

Claimants Name of
witness: A Bates No.
of statement: 1st No.
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August 2018

THE POST OFFICE GROUP LITIGATION

Claim Nos. HQ16X01238, HQ17X02637 & HQ17X04248

**IN THE HIGH COURT OF JUSTICE
QUEEN'S BENCH DIVISION**

BETWEEN:

ALAN BATES & OTHERS

Claimants

-and-

POST OFFICE LIMITED

Defendant

WITNESS STATEMENT OF ALAN BATES

I, Alan Bates, of GRO, do say as follows:

1. I was the Subpostmaster at Craig-y-Don Post Office, 21 Queens Road, Craig-y-Don, Llandudno, North Wales, LL30 1AZ, FAD code 4616146 (the "**Branch**") from 31 March 1998 to 5 November 2003. My first day in the Branch was on 7 May 1998.
2. I am Claimant number 19 in these proceedings, and a Lead Claimant for the purposes of the Common Issues trial. I make this Witness Statement in relation to the Common Issues as defined in Schedule 1 of the First CMC Order.
3. The matters stated within this Witness Statement are true to the best of my knowledge and belief. Unless otherwise stated, the facts contained in this Witness Statement are within my own knowledge and are true. Where they are not within my own knowledge they are derived from the sources to which I refer and are true to the best of my knowledge and belief.
4. Exhibited to this Witness Statement is a paginated bundle of documents marked **AB1**. References in this Witness Statement in the form **[ABlinumberj]** are to pages of that exhibit.

5. As the Defendant is aware, during my tenure as Subpostmaster and since the termination of my appointment, effective from 5 November 2003, I have campaigned in relation to the matters that are disputed in these proceedings. As part of this, I initially set up a group called "Post Office Victims" in 2009. This group later became the Justice for Subpostmasters Alliance ("**JFSA**"), which I launched in or around November 2009.
6. As part of my role within the JFSA, I have spoken to a number of other Subpostmasters who have experienced similar problems with the Defendant. I have therefore obtained information from other Claimants and non-Claimants in these proceedings. On behalf of the JFSA, I also became a member of the 'Working Group' that oversaw the running of the Initial Complaint Review & Mediation Scheme set up at the request of Members of Parliament in relation to this matter in 2012. I am currently a member of the Steering Committee for the Claimants in these proceedings. My evidence given in this Witness Statement is based upon my own recollections of the events around the time of my appointment and during my tenure as Subpostmaster at the Branch, which was many years ago. I identify below where I am aware that facts have since come to my knowledge from other sources.

A. BACKGROUND Career

Background

7. Prior to applying to be appointed Subpostmaster at the Branch, I worked in the heritage and leisure sector, in which I gained around 12 years' professional experience in project management. Though I am not an IT specialist, in that capacity I gained experience in the commissioning and use of Electronic Point of Sale (EPOS) systems.
8. Many of the leisure projects that I managed involved the procurement of EPOS systems for museums and other sites, and part of my role as project manager was to specify these systems and implement projects that involved their use at visitor attractions.
9. Between 1991 and 1996, for example, I worked as Administration Director, and latterly Operations Director, at Eureka!, the Museum for Children in Halifax. I worked with a specialist software company who developed a bespoke, site-specific, software package and I both received training in the EPOS system we procured and oversaw the training of staff at the museum in its use. As I have set out below, this background experience helped me understand shortcomings with Horizon and its unused potential.

10. In August 1996 I left Eureka! **GRO**
GRO
GRO I decided to look for a change in our careers. We were keen to find something that would suit us both involving regular hours and providing a degree of financial stability. We were also interested in developing a business at the same time. It was these considerations that drew us to running a Post Office branch.

11. A key attraction to working with Post Office was that it would provide secure employment, based upon the fact that it provides a community service and has an established brand in the community. From among the various small business options available, a Post Office branch would, in my mind, be a safe option. I was also encouraged by the fact that I could run a secondary business, such as a retail shop, alongside the Post Office branch,

Initial Enquiries

12. From around mid-1997 Suzanne and I began searching for an available Post Office branch. We were prepared to consider branches in a wide geographical area, focussing our search on the West Country and Wales as we both wanted to live near the coast. At the time, we lived in Hebden Bridge, West Yorkshire, but were open minded to moving. It was always our intention that I would become the Subpostmaster, not Suzanne.
13. I mainly learnt of opportunities to purchase a Post Office business by visiting websites such as Humberstones and Post Office's own website, and by reading editions of Daltons Weekly magazine. Each advertisement typically gave a brief description of the premises, including any residential accommodation that came with it, details about the business turnover, remuneration and size of the branch. This information was helpful to me in comparing the available options and shortlisting branches that I was interested in viewing.
14. By these means, we learned that the Craig-y-Don Branch was available and I was particularly interested because it was being sold together with a haberdashery and general retail business, which was known as *'The Wool Post'*, and had substantial residential accommodation above it. It was advertised online, along with others, via the vendor's business transfer agent, Ian Free. The advertised turnover and remuneration figures were favourable, and I also knew Craig-y-Don, being part of my former home town, to be a large community in which a Post Office was likely to remain an essential service.
15. During the autumn of 1997, I arranged to view the Branch through Ian Free, and around this time I also contacted Mr Idris Jones of Post Office to ask about the Branch. This was

by way of an initial enquiry only, and my recollection is that it resulted in me being sent the information sheet to which I refer at paragraph 35 below **[AB1/1-5]**.

16. I visited the Branch on several occasions, including unannounced visits where I observed the Branch from the street, to get a feel for the business flow. On two such visits, however, I arranged to see and speak to the vendors, Mr Peter Savage the incumbent Subpostmaster, and his wife Mrs Joan Savage. Each such visit lasted around an hour or two and their purpose was to take a general look at the Branch in order to satisfy ourselves that it was a viable business opportunity. Our enquiries focussed on the flow of customers and the products offered at the Branch. As our interest grew, we asked to see Mr Savage's accounts and were given profit and loss accounts for the previous three years.
17. Our impressions were that the figures were satisfactory, but they showed there was potential of the kind we were looking for. As I discuss in further detail at paragraphs 42 to 47 below, I was required by Post Office, as part of my application, to submit a business plan. I appended the accounts to the business plan and set out much of what I knew about Mr Savage's business in it as well **[AB1/52-54]**.
18. The fundamentals of the business were reasonably clear from the accounts and what we were able to observe from our visits, there being nothing particularly complicated about the nature of the business. During our visits, Mr Savage broadly spoke positively and in general terms about his experience of running a Post Office branch. He was of retirement age, and the impression we formed was that we would be taking over a viable and busy branch where there were no difficulties with Post Office.
19. Although I cannot remember exactly what was said, I do recall that Mr Savage and I discussed his remuneration, as this was an important consideration for me. It was explained to me that there were two components to it, the first being a 'standard' office payment determined by the size of the branch, and the second being based upon monthly sales or transaction volumes.
20. My general enquiries of Mr Savage touched briefly upon the way in which he dealt with Branch accounts. He prepared accounts manually, largely on paper, but with the assistance of a computer programme, "Capture", that he had purchased privately, although Post Office had approved of its use, Mr Savage used Capture to generate an electronic copy of the Branch's weekly returns, which were printed and submitted to Post Office, though the data was inputted into Capture manually. I remember this because I was interested in knowing what IT systems would come with the business.

21. While I cannot recall precisely what was said, I do remember that during one of my visits to the Branch Mr Savage explained that he had a practice of keeping "*unders and overs*" in a tin in the safe as a system to deal with any odd shorts or overs. I remember this because I thought it to be rather casual and unusual for a business. Nevertheless, I was not particularly concerned and considered it to be a matter for Mr Savage and his staff and I did not understand it to involve large figures or to be problematic.
22. There was, at the time, a three-position Post Office counter at the Branch. I was shown behind the Counter, but I have no recollection of being shown, or looking at, any Branch Operations Manual maintained by Mr Savage and our discussions didn't descend to that level of detail in any event. I did not ask to see a copy of his contract with Post Office and had no reason to think that I would need to. We did not discuss his contract with Post Office either. I had no expectation that he would discuss those sorts of things with me, as at that point I had not applied for the position. I expected that such matters would be discussed with Post Office directly, if I did choose to apply for the position, rather than with Mr Savage.
23. Taking into account the information we had gathered, in particular the profitability and overall viability of the business, which were the most important considerations, we decided to look to purchase the Branch. The retail business was particularly attractive to Suzanne because it aligned with her own interests and the Branch and retail business appeared both to match our budget and present us with a comprehensive business opportunity, in a place where we were happy to make our home.

Agreement to Purchase the Branch

24. In late 1997, we approached Ian Free to negotiate the purchase of the Branch. We learned from this that another interested party had already indicated willingness to purchase the Branch at or around the asking price. So in the event there was limited, if any, scope to negotiate.
25. Nevertheless, Mr and Mrs Savage agreed to sell the Branch to us (subject to me being appointed Subpostmaster), and on 15 December 1997, Suzanne and I entered into a Memorandum of Agreement for the purchase of the Premises and business at the price of £175,000, and paid the required deposit of £8,000. Ian Free drafted the agreement. I instructed a firm of solicitors, Messrs DC Williams (located in Chester), for the purchase of the Branch and business. I recall that they reviewed the terms of the Memorandum of Agreement, which were uncontroversial, and I did not negotiate terms specifically.

