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DOCTRINE OF APPARENT AUTHORITY IN THE DIGITAL AGE: RETHINKING AGENCY PRINCIPLES IN E-COMMERCE TRANSACTIONS

AUTHORED BY - AADRIKA PRAKASH GUPTA

Institution: OP Jindal Global University

Introduction

The foundational concepts of contract law have changed significantly and have been subjected to constant structural changes which currently lack precedents due to the rapid digitization of the global economy. At the very core of this transformation is the concept of agency, a legal barrier which is designed to carry out complex duties by permitting one person to alter the legal actions of the other.¹ Traditionally, the principles of agency had been developed in an era where the transactions were more on a face-to-face basis and had been categorised by physical marketplace, tangible goods and paper based communications. However, today the market environment has changed rapidly and is being dominated by various digital platforms, algorithmic marketplaces, and artificial intelligence, which also execute various cross-border transactions globally on a daily basis without the need for direct human intervention.² This shift has made it crucial to reevaluate how the principles of agency and the doctrine of apparent authority can be enforced in this rapidly transforming digital age.

Another important aspect to focus on in the e-commerce environment is the blurring of actual v apparent authority by the digital platforms. Marketplaces such as Uber, Amazon, Zomato, and other retail platforms have utilized mechanisms such as user interfaces, algorithmic recommendations procedures to prevent themselves from being portrayed as the primary trusted counterparty to the consumer. These platforms often rely on complex legal terms of service to disclaim any actual authority or they position themselves as a mere intermediary which acts in passive duties which only assists a contract between the consumer and the third-party seller.³ However, this practice creates a vacuum where the platform exercises the absolute powers through economic and operational control like that of the principal or a fully authorised

¹ V Barnes and JC Oldham, 'The Legal Foundations of Apparent Authority' (2019) 44(4) J Corp L 649.

² H Schulte-Nolke et al, 'The legal framework for e-commerce in the Internal Market' (2020) Policy Department for Economic and Scientific Policy 12.

³ P Akman, 'Online Platforms, Agency, and Competition Law: Mind the Gap' (2019) 43 Fordham Int'l LJ 209.

agent acting for the agent, while claiming that their legal duties are of a neutral technological intermediary.

This paper provides a deep examination of the doctrine of apparent authority in the current digital age and rethinks the traditional principles of agency under the Indian Contract Act by viewing them strictly through the modern digital platforms and algorithmic operations lens.⁴ It also analyses how online platforms have blurred the lines between an actual and apparent authority by using the case study of famous platforms such as Zomato, Swiggy and Groww. Furthermore, the paper also analyses the conduct of comprehensive comparative study of the current legal developments in countries such as the United Kingdom, where the landmark, common law decisions have redefined the lens of apparent authority and other aspects, such as a estoppel and Agentic capacity in the current dynamic digital and financial transaction.⁵ And finally, this paper also anticipates what the next frontier of agency laws will be with regard to the establishment of apparent authority to autonomous artificial intelligence systems or electronic agents by discussing a path forward for such laws in this increasingly automated world.

Reconceptulizing Agency under the Indian Contract Act for the Digital Age

To completely understand the doctrinal nuances that are introduced by the digital platforms, we must first set aside how the traditional laws had conceptualised the concept of agency and evaluate the Indian Contract Act through the realities of the digital economy.

Defining the Digital Principal-Agent Relationship

As per *Section 182 of the Indian Contract Act*, which defines the term agent as “a person who is employed to do any act for another or to represent another dealing with third persons”⁶. Though, traditionally, this was interpreted as a human representation, however, in the context of the recent e-commerce transition, the term agent is usually interpreted as digital platforms or software interface or algorithmic aggregator. The true test of this concept is in the capacity to create, modify or terminate the contractual obligations created. In the recent digital age, this capacity has been performed via ‘click wrap’ agreements done through digital payment gateways and similar algorithms.⁷

⁴ P Akman, 'Online Platforms, Agency, and Competition Law: Mind the Gap' (2019) 43 Fordham Int'l LJ 209.

⁵ M Ebers, 'Artificial Intelligence, Contracting and Contract Law: An Introduction' [2020] JBL 97.

⁶ The Indian Contract Act 1872, s 182.

⁷ T Habibzadeh, 'Analysing Legal Status of Electronic Agents in Contracting through Interactive Websites' (2016) 25 ICTL 150.

