



ISSN: 3049-2017

IJMH 2026; 3(5): 88-92

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www.themultijournal.com

Received: 15-09-2026

Accepted: 01-10-2026

Publish : 03-10-2026

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Red flagging of passports: a crucial step against fugitive economic offenders

Dr. Kanika Singh**ABSTRACT**

Individuals who evade justice in financial matters present a considerable risk to worldwide economic stability, frequently escaping their native countries following the perpetration of extensive financial offenses like fraud, money laundering, or defaulting on loans. The failure to monitor and capture these individuals has resulted in considerable financial setbacks and has highlighted an immediate necessity for stronger regulatory frameworks. One of the essential strategies to address this problem is the implementation of passport red-flagging, which limits offenders' capacity to travel abroad and escape legal accountability. This article examines the significance of flagging the passports of individuals who default on substantial loans, especially those surpassing ₹100 crore, as a component of a wider approach to deter economic crimes and improve accountability. The analysis also explores the obstacles and considerations involved in applying red-flagging to the passports of individuals who have taken loans of 100 crores or more and are later recognized as fugitive economic offenders, highlighting its potential to combat financial crimes. The article examines the impact of passport red-flagging for fugitive economic offenders, emphasizing its role in promoting justice, combating corruption, and fostering global collaboration in alignment with the Sustainable Development Goals. This particular action primarily aligns with the goal of promoting peace, justice, and robust institutions, while also fostering beneficial effects on economic growth, reducing inequalities, and enhancing global partnerships. By promoting responsibility and enhancing international financial frameworks, the practice of flagging passports serves as an effective mechanism in advancing sustainable development and fair economic progress. It also explores the implications related to legal frameworks and human rights concerning red-flagging, highlighting the necessity for due process, international collaboration, and the involvement of financial entities in recognizing and reporting defaulters. Through the effective implementation of red-flagging policies, authorities can greatly diminish economic crimes, reclaim misappropriated assets, and reinforce legal principles. As nations persist in addressing the issue of fugitive economic offenders, the implementation of red-flagging could become an essential strategy in the worldwide battle against economic crimes.

Key Words: Red Flagging, Passports, Fugitive Economic Offenders, Sustainable Development Goals.

1. INTRODUCTION

The United Nations Economic and Social Council (ECOSOC) is vested with the authority, pursuant to Article 92(3) of the UN Charter, to formulate conventions for the purpose of submission to the General Assembly concerning issues that fall within its jurisdiction. The United Nations calls upon all member states to recognize the correlation between transnational criminal activities and acts of terrorism, in accordance with pertinent resolutions of the General Assembly, and to enforce the provisions of the United Nations Convention against Transnational Organized Crime in addressing all forms of criminal conduct as specified within the Convention ^[1]. Construct robust infrastructure,

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encourage inclusive and sustainable industrial development, and cultivate innovation (Goal 9) ^[2] and encourage the establishment of harmonious and inclusive communities conducive to sustainable development, ensure equitable access to justice for all individuals, and foster the creation of effective, accountable, and inclusive institutions across all tiers of governance. (Goal 16) ^[3] are the two important goals in the area of economic crimes. Furthermore, it pertains to Goal 8: The objective is to foster sustainable and inclusive economic growth. ^[4]

The technologies employed to prevent fugitive economic offenders from engaging in economic crimes remain in a growing phase of development ^[5] so the intervention of enforcement agencies is of utmost importance. Former United Nations Secretary-General Kofi Annan stated, "If crime transcends all borders, so too must law enforcement." If the rule of law is compromised in multiple countries, those who advocate for it cannot confine their efforts to solely national measures. If adversaries of progress and human rights attempt to manipulate the openness and opportunities of globalization for their own ends, we must similarly leverage these factors to uphold human rights and combat crime, corruption, and human trafficking ^[6]. Fugitive economic offenders represent a considerable risk to the stability of the global financial system, frequently absconding from their jurisdictions subsequent to the perpetration of extensive financial malfeasance, including but not limited to fraud, money laundering, or defaults on loans. A principal measure to address this matter involves the implementation of passport red-flagging, which serves to limit the capacity of offenders to engage in international travel and thereby evade legal accountability. In an initial scene of Jules Verne's 1873 bestseller *Around the World in Eighty Days*, members of a London social club deliberate on a robbery that transpired at the Bank of England three days prior. Andrew Stuart, an engineer, asserts that the likelihood of a successful escape favours the thief; however, Gauthier Ralph, a bank director, contests this view. A description of the robber has been disseminated globally, Ralph inquires, so to which locations can he escape? No nation offers him safety. In his tribute to contemporary law enforcement, Ralph claims: "The world has become more compact, as an individual can now traverse it ten times more swiftly than a century ago." This is why the pursuit of this thief is likely to be more successful ^[7].

2. SIGNIFICANCE OF RED FLAGGING THE PASSPORT

In recent years, financial institutions worldwide have encountered increasing challenges attributable to significant defaulters, defined as borrowers who have obtained considerable amounts of capital and have subsequently been classified as fugitive economic

offenders ^[8]. In response, numerous nations are conducting inquiries into innovative regulatory measures aimed at preventing these individuals from evading legal repercussions, including the potential implementation of red-flagging protocols on their passports. The implementation of red-flagging passports is gaining acknowledgment as an effective measure to deter economic offenses and protect the financial integrity of a nation, especially concerning borrowers with outstanding debts of 50 crores or more owed to banking institutions ^[9] ^[10].

