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Presenter: ...being made scapegoats for a faulty IT system called Horizon Accounting that created thousands of Pounds of shortfalls in cash when none existed. Jo Hamilton was a SubPostmaster in the South Warnborough Village Shop in Hook in Hampshire. Within a few weeks of getting the new system, she noticed something wrong.

Jo Hamilton: It all started off in December 2003 and I had a discrepancy of minus £2,000, so I rang the helpdesk, because that's what they're for, and they told me to do various things and I did that, and the amount that I was down doubled, and I asked to speak to a supervisor, so they came on the phone, and whatever we did, it wouldn't go back to minus £2,000. The upshot of it was that they asked me to pay the money into the Post Office, which I didn't have, and then they decided to take my wages for the next 10 months to pay it back, because under the terms of my contract that's what has to happen if you're down – you have to make it good.

I had to re-mortgage the house and repay the money, and originally I was charged with stealing. They said if I repaid and pleaded guilty to 14 counts of false accounting, they would drop the theft, so the decision was made that I was less likely to go to prison for false accounting than I was for theft, and that's what I did. If I didn't plead guilty, they would have charged me with theft, and I couldn't prove I didn't take anything. They couldn't prove I did and at the time, they told me, oh, I was the only person that had ever had problems with Horizon, nobody else had. I actually did think I was the only person in the world that had ever had problems with it and I hadn't taken any money, but I didn't know what the hell was going on and they never made any attempt to investigate the money or where it had gone. I would love to see all our names cleared and I would love to see some of us have some of our money back.

Presenter: Well, a group of MPs took up the cause of the SubPostmasters, but now they say they have lost faith in the Post Office. The leader of that campaign is the Conservative MP, James Arbuthnot, and he is with me, so is Mark Davies, who is the Communications Director for the Post Office. Mr Arbuthnot, what's the problem, because the Post Office did set up a mediation system?

James Arbuthnot: Yes, at considerable public expense, the Post Office set up this mediation scheme, but sadly they are now trying to sabotage that very mediation scheme that they set up and they're doing this in secret. It's an extraordinary story. They're trying to bar from mediation 90% of the SubPostmasters for whom it was set up. They're arguing, for example, that those who, like Jo Hamilton, pleaded guilty to false accounting shouldn't have the mediation scheme available to them, despite having agreed expressly with MPs that those who had pleaded guilty to false accounting, should have it available to them, so they're doing it in secret, they're doing it at a stage when there is no legal representation available to these SubPostmasters, because they're trying to bar these people from the mediation scheme in the working group for the mediation setup. It's an extraordinary story and I'm afraid I have no confidence that the Post Office is trying to clear it up.

Presenter: Well, what they say is that they paid for people to get independent advice, they've advised people to come forward with their stories, they've investigated the cases; they've done everything that could be reasonably requested of them.

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James Arbuthnot: They talk about this legal advice, but then they try to prevent the SubPostmasters going into the mediation scheme at a stage of the process when the SubPostmaster is not represented by that legal advice. You won't get any of those legal advisors coming onto this programme, because the Post Office has bound them to secrecy. You won't get 2nd Sight, the independent investigators, coming onto this programme, because the Post Office has bound them to secrecy.

Presenter: So couldn't you argue that they have a relationship with their clients and, therefore, they're inevitably bound to secrecy?

James Arbuthnot: Yes and there was a concern at the beginning of this that 2nd Sight, the independent forensic accountants, who the Post Office chose and are paying for, do have a relationship with the Post Office and that worried MPs about whether they would have the independence that was required, but they have had, and now that they've shown that independence, the Post Office is doing its utmost to poo-poo the recommendations that 2nd Sight is putting forward and they're trying to override those recommendations possibly because of that very independence.

Presenter: But, look, the investigation isn't over yet and a lot of things might yet change.

James Arbuthnot: Well, that is my hope, but for myself, since this is an investigation and a mediation scheme which is in the hands largely of the Post Office, it's paid for by the Post Office, for myself, I have lost faith in the Post Office's determination to see it through to a proper end.

Presenter: Mark Davies, it is a very serious charge that you sabotaged this scheme.

Mark Davies: It's an extremely serious charge, John, and clearly we reject it outright and it's very regrettable some of the things that Mr Arbuthnot has said.

Presenter: What did he say that was wrong?

Mark Davies: Well, I think to go back to the original setting up of this inquiry, we at the Post Office take our responsibilities to our people extremely seriously and to their welfare as well.

Presenter: What did he say that was wrong?

