

**A. Defects in Horizon**

- 1.1 The Letter of Claim does not present any evidence of there being a systemic flaw in Horizon that has wrongfully caused loss to postmasters. Even Second Sight, in its final conclusion to its Part Two Report, could only make the weak point that:

*"when looking at the totality of the 'Horizon experience' we remain concerned that in some circumstances Horizon can be systemically flawed from a user's perspective."*<sup>1</sup>

- 1.2 This is a long way short of saying that there is a problem with Horizon's data handling processes that create false entries in branch accounts resulting in false shortfalls and wrongfully causing postmasters to suffer losses, for which they were improperly held liable by Post Office. Second Sight never identified such a problem. We do not know what is meant by the phrase *"from a user's perspective"*. If this is intended to mean that certain individuals may subjectively believe Horizon to be flawed, this is not evidence of a flaw. If it is intended to mean that Horizon is not as easy to use as some users might like, this does not constitute a breach of contract. Either way, even if it constituted evidence (which it does not), this point would not be an adequate basis on which to mount a Court action.
- 1.3 You also refer to a number of historic *"bugs"* that you say Second Sight identified. This characterisation is incorrect – Post Office identified these issues and it pro-actively resolved them in accordance with its usual operating practices. No evidence has been presented to suggest that these issues had any effect on the Claimants. To attempt to dispel any myths around these issues, we have provided full details of them in Schedule 6.<sup>2</sup>
- 1.4 If you wish to maintain a claim that there is a systemic defect in Horizon that has wrongfully caused loss to postmasters, it is incumbent upon you to identify the defect, explain what it does and what consequences it has had for your clients. At a minimum, your clients would need to precisely identify the transaction(s) or entries in the branch accounts that they consider to be wrong. You should properly set out that claim and explain the evidence that supports it. Your Letter of Claim does not begin to do this. We put you on notice that our client will challenge any statements of case that do not properly identify and particularise a claim of this nature.

**B. Data integrity and remote access**

- 1.5 The Letter of Claim makes a number of imprecise references to the idea that Horizon does not accurately record branch transactions and / or that Post Office has edited branch transaction data so to make it inaccurate.<sup>3</sup> We repeat our above points about the need for your clients to provide proper particulars of allegations if they are to be maintained, in particular you have not put forward any evidence that Horizon has inaccurately recorded a transaction or that Post Office has manipulated Horizon data in relation to any of the Claimants or otherwise.
- 1.6 There are a number of controls and processes in place to protect the integrity of data within Horizon. These include:
- 1.6.1 Each basket of transactions must balance to zero (i.e. the value of goods and services vended must match the payments made / taken from the customer) otherwise the basket will not be accepted by the counter terminal in branch. This ensures that only complete baskets are recorded.

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<sup>1</sup> Paragraph 26.8, Second Sight's Briefing Report – Part 2

<sup>2</sup> To be clear, we are not saying that these issues are an exhaustive list of the *"bugs"* that may exist in Horizon. They are however the ones on which you rely and so we have addressed them in detail.

<sup>3</sup> At paragraphs 5.7, 44.4, 46, 57, 125, 127.4 and 153.5 of the Letter of Claim

- 1.6.2 Counter transactions are committed automatically (i.e. a transaction is either successful in its entirety or it is not successful at all).
- 1.6.3 A unique Journal Sequence Number is applied to "digitally sign" every counter transaction. This allows missing or duplicate transactions to be detected and remedied.
- 1.6.4 A master record of transaction data is stored in a central "audit store" which has controls to ensure the permanency of data and a data retrieval process which validates data integrity.
- 1.7 The majority of transactions that make up the branch accounts are generated in branch. There are however four ways in which Post Office (or Fujitsu on Post Office's instruction) can influence those accounts:
  - 1.7.1 **Transactions originating at Post Office.** A number of "transactions" are generated by Post Office and sent to branches, namely transaction corrections, transaction acknowledgements and remittances of cash / stock into a branch.<sup>4</sup> A key feature of these transactions is that they must be approved in branch (by the postmaster or his assistants) before they form part of the branch accounts.
  - 1.7.2 **Global Users.** Global Users are setup by default on Horizon in every branch. These are user accounts for Post Office staff to use when undertaking activity in a branch, such as training or audits. It is possible for these Global Users to conduct transactions within a branch's accounts. However, this access is only possible if the user is physically in the branch using a local terminal and the transactions are recorded against the Global User ID.<sup>5</sup>
  - 1.7.3 **Balancing transactions.** Fujitsu (not Post Office) has the capability to inject a new "transaction" into a branch's accounts. This is called a balancing transaction.<sup>6</sup> The balancing transaction was principally designed to allow errors caused by a technical issue in Horizon to be corrected: an accounting or operational error would typically be corrected by way of a transaction correction. A balancing transaction can add a transaction to the branch's accounts but it cannot edit or delete other data in those accounts. Balancing transactions only exist within Horizon Online (not the old version of Horizon) and so have only been in use since around 2010.<sup>7</sup> Their use is logged within the system and is extremely rare. As far as Post Office is currently aware a balancing transaction has only been used once<sup>8</sup> to correct a single branch's accounts (not being a branch operated by one of the Claimants).<sup>9</sup>
  - 1.7.4 **Administrator access to databases.** Database and server access and edit permission is provided, within strict controls (including logging user access), to a small, controlled number of specialist Fujitsu (not Post Office) administrators. As far as we are currently aware, privileged administrator access has not been used to alter branch transaction data. We are seeking further assurance from Fujitsu on this point.

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<sup>4</sup> See paragraph 7.16 onward in Second Sight's Part One Report for a more detailed explanation of these processes.

<sup>5</sup> Strictly speaking, the Global User ID should be used to generate a new unique ID for the Post Office staff member and the new ID would then be used for training, audits, etc.

<sup>6</sup> The use of balancing transactions was explained to Second Sight and is referenced in its Part Two Report at paragraph 14.16.

<sup>7</sup> Post Office is making enquiries as to whether something akin to a balancing transaction existed in Horizon before the upgrade in 2010.

<sup>8</sup> This was in relation to one of the branches affected by the "Payments Mismatch" error described in Schedule 6.

<sup>9</sup> Several hundred other balancing transactions have been used but not in a manner that would affect branch accounting. These were generally used to "unlock" a Stock Unit within a branch.

- 1.8 Ultimately, no postmaster going through the Scheme was able to point to a particular transaction that they believed had been created, edited or deleted by Post Office without their knowledge. Moreover, you have presented no evidence that misuse of any of the above processes by Post Office was the cause of any shortfall in any Claimant's branch.
- 1.9 Post Office maintains that the combination of technical controls in Horizon and operational controls at Post Office and in branch (including the need for postmasters to diligently monitor their branch accounts, cash and stock as described in Schedule 4) provides satisfactory assurance that Horizon does accurately record the transactions input by the Claimants (or their assistants).