Fugitive economic offenders are individuals who deliberately avoid legal proceedings by fleeing from the jurisdiction of the nation where they committed economic offenses. These offenses generally include substantial financial crimes such as loan default, money laundering, fraud, and embezzlement. The extent of these illicit acts can yield substantial repercussions, not just for the directly affected financial institutions but also for the broader global economy. When defaulters evade responsibility, depositors, investors, and the overall financial system suffer, as banks and creditors have considerable challenges in recovering existing debts. The problem has particularly emerged in cases involving substantial loan amounts, often surpassing 50 crores. These habitual defaulters frequently exploit legal loopholes and the lack of international collaboration to avoid accountability. The inability to monitor and apprehend these offenders has led to significant financial losses and created an urgent need for enhanced regulatory protections.

Red-flagging a passport entail designating an individual's travel document to impede their exit from the country or entry into other territories without prior notification. Successful execution of this practice can be attained by promoting cooperation among financial institutions, law enforcement agencies, immigration authorities, and international policing entities such as Interpol. Authorities aim to restrict the mobility of individuals with significant unpaid debts by identifying their passports, thereby increasing the likelihood of recovering the owed amounts and ensuring accountability.

Banks and financial institutions identify individuals who have defaulted on debts of 50 crores or more and are at risk of absconding from the country. The debtors may be formally designated as "fugitive economic offenders" under the relevant statutory provisions of their respective nations. This necessitates proving that the individual has intentionally evaded prosecution by refusing to participate in court proceedings.

Upon the identification of an individual as a fugitive economic offender, law enforcement agencies coordinate with immigration authorities to flag the passport of the legal transgressor. This course of action may involve notifying the embassies and consulates of other nations to

prevent the individual from obtaining a visa or entering their jurisdictions.

Red-flagging may also involve notifying international organizations, such as Interpol, to issue a "Red Notice," which serves as a formal request to law enforcement agencies worldwide to identify and temporarily detain a suspect pending extradition. The ownership of a red-flagged passport limits the defaulter's ability to traverse international borders.

Furthermore, authorities possess the authority to seize overseas assets, restrict account access, and undertake further measures to recover the outstanding debt. ^[11]

3. ADVANTAGES OF RED FLAGGING OF PASSPORT

- The principal benefit of implementing a red-flagging system for passports lies in the reduction of the risk associated with fugitive economic offenders evading the jurisdiction of the nation. Upon receiving a red flag, individuals exhibit a diminished propensity to exit the jurisdiction or evade legal proceedings.
- By instituting restrictions on mobility, the authorities may enhance the motivations for individuals in default to address their unresolved financial responsibilities. The possibility of asset confiscation and the initiation of legal proceedings in specific jurisdictions may serve to incentivize the pursuit of restitution.
- The execution of a system for red-flagging passports may function as an effective deterrent to the commission of subsequent economic offenses. Potential offenders may exhibit reluctance prior to participating in financial fraudulent activities, cognizant that their ability to traverse and conduct international transactions will be substantially constrained.
- The implementation of red-flagging facilitates improved cooperation among nations in the pursuit of addressing economic crimes. Through the promotion of cooperative efforts across national jurisdictions among law enforcement bodies and financial entities, it augments the overall efficacy of the international financial framework.

4. CHALLENGES AND FACTORS TO CONSIDER

While the practice of red-flagging passports has proven to be an effective strategy, it is not without its inherent challenges. There are several significant considerations that must be taken into account:

- i. Considerations pertaining to legal and human rights: The process of red-flagging shall be executed in compliance with prevailing national laws as well as established international legal norms. It is essential to proceed with caution to ensure that the procedure adheres to individual rights and due process standards. Furthermore, there exists a pertinent concern regarding the possibility of misuse or activities motivated by political agendas aimed at particular individuals. ^{[12] [13]}

- ii. The endeavor to overcome bureaucratic impediments: The procedure of orchestrating actions among multiple agencies, both domestically and internationally, may prove to be complex and protracted. The facilitation of seamless collaboration among all parties involved is essential for the successful implementation of red-flagging strategies. ^{[12] [13]}

- iii. Constrained Scope: The act of red-flagging in a singular context may prove insufficient to deter all individuals engaging in wrongful conduct. It is possible that specific individuals may continue to elude apprehension or utilize alternative means to enable transit or conduct financial transactions. It is essential to implement a thorough approach that combines the identification of red flags with supplementary measures such as financial oversight, asset seizure, and diplomatic engagement. ^{[12] [13]}

- iv. Challenges in Global Implementation: The effective identification of red flags necessitates the cooperation of international stakeholders. Countries that do not possess rigorous financial oversight or strong enforcement mechanisms may fail to adhere completely to red-flagging protocols, thereby undermining the overall effectiveness of the measures implemented. ^{[12] [13]}

The implementation of red-flagging measures on the passports of borrowers who have obtained loans exceeding 50 crores and are later designated as fugitive economic offenders demonstrates a viable approach to mitigating financial crimes. The practice of red-flagging serves to enhance the protection of the financial system's integrity by restricting the movement of defaulters, increasing the incentive for recovery efforts, and fostering international collaboration. Notwithstanding, to enhance its effectiveness, this methodology must be implemented with due diligence, ensuring strict compliance with applicable legal standards and fostering international cooperation. In light of the persistent challenges faced by nations in confronting the matter of fugitive economic offenders, the implementation of red-flagging may emerge as a crucial tool in the global effort to combat economic crimes.

