

## Post Office Mediation Scheme

DRAFT

### Second Sight - Case Review Report

Case Reference: M017

Applicant: Baljit Singh SETHI

Advisor: Denning Solicitors

15 September 2014

This draft report and accompanying documents are confidential and are not to be disclosed to any person other than a person involved in the processing of the Applicant's claims through the Scheme

## **1. Introduction**

- 1.1. This report has been prepared by Second Sight, which is the trading name of Second Sight Support Services Limited, the company appointed to conduct an independent investigation of a number of matters raised by Subpostmasters, or former Subpostmasters.
- 1.2. This report should be read in conjunction with the following:
  - a) the documents submitted by the Applicant or their Professional Advisor;
  - b) Post Office's Investigation Report ('POIR') including attachments; and
  - c) Second Sight's Part 1 Briefing Report.
- 1.3. The Terms of Reference for Second Sight as set by the Mediation Working Group for this work are as follows:
  - a) To investigate the specific complaints raised by each Subpostmaster who has been accepted into the Scheme with the aim of providing:
    - i. an assessment of points of common ground between Post Office and that Subpostmaster;
    - ii. an assessment of points of disagreement between Post Office and that Subpostmaster;
    - iii. where there is disagreement, a logical and fully evidenced opinion on the merits of that Subpostmaster's complaint where it is possible to do so;
    - iv. a summary of any points on which it is not possible to offer a fully evidenced opinion due to a lack of evidence/information;
    - v. a view on whether a case is suitable for mediation; and
    - vi. assisting with any reasonable requests made by the Working Group and/or Post Office.
- 1.4. Second Sight has been provided with the following documents:
  - a) the Initial Application to the mediation scheme;
  - b) the Case Questionnaire Response ('CQR') submitted by the Applicant's Professional Advisor; and
  - c) Post Office's Investigation Report ('POIR'), prepared in response to the above mentioned documents.

1.5. The following are the issues raised by the Applicant:

- a) why the surplus of £38,922.24 identified at the time of the "*unfair*" closure of the Kings Road branch, was not repaid to him;
- b) the circumstances that led to a surplus of £38,922.24 becoming a deficiency of £17,874.51;
- c) inability to access Horizon data or to rectify transaction mistakes;
- d) unreliable hardware;
- e) adequacy of training and support;
- f) limitations in the Transaction Audit Trail;
- g) process issues at the end of Trading Periods;
- h) the lack of a suspense account;
- i) the contract between Post Office and Subpostmasters;
- j) Post Office's Audit and investigations process; and
- k) other consequential losses.

1.6. This report focuses on the net loss of £17,874.51 as set out in Paragraph 1.5 above. The issues listed above may not be directly linked to responsibility for the financial loss, but have relevance to an overall consideration of the case.

1.7. The Applicant was the Subpostmaster at the Harold Park branch from June 1995 to July 2004 when that branch was closed under the Network Transformation programme. This branch was managed by the Applicant's wife during the period, although between May 2001 and June 2002, she was also the Subpostmaster at the Kings Road branch, which the Applicant managed. As a result of these arrangements neither the Applicant nor his wife managed the branches for which they held responsibility as Subpostmaster.

1.8. Following the closure of the Harold Park branch on 7 July 2004 the Applicant received compensation of £44,434.88 and commenced employment elsewhere.

1.9. The Applicant's submission to the Scheme is made on behalf of his wife and this report deals with the closure of the Kings Road branch, which he managed on her behalf, and in so doing had dealt directly with Post Office on all matters relating to the branch.