26. I refer to a copy of the Memorandum of Agreement at **[AB1/44-50]**. As it records, Suzanne and I agreed to purchase the Premises and business for a total price of £175,000, which seemed acceptable to us. That figure comprised:-
- 26.1 The freehold title of the Premises, at a price of £80,000.
- 26.2 The business goodwill of the Branch and The Wool Post business, at a price of £65,000. This was calculated on the basis of the annual Post Office remuneration at the Branch, to which, as I understand it, a multiplier of approximately 1.5 was applied as was normal for the valuation of goodwill of a Post Office branch.
- 26.3 A figure for fixtures and fittings, which was £10,000. Fixtures and fittings were set out in a schedule to the Memorandum **[AB1149]** and included not only those found in the Premises relating to The Wool Post retail business, but also the Post Office counters themselves and some other Branch fittings and equipment.
- 26.4 The stock was priced at £20,000.
27. For Suzanne and me, this was a major investment. It was a large amount of money, but we were willing to invest it in this way because we were sure there was a large measure of security in running a Post Office branch, which was, to our mind, a relatively safe investment upon which we would likely receive a return.
28. To fund the purchase, we needed to stretch ourselves. We used our collective savings of £53,738, and entered into a substantial commercial loan for the sum of £125,000 with Royal Bank of Scotland ("**RBS**"). To obtain the loan we had to give a second legal charge over our residential property in Hebden Bridge. I refer to a copy of the loan agreement at **[AB1/56-57]**. I had to secure this funding prior to making an application to Post Office, as it required proof as part of my Business Plan, which I detail further below at paragraphs 42 to 47.
29. In overview, the terms of this commercial loan were as follows:
- 29.1 Loan amount of £125,000;
- 29.2 Loan term of 15 years; and
- 29.3 Interest rate of 2.5% above base rate, which was comparatively high at the time at 7.25%.

30. This was a significant commitment for us at the time. I refer to the nature of this and other long-term commitments we made to our working relationship with Post Office at paragraphs 87 to 99 below. But suffice it to say that neither I, nor Suzanne, would make a commitment of that nature if we thought that the investment could be put at risk, still less undermined entirely, by Post Office terminating my appointment without cause or compensation for doing so.
31. Clearly, the Memorandum of Agreement had to be based on some conditions or at least allow us (or the Savages) to back out of it in certain circumstances. These were: -
- 31.1 That Post Office must agree to appoint me as Subpostmaster within 4 months (clause 7(a)).
- 31.2 I had to "satisfactorily" complete and return application forms for the position of Subpostmaster (clause 7(a) (I)). Before signing this agreement, I did not know precisely what the application form would require, but I understood that this was a step that I would need to take to be appointed as Subpostmaster at the Branch.
- 31.3 If required, I had to submit a business plan and/or cash flow projection to Post Office. Again, prior to signing this agreement, I did not know precisely what was required by Post Office, but it was not surprising that I should be required to do this in order to apply for the position.
- 31.4 I had to attend an interview at a date and time requested by Post Office.
- 31.5 Local conveyancing searches and the vendor's evidence of title were to be satisfactory, i.e. not such that a reasonable purchaser would be unwilling to go through with the purchase the Premises.
32. The Memorandum of Agreement also allowed either party to pull out of the deal if:
- "...Post Office Counters Limited declines to appoint the Purchaser(s) to be Sub Post Master except on terms which are materially different from the terms on which the Vendor(s) hold the appointment and are such that a reasonable Purchaser(s) would be unwilling to purchase"(Memorandum of Agreement, clause 7(c)).*
33. This is not something I regarded as significant at the time. In any case, my discussions with Mr Savage, to which I refer at paragraphs 16 to 22 above, did not touch on any specific contractual terms between him and Post Office and I wasn't aware of them. So I did not have any way of knowing personally if any contractual terms offered to me were any

different from those between Post Office and Mr Savage. I can only assume that terms like that were included by business transfer agents as a matter of course.

B. APPOINTMENT PROCESS

Application to Post Office

34. Having entered into the Memorandum of Agreement, I then looked to making a formal application to Post Office for the Subpostmaster position. I recall that the process in this respect involved the current or outgoing Subpostmaster tendering his resignation, at which point Post Office would then accept applications for the role.
35. On a date that I cannot presently recall, Post Office sent me an information leaflet, titled "ARS 44 (SPSO) Subpostmasters Information Sheet" [AB1/1-5]. This leaflet set out the key expectations of a Subpostmaster, eligibility criteria and normal opening hours. This aligned broadly with my own expectations of what would likely be required prior to interview.
36. The information sheet explained:
- 36.1 *"REMUNERATION:...in order to reflect the uncertainty and risk to Post Office Counters Ltd in making a new appointment at an office which attracts a remuneration of 02,012.00 or more, the remuneration paid for the first twelve month period will be 75% of the payment warranted"*
- 36.2 *'ACCOUNTS: ...the Subpostmaster is personally responsible for all losses or gains incurred to Post Office cash or stock. Losses must normally be made good immediately they are discovered. Gains are normally retained by the Subpostmaster',*
37. I was aware that Branch accounts were to be prepared and submitted to Post Office, and that this was done manually at the Branch with the assistance of Capture (see paragraph 20 above). To me it was a matter of common sense that I would need to submit accounts for which a Subpostmaster would have a measure of responsibility. I certainly did not think that I would be taking on open-ended responsibility for all and any losses including those for which I was not responsible, still less of significant sums. I knew that if I was appointed I would be running the Branch and would oversee it. I would be able to prepare accounts weekly, using the manual method that had been briefly explained by Mr Savage, and identify any accounting disparities for myself, so the scope for this sort of thing would be very limited indeed. Throughout my enquiries, including those made at other potential branches, I had

not heard of any problems with accounting. I also expected that the operation of a Sub Post Office was a tried and tested thing. It did not occur to me that I would ever be held liable for losses that were not my fault, as this concept seems so unjust that I did not consider it a possibility.

38. I also recall having in mind when applying that a 25% deduction would be made to my remuneration in the first year. This was important to me, as it would impose pressure on the first year's trading and I highlighted that concern in the Business Plan to which I refer in paragraphs 42 to 47 below. Nevertheless, on what I considered the likely turnover would be, my assessment was that the business would still be viable.
39. I understand from reading Post Office's Defence in my claim that Post Office's case is that at or prior to the date of my interview, to which I refer at paragraphs 48 to 51 below, it would also have sent to me another document entitled *sARS43 JOB DESCRIPTION FOR A SUBPOSTMASTER*, to which I refer at [AB1/6-13]. My broad recollection is that I received that document on 8 May 1998, together with other documents I was given when I took over the branch, to which I refer below. However, I cannot exclude the possibility that this document, which is general in nature, was sent to me before that.
40. On 6 January 1998 I received a letter from Post Office thanking me for my enquiry into the vacant post of Subpostmaster at the Branch [AB1/62]. The paperwork I have kept from around this time includes only the first page of that letter, so I have not been able to refresh my memory on its full contents. Indeed, as I understand it Post Office has only disclosed the first page, in relation to my appointment, in these proceedings too, and as a result I can't be sure that I was aware of the full contents of the letter at the time, though I did submit an application using the application form appended to it. The letter gave an estimated annual remuneration of £38,021.98 and stated that this was made up of a "Product Payment" and "Assigned Office Payment". This aligned with the information I had obtained from Mr Savage, as I have described at paragraph 19 above. The letter also explained to me that *"...in recognition of the opportunity to operate a Post Office on behalf of Post Office Counters Limited, the remuneration paid for the first 12 month period will be 75% of the payment as above."*
41. As shown on the first page of this letter, Post Office asked me to complete and return the application form and also to complete further documents which are said to have been listed in Appendix B. I was given only until 30 January 1998 to complete these and send them to Post Office. By that time, I had given thought to the viability of the business, but nevertheless completing the application was no small task.

42. The information that Post Office required me to submit was detailed. It included a detailed business plan (the "**Business Plan**"), in a form prescribed by Post Office, but which I put into an electronically amendable format to improve the presentation and provide a more professional document. I was required to produce a cash flow forecast, which was comprised of projected budgets for detailed areas of the Post Office business, including stock/materials, wages, uniforms, business insurance, postages, printing/stationery, motoring expenses, professional fees, cleaning materials and other sundries.
43. I included everything that was asked for, and the cash flow forecast fairly reflected my own view based upon the past years' accounts prepared by Mr Savage, which I included with it (at Appendix C) and refer to at [AB1/52-54]. I have since seen that Mr Savage included a small sum of £208, in his accounts for 1993-4, for "*Post Office Shortages*". I don't recall it being clear what that referred to at the time, and it remains unclear. My Business Plan made no provision for losses arising from Branch accounts at all. For the reasons I have given above, I simply did not consider this to be material.
44. I submitted the application to Post Office on 15 January 1998. I refer to a full copy of that application and accompanying documents, which I have kept [AB1/9-61]. The application included:
- 44.1 An application form, in standard form prescribed by Post Office;
 - 44.2 The Business Plan, as above;
 - 44.3 A copy of the Memorandum of Agreement; and
 - 44.4 Details of how I proposed to finance purchase of the Branch, including a copy of my Loan Agreement with RBS (see paragraph 28 to 29 above).
45. My Business Plan contained over three pages of information on my planned "*new business activities*". These reflected what I had in mind for expanding the Branch and retail business and making it more efficient on the information I had at the time. As I explained to Post Office in my Business Plan, I planned to do the following: -
- 45.1 Within the first six months, I aimed to increase stock levels of the core items on offer, and, at first, make initial improvements to the layout of the display units, paintwork and existing lighting. I made clear that I would be "*monitoring the sales within the retail area*" as I wanted to evaluate how things went in the first six months before making any major changes.

- 45.2 Within the first six months, I also wanted to conduct market research and develop the product range.
- 45.3 I intended to refurbish the retail area in full after the first six months. To do this, I knew I would need to take some preliminary steps, including:
- (a) Sourcing and applying for any grant funding assistance;
 - (b) Establishing suppliers;
 - (c) Introducing an EPOS system for the retail side of the business;
 - (d) Installing CCTV; and
 - (e) Upgrading security.
46. I tried to give as clear an expression as possible of my intentions for the Branch, in recognition of the long-term commitment both the Post Office and I were making. I intended to operate the Branch and retail business for a number of years and substantially develop them, and my Business Plan made that clear.
47. When applying, it was my clear understanding that I would be working together with Post Office, in business terms by way of a working partnership, to develop the Branch and increase sales, and not doing this in isolation. Again, I explained in my Business Plan that I would *"consult POCL at an early stage to gain their comments and approval.... prior to commencing any major work"*. I understood that Post Office and I were working together towards common goals of developing the Branch and increasing turnover.