Additionally, the traditional difference between an independent contractor, a servant or an agent had historically been based on the master's control over the manner of work done, however, this has been highly violated in the current platform economy. The digital market platforms now have structured access to markets and it functions as powerful gatekeepers. Even though they usually classify their sellers and workers as independent contractors, these platform algorithms usually dictate the pricing, control the user data and also maintain the strict service parameters, which in turn exercises the control which principal has instead of that of an agent.⁸

Actual Authority, Implied Powers, and Algorithmic Action

Section 186 and 187 of the Indian Contract Act state that “an actual authority may be given as expressed or implied”⁹. However, in the context of e-commerce, the concept of express authority has been buried within the lengthy non-acoustic terms of service agreements that have limited a platform liability by the concept of implied authority has been projected through the platforms overarching control over the loop of transactions.¹⁰ As per *Section 188*, which grants the agent the implied authority to do every lawful thing, which is necessary to carry out a business, translates digitally into the platform's autonomous algorithms, which processes refund, executes localised dynamic pricing, or routine deliveries are the actions which are deemed necessary to manage the digital market. The issues deepens even more when the platform starts to act as dual agents for thousands of sellers competing against each other. Historically agency law had shielded the agents acting for multiple principles in the business. However, today these principles shield e-commerce aggregators from breach of fiduciary duty claims, even if their algorithms prioritize certain listings over others based on their hidden parameters or if they are paid for promotions or there are structural conflicts with their role as a neutral facilitator.¹¹

The Doctrine of Apparent Authority in E-Commerce

The most essential provision to understand the third party rights in the digital economy is *Section 237 of the Indian Contract Act*, which is the doctrine of apparent authority.¹² This section states that when an agent acts without authority, the principal is bound, if they have by

⁸ T Habibzadeh, 'Analysing Legal Status of Electronic Agents in Contracting through Interactive Websites' (2016) 25 ICTL 150.

⁹ The Indian Contract Act 1872, ss 186-187.

¹⁰ V Ooi, 'Contracts Formed by Software: An Approach from the Law of Mistake' [2020] JBL 97.

¹¹ *ibid.*

¹² The Indian Contract Act 1872, s 237.

words or conduct induced a third person to believe that the act was authorized by the agent. In the current digital age, the apparent authority functions as a mechanism of user interface and user experience. A digital market space usually heavily brands the purchasing experience of the process of payments through its proprietary system and manages customer services by inducing the customers to believe that they are transacting directly with the platform rather than a third party seller, in this case, this is the apparent principle. The platform software architecture, all marketing algorithms and unified digital software, constitutes the conduct that leads to this equitable estoppel.¹³

Judicial Interpretation and Apparent Authority

The very base for establishing apparent authority and the Indian law has been historically stringent. In the Supreme Court case of *Harshad J Shah v LIC of India*, the court had ruled that internal corporate limitations on an agent authority such as making provisions against collecting premium checks, defeats the apparent authority if the principal did not actively induce the consumers' reliance. In the e-commerce spectrum as well, consumers face similar situations when platforms use internal terms and vendor agreements to deny their liability for defective products or failed services, despite providing for an environment of total transactional control over the mechanisms. However, the courts have also held that institutions are strictly liable for the actions of their agents acting within the general scope of employment, even if the specific act was unauthorized by the principal as seen in cases involving the bank managers tampering with lockers. In the digital realm, if a platform algorithm, autonomously, malfunction or misrepresents an offering, then the platform having included the digital architecture with apparent authority to conduct transactions has to logically bear the liability for the resulting harm.

The illusion of intermediation: case studies in the current e-commerce platform agency

The transactions in the current digital marketplace have stained the classical models of agency. In the e-commerce era, the boundaries between the principal agent and the passive intermediary are intentionally obscured which has resulted in a systematic blurring of actual and apparent

¹³ Harshad J Shah v LIC of India (1997) 5 SCC 64.

Authority.¹⁴

The platform gap and the exploitation of interface design

The online platforms have frequently operated in a dual business model acting as a marketplace hosting third parties while also selling their own proprietary goods. They draft the legal terms of service to establish themselves as just a neutral IT infrastructure provider, which explicitly disclaims any agency. However, through the unified branding centralisation, centralised payment gateway and their overarching, customer dispute resolution mechanisms the platforms project, the immense amount of apparent Authority invested in them. The consumer is induced by the platform's way of architecture to believe that the platform possesses the absolute authority to bind the seller and guarantee the transaction.¹⁵ This attribution decay usually occurs because the origin of a product loses its distinct source cues within the uniform architectural design of the app. The legal friction arises when there is a reasonable belief induced by the platform's deliberate designs, which collide directly with the click wrap agreements that denies any agency.

