

Witness Name: Mr Baljit Sethi

Statement No.: WITN0200_02

Exhibits: None

Dated: 2 February 2022

IN THE POST OFFICE HORIZON IT INQUIRY

SECOND WITNESS STATEMENT OF MR BALJIT SETHI

I, MR BALJIT SETHI will say as follows:

Introduction

- i. I have been invited by the Chair to provide a second witness statement to the Inquiry, that request being made of me under Rule 9 of the Inquiry Rules 2006 dated 28 January 2022. My first witness statement addressed the 'human impact' on me and my family of the Horizon system, its faults and problems, and Post Office's conduct. Whereas that statement detailed my personal experiences, this second witness statement is intended to address the wider matters that are relevant to the Inquiry's investigation.

Background

- ii. I refer to my first statement in full, as that statement sets out my background and details of my experiences. For the purposes of context for this statement, however, I will briefly explain my background.
- iii. I am 69 years old. I am married to my wife, Anjana, who is 67. I was born in Malaysia and my wife was born in India. I have been in the United Kingdom since 1976. My wife's

father had operated a post office in Kent, and he suggested that it would be a good fit for my wife and me.

- iv. My wife and I operated more than one post office branch, and were subpostmasters or otherwise involved in post office branches for 29 years prior to our termination in 2002. We experienced regular and persistent issues with the Horizon System, including shortfalls. Our termination, and the financial difficulties associated with it are directly and solely attributable to the flaws within the Horizon system and Post Office's conduct toward us.

The Inquiry's questions

- v. In its request for a witness statement under Rule 9 of the Inquiry Rules, the Inquiry has asked me specifically to address 11 questions. My answers are set out below, in the order set out in the Inquiry's letter to me.

1. What is a subpostmaster?

1.1. A subpostmaster is a person appointed by Post Office to own and manage a 'sub-Post Office'. A sub-post office is effectively a small, local Post Office outlet. The services that subpostmasters are responsible for have changed over the years. When I was a subpostmaster, the range of services and responsibilities was very wide.

1.2. The subpostmaster sells items and services on behalf of Post Office; such as stamps, receiving letters and parcels, postal orders and foreign currency. At the time I was a subpostmaster we also assisted customers in paying all utility bills (gas, electricity, water). We also sold dog and fishing licences. The subpostmaster also paid out pensions, a range of benefits (child benefit, disability benefit and unemployment benefit). The subpostmaster also provided banking facilities to local businesses, and collected and issued money for banking purposes (post office accounts). We also provided banking facilities for customers who used Giro Bank. We also provide

services for National Savings and Premium Bonds. Customers would also use the post office to pay for products they had bought from catalogues.

1.3. I would like to highlight the very important role that a subpostmaster performed, particularly at the time that I was a subpostmaster. The local post office was central to each community: every pensioner and child benefit recipient used the post office. The same was true of anyone who was in receipt of other benefits. We engaged with almost everyone within the community, from all walks of life, and provided a range of vital services for those people. Many people, particularly elderly people, would seldom leave their homes save to come to collect their pensions, so we effectively became their friends.

2. What, in broad terms, did you understand the contractual arrangements to be with the Post Office and a Subpostmaster?

2.1. I understood the contractual arrangements to be a signed written contract between the subpostmaster and Post Office. The subpostmaster acts as an agent of the Post Office, and is paid by Post Office to provide the services mentioned in question 1, above.

2.2. All incurred costs in the operation of the sub-post office, such as: rental of property, business rates, taxes etc. are paid by the subpostmaster and not by the Post Office.

3. What do you understand by the terms 'shortfall' and 'discrepancy'?

3.1. At the time I was a subpostmaster, once per week, I would have to 'balance the books'. This meant to review the stock held by the subpostmaster, all the payments and receipts from that week's trading, details of which are sent to Post Office. This was originally done on a Wednesday, but later undertaken on a Friday.

