

POST OFFICE LTD CONFIDENTIAL: INVESTIGATION,
LEGAL
POLTD/0506/0401

OFFENCE
Theft
False Accounting

Name: Hughie Noel Thomas

Rank: Subpostmaster **Identification Code:** 1

Office: Gaerwen **FAD Code** 160604

Age: 58 years 10 months **Date of Birth:** GRO

Service: 11 years 4 months **Date Service Commenced:** 09/06/1994

Personnel Printout: At Appendix: C

Nat Ins No: GRO

Home Address: GRO
GRO

Contract for Services Suspended: 13th October 2005 on the authority of [REDACTED]

Handed into custody: 13th October 2005 by [REDACTED]

At: Holyhead Police Station

To be prosecuted by: Royal Mail Group (including Post Office Ltd)

Designated Prosecution Authority: [REDACTED]

Discipline Manager: [REDACTED]

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Corporate Security Criminal Law Team

These papers refer to an audit shortage at Gaerwen Post Office on Thursday 13th October 2005. This branch is situated in a small rural village on Anglesey in North Wales.

Mr Hughie Noel Thomas has been Subpostmaster at Gaerwen since June 1994, when he acquired ownership of the branch from [REDACTED]. The office has 2 counter positions and is located within Mr Thomas's residence. The branch has 4 users listed on Horizon, these being Mr Thomas, [REDACTED], [REDACTED] and [REDACTED].

The audit findings shown a loss of Post Office funds of £48,454.87.

At 1015 hours on Thursday 13th October 2005, I received a call from [REDACTED] [REDACTED]s informing me of the audit shortage at Gaerwen Post Office. I contacted the lead auditor, [REDACTED] and was informed that the majority of the loss was in the cash element of the balance. No loss or gain had been declared in the previous nights cash account for week 29.

[REDACTED] stated that Mr Thomas had told her that he was having trouble with the Horizon system and that his on line banking reports had several transactions showing nil amounts. He said that these transactions are for amounts of money which have been paid out to customers but the system is not recording the value. Consequently his accounts have been short with losses accruing to some £48,000 over a period of time. A statement was obtained by [REDACTED] from Mr Thomas stating that he balanced each week by adding the amount of the shortage to the cash on hand in his branch. Mr Thomas duly signed this statement.

Accompanied by my colleague, [REDACTED], we arrived at the branch at 12.42 hours. We introduced ourselves to Mr Thomas and shown him our identity passes. I informed Mr Thomas of the reason for our involvement and that I would discuss the situation with him once I had established the facts with [REDACTED]. We were then informed that the office had been transferred to the Federation Representative; [REDACTED] as Interim Subpostmaster and the branch has resumed service some 60 minutes earlier at the request of the Service & Contracts Manager, [REDACTED].

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██████████ informed me that her colleague, Branch Auditor ██████████, who was assisting at the audit, had contacted Horizon System Helpdesk (HSH) to obtain advice on the nil transactions. He spoke to ██████████ and was given reference number H21903612. ██████████ said to obtain a report every hour of Horizon and check the transactions. This was undertaken and contained one nil transaction which ██████████ remembered as a customer not completing the transaction.

We spoke to Mr Thomas who stated that he was willing to attend a tape recorded interview, however, he required his solicitor to be present. He stated that his solicitor was away until some time next week and there was nobody available at the practise to attend straight away. Due to the amount involved, I decided that the interview could not be delayed.

At 1400 hours, ██████████ and myself attended Gaerwen Police Station and relayed the facts of the case to PC ██████████. After clearing it with his superiors, PC ██████████ was to arrest Mr Thomas on suspicion of theft of £48,454.87 of Post Office funds. The arrest took place at Gaerwen Post Office at 1420 hours. A notebook entry was made of the approach and arrest and a copy is enclosed in appendix B of this file.

Mr Thomas was taken to Holyhead Police Station where he was booked into custody. Mr ██████████, solicitor from ██████████, was acting on behalf of Mr Thomas. During advanced information, Mr ██████████ advised that Mr Thomas might wish to conduct the interview in Welsh. Mr Thomas had stated to the custody seargent, when booked in, that he would be happy to undertake any interview in English. I was also informed at this point that Mr Thomas would be answering no comment to the questions put to him during the interview.

The interview commenced at 19.52 hours. Mr Thomas was recautioned. Mr ██████████ was happy that his client fully understood the meaning of the caution.

Mr Thomas was asked for an explanation for £48,454.87 being short in his account at the audit earlier that day. He replied at the moment I am not commenting. No comment.

Mr Thomas stated that he did not know when the loss first started without looking through his papers. He said he was finding it difficult to remember what happened 2 weeks ago so cannot remember the figures from 29 weeks ago. He said he was an old fashioned chap who was used to pen and paper rather than a computer. Mr Thomas added that there was no paperwork

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directly referring to the losses, only the cash accounts and the envelopes containing the weekly work. Mr Thomas stated that the loss built up over a period of time.

During the interview, Mr Thomas demonstrated that he was fully aware of his obligations as Subpostmaster with relation to making good his losses and gains. He stated that he has to make good all losses and can remove the gains. Making the necessary adjustments within the week in which they occur.

Mr Thomas was asked if the cash accounts accurately reflect the state of his office in any particular week. He replied well I couldn't really comment on that. Mr Thomas stated that he has tried to make the shortages good but did not know which weeks he has put the money in and which he has not made the loss good. He then declined to answer any further questions put to him surrounding the making good of shortages. With regard to the specific loss of over £48,000 in week 29, Mr Thomas stated that he did not make good this shortage and would not comment on why there was such a shortage at Gaerwen Post Office.