Interview

48. I am unable to recall the precise date, but shortly after I submitted my application, I was invited to interview, which took place at Post Office's regional office in Bangor. I was interviewed by Mr Jones, and Suzanne also attended, as this was to be a joint business venture.
49. My main recollection of the interview was discussing the Business Plan I had submitted. I recall also briefly discussing opening hours and remuneration with Mr Jones. I remember this because I remained open to changing the hours operated by Mr Savage, but at the same time Mr Jones wanted me to maintain different opening hours in accordance with Post Office requirements. Mr Savage had closed the Branch during lunchtimes and for Wednesday afternoons, which was not compatible with new Post Office requirements. This

change in opening hours was different from the proposals I made in my Business Plan, where I had said I would review the opening hours *"to include seasonal opening and trial periods"*. In the end, however, I was given little opportunity to negotiate opening hours and had to accept those that were imposed upon me by Post Office.

50. During the interview, from the discussions that we had, I believe that it was clear to Mr Jones that I intended to work in the Branch myself, as I was going to be busy developing the business as much as I could. I don't recall having any choice or discussion about whether I could be an absent Subpostmaster.
51. I am certain that Mr Jones did not show me a copy of any contract as it was my practice to request copies of and consider lengthy contract documents of that kind carefully in my own time.

Accepting my Appointment

52. On 31 March 1998, I received a letter from Mr Jones (which is dated 30 March 1998) (**"Appointment Letter"**) (AB1/63-68], confirming that my application had been successful. Mr Jones took the trouble to welcome me *"to the ranks of our local Subpostmasters"* and made clear to me that *"Post Office Counters Ltd will endeavour to support you through every stage of your appointment."*
53. There were two documents enclosed with the Appointment Letter, and these set out the terms and conditions of my appointment. They were: -
- 53.1 A three-page document entitled *"Conditions of Appointment for Craig-y-Don Sub Post Office"* (**"Three-Page Document"**) [AB1/64-66], of which, I believe, two copies were enclosed with the letter; and
- 53.2 A two-page document entitled *"Craig-y-Don — Conditions of Appointment"* (**"Two-Page Document"**) FAB1/67-681 of which I believe only one copy was enclosed.
54. The Three-Page Document listed a number of conditions of my appointment. These covered a range of topics such as remuneration, training, the opening hours of the Branch, posters and advertising, quality of service, signage, trading hours, national lottery, weekly accounting, introductory and ongoing procedural training, matters relating to the Welsh Language Act, point of sale displays, a mystery shopper scheme, requirements for a queuing area and details about 'counters club'. Though I'd previously received the summary I refer to in paragraph 35 above, this was the first time I had seen the conditions

of appointment. None seemed particularly unusual to me. They dealt with, for the most part, matters I expected to see in a contract of this kind.

55. I read the Three-Page Document and signed it, as required, on 31 March 1988. I returned this on the same date understanding that this was my contract with Post Office and that I had accepted my appointment on those terms. This made sense to me on the wording of the Appointment Letter and its enclosures,

56. The Three-Page Document stated that I would be *"bound by the terms of the standard Subpostmasters Contract for services at scale payment offices, a copy of which is enclosed"*, but the only other enclosure (either to the Appointment Letter, or the Three-Page Document) was the Two-Page Document. That was in turn clearly headed "CRAIG-Y-DON - CONDITIONS OF APPOINTMENT". Therefore, I really had no reason to think that anything other than those terms was being referred to. If further material terms were going to be applicable to my appointment, I certainly expected that Post Office would provide them to me so that I could consider them before signing any such documents.

57. The Two-Page Document did not require my signature. It largely repeated the conditions that were listed in the Three-Page Document. But an additional term was included. It said:

"It is expected that you will render personal service at the Post Office in order to ensure a high professional and accurate standard of POCL work and to focus on initiatives to grow volume"

58. I read through both the Three-Page and the Two-Page documents carefully and considered them. I didn't think there was anything objectionable about them, and there was nothing obvious that I thought was missing at the time. Among others, they contained the following further conditions:

58.1 In relation to weekly accounting:

"The outlet currently utilises a computerised system to handle its accounting aspects. This arrangement which contributes significantly towards safeguarding the standards and quality of the work which is undertaken on behalf of our client customers and is a system which should continue to be used until the office is automated as part of the national programme currently being rolled out"

58.2 In relation to training:

"You will be required to attend 2 days training prior to your taking up the appointment. The training will also be offered to your spouse or partner." ...

"We will provide all training that is necessary for yourself." ...

"You be expected to conduct refresher training sessions with you [sic] staff from time to time outside normal Post Office working hours using material and training briefs that will be supplied to you." ...

"Additionally, meetings and training sessions are organised periodically... by the Regional Network Manager, and under the terms of your contract you are expected to attend these events."

59. As a result, I didn't think there was anything arising from those terms that I needed to take professional advice about and at no point did Post Office indicate that I should seek any legal advice. Of interest to me was that Post Office wanted to maintain some control over the services I could provide at the Branch, a matter to which I return at paragraphs 111 to 120 below. The Three-Page Document and Two-Page Document provided, in particular, that:

"NATIONAL LOTTERY: A National Lottery playstation must be installed in a prominent position within the shop trading area"

60. I understand from the Defence to my claim served by Post Office that it is suggested that a number of documents would have been provided to me as part of my appointment process, based upon Post Office's internal procedures at the time. One of these is that I would have been sent a full copy of what I now know to be the Standard Subpostmaster Contract (the "SPMC"). It is said, in particular (at paragraph 21 of the Defence) that the contract should have been sent with the Appointment Letter to which I refer above. I can say with complete confidence that Post Office did not follow its procedures in this respect and that the SPMC was not provided with my Appointment Letter, if that is what those procedures required. I would remember if it had been, and I certainly would retain a copy and, as I explain below, seek advice on it as well.

61. Through my role on the Working Group for the Initial Complaint Review and Mediation Scheme, to which I refer above, I have since become aware that in fact a large number of Subpostmasters — to my recollection, something approaching half of those who participated

in the Scheme — said that they did not receive a copy of the full SPMC prior to or on their appointment, so it appears that my own experience was far from out of the ordinary in this respect.

62. In fact at no stage during the process of my application, appointment and Branch opening, which I described more fully below, was I ever sent a copy of the SPMC. I first obtained a copy of the SPMC much later, in the circumstances I explain below (paragraphs 105 to 110). At no point during my appointment process was it mentioned or explained to me that the SPMC, which was a lengthy document of 114 pages, governed the terms of my appointment.
63. Had I been supplied with a copy at the time, I would consider its contents with the same care that I took over the Two-Page and Three-Page documents and given what I now know it contains, I am confident that I would take legal advice on its contents, as I did with the Memorandum of Agreement (see paragraph 25 above). As I note above, at no point did Post Office advise me that I should seek legal advice either, and I did not expect them to given that the documents that I actually received seemed straightforward. In my career to that point, I had overseen projects in which quite detailed commercial contracts were entered into. I would be surprised had I been provided with a document of that length and complexity and would want to know the obligations it imposed upon me.
64. Having accepted my appointment, I started preparing my affairs to get ready for the hand-over of the Branch and, of course, for my own move to North Wales. Completion of the purchase of the Branch and retail business took place on a date following my appointment that I cannot presently recall, and was dealt with by my solicitors.
65. By letter dated 1 April 1998, Post Office confirmed that the Branch transfer would take place on 29 April 1998 **[AI31/69]**. However, it was a requirement that I attend classroom-based training in advance, and to accommodate that, the Branch transfer date was put back to 7 May 1998 as I recall that no trainers were available for the earlier planned date.

Initial Classroom Training

66. My expectations were that Post Office would arrange for me to attend training of the kind referred to in the information leaflet sent to me before my interview with Mr Jones (please see paragraph 35), which stated that:

"TRAINING: ...Training is given for one week or two weeks, depending on the size of the office, normally by an experienced Postal Officer at the Post Office's expense"

67. As suggested by Post Office by letter dated 1 April 1998 **[AB1169]**, during the course of April 1998 I received a call from Steve Hughes, Post Office trainer, to arrange induction training. Steve Hughes explained that he would be with me for my first week at the Branch to provide training and support. He also made arrangements for me to attend 2 days off-site, classroom style training.
68. The off-site training, which I believe was given in April 1998, took place in a room above Rhyl Post Office. Steve Hughes was the only trainer present and his training was delivered one-to-one. I have retained a copy of a document *"Introducing Post Office Counters / Subpostmasters Induction Booklet"* ("*induction Booklet*") which I refer to at **[AB1/70-83]**. As my training was over two decades ago I cannot remember whether this booklet was provided to me during my classroom training in addition to being provided to me by Steve Hughes on the day after my Branch hand over, as I describe below at paragraph 73.
69. I cannot remember the precise content of the training I received in detail, but I do remember that it was introductory in nature and the focus was on familiarising me with what Post Office did and the services that different branches offered. I have since seen that the Induction Booklet suggests that I would be given training on *"Putting the Customer First"* said to be *"...a series of training sessions normally delivered face-to-face by your Retail Network Manager"*. I don't recall ever receiving any of those training sessions and Steve Hughes was not in fact my Retail Network Manager.

