

As part of the Initial Complaint Review and Mediation Scheme, Second Sight is engaged as a firm of forensic accountants to provide a logical and fully evidenced opinion on the merits of each Applicant's case.

On 21 August 2014, Second Sight's Briefing Report – Part Two was sent as a confidential document to a number of Applicants and their advisors, as well as to Post Office. The purpose of the Report was to describe and expand on common issues identified by Second Sight as being raised by multiple Applicants.

Several issues were said by Second Sight, within or subsequent to the publication of the Briefing Report – Part Two, to require further investigation. One of which was Suspense Accounts.

Questions on Suspense Accounts have come in two tranches.

**1) As an action from WG meetings. The two examples are included below:**

- a. Could any SPMRs have been charged by Post Office Ltd for amounts that become incorporated in suspense account balances that were subsequently taken into profit by POL or any of its Counterparty Companies, or that remain as credit balances on the balance sheet of POL or any of its Counterparty Companies?

*To which PO responded with the below embedded paper*



Suspense account  
paper Second Sight.p

- b. Relating to concerns that credit entries in Post Office's Suspense Accounts can only have arisen where amounts that have been received by Post Office, but may not be due to Post Office (for example the amount may be due to be paid to one of Post Office's clients or to one of its branches but where it is not, or not yet, clear who should be paid).

Namely, sight of the Credit entries, derived from Suspense Accounts, which have eventually been written off to the credit of Post Office's P&L Account

*This question remains outstanding. Context is provided via the below email chain*



FW FW Errors that  
arise between Post O

- 2) Within Second Sight's questions sent, as part of their finalisation of their Briefing Report – Part Two, to PO on 9 Dec 2014. The questions posed, together with the answers provided are detailed below.

Post Office has already addressed Second Sight's questions on its Suspense Accounts in its Suspense Accounts paper. This paper demonstrated that so long as a branch follows Post Office's standard operating practices, it cannot suffer a loss due to the operation of a Suspense Account.

**2.1 Please provide full details of all Suspense Accounts held by Post Office. Please also provide a schedule, for each year end between 2008 and 2013, showing the amounts transferred to Post Office's Profit and Loss Account (both debits and credits) for each Suspense Account held.**

*It appears that this question is targeting whether the operation of the Suspense Account could ever wrongfully disadvantage a Subpostmaster. As mentioned above, Post Office has already addressed this question in its Suspense Account paper. Given that the data sought in this question would only show organisation-wide Suspense Account movements, and not branch level data, we should be grateful if Second Sight could clarify precisely what information it is seeking and how this will assist in the resolution of individual cases? Post Office will then look to see what information is available and can be provided to address those issues.*

Post Office has several suspense accounts. These are for 4 broad reasons and they are managed as follows:

	Rationale	How It Gets Resolved
Branch "suspense" / balancing discrepancies	Differences identified and declared by a branch themselves through their own cash balancing.  Prior to Branch Trading in 2006 these would have formally fed suspense accounts. Subsequent to Branch Trading, they are required to be made good or settled centrally at Trading Period Ends.	Make good locally in branch or settle centrally.  Routinely around £500k network wide at any point in time.
Cash suspense	Differences identified in cash remittances where the contents do not agree to the documentation.  Predominantly on inward rems from branches to cash centres. However, inward and outward rems are both handled under CCTV in the cash centres	Transparent agreed processes and formal procedures for appeals whereby subpostmasters can watch and challenge CCTV evidence

Robbery and burglary suspense	Cash losses arising at physical cash count following external attack	Reviewed case by case for culpability and liability
Debtor suspense	Trading items mapped into accounts titled as "suspense" but which are not really suspense. The largest of which are: <ul style="list-style-type: none"> <li>- mutilated notes to be returned to Bank of England</li> <li>- Currency returns to FRES (a trade account)</li> <li>- Giro AP Unpaid – a holding account for customers bounced cheques for Transcash bill payments where we send the unpaid cheques to Santander and they credit POL back for the value of the original bill payment that POL settled to Santander</li> </ul>	
Client suspense	Differences between POL and client view of what is payable in respect of customer transactions. Differences typically relate to uncertainty in the client organisation as to what is payable (due to complexity of process or due to branch paperwork not being sent to the client)	It is identifiable by client. POL seeks to obtain additional data from Horizon and/or from enquiry with branches in order to resolve the difference. As the examples show at 2.3d it is not indicative of claims being made against branches.  Post Office has been sensitive about the data because of potential interpretation and challenge as to clients processes

**2.2 Please also provide a schedule, for each year end between 2008 and 2013, showing the balance held on each Suspense Account (both credits and debits).**