- 1.10. The matters raised by the Applicant on behalf of his wife occurred between 2001 and 2002 and therefore fall outside the document retention period of the Post Office. This has limited the number of documents available for review.
- 1.11. In raising the issues set out in section 1.5 the Applicant has unfortunately not provided any specific examples of the problems encountered nor any associated evidence other than copies of other documentation that are not relevant to an understanding of the claim being made.
- 1.12. We are advised that the Applicant's wife's contract in respect of the Kings Road branch was terminated due to procedural issues and not making good losses in accordance with the terms of her contract. At the termination of this contract Post Office advises that a decision was made to close the branch as it was no longer required
- 1.13. The closure audit of the Kings Road branch, on 20 June 2002, reported a surplus of £38,922.24 that was subsequently adjusted to a net shortage of £17,874.51. An examination of the Statement of Debt, provided by Post Office as evidence, reveals that there were numerous transaction error adjustments in May and June 2002, the most significant being charges in respect of 'Girobank error' of £9,050.25; 'Cheques to Processing Centre' of £4,993.90 and a Branch Discrepancy of £47,303.23 on 8 May 2002.
- 1.14. There is partial reference in the evidence provided by Post Office to an earlier Audit referring to "*a large rolling discrepancy*", which may be related to the branch discrepancy listed above but there are no further records available to confirm or deny this.
- 1.15. No civil proceedings were commenced and the sum of £17,874.51 that had been claimed by Post Office was written off although there are no records now available to explain what efforts were made to pursue this loss and why the outstanding amount was written off.

## **2. Points of common ground between the Applicant and Post Office**

- 2.1. There is very little that can be considered as common ground in this case.
- 2.2. It is common ground that on closure of the Kings Road branch there was a recorded surplus, at that time, of £38,992.24.
- 2.3. Post Office accepts that the Applicant telephoned the NBSC Helpline on 135 occasions between May 2001 and October 2002 and that the Applicant wrote letters on a very frequent basis to the Area Manager's office. Records of calls made to the Horizon System Desk are no longer available, nor are copies of the Applicant's correspondence.

## **3. Points of disagreement between Post Office and the Subpostmaster**

- 3.1. The Applicant claims that the surplus of £38,992.24 identified at the time of closure of the Kings Road branch should be refunded to him. Post Office's position is that no amount is due to the

Applicant given that accumulated errors and discrepancies transformed that surplus into an amount of £17,874.51 due to Post Office.

- 3.2. The Applicant asserts that "*the system was not responding accurately*", that he "*did not have exhaustive control over the system*", that he was "*unable to rectify most of the mistakes or faults within the system*" and that "*the system was corrupt due to internal virus and that the system started showing shortages of £1,000 per week*".
- 3.3. In summary Post Office's reaction to these claims is that "*Horizon allows for identifiable errors to be corrected*" and that the Applicant was "*given support to produce transaction logs*".
- 3.4. An analysis by Post Office of the branch discrepancies reported by the Applicant reveals that the average loss was between £250 and £347 per week rather than the £1,000 as claimed by the Applicant.
- 3.5. The Applicant also asserts that there was a "*lack of a 'suspense account' option*", but NBSC call logs would appear to demonstrate that the Applicant was both aware of and had used such a facility.
- 3.6. The Applicant considers it likely that problems with the Horizon system and unreliable hardware were the cause of discrepancies, although no specific details have been provided. Post Office considers that the most likely causes of the shortage were poor controls and incorrect use of the Horizon system.
- 3.7. The Applicant states that Post Office failed to provide effective training and support and that "*insufficient training led to system's failure*". Post Office's position is that the Applicant and especially his wife had extensive experience of operating Post Office counters and that standard training and support would have been provided, although there are no records available to support this.

**4. Where there is disagreement, a logical and fully evidenced opinion on the merits of that Subpostmaster's complaint where it is possible to do so**

- 4.1. Given the lack of specific information and examples of difficulties it is impossible to offer an evidenced-based opinion on the merits of most of the Applicant's claims.
- 4.2. Details of the transformation of the surplus into the amount claimed as being due to Post Office were communicated to the Applicant by letter on 13 July 2012. Since then there appears to have been no further communications.

**5. A summary of any points on which it is not possible to offer a fully evidenced opinion due to a lack of evidence/information**

- 5.1. Due to the length of time that has elapsed since the events occurred and the expiry of document retention periods it is not possible to offer a fully evidenced opinion on the matters raised by the Applicant.
- 5.2. The Applicant has provided few instances of problems with Horizon or specific transactions and since only limited transactional data is now available to examine, Second Sight has been unable to reach an evidence-based conclusion on any of the issues listed in section 1.5 above.

**6. Is this case suitable for mediation?**

- 6.1. In our opinion this case is suitable for mediation and the following issue should be considered:
  - a) whether Post Office or the Applicant is responsible in part or in whole for the overall loss of £17,874.51.