Branch Transfer and Opening

70. As previously arranged, Steve Hughes attended the Branch with me for my first day operating it and, after that, for a total period of 5 days to give me induction training. During this time, Steve Hughes essentially helped me to serve customers and showed me how to deal with particular Post Office transactions as they came up.
71. I understand from Post Office's Defence to my claim that it is suggested that an audit was carried out on 6 May 1998 at which I was present. I do not believe I was at the Branch for an audit on 6 May 1998. In fact, I recall that I moved to Llandudno from West Yorkshire on that day, and my first day operating the Branch was 7 May 1998.

72. On my first day there was a great deal to get used to in very short space of time. Everything was new to me. It was not only a Post Office branch, but also a busy retail shop and, from the beginning, the full focus of Steve Hughes' attention and mine was on the practical side of serving customers, learning how to carry out a range of different customer transactions and the paperwork associated with those transactions in the Branch.
73. It was only on the second day, 8 May 1998, that Steve Hughes gave me a number of documents concerning my appointment. We could only turn to these in between serving customers and they were part of what Steve told me he had to deal with as part of the Branch transfer. I have looked at the documents I have kept and I can see that the documents he gave me included the following, in respect of which I set out my recollections below:
- 73.1 Acknowledgment of Appointment, which I was asked to sign **[AB/84]**;
 - 73.2 Induction Booklet **[AB1/70-83]**;
 - 73.3 ARS110 'List of Rules, Postal Instructions and Forms Issued', which I was also asked to sign **[AB1/85-86]**;
 - 73.4 MB/401 — Recruitment of Sub Office Assistants **[AB1/87-88]**;
 - 73.5 Subpostmaster' National Insurance Contributions, Staff Costs **[AB1/89-90]**;
 - 73.6 Post Office Counters Limited - Section 4 **[AB1/91]**;
 - 73.7 Sery 135 **[AB1/92-93]**;
 - 73.8 Sery 154 — Financial Services Act **[AB1/94-97]**;
 - 73.9 ARS 56A - Transfer Documentation **[AB1/98-99]**; and
 - 73.10 ARS 43 — Job Description for a Subpostmaster, to which I have referred above at paragraph 39 **[AB1/6-8]**.
74. Steve Hughes gave me a basic explanation of what each one was, but we didn't discuss them in any detail and they all seemed to me to be about relatively straightforward matters. Again, we were pressed for time and my priority was learning all I could from Steve Hughes rather than dealing with additional paperwork like this.
75. I understood dealing with these documents to be a formality and I had in any case already accepted the conditions of my appointment and was already operating the Branch. My

assumption was that anything particularly important had been provided to me before I completed the purchase of the Branch and retail business and before I was appointed as Subpostmaster.

76. I do recall signing the main Acknowledgment of Appointment document **[AB1/84]**. It was formatted to look like a certificate and stated that I agreed to be bound by the terms of my contract. Again, as I explain at paragraphs 52 to 60 above, I believed the terms of my contract were those set out in the Three-Page and Two-Page Documents provided with the Appointment Letter.
77. The Acknowledgement of Appointment document also referred to a 'Book of Rules' and to 'Postal Instructions issued to me'. No explanation was given as to what these meant, and I have no idea what those references were intended to encompass. I understand that no Book of Rules or similar document has been disclosed by Post Office in these proceedings and I remain unsure what this means.
78. Whilst Steve Hughes was at the Branch, one of the tasks I remember him doing was to go through and check numerous hard copy binders containing booklets that were kept by Mr Savage behind the Post Office counter. He told me that this was where to look for details about handling specific transactions at the Branch and Post Office processes if I needed to.
79. I was left with the impression he was checking to ensure that I had the most up to date information available to me in the Branch if I needed it. I was required to sign form ARS110 **[AB1/85-86]**, in which a number of items that should be present in my Branch were listed; it indicated in that form that he had checked these off. I have since seen that it included the 'Counters Operations Manual', which I believe to be the set of binders I refer to above. I was in no position to question Steve Hughes and signed it on the basis he had done these documentary checks for me.
80. The hard copy binders were part of quite a large amount of documentation that was in the Branch when I took it over. From my recollection there were information packs, manuals and other hard copy information sheets that were also kept behind the counter, together with a mass of stationery and forms for use with customers. I have not kept a copy of these documents. Nobody talked me through the contents of all of these. It was an overwhelming amount of material for anyone to read and digest on top of getting used to running the Branch and a busy retail shop. Much of it was in the nature of reference material, and standard forms to issue to customers as required.

81. A further document I signed on 8 May was entitled 'Sery 135' [AB1/92-93]. This highlighted certain matters that were said to be requirements upon Subpostmasters. In preparing this Witness Statement I have looked back at this document and i also understand that it is Post Office's case that it refers to a yet further document that was my contract. While I see that it refers to "extracts" from a contract, and refers to what are described as "sections", I did not take this at the time to be anything other than yet another document containing Post Office instructions. I had no reason to think otherwise.
82. Again, there was no real discussion of its contents with Steve Hughes and I did not have the opportunity to take this away and read it in any detail before signing it. I fully expected Post Office to draw my attention to any particular contractual requirement before I accepted the role.
83. A document headed ARS56A [AB1/98-99], reiterated Post Office's requirement that I *"...render, on average, not less than 18 hours personal service each week"* of which I was already aware, as I have explained above. A further document dealt with absence on holiday and said I was required to apply three weeks in advance [AB1/91].
84. I remember that I read the Induction Booklet [AB1/70-83]. It was very clear from it that Post Office would be working together with me in this venture. The message given by it was one of working in what amounted to a kind of partnership and it was made clear, for example, that *la]s Post Office Counters' success depends on your success please do not hesitate to make use of the support and expertise on offer."*
85. I have since also seen that the Induction Booklet stated that I would have received the *"full contract"* on my *"day of appointment at the latest"*. Again, before 8 May 1998, the only documents I had been provided with were the Three-Page and Two-Page Documents enclosed with the Appointment Letter. Reading this booklet didn't affect my prior understanding about the status of those documents. I would remember if it did so.
86. Shortly after the Branch was transferred to me, some further documentation was sent to me by Post Office, under the cover of a letter dated 12 May 1998, which related to staff costs, PAYE and National Insurance [AB1/100-106]. I believe I signed and returned the documents enclosed with that letter, though as they were largely administrative in nature and it was an extremely busy time following Steve Hughes leaving me to manage on my own, I don't have a clear recollection of considering them in any particular detail at the time.

C. ISSUES AND ASPECTS OF THE RELATIONSHIP**Expectations and Reliance on Post Office**

87. I understand that one of the matters the Court is likely to consider in order to determine the Common Issues in these proceedings is the nature of my relationship with Post Office and the nature of mine and Post Office's expectations and commitments in respect of it.
88. As explained above, the commitment I made was substantial and of a long-term nature, not only in my acquisition of the retail business, but equally in the purchase of, running and development of the Branch at Craig-y-Don.
89. As I have set out above, one financial commitment Suzanne and I had to make was entering into, and over the years servicing, the commercial loan with RBS secured by a charge over our former home, details of which I have set out at paragraphs 28 to 29 above. This was a commitment Post Office was fully aware of from my Business Plan. By entering into it, I agreed to assume liability for a considerable sum and service the payment of instalments of interest and capital at commercial rates for a 15-year period. As mention at paragraph 28 above, we also invested our joint savings of E52,738. We were, in short, investing much if not all of what we had in this venture and it was a venture based upon a working relationship with Post Office.
90. As I also mention above, I accepted the appointment aware that the remuneration to be paid by Post Office would be subject to a deduction of 25% for the first 12 months of the appointment. This meant that I was committed for the long term, not least as that deduction represented a considerable sum and made the business case for the first year, while still viable, more marginal as I explain above, and as I explained, with regard to the lack of capacity for increased staff wages at least, in my Business Plan.
91. Beyond that, Suzanne's and my commitment was far more than a financial one. As detailed at paragraph 57 above, it was a requirement that I provide a minimum of 18 hours personal service at the Branch. The opening hours were also quite onerous (9am — 5.30pm Monday to Friday and 9am to 12.30pm on Saturday, with no closure over lunch periods or during Wednesday afternoons) and much more than we originally wanted. I was therefore required to make a considerable personal investment of time and be prepared to do so over a number of years.

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92. As time went on, we made many further long-term financial commitments to the Branch and retail business. Each of these was only worthwhile to us in the longer term and assumed and relied upon mutual commitment to the working relationship between myself and Post Office. They were as follows:

92.1 I employed numerous Assistants to work in the Branch. Initially, the Assistants I employed transferred to my employment under TUPE when the business passed from Mr Savage to me. They were Liz Roberts, Kate Darby, Pat Whitehouse, Rowena Funnel and Ann Townley. Other Assistants engaged by me over the years included Jacqueline Birch, Beverly Hill, Kathleen Fisher and Judith Hudson. Assistants occasionally worked on the retail side, but predominantly in the Post Office.

92.2 This was an ongoing responsibility for numerous employees and a management burden for all personnel issues. Staff costs, including wages, increased over the time of my appointment. In the absence of direct help on this from Post Office I obtained advice from Central Personnel Register, a firm recognised by the National Federation of Subpostmasters ("**NFSP**"), to whom I paid fees (of approximately £66 per Assistant) to produce employment contracts and help with background advice. **[ABM 07-108]**.

92.3 I arranged for the installation, for a time, of a tourist information point in the Premises, to increase footfall and interest in both the Branch and retail business. During the course of 2001, I also arranged for the installation of an instant photo booth at the Branch.

92.4 Though I cannot recall the exact dates upon which I incurred the cost of the works, in and around June to August 2000 I invested a further £35,000 in an expansion and renovation of the Branch. I funded this partly by increasing the capital advanced under my loan agreement with RBS and in part with some capital from the sale of our property in West Yorkshire, with the approval of RBS.