Mark Davies: If I could just finish the point, I think it's really, really important to set this out. The Horizon system that Mr Arbuthnot refers to is used every single day by about 80,000 people. In the course of the last decade, half a million people have used that system without any problems face to face with customers across the 11,500 branches in the Post Office network. That said, a very small number of people came to us through their MPs with some questions, some issues, which they said they had problems with the system. That amounts to 0.03% of those people who have dealt with the Horizon system...

Presenter: It's still 150 people though.

Mark Davies: It absolutely is.

Presenter: They're each individuals with their own lives being ruined. Now, what was it that Mr Arbuthnot said about your handling of this scheme that is wrong?

Mark Davies: Well, what is wrong is first and foremost that the scheme hasn't finished yet, John. So 2.5 years ago, we set up a review into the Horizon system. That review has found no evidence at all of any systemic problems with the Horizon system.

Presenter: Well, it's your own review, isn't it?

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Mark Davies: Well, it's with independent forensic accountants, John, and then we set up the complaints and mediation scheme for those 150 people who came forward. Look, we advertised for people to come forward. We went to our people across the Post Office network and said if you feel that you've been treated unfairly, please come and talk to us about that. I don't think...if we weren't taking this seriously, I don't think we would have done that.

Presenter: But you heard the story of Jo Hamilton there. I mean she's tried to do everything that she could, at least if we're to believe her and we have no reason not to believe her, everything she's said she could have done, she has tried to do, and she's got nowhere.

Mark Davies: You'll forgive me, John, for not getting into an individual case.

Presenter: All right, I understand you can't do that, but nonetheless, she is representative of many people like her and they are in desperate trouble now, and they have a case, don't they?

Mark Davies: I am really sorry if people have faced lifetime difficulties, lifestyle problems, that are as a result of their having been working in Post Office branches. It doesn't necessarily follow though that the Post Office is responsible for the issues that people have had, and I think our commitment to seeking to look at every single case is underlined...

Presenter: But you've barred 90% of them. This is...

Mark Davies: No, that's not true and I don't accept that figure at all.

Presenter: Well, what is the figure? How many have you barred?

Mark Davies: Well, the working group, which is chaired independently by a former High Court Judge is bound by confidentiality, the Post Office is bound by confidentiality...

Presenter: So you can't tell me how many have been barred. It might be 90%. It might be...

Mark Davies: I'm afraid I can't, John, because the working group was set up with confidentiality in mind and we, as the Post Office, are bound to that.

Presenter: But you're not giving anything away. I'm not asking you for the names of the people. I'm asking you for the number of people who have been barred.

Mark Davies: And I can't go into the details of that...

Presenter: So in that case, we're entitled to accept what Mr Arbuthnot has said, which is that it is 90% of cases.

Mark Davies: I don't accept that at all. It's not...

Presenter: Well, if you're not being able to give me a figure, with the best [motive in the world], it's impossible for us to do anything other than accept the figure that was Mr Arbuthnot has given.

Mark Davies: Well, we're being placed in an intolerable position as the Post Office, because we're bound by a confidentiality agreement which was agreed with all parties...

Presenter: But you entered into that agreement yourself.

Mark Davies: We did – including with the Justice for SubPostmasters Alliance, so we're in an extremely difficult position. It's not the case that 90% have been rejected. We're actually looking at every single case on a case by case basis. We're absolutely committed to doing that...

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[All talking]

Mark Davies: I'm not saying that at all. We look at every single case on a case by case basis and in some cases, there is evidence whereby we have looked at what's happened and we have held our hands up and said in some cases we could have done things differently and we have reached agreement with some cases.

[All talking]

Mark Davies: ...in other cases we haven't reached that conclusion, because we have to take it extremely seriously. We're a large retail organisation. We conduct audits in our branches across the 11,500 branches every single day. Where there are cases where there have been losses in those branches, clearly we have a duty to look at those, and you'd expect us to do that on behalf of our customers, on behalf of taxpayers.

Presenter: A final very quick word, Mr Arbuthnot.

James Arbuthnot: Mark Davies says that it's a tiny proportion of the transactions in the Post Office and of course that's right, and yet one single miscarriage of justice ought to galvanise the nation. I have got more than 140 MPs, some of them with more than one case. This is not a small problem...

Mark Davies: And if evidence emerges where there is evidence that a case should be relooked at through the legal process is absolutely the Post Office's legal duty to take that forward and we will do so.

Presenter: Mark Davies, James Arbuthnot, thank you both very much indeed.