**THE RIGHTS, DUTIES AND LIABILITIES OF PARTNERS**

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**MUTUAL RELATIONSHIP BETWEEN PARTNERS**

### ***Relationship of Partners to Each Other***

Each partner has a right to share in the profits of the partnership. Unless the partnership agreement states otherwise, partners share profits equally. Moreover, partners must contribute equally to partnership losses unless a partnership agreement provides for another arrangement. In some jurisdictions a partner is entitled to the return of her or his capital contributions. In jurisdictions that have adopted the RUPA, however, the partner is not entitled to such a return.

In addition to sharing in the profits, each partner also has a right to participate equally in the management of the partnership. In many partnerships a majority vote resolves disputes relating to management of the partnership. Nevertheless, some decisions, such as admitting a new partner or expelling a partner, require the partners' unanimous consent.

Each partner owes a fiduciary duty to the partnership and to copartners. This duty requires that a partner deal with copartners in Good Faith, and it also requires a partner to account to copartners for any benefit that he or she receives while engaged in partnership business. If a partner generates profits for the part-nership, for example, that partner must hold the profits as a trustee for the partnership. Each partner also has a duty of loyalty to the partnership. Unless copartners consent, a partner's duty of loyalty restricts the partner from using partnership property for personal benefit and restricts the partner from competing with the partnership, engaging in self-dealing, or usurping partnership opportunities.

### ***Relationship of Partners to Third Persons***

A partner is an agent of the partnership. When a partner has the apparent or actual authority and acts on behalf of the business, the partner binds the partnership and each of the partners for the resulting obligations. Similarly, a partner's admission concerning the partnership's affairs is considered an admission of the partnership. A partner may only bind the partnership, however, if the partner has the authority to do so and undertakes transactions while conducting the usual partnership business. If a third person, however, knows that the partner is not authorized to act on behalf of the partnership, the partnership is generally not liable for the partner's unauthorized acts. Moreover, a partnership is not responsible for a partner's wrongful acts or omissions committed after the dissolution of the partnership or after the dissociation of the partner. A partner who is new to the partnership is not liable for the obligations of the partnership that occurred prior to the partner's admission.

**THE RIGHTS, DUTIES AND LIABILITIES OF PARTNERS**

The Partnership Deed contains the mutual rights, duties and obligations of the partners, in certain cases, the Partnership Act also makes a mandatory provision as regards to the rights and obligations of partners. When there is no Deed or the Deed is silent on any point, tne rights and obligations as provided in the Partnership Act shall apply.

**Rights of a Partner:**

The rights of a partner are as follows:

i. ***Right of the partner to take part in the day-to-day management of the firm.***

***ii. Right to be consulted and heard while taking any decision regarding the business.***

***iii. Right of access to books of accounts and call for the copy of the same.***

***iv. Right to share the profits equally or as agreed upon by the partners.***

***v. Right to get interest on capital contributed by the partners to the firm.***

***vi. Right to avail interest on advances paid by the partners for business purpose.***

***vii. Right to be indemnified in respect of payment made or liabilities incurred or for protecting the firm from losses.***

***viii. Right to the use of partnership property exclusively for partnership business only not himself.***

***ix. Right as agent of the firm and implied authority to bind the firm for any act done in carrying the business.***

***x. Right to prevent admission of new partners/expulsion of existing partners.***

***xi. Right to continue unless and otherwise he himself cease to become partner.***

***xii. Right to retire with the consent of other partners and according to the terms-and conditions of deed.***

***xiii. Right of outgoing partner/legal heirs of deceased partner.***

**2. Duties of a Partner:**

The duties of a partner are as follows:

**i. To carry on the business to the greatest common advantage:**

Every partner is bound to carry on the business of the firm to the greatest common advantage. In other words, the partner must use his knowledge and skill in the conduct of business to secure maximum benefits for the firm.

**ii. To be just and faithful to each other:**

Every partner must be just and faithful to other partners of the firm. Every partner must observe utmost good faith and fairness towards other partners in business activity.

**iii. To render true accounts:**

Every partner must render true and proper accounts I his co-partners. Each and every entry in the books must be supported by vouchers and di explanations if demanded by other partners.

**iv. To provide full information:**

Every partner must provide full information of £ activities affecting the firm to the other co-partners. No information should be concealed, kept secret.