The case study of the algorithmic control in Food Delivery platforms- Zomato and Swiggy

The Food Delivery aggregator such as Zomato Swiggy have represented a prime example of the tension between the claimed intermediary status and the functional agency. These platforms have legally defined their delivery partners and partners as independent entities, claiming that the platform only facilitates a contract which is between the consumer and the restaurant. However, further investigations and regulatory actions have revealed the reality of the heavy agency of principal relationship. Within these platforms. The competition commission of India has ordered a detailed probe into the Zomato Swiggy following complaints from the national restaurant Association of India. The CCI has noted that the platforms Court restaurants bundle Food Delivery services while listing services effectively standardising delivery times and qualitative output for the end consumer. The platforms also engage in data masking while refusing to share customer data with the restaurants.¹⁶ This level of market restriction and data hoarding is a characteristic of a principal which controls the agents, not a neutral intermediary. Secondly, Zomato and Swiggy also use algorithms to calculate the surge pricing track,

¹⁴ V Khanna and R Arora, 'The Blurred Lines of Agency: Navigating Liability in Online Marketplaces' (2019) Mich St L Rev 301.

¹⁵ DS Wilbur, 'Blurring the Source: Information Laundering and the Cognitive Architecture of Modern Propaganda' (2026) 18(1) Media Psychology Review.

¹⁶ National Restaurant Association of India v Zomato Limited and Swiggy (2022) CCI Case No 16 of 2021.

performance matrix, and also assigned labour. Automatically, the workers are evaluated through a continuous surveillance and consumer which usually dictates their remuneration or deactivation. This deep algorithmic management has shattered the illusion of independent contracting pointing to the subordinate servant or agent relationship with their workers. Additionally, when these platforms face any issues, they face the blunt of a parent authority, One, such situation was in October 2024, when the central consumer protection Authority had sexed Swiggy for excessive delays in refund and bought driven customer care services failures, while Swiggy had argued that merchants, retail sold responsibility of food quality under the food, safety and standards act, the consumers in variably, hold the platform liable due to the app and authority it possesses over the entire transaction loop from the app interface to the final delivery to the customer.¹⁷

Case study of a parent authority in financial aggregation

Financial technology platforms also act as digital brokers face a unique agency challenge, given the highest stakes of capital market transactions.¹⁸ Grow is one such platform for mutual funds and stock investment in India, which positions itself as intermediary which only facilitates investments in direct mutual fund plans without earning commissions from those funds, routing money directly to the clear housing such as ICCL. However, the user experience shows reliance on the platform's parent authority as a financial agent. This has been highlighted in the 2024/2025 incident where the customers of this platform had alleged fraud after realising that the mutual funds SIP was never actually invested despite the dashboard showing that there was a portfolio and continuous financial growth. Groww had clarified that a systemic error possessing feed files from the registrar and transfer agent had caused an incorrect transaction to map the customers dashboard, artificially inflating the display portfolio value, though no money had actually been debited from the customers account. Despite the platforms operating technically, as an intermediary with actual investment, routing occurring via exchanges and RTE, the consumers view this app as an authoritative agent. The platform's UI manifestations had been interpreted as the definitive state of their investments. This cab between the back and reality and the fourth and apparent authority emphasises the vulnerability of the digital consumers for more in May 2025, grow invest tech had paid ₹47.85 lakhs to settle a case with the securities and exchange board of India with regard to alleged regulatory reps, which

¹⁷ *Ibid.*

¹⁸ Centre for Labour Studies, 'Employment Conditions of Food Delivery Platform Workers' (2023) NLSIU Occasional Paper Series 13.

included discrepancies, inclined statements and technical glitch handling, which underlines that regulatory bodies increasingly hold the platforms accountable for their structural integrity of the algorithmic agency.¹⁹

The United Kingdom developments in Apparent Authority

While the Indian law has crashed the doctrine with platform authority, primarily through using rigid statutory reforms and regulatory investigations, the United Kingdom, on the other hand has witnessed a urgency of recalibration of the doctrine of a parent authority within its common jurisprudence. The English quotes have delivered landmark judgments which define the boundaries of agency and contract formulation in the digital environments, sustaining in the country.