92.5 The purpose of the works was to move the Post Office counter into a more prominent position at the front of the shop, so as to improve customer flow and increase business, and to build a new extension at the back for the retail business. This was a direct investment in the Branch proposition, and in its long-term future profitability. I referred to these improvements in letters to Post Office, including letters dated 12 January 1999 **[AB/109-110]** and 1 February 2001 **[AB1/111-112]**.

- 92.6 To my recollection, Post Office participated in this only to the extent that it arranged for the alarm system and safe in the Branch to be moved during the works in 2000, and bore the cost of doing so. Post Office also required that I use one of their approved suppliers to relocate and refurbish the Post Office counter.
93. On top of this, I continuously worked to build up both the Post Office and retail business and their business goodwill. That was a long-term commitment and required personal energy as well as support, where it was available, from Post Office.
94. My understanding is that Post Office itself recognises the investments made by Subpostmasters in their Branch in this respect and indeed has, over the years sought to value that investment in arrangements it has entered into, for example, for compensating Subpostmasters when closing branches. I refer to a letter sent to me by Post Office dated 9 April 2002, relating to the '*Network Reinvention*' then being undertaken, to illustrate this [AB1/113-116].
95. Post Office's proposal was to compensate Subpostmasters in selected branches who were willing to leave the network by a payment equivalent to 28 months of their remuneration *"...based upon the long-standing arrangements which have been operated by Post Office Ltd. and the National Federation of Subpostmasters through the Joint Discretionary Fund."*
96. By a further letter dated 15 May 2003 [AB1117-126], Post Office proposed to compensate Subpostmasters appointed before 31 March 1999 as described above, and those appointed after that date by reference to a sliding scale based upon the most highly remunerated full financial year since appointment
97. I have since seen documents disclosed by Post Office which are said to relate to those '*long-standing arrangements*', and which comprise what appear to be a series of agreements between Post Office (and its predecessors) and the National Federation of Subpostmasters ("**NFSP**"), to which I refer at [AB/127-165].
98. I made these commitments in the expectation that Post Office would provide support to me in the running of the Branch and participate in what was in business terms to be a working partnership.
99. The impression conveyed to me throughout the appointment and Branch opening process was that Post Office had the same expectations as me on this. As I mention in paragraph 30 above, I certainly would not have made the financial and other personal commitments I did had here been any uncertainty about the relationship with Post Office over the long-

term, or risk a of termination of that relationship by Post Office without good cause or without compensation.

100. Again, as I noted above, I did not think I needed to take legal advice on the terms of my appointment, though I would, if I had been provided with the substantial SPMC document subsequently given to me.

Variations to the Terms of my Appointment

101. My understanding of the basis upon which I was appointed Subpostmaster by Post Office at the Branch is as I have set out in paragraphs 52 to 63 above. However, changes to that basis were also made during the period of my appointment.
102. First, in October 2000 Post Office introduced Horizon at my Branch and imposed upon me a requirement that I use it to record transactions at the Branch and to submit Branch accounts. To the best of my recollection, Horizon was installed from 2 October 2000. I remember that the Branch was closed around this time to allow for this. I refer to a copy of a sign that I printed to be displayed at the Branch regarding that closure [AB1/166].
103. I did not have any involvement in discussions about the introduction of Horizon, and I had no choice but to accept and accommodate this variation. Obviously, this was also a huge change in how I operated the Branch, as many of the previous processes that I had been trained on and had operated at the Branch by were made obsolete not only for me, but also for my assistants. Given my background with EPOS systems, to which I refer above, I regarded the introduction of Horizon, at first, as a positive innovation. However, as I refer to below, I did have many difficulties in ascertaining the cause of apparent shortfalls.
104. Second, Post Office would issue a large number of instructions to me and, so far as I am aware, to Subpostmasters generally. These instructions were often set out in Counter News, a circular sent by Post Office to the Branch regularly. I tried to keep up with Counter News as best I could, and to ensure that my staff saw it too. I filed copies of Counter News when they were no longer current. These mainly included instructions and information updates about products and services offered at the Branch.
105. Third, Post Office has since referred to the SPMC as the terms applicable to my appointment, and provided me with a photocopy. This occurred in the context of a dispute that arose between me and Post Office concerning holiday substitution allowance. I refer to my correspondence with Post Office about this, which followed from an initial telephone call I made to Human Resources department in Salford in or around July / August 1999, to

discuss claiming holiday substitution allowance for holiday that I planned to take at the end of August 1999 [AB1/167-175].

106. As stated at paragraph 83 above, I had been given a summary of how to apply for absence [A61/91]. The HR department sought to explain my holiday substitution allowance entitlement to me by reference to terms said to be in my contract with Post Office. These were not included in the conditions that I had seen previously with my Appointment Letter. I became concerned that HR were referring to a different document, so I contacted Idris Jones in the hope that he would provide support and further clarification.
107. I received a response on the point from Tony Biolchi, Post Office's Head of Retail Network, on 24 August 1999 in which he suggested that *"Subpostmasters are agents and not employees of Post Office Counters Ltd, and as such are not obliged to give personal service"* and are therefore *"not entitled to annual leave or holidays as such"* [A61/169-170]. This contradicted what I thought were the terms of my contract (see paragraph 57 above), which were that I was required to give personal service.
108. Mr Biolchi also said that he *"would have expected that [my] entitlement to the allowance would have been explained to [me] during the appointment process as this forms part of the induction training"*. I do not recall this being explained to me as part of my induction training at all, and I made this clear to Mr Biolchi at the time. He acknowledges this in his letter of 24 August 1998 where he stated *"it is clear you do not recall this happening"* [AB1/170].
109. As Mr Biolchi and HR were apparently referring to a different contractual document that I had not seen, I called the HR team in Manchester to ask for a copy of this document. They informed me that they did not have any printed copies of the SPMC, but could provide me with a photocopy. What they sent me was a large, 114 page, document in the post entitled *'Subpostmasters Contract'* [AB1/176-289].
110. This was the first time I was given the SPMC terms. They were not the terms that I had knowingly contracted upon, but nevertheless were imposed by Post Office.
111. Finally, during the term of my appointment Post Office withdrew services that I could offer at the Branch and refused to permit me to offer others that I asked to provide. This also varied the terms upon which I was able to operate the Branch with regard to the National Lottery terminal, specifically so, and, indeed, the basis upon which I understood I had accepted the role. It did not align with my expectations on being appointed as to the relationship between Post Office and myself in that it appeared Post Office was able to control the services that were offered in my Branch entirely and that I would have no control.

112. This was a departure from the basis of my Business Plan in which I explained I would conduct market research into what additional services were required, including in relation to the Post Office services.

113. Further, it was an express term of my conditions of appointment, to which I refer at paragraph 59 above, that:

"A National Lottery playstation must be installed in a prominent position within the shop trading area."

114. I understood that the National Lottery was a key service that had to be offered at the Branch and income from it formed a part of the financial forecasts made in my Business Plan. Within the first 8 months, I had almost doubled weekly turnover from the terminal.

115. However, on 6 January 1999, Post Office sent me a letter confirming that it had *"decided to relocate the lottery terminal from [my] office"* which was a surprise and serious disappointment to me [AB1/290]. I replied to Post Office by letter on 12 January 1999 setting out the financial hardship that Post Office's decision would cause me and my concerns as to the future viability of the business [AB1/109-110].

116. There were several services that Post Office refused to allow me to offer at the Branch. I asked Post Office, for example, to re-install the National Lottery again at the Branch in or around February 2002. My discussions with Glenn Chester about this are referenced in his letter to me dated 16 February 2002 [AB1/291]. Despite this, the terminal was never re-installed.

117. By letter dated 18 March 1999, Post Office refused to allow a proposal I had made by letter dated 16 March 1999 to apply for a Manweb terminal to be installed in my retail business. It was said that this would *"conflict with Post Office Services"* as Post Office was *"actively negotiating with the client"* to provide this service as well. Post Office threatened that I would be in breach of my contract if I pursued this venture. I have not retained a copy of my letter dated 16 March 1999 and Post Office has not disclosed a copy as part of these proceedings. However, I refer to a copy of the letter dated 18 March 1999 at [AB1/292].

118. Finally, I wrote to Post Office on 1 February 2001 setting out further proposals to expand the business, on the basis of my evaluation of the needs of local customers [AB1/111.112]. I proposed that I offer additional services such as Motor Vehicle Licensing, Passport Checking and Bureau de Change. As I set out in the letter, the case for providing these services was compelling, as the Branch was losing custom.

119. Again, this was refused by a response from Sue Perry, Sales Support within Post Office, on 1 May 2001, 3 months after raising the proposals [AB1/293-294] (to which I responded on 7 June 2001 [AB1/295-296]).
120. Given the importance to me to be able to offer certain services like National Lottery in the Branch and to be able to grow the Branch offering by extending services, and the way in which this formed part of my Business Plan, I would expect that any onerous term allowing Post Office to withdraw such services or refuse my reasonable requests that I provide them, would be brought to my attention before I accepted the position.

Horizon and Helpline as Services

121. I understand that whether Horizon and the Helpline were "services" provided to me is an issue that will be determined at the trial of the Common Issues in these proceedings.
122. I was first notified about the Helpline in my Appointment Letter dated 30 March 1998. It gave the Helpline number and said that this is "*the first point of contact*" [AB1/63]. The Induction Booklet, which Steve Hughes gave to me on 8 May 1998, also gave information about the Helpline [AB1/81]. It described the Helpline as an "*excellent service at all outlets*" and explained that Helpline staff: -
- 122.1 Provide "*speedy, accurate information and support to staff, agents, client and the public on all Post Office Counters enquiries and services*"; and
- 122.2 Handle "*complaints in an efficient and unbiased manner's*."
123. My expectation of the level of support that the Helpline would provide was high. My understanding was that the Helpline was a service provided by Post Office as part and parcel of their investment into the relationship and the support that they were meant to provide to me. Looking back, I clearly regarded it as such when complaining to Graham Harbord of Post Office by letter on 27 September 2001 about the service I had received [AB1/297].
124. With regard to Horizon, as stated at paragraph 102 above, this was a system imposed upon me by Post Office with no prior consultation. I considered it to be something provided to me by Post Office, which was owned and maintained by Post Office and which was supposed to enable me to carry out transactions in the Branch and record Branch accounts accurately.

