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Our ref: ECT 137/12

Karen Lumley M.P.
Member of Parliament for Redditch County
Suite 11D, Fifth Floor
Grosvenor House
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25 July 2012

Dear Ms Lumley

Re: Julian Wilson, [GRO]

I write further to my acknowledgement letter of 16 July 2012, with regard to the above name constituent. I hope to address all of your constituents concerns as set out in his email to you dated 22 June 2012.

As you may be aware Mr Wilson's e-mail to you is in response to our decision to commission an external review of a small number of individual cases; where ex-subpostmasters have felt that their contracts to run a Post Office were terminated inappropriately. These cases relate to the branch accounting procedures and were brought to our attention by their constituent Member of Parliament.

Regarding the appointment of an independent forensic accountant, the scope of our investigation has yet to be finalised; the Post Office's senior management wants the investigation to get to the truth and we wouldn't put our names to anything less than full impartiality and transparency.

To ensure impartiality James Arbuthnot MP has reviewed and approved the appointment.

To come to Mr Wilson's final point this appears to be connected with banking transactions and describes circumstances that can happen from time to time. I will explain in more detail below. However I would like to stress that the circumstances Mr Wilson describes are not something peculiar to the Post Office, this can happen to any financial institution (F.I.) or organisation across the industry.

The request to withdraw funds starts as soon as the customer puts in their pin number and presses 'enter' on the pin pad. This relays an authorisation

message to the relevant Financial Institution (F.I.), should the transaction be interrupted at that point; for any reasons, and a confirmation message received prior to authorisation having reached the (F.I.) then the transaction will be invalid. However, should authorisation reach the (F.I.) and then be interrupted, this may lead the (F.I.) to reserve the funds i.e., assume payment withdrawn; decreasing the customers balance. Should the transaction be repeated once failed, and a further pin/authorisation transaction request received by the (F.I.) this will be seen as a new payment request, leading to authorisation and confirmation of the payment; unaware that this may be a duplicate request.

As with all banking/financial payments the (F.I.) complete daily transaction reconciliation; this is a (F.I.) end of day process and is completed overnight, so any payments authorised but not confirmed are credited to the customer's bank account within 24 hours, and as such do not impact the customer or branch. As I said this happens across the industry, affecting all financial institutions, and is not particular to the Post Office.

For clarity interruptions can be caused by a multitude of factors such as utility providers digging through cables, environmental factors such as flooding or high winds damaging overhead cables, physical damage to the communication wire or the equipment in the branch, such as wires accidentally being pulled from sockets. Interruptions to service connections do not create an issue for the Horizon system.

Over the past ten years, many millions of branch reconciliations have been carried out by 25,000 subpostmasters and their staff in Post Office branches with transactions and balances accurately recorded. We continue to have absolute confidence in the robustness and integrity of the Horizon system, and our branch accounting processes.

I hope that I have clarified our position on the information provided and that this provides you and Mr Wilson the reassurance you seek on these issues.

Yours sincerely

Donna Gilhooly
Executive Stakeholder Correspondence