

How Financial Institutions Should Handle “Sovereign Citizens”

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By Daniel Spungen on March 18, 2024

Many financial institutions are familiar with the term “sovereign citizen” but aren’t quite sure what the term entails or how to handle the demands of those who refer to themselves as “sovereign citizens.” This movement has seemingly increased in recent years, spreading through social media platforms such as Facebook, TikTok, and Instagram.

While there is no specific definition of “sovereign citizen,” it generally refers to a group of individuals who are anti-government. Typically, they believe that there are two types of citizens: “sovereign citizens” and “federal citizens.” They claim “federal citizens” have entered into a contract with the federal government and therefore have given up their rights as individuals. “Sovereign citizens” believe that by engaging with the government in certain ways, such as getting a driver’s license or social security number, one has entered into this contract by accepting the federal government’s institutions. By subjecting yourself to these hallmarks of citizenship, they hold that you have given up your freedom. “Sovereign citizens” pose a risk in dealing with them as a financial institution.

One belief held among “sovereign citizens” is that an account at the United States Treasury exists in their name and was established at birth as collateral for foreign debt obligations once the United States went off the gold standard. In conjunction with this belief is frequent citation to their state’s Uniform Commercial Code (“UCC”) laws to argue that this gives them access to write debt instruments against their nonexistent United States Treasury account. They then use these self-crafted debt instruments in attempts to satisfy their debt obligations. Essentially, they believe that if they have a debt owed to a lender and issue a “bond” or “remittance coupon,” it satisfies the debt, and as a lender you can then access their “treasury account” with the United States Treasury for satisfaction of their debt.

Courts have determined that claims related to these “payment” methods are not acceptable and have dismissed cases seeking to enforce this type of payment. Indiana courts specifically have stated that arguments incorporating sovereign citizen ideology are “legally frivolous and deserving of summary rejection.”

If a customer attempts to satisfy a debt with any of the methods used by “sovereign citizens,” a financial institution should reject such payment in writing as an invalid form of payment and let the customer know that they are still obligated according to the terms of their agreement. Depending on the circumstances, financial institutions may consider closing the customer’s account provided that they are legally and contractually permitted to do so.

Some key hallmarks to look for to determine whether your customer may be referencing “sovereign citizen” ideology:

- References to the United States Treasury or their account at the United States Treasury;
- Inapplicable references to the Uniform Commercial Code;
- Requests to redact identifying information from their account, such as their social security number;
- Use of odd punctuation and capitalization in their name;
- References to miscellaneous and inapplicable laws, such as maritime laws or the Magna Carta;
- Documentation including an “Apostille Number”;
- References to SLS or “Sovereign Living Soul”;
- Use of thumbprints on documents;
- Use of inapplicable legal arguments, language, or the appearance of a legal document;
- References to denouncement of citizenship or declarations of sovereignty; and
- Many others.

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