How Post Office Ran its Business

Information it is suggested I 'would have' received

125. I have already mentioned above numerous things that Post Office now suggests would have been provided or explained to me in accordance with what it says were its procedures at that time. For the reasons I have given if those were its procedures I can say with confidence they were not followed in my case.
126. I have also been shown paragraph 13(2) of Post Office's Defence in my case, and understand from it that Post Office suggests that I would have obtained documents and information from Mr Savage on a wide range of matters as a result of my enquiries about the Branch. These are said to include the terms of Mr Savage's contract with Post Office, his Operations Manual, information about Post Office's powers to change products and services to be offered at the Branch, any liability of Subpostmasters for losses and gains in Branch accounts and Post Office's purported right to terminate appointments for cause on breach or at will on three months' notice.
127. I describe the information that I obtained from Mr Savage prior to applying for the position of Subpostmaster at paragraphs 16 to 22 above. Apart from what I describe, I didn't obtain any further information from Mr Savage of the nature it is suggested I would have obtained, nor did I have any reason to think that I needed to. The relationship between myself and Post Office was something that I thought Post Office would itself raise with me directly as part of my application and appointment process.
128. Further, I understand that Post Office is also suggesting, at paragraph 18(1) and (2) of its Defence in my case that there is a range of matters that Idris Jones 'would have' explained to me at my interview. Again, I describe my interview at paragraphs 48 to 51 above, as best I can given that it took place 20 years ago. I certainly don't recall information of the level of detail listed out in paragraph 18(2) of the Defence in my case being given to me. But in any case I am sure that I was not told about the holiday substitution allowance or, properly at least, about Post Office's asserted right to adjust services at my Branch. In fact, within around a year of my appointment I challenged both the position with regard to holiday substitution allowance and Post Office's removal of the National Lottery Terminal, as both were entirely unexpected. As to these matters, I refer to paragraphs 105 to 110 and 111 to 120 above.

Training, Support and the Helpline

129. My clear expectation when applying for the position of Subpostmaster was that adequate training and support would be provided to me by Post Office to enable me to run the Branch and comply with all of Post Office's requirements. In fact, in this respect I was completely reliant upon Post Office. I have described the training that I received from Post Office prior to and upon the transfer of my Branch to me at paragraphs 67 to 85 above. Though this had shortcomings, I was able to run the Branch effectively and prepare and submit Branch accounts on the basis of that training using the manual method shown to me.
130. When Horizon was introduced, my expectation was that all training that would be needed for me to be able to discharge my duties using Horizon would also be provided to me by Post Office at that stage. I expected that Post Office would continue to provide a standard of training that they set out to me at the time of starting my appointment, namely that it would *"fully cover...all work" and "dealing with problems"* and would meet my *"particular needs"*[AB1/79-80].
131. I also expected that adequate training would also be provided to me to enable me to support my Assistants at the Branch, though I understood that Post Office was to provide them with training initially. In fact, the level of training provided did not meet these expectations at all.
132. Prior to the installation of Horizon, in or around September 2000, I attended 1.5 days of training at the Imperial Hotel in Llandudno. There were a large number of other Subpostmasters and assistants at the training; I would estimate around 150. The training was delivered by a subsidiary of ICL Pathway called "KnowledgePool".
133. My assistants at the time, Liz Roberts, Kate Darby, Pat Whitehouse and Rowena Funnell, also attended the training with *me*; however, they were only required to be at the first day of training. Likewise, Suzanne also attended for the first day of training only.
134. We were all, including my assistants, required to take a 'competency' test at the end of the first day. My Assistant, Liz Roberts, passed this competency test despite never having used a computer before, and I was concerned because it was reasonably clear that she had not understood the content of the training. In fact, I had to spend a considerable time with her, helping her use the system, after Horizon had gone live in my Branch.
135. The second, half-day of the training was exclusively for Subpostmasters. So far as I can recall it included an explanation of how to balance cash and stock weekly using Horizon,

however I do not recall any explanation as to how to identify the cause of alleged discrepancies or how to dispute them.

136. I certainly do not recall the trainers highlighting, before the requirement was imposed on me to use Horizon, that I, as Subpostmaster, would be held liable for all alleged shortfalls apparent on the system, regardless of whether I was at fault or the cause had been ascertained. Had this been made clear, I would have had significant concerns about it and would not have held back in raising those concerns.
137. Further, I have no recollection of transaction corrections and/or error notices, or indeed the various (albeit limited) reporting functions on Horizon being discussed as part of the training in any great detail. At the end of this training, I was given a 500-odd page training manual to use as a reference guide. Horizon also included a training mode, which you could enable at the Branch, but you were unable to serve customers from a terminal when it was in use. Therefore, the scope to do any voluntary training in this way was limited.
138. The initial classroom style training given on Horizon, as described above, was not delivered using live data and was therefore very different to using Horizon at the Branch. Further, we undertook our training in September 2000, and the Branch did not go live on Horizon until October 2000. The training was therefore far from fresh in our minds.
139. When I accepted my appointment a manual accounting system was in use, and I was not informed that I would be expected to train staff on a complex computer system like this. I accepted my appointment understanding and believing that the experienced staff who were to continue working in the Branch would not require further extensive training from me. Likewise, the requirement to use Horizon was imposed upon me at a time when I continued to expect adequate training to be provided and, indeed, such training was obviously necessary to enable me to discharge my duties in running the Branch using the system and to ascertain the cause of apparent discrepancies in Branch accounts or dispute them.
140. On my first balance in the Branch after Horizon had gone live, two Post Office Retail Network Managers (I believe one of these was Idris Jones) came to my Branch. This was not in the nature of training and added very little as they had no more knowledge about Horizon than I did. The system was new to them too. I recall being told during their visit that Retail Network Managers had only received 2 days of training on the Horizon system at that stage.
141. The Induction Booklet, which I refer to at paragraph 68 above, also listed that I would have support from my assigned Retail Network Manager. During my tenure, I was assigned 5

different Retail Network Managers. To my recollection, these were Idris Jones, Gerry Hayes, Haydn Davies, Glenn Chester and Mike Wakley. There was therefore a lack of continuity in the support that I received in this respect.

142. The support that I received from the Helpline was inadequate and not in line with expectations when accepting my appointment, and when Horizon was introduced, either. Aside from giving product information, the support provided was lacking.

143. I have been shown a spreadsheet disclosed by Post Office, which is said by Post Office to summarise my calls to Helpline from 28 February 2000 to 21 November 2003, although during my appointment I was never provided with a copy and I am unable to confirm its accuracy [AB1/298-344]. However, from my own recollections and refreshing my memory from that document:

143.1 On 13 December 2000, I made seven calls to the Helpline concerning a problem I had carrying out a balance on that day, to which I refer below at paragraphs 147 to 151. I recall that one of those calls lasted around an hour. Despite this, the Helpline could not offer any assistance or suggest anything that I had not already tried to ascertain the cause of an apparent discrepancy in the Branch accounts shown on Horizon. It was clear that Helpline's understanding of how to resolve this problem was no more advanced than my own, and that they were not adequately equipped to deal with urgent queries of this nature.

143.2 On 8 November 2001 I had a problem in the branch when using the Order Book Control Service (OBCS). I recall that I tried to call the Helpline for assistance but had difficulty reaching an operator. Eventually I gave up trying. I later received a letter from Claire Wray, Customer Relations Officer at Post Office, dated 16 November 2001 admitting that the OBCS system had failed due to a software drop, that over 9000 calls had been received and that branches were unable to contact the Helpline and were not informed what was happening [AB1/345-346].

143.3 On 21 September 2000 I called the Helpline to ask whether I could have more training prior to the installation of Horizon as two days' training was not adequate. In response, Helpline simply informed me that 2 days was the maximum I would receive and I would not have any further balance support [AB1/298].

143.4 On 05 October 2000 I called the Helpline again and asked for further support on balancing. I clearly did not feel prepared following the training provided [AB1/298].

- 143.5 On 13 October 2000, after already speaking to the Helpline, I had to contact National Savings directly as the Helpline were unable to resolve my queries. National Savings advised me that previous advice I had been given by the Helpline was incorrect. I clearly could not trust the accuracy of Helpline advice. Whilst I cannot recall the content of that advice, I have been reminded of this by an entry referring to this on the spreadsheet provided by Post Office [AB1/298].
- 143.6 My experience was that advice was poor and I was often unable to get through to the same adviser about a query. On 5 July 2001 I made a complaint about the poor quality of advice I received from Helpline the day before which resulted in an incorrect loss being shown on Horizon. Post Office apologised and sent me a cheque for £24.00 as a gesture of goodwill. I refer to an entry on the spreadsheet disclosed by Post Office at [AB1/304]. Often Helpline operators appeared to read from a script, as Post Office's call logs appear to indicate (I refer, for example, to the entry made in respect of my call on 26 March 2001 at [AB1/302]).
- 143.7 On 29 November 2000 I called the Helpline to get support in the new procedure for vending stamps. The Helpline operator told me that she would call me back. I did not receive a call back that day. I have reviewed the call log, which states that the operator had tried to call me again at 7pm [AB1/299]. My opening hours on a Thursday were from 9am to 5.30pm. My expectation was that the responses from the Helpline would be "speedy". Likewise, on 4 July 2001 I was asked to wait 60 minutes to receive a call back from the Helpline on an urgent matter [AB113014].
- 143.8 On 28 February 2001, I experienced an unexplained alleged shortfall of over £1,000 on Horizon when trying to balance. I tried to call the Helpline for assistance but there was no support available at that time. This is an example of the problems in reaching support urgently when you needed to in order to progress transactions and balancing on Horizon [AB1/301].
- 143.9 On 3 September 2003, I called the Helpline as Horizon was showing a loss of £600 when I was trying to complete a weekly balance. It transpired that this was due to incorrect advice being given by the Helpline to refund a debit card payment, when no payment had actually been taken from the card. The call log clearly states, "*previous calls for this show the Helpline were at fault advising the pm to give refund when he had not taken payment*"[A131/316].