- 3.2. A 'discrepancy' is where you find a difference between what has been paid in and out and what has been received, or a difference between the stock held and stock recorded as being held.
- 3.3. Discrepancies will naturally occur in any business which is handling many cash transactions. These can be due to human error, 'miss - keying' (i.e. entering the wrong number in a cash register or computer terminal for example.)
- 3.4. Before the introduction of the Horizon System, we used a manual, paper based system, for recording stock and transactions. This was called the "weekly statement". This was a time consuming system, as it could only be conducted at the close of business, when all cash and stock could be checked and recorded. However, it allowed the subpostmaster to go back through his or her records to identify the cause of a discrepancy.
- 3.5. By way of example, I remember on one occasion my wife withdrew £150, but mistakenly entered it on our paper record as £150 paid in. The daily record then showed an error of £300. We were able to review the papers entries easily and were able to identify this error and easily correct it. This was not possible using the Horizon System.
- 3.6. A 'shortfall' is when a subpostmaster has paid out more than has been received, and the numbers do not balance as they should, and there is a deficit (shortfall) in the post office's accounts.
- 3.7. The reverse of a shortfall is what is termed a surplus. That is to say, if one is holding more stock or cash than the accounts record.
- 3.8. When the stock and cash do not tally, it causes a discrepancy, which can be a shortfall or a surplus.

4. What was your understanding of who was responsible for shortfalls?

- 4.1. As I remember them, the terms of the contract between Post Office and subpostmasters stated that it was for the subpostmaster to make good any shortfall.
- 4.2. This understanding, was repeatedly reinforced by Post Office managers and auditors, who made it completely clear that the subpostmaster was responsible for making good any shortfall.
- 4.3. Conversely, if a surplus arose, Post Office management would instruct me to place the monies in a suspense account. The subpostmaster was not allowed to withdraw any of that surplus, for example to make good a shortfall.
- 4.4. In over 25 years working as a subpostmaster the only surplus we experienced was at the time of our final audit, when there was a surplus of £38,922.24. The Post Office kept this money.

5. What do you understand by the requirement to balance to zero in a trading period?

- 5.1. As set out in my answer to question 3, every week the subpostmaster has to attempt to balance the books to 'zero'. I would count up every penny we held in the post office, I would also count all stock (including stamps, pension dockets, foreign exchange, unemployment benefit dockets, child benefit dockets). All of this information (incoming and outgoing cash and stock) would be inputted into the Horizon System. I would then press 'enter' on the system and then the Horizon System would calculate the cash and stock and generate a balance figure.
- 5.2. In reality, balances would not often balance to zero, but would be pennies or pounds over or under. If we were under by a reasonable amount, I would simply make up the difference from my own funds, to reach a zero balance on the Horizon System.

5.3. When a balance resulted in a larger discrepancy than that, I would conduct a thorough re-check of all records. This would take several hours, very often late into the evening. I would then contact the Post Office to report a larger shortfall.

5.4. As I explained in my First Witness Statement, in approximately 2002, I began to experience large shortfalls. I 'rolled over' the shortfall balance and reported the shortfall to my Post Office manager. These shortfalls continued over the following weeks, until the shortfall reached £17,000. I continued to report the shortfalls every week to my Post Office manager.

5.5. Despite our weekly reports, no one came from the Post Office to look into the problem. We then received a letter from the Post Office, asking us to make good the shortfall and advising that our contract for the post office would be terminated three months later.

6. What did you understand a Branch Trading Statement to be?

6.1. This is not a term I would have used.

6.2. Under the previous paper system, the Post Office provided us with an accounts book for the entire year. We would complete this every week recording all cash and stock transactions. At the end of the week, we would transfer the information from the book onto a form provided by the Post Office for this purpose; it was called the "cash account" or the "statement". Once completed, the form would be handed to the postman, and it would be delivered to the Post Office Headquarters at Chesterfield.

6.3. Under the Horizon System this information was recorded and sent electronically to the Post Office.

6.4. Under the old system we would have a full record of all transactions for up to 6 years (the period we were supposed to keep these transaction/accounts records). Under

the Horizon system there was a very limited ability to go back and check transactions. I believe that you could not go back further than one month.

7. How were you able to check transactions on Horizon?

7.1. Unlike the old paper system, there was limited ability to check transactions on the Horizon System. You could press the 'back office' key and then you would be presented with some limited options, including a transactions log. However, it was very difficult to interrogate the system unless you knew the day and date of a particular transaction, or the precise value of a transaction. In most instances, you could go back to previous day or days. It is my recollection that you could not go back for more than a month.