5. HUMAN RIGHTS EFFECT OF RED FLAGGING OF PASSPORT ON FUGITIVE ECONOMIC OFFENDER

This topic has become one of the most widely discussed of this century due to the growing physical and virtual connectivity between countries. ^[14] While the practice of red flagging seeks to improve accountability and discourage economic offenses, it concurrently raises concerns regarding potential implications for human rights. The aforementioned concerns arise from the necessity to maintain an equilibrium between safeguarding state interests and ensuring the protection of the individual rights of those accused.

- Right to Freedom of Movement: The right to freedom of movement, encompassing the capacity to depart from and

return to one's own nation, is acknowledged in Article 13 of the Universal Declaration of Human Rights (UDHR) and Article 12 of the International Covenant on Civil and Political Rights (ICCPR). Red flagging restricts this ability by effectively barring international travel for economic violators. Although governments contend that this restriction is warranted to safeguard public interest, it must be proportionate and legally substantiated to prevent excessive encroachment. ^{[15][16]}

- **Presumption of Innocence:** Economic criminals are frequently detected prior to conviction, based on claims or prima facie evidence. This technique may violate the principle of "innocent until proven guilty," as established in Article 11 of the UDHR. If executed without sufficient protections, red flagging may unjustly penalize those who are subsequently exonerated.
- **Concerns Regarding Due Process:** The procedure of red flagging may occasionally circumvent court scrutiny, depending on executive orders or inter-agency determinations. The absence of openness and accountability may result in capricious acts. It is essential that judgments regarding red flagging undergo judicial review to prevent human rights infringements.
- **Impact of Economic and Social Rights:** For numerous FEOs, limited mobility may impede their capacity to participate in professional endeavors, obtain legal counsel, or meet contractual commitments internationally. This can negatively impact their livelihood and socio-economic rights, which are safeguarded by numerous international frameworks, including the International Covenant on Economic, Social, and Cultural Rights (ICESCR).
- **Potential for Political Exploitation:** If not meticulously regulated, red flagging procedures might be exploited to target political dissidents, critics, or those accused under questionable pretenses. This compromises the integrity of the court system and violates civil and political rights.

6. SUGGESTIONS TO REDUCE HUMAN RIGHTS IMPACTS

- **Compliance with Legal Regulations:** Ensure that red flagging adheres to domestic legislation and international human rights agreements. This encompasses court supervision and explicit procedural protocols.
- **Proportionality and Necessity:** Restrictions must align proportionately with the purported violation and be essential for attaining valid public interest goals.
- **Right to Appeal:** Establish a process for individuals to contest red flagging determinations, guaranteeing procedural equity.
- **Transparency:** Ensure clear communication of the reasons for flagging and the duration of restrictions.
- **International Cooperation:** Engage with global human rights organizations to harmonize practices with established standards and prevent misuse.

7. CONCLUSION

The identification and subsequent flagging of passports belonging to borrowers with outstanding loans exceeding 50 crores, who are subsequently designated as fugitive economic offenders, represents a significant advancement in the mitigation of financial crimes. The imposition of limitations on the mobility of defaulters, the augmentation of recovery pressures, and the advancement of international collaboration may significantly contribute to the safeguarding of the financial system's integrity through the mechanism of red-flagging. Nevertheless, in order to enhance its efficacy, this measure requires implementation with prudence, ensuring adherence to legal standards and fostering international collaboration. As nations persist in addressing the issue of fugitive economic offenders, the implementation of red-flagging may prove to be an essential instrument in the international effort to combat economic crimes. The practice of red-flagging passports for individuals classified as fugitive economic offenders serves as a significant mechanism in the fight against economic crimes, advancing the principles of justice, and enhancing international cooperation. Through the alignment with the Sustainable Development Goals, specifically Goals 8, 9, and 16, there is a contribution to the establishment of a more equitable and accountable global society. As sovereign states persist in the enhancement of this measure, its efficacy shall be contingent upon the equilibrium between enforcement mechanisms and the safeguarding of human rights, as well as the strategic utilization of international partnerships to achieve a more extensive impact. The newly developed methodology embodies the shared dedication of states to maintain the rule of law, prevent corruption, and promote international development. The identification of fugitive economic offenders is essential in the fight against financial crimes and in promoting accountability. Nevertheless, it must be executed with careful consideration of human rights values, guaranteeing equity, openness, and proportionality. By addressing potential human rights issues, governments can bolster the credibility and efficacy of this instrument while protecting individual liberties.

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