**v. To attend diligently to his duties:**

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

**vi. To work without remuneration:**

A partner is not entitled to receive any kind remuneration for taking part in the conduct of the business. But in practice, the working partners are generally paid remuneration as per agreement, so also commission in some case.

**vii. To indemnify for loss caused by fraud or willful neglect:**

If any loss is caused to the firm because of a partner’s willful neglect in the conduct of the business or fraud commit by him against a third party then such partner must indemnify the firm for the loss.

**viii. To hold and use partnership property exclusively for the firm:**

The partners must hold and use the partnership property exclusively for the purpose of business of the firm not for their personal benefit.

**ix. To account for personal profits:**

If a partner derives any personal profit from partnership transactions or from the use of the property of the firm or business connection the firm or the firm’s name, he must account for such profit and pay it to the firm.

**x. Not to carry on any competing business:**

A partner must not carry on competing business to that of the firm. If he carries on and earns any profit then he must account for the profit made and pay it to the firm.

**xi. To share losses:**

It is the duty of the partners to bear the losses of the firm. ‘partners share the losses equally when there is no agreement or as per their profit share ratio.

**xii. To act within authority:**

Every partner is bound to act within the scope of authority. If he exceeds his authority and the firm suffers from any loss, he shall have compensated the firm for such loss.

**xiii. Duty to be liable jointly and severally:**

Every partner is jointly and individual liable to the third parties for all acts of the firm done while he is a partner.

**xiv. Duty not to assign his interest:**

A partner cannot assign or transfer his partner interest to an outsider so as to make him the partner of the firm without the consent of other partners. However, he can assign his share of the profit and his share in the assets the firm where the assignee shall not be entitled to interfere in the conduct of the business

**3. Liabilities of a Partner to Third Parties:**

The following are the liabilities of a partner to third parties:

**i. Liability of a partner for acts of the firm:**

Every partner is jointly and severally liable for all acts of the firm done while he is a partner. Because of this liability, the creditor of the firm can sue all the partners jointly or individually.

**ii. Liability of the firm for wrongful act of a partner:**

If any loss or injury is caused to any third party or any penalty is imposed because of wrongful act or omission of a partner, the firm is liable to the same extent as the partner. However, the partner must act in the ordinary course of business of the firm or with authority of his partners.

**iii. Liability of the firm for misutilisation by partners:**

Where a partner acting within his apparent authority receives money or property from a third party and mis utilises it or a firm receives money or property from a third party in the course of its business and any of the partners mis utilises such money or property, then the firm is liable to make good the loss.

**iv. Liability of an incoming partner:**

An incoming partner is liable for the debts and acts of the firm from the date of his admission into the firm. However, the incoming partner may agree to be liable for debts prior to his admission. Such agreeing will not empower the prior creditor to sue the incoming partner. He will be liable only to the other co-partners.

**v. Liability of a retiring partner:**

A retiring partner is liable for the acts of the firm done before his retirement. But a retiring partner may not be liable for the debts incurred before his retirement if an agreement is reached between the third parties and the remaining partners of the firm discharging the retiring partner from all liabilities. After retirement the retiring partner shall be liable unless a public notice of his retirement is given. No such notice is required in case of retirement of a sleeping or dormant partner.

**LIABILITIES OF PARTNERS**

i) **Joint & Several**: Every partner is liable jointly and severally for all the acts of the firm done while he was a partner. The liability of a partner is always unlimited.

ii) **Liability for Losses causes by HIM**:   Every partner shall be liable to make good any loss caused to the firm by his fraud or wilful neglect in the conduct of business. No partner can in any way exempt himself from such loss.

iii) **Liability for Secret Profits**: A partner is liable to account for and pay to the firm any private profits earned from the business of the firm or property or goodwill of the firm.

iv) **Liability for Profits from Competing Business**: If a partner carries on any business of the same nature and competing with that of the firm, he would be liable to account for and pay to the firm all profits made by him in that business.

v) **Liability to Render true Accounts**: A partner is liable to render true accounts to profit to other partners. He is liable to disclose any legal or illegal accounts which fall within the scope of business of the firm.

vi) **Liability for Losses of the firm**: As a partner has a right to share the profits of the firm so is he liable to share the losses equally unless otherwise agreed upon.