Elaborating, Duties and Authority

One of the most famous developments in UK, commercial and agency law is the Supreme Court decision in the case of *Philip v Barclays Bank, UK plc*, in this judgement, the court restructured the legal duties which are owed by financial institutions concerning the authorised push payments fraud reforming these duties into a stricter principle of agency and apparent authority. Prior to the Philip case, the English courts had developed the concept of quincecare duty, which requires a bank to refrain from executing a payment instruction if they had reasonable grounds to believe that it was an attempt to misappropriate the customer's funds. In the Philip case, the Supreme Court then clarified that the quincecare duty is not just an independent legal doctrine, but an application of the bank's general contractual mandates.^{20 21} Additionally, if a customer personally gives a clear payment instruction, the bank has to execute and even if the customer is a victim of a scam.

However the courts had also maintained the aspect that if a payment instruction is being given by an agent of the customer, then the bank must rely on the concept or apparent authority, because no rational, principal grants an agent the actual authority to defraud them, rogue agent which attempts to misappropriate lacks actual authority. The bank's protection rests entirely on an apparent authority which diminishes if there are circumstances which are suggestive of the dishonesty or if a reasonable banker is put on enquiry. The Phillip judgement had forcefully clarified that a parent authority is not an absolute shield. It demands reasonable enquiry when

¹⁹ Securities and Exchange Board of India Settlement Order in respect of Groww Invest Tech (14 May 2025).

²⁰ *Philipp v Barclays Bank UK Plc* [2023] UKSC 25, [2024] AC 346.

²¹ *Barclays Bank plc v Quincecare Ltd* [1992] 4 All ER 363.

it creates red flags.²²

Post Contractual Conduct and Estoppel.

The temporary boundaries of apparent authority were significantly explored in the commercial court decision of *Salam General Insurance Ghana Limited versus Sustainable Growth Fund II SCSP SICAV-SIF*. This case was concerned with a high-value claim under counter guarantee against a private equity fund where the fund had its agent, lack the actual authority to buy the corporate entity. In this case as well, the court reaffirmed the classic principles that the fund is liable on the basis of apparent authority. This important judgement is relevant to modern digital disputes. As in this case, the court had also explicitly looked beyond the immediate moment of contract execution and considered the totality of post contractor communications, noting that the agent engaged in months of correspondence, acknowledging the depth while the principal's funds remain completely silent. This shows that apparent authority is not just a static snapshot taken out of a contractor formation, but a dynamic construction through ongoing conduct and compliance.²³ In the e-commerce era, a platform which subsequently handles customer complaints and reverse logistics and retroactively cements their apparent authority to bind the transactions.

Digital Medium and Contract Formation

As the commercial negotiations migrate to digital interfaces, the mechanisms of agent Authority have evolved. The UK court of appeal had addressed this in the *DAZN v Coupang Corporation*. This case arose due to a sub licensing agreement for broadcasting rights negotiated predominantly through WhatsApp messages and brief email exchanges. DAZN later attempted to abandon the deal by arguing that digital exchanges were informal and implicitly subjected to a formal written document. The court of appeal of the UK had rejected this enforcing the contract. The court held that the informed medium did not demolish the agent's capacity to create binding legal relations. The emails contained a clear unequivocal offer and an absolute acceptance and the subsequent digital communication had demonstrated a mutual understanding between the parties that made the agreement binding.²⁴ This further confirms the concept of apparent authority operating seamlessly across modern communication, tech technologies, and an agent firing of WhatsApp message processes, the legal power to bind a

²² Philipp v Barclays Bank UK Plc [2023] UKSC 25, [2024] AC 346.

²³ Sanlam General Insurance Ghana Ltd v Sustainable Growth Fund II SCSP SICAV-SIF [2021] EWHC 559 (Comm).

²⁴ DAZN v Coupang Corp [2023] EWCA Civ 1083.

corporation which provided the objective requirements of the contract formations are met.