Horizon

144. I have been referred to paragraph 93(1) of Post Office's Defence to my claim and to paragraphs 94 and 93 of Post Office's Generic Defence and Counterclaim to which it refers (reference to paragraph 93 of the Generic Defence being made in paragraph 94). I understand from this that Post Office's case for the purposes of the Common Issues trial is that *"...losses do not arise in the ordinary course of things without fault or error on the part of Subpostmasters and their Assistants..."*; that *"it would not be right to infer or presume that a shortfall and loss was caused instead by a bug or error in Horizon"* and that the truth of whether a shortfall did or did not result from losses for which Subpostmasters were responsible *"...lies peculiarly within the knowledge of Subpostmasters as the person with the responsibility for branch operations and the conduct of transactions in branches"*. As I describe below, these things were in my own experience very far from the case. I set out the following from my own experience, on what is now suggested by Post Office.
145. When Horizon was introduced, I did not expect there to be any apparent shortfalls shown on the system that I was unable to identify the cause of and resolve, either by myself or with support or information from Post Office. Certainly, I did not expect shortfalls to occur for which Post Office would try to hold me liable without the cause being investigated and established. To that point, I had been preparing accounts manually, using the Capture system.
146. However, one of my fundamental concerns when Horizon was introduced, which I clearly communicated to Post Office through various letters, was the lack of transparency and control available to me in reviewing transactions when trying to balance. By way of example of such letters, I refer to **LAB¹/295-296, 347-352**. I could not fully access data that I needed to in order to properly track, and if necessary correct, transactions. My concerns about this came to a head in December 2000, following a particularly difficult balance, as I set out below. I was therefore clearly dependent upon Post Office for this sort of information and, therefore, in order to ascertain the cause of any apparent shortfall and whether it was in fact a real loss.
147. Though I understand that Post Office later moved to monthly balancing, during my tenure I was required to produce weekly cash accounts, which meant that I had to conduct a balance on a weekly basis, on a Wednesday. When carrying out this balance on Wednesday 13 December 2000, the Horizon system showed that there was an unexplained variance of over £6,000 relating to Giro deposits.

148. As I mention above at paragraph 143.1, I contacted the Helpline seeking support and help as to why this apparent variance had occurred. They were unable to assist in any meaningful way. I tried to investigate the matter myself. I printed various reports from two of my three counter terminals. I left the third terminal for use to serve customers as we were very busy in the branch, with customers queuing out the door.
149. Using the limited reports I was able to print, which was a time consuming and difficult exercise, I ascertained that around £5,000 of the alleged shortfall related to Giro items, which had become wrongly duplicated on Horizon. These reports were in the form of lengthy, multiline, narrow till receipts and were many metres long, making them difficult to review in any event. At the time, I believed that a majority of the remaining alleged shortfall, being £1,182.81, was also attributable to Giro errors. However, I was unable to track these potentially smaller sums in the absence of proper reporting functions on Horizon. Therefore, far from being within my knowledge, I was unable to ascertain the root cause of the apparent shortfall at all. I did have my own thoughts on this, which I set out further at paragraph 150 below. I also called my Retail Network Manager, Gerry Hayes, the following day to inform him. In the absence of a proper response from Post Office, I carried over the apparent shortfall from that week's cash account to the following week's cash account, by transferring it to a suspense account, which was visible to Post Office.
150. I recall that there had been an overnight software update to the Horizon system during that cash account week, and at the time I could only think that this process had been the source of the problem. I concluded that there must have been an error with the system due to the number of duplicate entries that had eventually been found and had been removed. Giro transactions were frequently undertaken by all the staff at the Branch, and were a simple transaction to process. The scope of staff error on this was therefore small.
151. It was clear to me from this point that there were problems with the Horizon system. Not only was I unable to access the information that I needed to fully track transactions, but I also did not trust that the system processed transactions accurately. I spoke to the local Branch Secretary of the Federation of Subpostmasters, Dave Foster, about my concerns and was told that many other Subpostmasters were experiencing similar issues.
152. I thought it best to put my concerns in writing to Gerry Hayes, on 19 December 2000 [AB1/347-348]. Looking back at it, the letter accurately records the clear expectation I had always had that it would be *"unreasonable for Post Office...to hold me liable for losses on the cash account until such time as 100% guarantee can be given about the accuracy of Horizon"*.

153. I was not willing to put any cash into the Branch to balance the alleged shortfall showing after the 13 December 2000 balance as I did not accept liability for it, given my (then) understanding of Section 12(12) of the SPMC, which I described more fully in paragraph 185 below. Due to the way that Horizon worked in practice, it was impossible for me, as Subpostmaster, accurately to track and understand transactions that had taken place and, therefore, determine whether an actual loss had occurred and satisfy myself that it had arisen due to my negligence, carelessness or error.
154. I therefore asked Gerry Hayes, in my letter of 19 December 2000, to advise me on how to treat the alleged shortfall showing on the balance and whether I should roll over the loss.
155. I corresponded with Gerry further on this issue and he arranged for Selwyn Berry of Post Office to attend my branch on 8 June 2001 to assist with the *"resolution of accounting errors"* [AB1/353]. Although I cannot recall the dates, I do remember that Selwyn Berry and Ki Barnes came to my Branch in relation to this problem on separate occasions. However, they were not able to access the system any further than I could and their visits did not provide any answers.
156. I was not going to let this issue remain unresolved, and took it up further in correspondence with Post Office throughout the remainder of 2001. I refer to copies of that correspondence at [AB1/349-357] by way of example. I explained, in particular, my concerns that the Horizon reporting was *"made so complex and lacks the ability to interrogate the system when you know the information is inside"* (my letter to Sue Perry dated 7 June 2001, to which I refer at paragraph 119 above [AB1/295-296]).
157. By a letter from Gerry Hayes dated 16 July 2001, Post Office conceded that *"neither the visits from Selwyn Berry and Ki Barnes nor the pension & allowance checks carried out for the problematic weeks, revealed specific reasons as to how the resultant loss of £1041.86 initially occurred"* but, despite this, continued to demand my *"proposals to now make good the loss"* as a matter of urgency [AB1/356].
158. I corresponded further with Post Office via my line manager, Glenn Chester, in early 2002 [AB1/350-351, 358].
159. Finally by letter dated 6 March 2002 I was notified that *"Post Office...has decided to fake no further action in respect of the loss"* at my Branch and that this will be written off [AB1/ 359-360]. No reason was given, but I have since seen a copy of a "Write Off Authority" voucher disclosed by Post Office which gives the reason for the write off as *"Disputed Horizon Cash Account Shortage"* [AB1/361]. The voucher also refers to a Policy on writing

off shortfalls, which I understand to be the document since disclosed by Post Office at the request of my solicitors, at [AB1/362-457] (the "Losses and Gains Policy").

160. I can confirm that despite this document disclosing how Post Office intended to operate my contract in this respect, and an understanding on the part of Post Office that I, as Subpostmaster, would be required to make good *"all losses however they occur"* (section 3.1 of the Losses and Gains Policy), which is wrongly said to be the requirement imposed by Clause 12(12) of the SPMC, and, for example, a right of appeal (section 3.3 of the Losses and Gains Policy) in respect of any shortfall where a Regional Network Manager grants a form of relief, I was never shown this document nor made aware of it, or of its detailed content, before or during my appointment.

161. The letter of 6 March 2002 also said Post Office had taken time to respond because *"...it has been necessary to formulate a consistent response to all such cases"* [AB1/359]. I take from this that Post Office was aware at the time of many such complaints. I also take from the fact that Post Office was willing to write off the considerable apparent shortfall I had disputed that my complaints were valid and that Post Office was aware that was the case and wished to avoid controversy on this matter, given I was willing to assert my legal rights.

162. Post Office must have been aware at the very latest from this point of the true position with regard to whether losses arose ordinarily without fault or error on the part of the Subpostmaster, and as to the limited ability to ascertain the cause of any apparent shortfalls, being a matter that was obviously not peculiarly within my knowledge.

Termination

163. By my letter to Post Office of 13 February 2002, to which I refer to above, I expressed my concerns at Post Office's suggested approach that weekly balancing be achieved by either taking money from the Branch or putting it in so that cash and stock reconcile [AB1/351]. My concerns were that it would amount to acceptance of liability for shortfalls without there being report writing functions to assist me in ascertaining the cause, and secondly the lack of a record on Horizon of any shortage or over in a given week. Effectively, what was recorded on Horizon would not reflect what had happened in real life.

164. Given these concerns, when I experienced further apparent shortfalls (or gains) I adopted the practice of 'rolling over' those discrepancies into subsequent accounting periods. I received a letter from Mike Wakley, my Retail Line Manager at the time, dated 14 April 2003 regarding that practice [AB1/458]. Mike had not been involved in my previous correspondence with Post Office, to which I refer above. By his letter, Mike stated that I had

to stop rolling over any losses and that I had to make good losses without delay. Rather than repeat myself, I referred him back to my previous correspondence and repeated my position that it was *"totally unreasonable to expect me to accept the liability from uncheckable data"*[AB1/459].