*This is a disproportionately wide request for general information, without identification of a specific issue raised by Applicants. If Second Sight is able to identify, with supporting materials, specific cases where Applicants to the Scheme have been affected by these issues, Post Office will of course reconsider this request.*

**2.3 Please provide an electronic report in CSV format or similar showing for the last 3 years the following information for every item posted to any Suspense Account:**

**a) Full transaction details;**

*This is a disproportionately wide request for general information, without identification of a specific issue raised by Applicants. If Second Sight is able to identify, with supporting materials, specific cases where Applicants to the Scheme have been affected by these issues, Post Office will of course reconsider this request.*

**b) Originator's reference;**

*This is a disproportionately wide request for general information, without identification of a specific issue raised by Applicants. If Second Sight is able to identify, with supporting materials, specific cases where Applicants to the Scheme have been affected by these issues, Post Office will of course reconsider this request.*

**c) Any comments or notes associated with the transaction; and**

*This is a disproportionately wide request for general information, without identification of a specific issue raised by Applicants. If Second Sight is able to identify, with supporting materials, specific cases where Applicants to the Scheme have been affected by these issues, Post Office will of course reconsider this request.*

**d) Full account details of the account the transaction relates to or is being transferred to.**

*This is a disproportionately wide request for general information, without identification of a specific issue raised by Applicants. If Second Sight is able to identify, with materials, specific cases where Applicants to the Scheme have been affected by these issues, Post Office will of course reconsider this request.*

Given the impracticality of identifying and narrating every transaction in these accounts, we set out below two examples of specific clients where Post Office has released credits to Profit & Loss. In both cases we do not consider that a branch would have been disadvantaged and we explain why.

**Personal Banking Clients**

Branches take cash deposits on behalf of customers of a wide range of banks. Some banks have a VocaLINK relationship with Post Office and the deposits can be processed by way of the customer inserting their debit card in the pinpad. Some others (typically banks that Post Office has worked with a long time) have not migrated the Post Office relationship to LINK and so the branch has to take a paying in slip from the customer.

Such paying in slips are then sent to IPSL for processing. This then initiates the settlement proposal from which Post Office makes payments to the relevant banks.

If the paying in slips are not despatched by the branch to IPSL or if branches take card based deposits for non VocaLINK enabled banks, then there will not be payment request initiated for Post Office to pay the relevant bank.

It means Post Office has a credit in its accounts, which needs paying to the bank but where the relevant customer information is missing and so it would end up in suspense at the bank if it were paid over.

On the basis of the IPSL view of the data, Post Office makes a lower settlement to the relevant bank than the Horizon data would suggest. Post Office then, however, seeks to identify who the impacted customer is in order that the difference can be paid as soon as possible to the bank with the relevant details for the bank to update the correct customers account.

The branch is not impacted by this. So long as the branch keyed the value of the deposit correctly (consistently between the paying in details and the cash taken) then there is no scenario that the branch would become disadvantaged. It is the customer who is at risk of being disadvantaged.

Post Office FSC match the data from IPSL against the deposit data fed through from Horizon to try to identify the originating branch in order that the paperwork may be located or that the branch may recall the customer in question.

In the event that these enquiries do not identify the customer then Post Office can do no more. There would be no case of a TC being sent to a branch. The understanding would be that the branch had properly accounted for the deposit. It is a downstream issue that has failed to ensure the bank updates the customer's account.

**The narrative for this response should also be validated with Greg Lewis in Financial Services in respect of bank relationships.**

Aon Commission Creditor

The largest amount taken to profit by far in the 4 years reported on is in respect of Aon. This had nothing to do with branch accounting, it was wholly independent of whether branches may have taken wrong payments from customers and it did not lead to any TC's.

The client contract with Aon had complex pricing arrangements within it. This led to a difference of opinion between Post Office and Aon as regards the commission which was due from Post Office to Aon for policies sold.

Post Office initially paid a lower amount based on the initial Excel based pricing model that was developed for the new contract. However, further analysis revealed that additional payments may need to be made. A separate paper is available on this.

Post Office then posted an accrual for potential extra payments, but after wider commercial negotiations with Aon, a lower amount was agreed. The residual value of the accrual was therefore moved to Client Suspense and subsequently released to profit.

Given that Post Office had previously taken a cautiously higher cost to P&L in anticipation of a higher payment to Aon, the release (3 years later) effectively offset an earlier loss borne by the company.

There was no impact on Subpostmasters.

**2.4 Please describe the controls used to detect errors in Post Office client reports that if not corrected could give rise to an incorrect TA or TC being issued.**

*Where Post Office receives client reports, these are part of matching accounts, where Horizon data is matched to the client data. Therefore, if the client report was wrong, it should lead to a difference compared to the Branch data. Post Office would then investigate that difference. If a wrong approach were made to a branch, the branch themselves could, in turn, challenge it.*