8. What did you understand a Suspense Account to be?

8.1. The Horizon System had a function called "suspense account". This was never explained to us in our training. It is my understanding that if, during a balance that a surplus (as opposed to a shortfall) was found, the surplus could be moved from the subpostmaster's account into the 'suspense account' on the Horizon System. This was to isolate and separate the surplus.

8.2. This could only be done with the permission of the Post Office Area Manager.

8.3. I never used the suspense account.

9. Describe, in broad terms, the procedure that was in place to contest a discrepancy?

9.1. In my experience a subpostmaster could not contest a shortfall or discrepancy.

9.2. In my experience when I repeatedly reported shortfalls to the Post Office, they took no action to investigate my complaints and concerns. The Post Office ignored all of my calls and faxes asking for an investigation and help.

9.3. After approximately 4 months of recurring shortfalls, and my repeated unanswered calls and faxes, the Post Office simply demanded that I make good the shortfalls and gave me notice of termination.

9.4. There was then a closing audit at the end of the notice period. The Post Office auditors found a surplus of £38,922.24.

9.5. Therefore, in my experience there was no way to effectively dispute a shortfall or discrepancy. The Post Office simply decided what you owed them, and then demanded it.

10. What was the process by which cash is remitted to the Post Office and what are Overnight Cash Holdings?

10.1. Remittances were when cash would be divided into specific denominations and value and then placed in bags and sent to the Post Office.

10.2. Once I had counted and bagged the money, I would telephone the Post Office remittance department and they would send a security van to pick up the bags and sign a document that they had picked up the bags. The money would not be counted by the Post Office staff when they would collect the money.

10.3. Under the previous manual system, the Subpostmaster would determine the value of money that he/she needed to remit (send back). Although the Post Office could also call you and ask you to remit money, if they felt that you were holding too much money.

10.4. When the Horizon System came in, and when I conducted a balance, the System would instruct me that I should remit a certain amount of money to the Post Office.

10.5. Overnight cash holdings were the sum I held within the post office at the close of business. I would count that money at the end of every day, and then I would secure the money in a safe within the post office overnight. The safe had a time delay lock.

11. Are there any other frequently used terms that the affected may use in their evidence that you think it would be useful to explain at the outset of the hearings?

11.1. There were a number of terms we used in the post office that it might assist the Inquiry to understand:

- I. Make good – This was a term the Post Office used to describe the process of a subpostmaster having to make up a shortfall from his or her own funds.
- II. Stock – This would include stamps, licences, dockets for pensions, benefits, child benefit and Giro Cheques etc.
- III. REM or Remming – this is the word used to describe remitting monies to the Post Office.
- IV. Remuneration – The money received by the subpostmaster from the Post Office to provide Post Office services
- V. Balance – This is the word used by subpostmasters when they add up all of their cash and stock in order to ensure that it 'balances' against the cash and stock that they should be holding.

- VI. Auditor – This is the word used to describe the Post Office’s auditors who would conduct audits of a sub post office.
- VII. Area Manager – This was the Post Office manager who oversaw the work of a group of sub post offices in an area, and to whom the subpostmaster was supposed to raise concerns or seek advice from.
- VIII. Rollover – This word only came into use after the introduction of the Horizon System. It described the process of carrying forward a discrepancy to the following week so that it could be investigated.

Conclusion

- 12.** In my first statement, I gave details of my experiences of the Post Office mediation scheme and my attempt to make an application to the Historic Shortfall Scheme (see paragraphs 23 – 29 of my First Witness Statement). As detailed in my First Witness Statement, I made an application to the Historic Shortfall Scheme in February 2020. Despite making the application two years ago, I have received no substantive response, advising as to when my application will be considered, and no offer of compensation.
- 13.** With the assistance of my adult children, I have raised this with Julia Lopez MP, who has raised this matter with the Post Office repeatedly. Each time Ms Lopez MP writes to the Post Office, they reply saying that the Post Office is dealing with a large number of applications and that they will update her/me in three months. However, at the end of each three month period there is no progress, and Ms Lopez MP writes to the Post Office again, and the Post Office replies with the same answer.
- 14.** As I said in my First Witness Statement, I am deeply worried that I or my wife will die before we achieve any form of justice and meaningful compensation for the devastation of our lives by the Post Office. This is not fair.

Statement of Truth

I believe the contents of this statement to be true.

Signed _____
Mr Baljit Sethi

GRO

_____ Dated: 2 February 2022