165. Mike maintained the position that I now known to be taken by Post Office in its Losses and Gains Policy, which was that Section 12(4) and 12(12) required that *"in the event of any losses occurring"* I had to make them good without delay. I refer to his letter to me dated 2 May 2003 at [A131/460-461]. This is not the understanding that I had of Section 12 (as I explain below in paragraph 185).
166. I set out my position again in my letter dated 15 May 2003, which records my understanding of Section 12 at the time [AB1/462]. As I refused to concede this point, Post Office threatened termination of my appointment (see the letter from Mike Wakley dated 4 June 2003 [AB1/463-464]). I refer to my letter in response to this threat, dated 12 June 2003, at [AB1/465].
167. Prior to contracting I expected this sort of issue to result in Post Office offering me more training or support, or at least trying to find out what was going wrong. I did not expect to be left with these problems, as was in fact the case.
168. I received a letter from Mike Wakley dated 5 August 2003 stating that *"in accordance with Section 1, Paragraph 10 of [my] Contract for Services"* Post Office were issuing me with *"three months notice of termination of your Contract for Services"*. The letter simply stated that this would take effect on 5 November 2003 and gave no explanation for the decision to terminate [AB1/466]. I was shocked that Post Office considered that it had the power under the terms of my engagement to terminate with no reason or explanation. When I first applied to be a Subpostmaster, I was not aware, nor made aware, that the contract with Post Office could be terminated in such a way. If I knew that such a term existed, I certainly would seek legal advice on this before making such a substantial investment and most likely would decide to steer clear.
169. I have now seen copies of redacted memos that relate to my termination, to which I refer to at [AB1/467-471]. I do not know why they have been redacted. One of these, dated 20 August 2003, states *"The fact that more [losses] have since come to light has been one reason for his ultimate termination of contract"* [AB1/468]. I am not aware what additional alleged losses this memo was referring to.

170. I have little doubt that the reason for my termination is that I had not only uncovered limitations and potential errors with the Horizon system, but that I continued to question Post Office on the contractual relationship between Subpostmasters and Post Office.
171. My last day of service at the Branch was 5 November 2003.
172. Following my termination, Post Office conducted a closing audit at the Branch on 6 November 2003. My appointment had been terminated and I was no longer in the Branch, so I was unable to verify the auditors' findings. Nor did I oversee them carrying out the audit. Post Office alleges that the final cash account showed a shortfall of £1,227.61 [A131/474]. At the time, I recall that I was expecting the balance to be short by approximately £200, but certainly not to the value that Post Office allege, which is entirely unexplained and impossible for me to verify.
173. I received a number of letters from Post Office chasing me for payment for the sum of £1,407.38. I refer to copies of such letters dated 21 May 2004, 21 September 2004, 24 November 2004, 26 January 2005 and 13 April 2005 at [AB1/475-481]. It is not clear why this figure increased from the £1,227.61 allegedly discovered at the closing audit and again I have no means of verifying the cause of any of this and whether I may be liable for the sums in question. Post Office say that I am responsible for the alleged losses "*under the contract for services*" and that my "*responsibility for the losses does not cease when [my] appointment as Sub Postmaster finishes*"[AB1/481]. For all the reasons I have previously explained above, as I understand the position, the terms of my contract only impose liability on me where there is negligence or error on my part. That has not been established and it is not possible for me to investigate the matter. I therefore did not respond to any of Post Office's letters, despite their threatening tone [AB11480-481]. I have not paid this alleged sum to Post Office.
174. I certainly never thought that I was responsible for any supposed losses, regardless of whether they were real or why they had happened. Certainly no one told me that before I was appointed.

Comparative Knowledge about Transactions

175. I understand that one of the issues before the Court at the Common Issues trial relates to relative knowledge about transactions as between Subpostmasters and Post Office, and I have been shown paragraphs 76(4) to (6) of Post Office's Generic Defence where Post Office states the alleged limits of its knowledge in relation to transactions undertaken in

branches (which seems to overlap to some extent with some of the points Post Office makes in paragraph 93 of the Generic Defence which I have also been shown).

176. In my experience, Post Office had far greater knowledge overall of branch transactions as they were recorded in Horizon because of its greater access to all data held on the system including data that came from its own clients. My knowledge in relation to these was limited to: (i) handling transactions with customers; (ii) inputting information regarding those transactions into Horizon; and (iii) recording stock and cash levels. However, in respect of verifying information regarding those transactions, or the accounts that they ultimately formed a part of, I could only check transaction logs that were available on Horizon for limited periods of time or use the limited range of information and reports I had access to, and which could be printed from Horizon terminals, comparing those to stock in the Branch. I had no real way of checking information held in Horizon that came from Post Office itself, or from its clients such as Camelot or indeed the way in which those had been reconciled with transactions in the branch.
177. As I have set out above, and as I explained in my letters to Post Office [AB1/295-296, 347-352], the real issue was the lack of transparency and control available to me in reviewing transactions when they would not balance, and when I knew that ultimately the data I needed to do that was held within Horizon. Whenever there was a problem with balancing cash and stock shown on Horizon, all I could do was manually go through transaction logs and the limited reports available to me in the hope of identifying the cause of a particular shortfall, that is if it could be seen from the information shown on them at all. As I explain at paragraphs 148 to 149 above, reviewing transaction data was a hugely time consuming and difficult exercise. It was also, ultimately, of limited use due to the absence of proper report-writing functions on Horizon.
178. My training did not help in this respect either. As explained above at paragraph 135, the training in relation to Horizon did not explain how to access the requisite information on Horizon so as to allow me to conduct my own investigations as to the cause of shortfalls. The 500-page training manual I received following my training did not materially assist and acted only as a reference guide for the system as it was at the time it was introduced.
179. The lack of information available in branch is, in my view, further illustrated by the fact that a Post Office trained auditor (Selwyn Berry) and another Subpostmaster, Ki Barnes, both attended my Branch, had access to all of the data that I had access to, and neither could shed any light on an apparent discrepancy of £1,041.86 (as described previously at paragraph 155 above).

180. All of the above was compounded by the difficulties with the Helpline that I experienced, as described at paragraph 142 to 143 above. The Helpline was of no assistance in furthering my understanding of the causes of apparent shortfalls. The seven calls that I made when having problems with balancing on 13 December 2000 is but one example.
181. Further, Post Office were able to communicate directly with Fujitsu and obtain transactional data and, more generally, any other information on Horizon that may have been relevant to my Branch or the products / services which I offered. I had to rely on Post Office acting as a middleman in this respect and it choosing whether to share any information with me. I still do not know whether Post Office even asked Fujitsu about my transactions.
182. A further example of Post Office's greater knowledge is in relation to the overnight software update incident described above at paragraph 150. The most I could do in that case was to go through transaction logs and speculate as to where something might have gone wrong. Post Office, on the other hand, had access to the same information that I had plus, presumably, full information as to what this software update was and whether anyone else had reported similar or other problems around the time of the update. Additionally, Post Office had the access to Fujitsu and the ability to investigate the potential impact of that update on accounts or transactions at branches, relating to particular products.

Interpretation of Section 12 Clause 12

183. I understand that one of the issues to be considered by the Court at the Common Issues trial is how section 12 of clause 12 of the SPMC is to be interpreted. As I mention above I have seen paragraphs 93 of Post Office's Generic Defence and understand what Post Office is trying to suggest on this.
184. As I mention above I was not aware of Section 12(12) at the time of accepting my appointment and only came to learn of it later (see paragraphs 105 to 110 above). Once I was provided with a photocopy of the SPMC, I was able to read that section:
- "The Subpostmaster is responsible for all losses **caused through his own negligence, carelessness or error**, and also for losses of all kinds caused any his Assistants. Deficiencies due to such losses must be made good without delay".*
185. I understand this is ultimately for the Court, but certainly my understanding was that liability for apparent shortfalls in branch accounts would only arise if they were my fault, or as it says in Section 12(12), where they were caused by my *"negligence, carelessness or error"*. Therefore it was crucial that I had full access to data held by Post Office or Fujitsu, which

was needed in order to understand why a shortfall was apparent and correct any error if possible. Certainly, Post Office would only be able to hold me liable if it could show that a shortfall had arisen as a result of my negligence, carelessness or error following a proper investigation into that.

186. As stated at paragraphs 20 and 37 above, when I first applied to become Subpostmaster, and when I started, the Branch used a manual accounting system. For the reasons I have mentioned above using that system it was far easier for me to track transactions. During this time, we used to keep records of all transactions for 2 years as well, which made it far easier to look back and check whether and why any losses or gains had occurred.
187. I have always understood that some small discrepancies could have arisen when running a Post Office branch through negligence, carelessness or error of myself or my staff such as, for example, where the wrong change is given out by an assistant. However, my expectation was that such discrepancies would be minor. Recently, I have had sight of a document entitled "Outlet Transaction Accuracy Report" which gives detail of such errors for June — July 2002 **[AB1/472-473]**. This document shows that the cost of errors for the year was only £36 and is more in line with my expectations. I certainly did not expect errors of thousands of pounds when I was appointed and nothing said to me prior to my appointment led me to expect that.
188. I have already explained above at paragraphs 144 to 158 the limitations in my ability as a Subpostmaster to ascertain the cause of shortfalls without adequate report-writing features. The letters I sent to Post Office at the time show my own understanding of Section 12, Clause 12 **[AB1/295-296, 347-358, 462-465]** and explain my feelings about effectively being required to underwrite Post Office's own computer system, which it required us to use.
189. Post Office never drew my attention to Section 12(12) or explained their interpretation of it or the approach that they would take, either at the time of entering into the contract, or when Horizon was introduced.
190. However Post Office operated any contractual right to recover losses from me before Horizon was introduced, the position certainly changed with the introduction of Horizon. I refer to my letter to Post Office dated 18 July 2001 in which I set out in substance my concerns in this respect and my strong view, which I continue to hold, that Post Office's position, in essence, wrongly requires Subpostmaster to subsidise the shortcomings of Horizon **[AB1/349]**.

I believe the contents of this statement true.

Signed

GRO

Date

slimar-VI

9/8/12