpose of business is entitled to get there on an interest at the rate of 6% per annum. It is payable out of the property of the firm as if it were an expense. Thus it is payable even if there are no profits.

7. Right to be Indemnified

The partner of a firm is entitled be indemnified by the firm in the following circumstances:

Expenses incurred in the ordinary course of business, and
Expenses incurred in an emergency.

8. Right to the Use of the Partnership Property

In the absence of any contract to the contrary, each partner is presumed to have an equal share in the property of the partnership and is entitled to have them held and used only for the purpose of the business. Partners should not use it as their own property. When at any point of time, a partner uses the property of the business firm to his own benefit either directly or indirectly, the profits thus earned are accountable to the firm.

9. Power in an Emergency

As per the Indian Partnership Act, a partner is vested with the powers to initiate action to safeguard the firm from loss.

10. No New Partner to be Introduced

New partners may not be introduced in a partnership without the consent of every individual partners. They have the right to object such admission unless there is an express contract allowing such introduction.

11. No Liability before Joining the Firm

Unless there is a contract to the contrary, new partner will not have any liability for any act of the firm done before he become a partner

12. Right to Retire

Retirement from a partnership is a partner's right. Partner can retire from partnership in any of the following modes.

1. With the consent of all the partners, or
2. As per the agreement between the partners, or
3. In case of partnership- at-will, by giving prior notice to the other partners regarding the intention of his retirement.

13. Right not to be Expelled

Every partner has a right not to be expelled from the firm unless there is a clause in the partnership agreement that give power to the majority of the partners to expel him in good faith.

14. Right to Carry on Competing Business

Outgoing partners cannot be restricted as they are not bound by the partnership agreement. They have the right to carry on a business competing with that of the firm. But he should not use the name of the firm or solicit the firm's customers who were dealing with the firm. However, he may agree with the partners that he will not carry on any competing business.

15. Right to Share Subsequent Profits After Retirement

Where a partner has died or ceased to be a partner, the surviving or continuing partners may carry on the regular business with the firm's property without any final settlement of accounts between them. In such cases, the outgoing partner or his estate then in the absence of a contract to the contrary is entitled to

1. such share of the profits as is proportionate to his share in the property of the firm, or
2. interest at the rate of 6% per annum on the amount of his share in the property of the firm.

2.Rights of Partners on dissolution of Partnership

On the dissolution of partnership, a partner has the following rights.

- 1.Right to an equitable lien
- 2.Right to return of premium
- 3.Right Where Partnership Contract is Rescinded for Fraud etc.
- 4.Right to Restrain the Use of the Firm's Name or Property
- 5.Right to Earn Personal Profits by Using the Name of the Firm

1. Right to an Equitable Lien

On the dissolution of the firm, every partner is entitled to certain rights in connection with the [winding up of the firm](#). Such rights are:

1. Right to have the property of the firm utilized in payment of its debts and liabilities.
2. Right to have the surplus distributed among all the partners as per their rights.

2. Right to Return of Premium

A partner is entitled to repay in full or such part of the premium as may have been agreed upon or as may be reasonable where—

1. [Partnership](#) has been constituted for a fixed term.
2. Partner has paid a premium at the time of his admission into a partnership.
3. The firm is dissolved before the expiration of the fixed term.
4. The firm must have been dissolved otherwise than by the death of a partner.

However, no premium shall be payable in the following cases:

1. Where the premature dissolution of partnership has been occurred by the death of a partner.
2. Where the dissolution is mainly on account of his own misconduct.
3. Where the dissolution is in pursuance of an agreement which contains no provision for the return of the premium or any part of it.

Therefore, where a partnership is dissolved prematurely without the fault of either party, the partner paying the premium is entitled to a proportionate part of the premium.

3. Right Where Partnership Contract is Rescinded for Fraud etc.

If a partner is induced to join the firm by [fraud or misrepresentation](#) by other partner, he has the right to put an end to the partnership agreement when such fraud or misrepresentation was found. A partner is entitled to the following rights besides the other rights.

1. A right of lien or retention of the surplus of the assets of the firm left after having paid the debts of the firm, for any sum paid by him with a view to purchase a share in the firm and for any capital contributed by him.
2. To rank as a creditor of the firm as to any payment made by him towards the debts of the firm, and
3. To be indemnified by the partner or partners guilty of fraud or misrepresentation against all the debts of the firm.

4. Right to Restrain the Use of the Firm's Name or Property

In the event of dissolution of a firm, a partner hold the right to restraint other partner to carry similar business in the name of the firm .

Using the firm's property for his own benefit can also be restrained by a partner. It should also be noted that a partner can be so restrained until the affairs of the firm are completely wound up. However, if he has bought the goodwill of the firm, a partner cannot be restrained from using the firm name for his own benefit.

5. Right to Earn Personal Profits by Using the Name of the Firm

If, on the dissolution of a firm, a partner buys the goodwill of the firm, he has the right to use the firm's name and earn personal profits.

When do Rights and Duties change?

The existing relationship between the partners come to an end when there is a change in the constitution of the firms. Such changes in the constitution of the firm may occur due to the following reasons [\(Section 17\)](#)

- Expiration of term of the firm.
- Carrying out the additional business other than agreed upon.
- Changes in the composition of members due to admission, retirement or the death of a partner.

The duties and rights of partners remain the same until there is any change in agreement but such right and duties may vary or modified by creating a fresh agreement

DUTY OF A PARTNER AS AN AGENT

Relations of partners to third parties

Section 18 to 22 of the Act talks about the relation of partners third parties

Section 18 prescribes that the partners are an agent of the firm for the purpose of conducting the affairs of the business. The partners act as the principal and agent as well. when he performs the act in his own interest he is the principal and when he does in the interest of another partner then he is an agent. He is not an agent for the dealings or the transactions between the partners themselves.

Section 19 states that any act which is performed by the partners in the usual course of its business binds the firm itself. The authority to bind the firm is implied authority

Section 20 states that partners can make a contract to restrict or expand the implied authority of a partner.

Section 21 states that if any act is done by any partners in case of an emergency which a prudent man would do, then such acts need to bind the firm.

Section 22 specifies that if any act is done by any partner then it must be done in the name of the firm or in such manner which binds the firm.

Status of a minor

Section 30 states the legal provision related to the minor according to **Section 18** of the Indian Contract act 1872, no person below the age of 18 years can enter into the contract which implies that no minor can enter into a contract.

But **Section 30** states that the minor cannot be a partner in a partnership firm but he can be admitted to benefit from the partnership firm. The minor will be liable to get only the benefits from the partnership but is not liable for any losses or liability. The minor can be admitted to the partnership only with the consent of all the partners

There are various rights that are granted to the minor.

Various rights are as follows:

Right to inspect the books of account

Rights to share the profits from the firm

Rights to sue any partner or all for his share of benefit or profit

He has a limited liability which means his personal assets may not be disposed of to pay the firm debts

A minor has a right to become a partner on attaining the age of 18 years

Liabilities of a minor

1.A minor has Limited liability. If minor is declared as insolvent his share will be kept in the possession of official liquidator.

2.If after attaining the age of 18 years he decided to become the partner then he has to give public notice within 6 months of attaining the majority. If notice not given then minor will become liable for all the acts of others until the notice is given

3.When a minor partner becomes the major he will be liable for the acts of all partners to the third parties.

4.If he decided to become a full-time partner then he will be considered as a normal partner and will take part in the conduct of the business.

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