The Next Frontier Concerning Agentic, AI, Electronic Agents and Algorithmic Contracting

The most important challenge to the doctrine of apparent authority is from the upcoming Agentic Artificial Intelligence. Unlike the classical software Agentic AI systems which are powered by advanced large language models which can perceive their environment breakdown, complex goals can then execute autonomous actions, negotiating places, and also finalising contracts without direct human oversight.²⁵

Capacity and attribution and automated contracting

The traditional agency law presupposes that an agent is a natural or a legal person which possesses a mind capable of understanding the instructions and conveying a legal intention. The assistance currently lacks this legal personality and independent contractual capacity. Therefore, an AI cannot truly possess actual or apparent authority in its own independent self. To resolve this issue the international bodies and the legal scholars have introduced attributing the autonomous actions of AI directly to the human or the corporate entity that deployed it. The United Nation Commission of International Trade Law and the European Law Institute have enforced the view that AI systems are legally classified as tools.^{26 27} The electronic agents act as a direct conduit for the principles of parent authority, when a business deploys an AI chatbot to negotiate with a customer, the business manifests through objective condemnation for the AI has the authority to find the business between the corporate and the customer.

Allocating Liability for Algorithmic Hallucinations

Legal friction becomes acute when an AI system hallucinates or makes autonomous decisions that widely exceeds its programmed parameters. Under the modern applications of the doctrine of apparent authority, the principal usually remains bound by the electronic agent's actions if the third-party reliance was reasonable. This principle was tested in the Canadian civil revolution tribunal in the case of *Moffatt v Air Canada*²⁸. The air customer service chatbot

²⁵ M Ebers, 'Artificial Intelligence, Contracting and Contract Law: An Introduction' [2020] JBL 97.

²⁶ European Law Institute, 'Guiding Principles and Model Rules on Digital Assistants for Consumer Contracts' (2024) Principle 3(2).

²⁷ UNCITRAL, 'Explanatory note on the United Nations Convention on the Use of Electronic Communications in International Contracts' (2007) E.07.V.2, para 104.

²⁸ *Moffat v Air Canada* [2024] BCCRT 149.

hallucinates incorrect and highly favourable information regarding the bereavements fares. The tribunal had rejected the airline's defence that it was not liable for the independent output of technology and also held the structure responsible for the representation made by its digital assistant. Therefore, by applying the Indian and English principle deployment of AI constitutes the principles holding out, including the customers, believe that the AI output was authorised by the corporate. That's the financial risk inherent in algorithmic decision-making are rightfully shifted under the principal who benefits economically from the automation.

Conclusion

The comparative analysis revealed that while India and UK employ divergent methods to adapt agency principles to the digital age, jurisdictions have aimed to hold the architects of digital platforms accountable for the purpose of an apparent authority project. The Indian approach is characterised by aggressive regulatory circumvention of traditional contract law, establishing apparent authority under *Section 237* of the contract act which requires overcoming steep, evidently burdens regarding direct inducement by the principal. Consecutively the Indian policy makers have increasingly relied on external frameworks such as the e-commerce rules and the CCI interventions tools like fallback, liability, and regulatory scrutiny of algorithmic bundles represents the structural work.²⁹ They bypass traditional private requirements to hold platforms accountable based on economic dominance, bridging the gap when technical definitions of agency fail. On the other hand, the United Kingdom relies on the remarkable agility of the common law rather than creating new started tree categories for commercial disputes. The UK quotes have refined equitable doctrines. The decision of the Philip case had underscored commitment, District contract management while demanding reasonable enquiry into an agent authority. However, discussions like sanlam and DAZN shows that the courts are willing to contextualise apparent authority with modern commercial practices, recognising the post contractor, silence and instant messaging a powerful instrument of legal representations. In conclusion, the digital each has a repair allotted to the mechanisms of commercial transactions, the e-commerce platforms such as Food, Delivery, aggregators and Digital brokers have actively closed the line between action and parents authority. By disclaiming actual agency, while architecting user interface, the project absolute control platforms have exploited attribution decay. However, the courts and regulators are increasingly piercing the veil of technological intimidation. The doctrine of apparent authority must continue to evolve

²⁹ Ministry of Consumer Affairs, Draft Amendments to the Consumer Protection (E-Commerce) Rules (2021).

beyond a word physical conduct to recognise UI design, algorithmic management and AI employment as profound legal conduct, capable of inducing reliance. Ultimately, the entry that designs and profit from the digital store must pay the risk of the apparent authority it protects which ensures that the efficiencies of the digital economy do not erode commercial fairness, and legal accountability.