During the interview, Mr Thomas was asked if the cash accounts were a true reflection of his branch, he replied no comment. He stated that he is responsible for completing the balance each week and he signs the cash account document. Mr Thomas said the only other person who has access to the Horizon system is [REDACTED] and that nobody else has a user identity or password allowing access to Horizon. Mr Thomas stated that neither [REDACTED] [REDACTED] has ever worked behind the counter. This however is not the case as a user summary report taken at the time of the audit shows that [REDACTED] [REDACTED], who was subject to a previous investigation for Giro suppression and where Mr Thomas repaid £11,000, and [REDACTED] [REDACTED] both have access.

Mr Thomas stated that he secures the cash away each evening and he also declares the ONCH figures on a nightly basis. Mr Thomas was asked if the ONCH declared was a true record. He replied no comment. Mr Thomas was asked if he had stolen £48,000 of Post Office funds, he replied no comment.

Mr Thomas is in the process of selling the Post Office and has a buyer. He was asked if he was hoping to repay the money prior to the transfer. He replied no comment. Mr Thomas stated that he was aware that a full verification of his office would take place on the day of the transfer but

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had not thought about what would happen if the money was not there. He was asked if he was making provision to put the money back prior to the transfer in order that the transaction could go ahead. He replied no comment.

During the interview, Mr Thomas was asked if there was any reason that he knew of as to why he was having losses in his office. He replied that it was due to basic mistakes on the Horizon system and not understanding it. He added that we should check the error notices that he receives.

The latest error notice that Mr Thomas remembers is for a transaction for £1,500, which he believes, he put through as £15.00. He was asked if the loss or gain for this was shown on his cash account. He replied no. When asked why a corresponding loss or gain was not declared he replied no comment.

Mr Thomas stated that the Horizon system was installed in his office around 2001. He added at first he had some problems and complained to his retail line manager, after which, he received one extra training session on a balance day. Prior to Horizon being installed, Mr Thomas stated that he operated the Capture accounting system to aid balancing. Mr Thomas stated that there was a previous problem with Horizon where he had to pay half the total of a loss with the Post Office contributing the other half. After discussing this with the Contracts Manager, [REDACTED], the Post office wrote off a loss of approx £1,200 as part of the exceptions process, in the immediate months after migration onto Horizon.

During the interview, Mr Thomas was asked what other complaints he has made regarding Horizon. He stated that he has contacted the Helpline on 2 or 3 occasions regarding small matters mainly when having to reboot his system. Mr Thomas was asked if it is his opinion that Horizon has contributed to or is responsible for the £48,000 loss. He replied that he has got doubts about it. When asked if there was any other explanation for the loss he stated no.

Mr Thomas then stated that he was concerned over the number of zero entries that was contained on his weekly on line withdrawals summary. He stated that although the report shows nil entries on some of the transactions, he has handed the money over the counter to the customer and that the losses are accruing, as the amount has not registered properly on his system. Mr Thomas agreed that the majority of on line banking transactions did have an amount and that the zeros were not confined to one specific group, for example all the Barclays transactions. [REDACTED] offered two

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possibilities where nil entries will appear on the summary. These are due to incorrect PIN numbers entered or no funds available for withdrawal from a Post Office card account.

Mr Thomas was asked that if £48,000 has not been handed out over the counter to customers, then would he not agree that it has to be by somebody having access to the counter. He replied no comment. Mr Thomas was shown the cash account for Gaerwen for week 29, week ending 12th October 2005. Mr Thomas agreed that he prepared this document and his signature is on page 1. Mr Thomas was then asked if the cash locked up figure of £69,534.23 was a true reflection of the cash on hand at his office last night. He replied yes. [REDACTED] added that if he went to the safe last night would he have found £69,534.23 in his safe. Mr Thomas stated no comment. He also answered no comment when asked if he had inflated the cash and thereby falsifying the accounts for the Post Office for that week.

Cash account weeks 28 and 27 were shown to Mr Thomas. He stated that he had prepared both the documents and that it was his signature recorded on the front pages. Mr Thomas then replied no comment to questions relating to the inflating of cash and falsifying the accounts. Mr Thomas stated that he couldn't remember when the shortages started. He added that he did not tell anyone about the losses, as he was too worried. He is a member of the Federation of Subpostmasters but made no approach to them for help or advice.

Mr Thomas stated that it was not one large loss that had been stolen and that he did not suspect anybody else in his family. He stated that if the losses were proven, he would accept full responsibility for the £48,000 audit shortage.

The interview was concluded at 20.36 hours. The master tape was sealed in the presence of Mr Thomas and [REDACTED]. Seal number 37924 was used which was signed by all parties.

Mr Thomas was released from custody and bailed until 29th November 2005. Please note that the bail date on the bail sheet is incorrect as it says October. I have contacted [REDACTED] at Holyhead custody, who has made the amendments and forwarded a copy to Mr Thomas. A copy of the custody record is enclosed in the relevant appendix at the rear of this file.

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Mr Thomas has not divulged exactly how long he has been he has been covering up the losses, only that it built up over a period of time. He has indicated to the audit team that it was over a 12 month period.

Mr Thomas is convinced that the Horizon system is affecting his balance results, as the On Line Banking summary contains several zero totals. These are not confined to one particular group ie Barclays or Alliance and Leicester and similarly only a small number of transactions in each group are zero.

There are a number of legitimate reasons why a zero entry would be present on the summary.

- A customer places their card into the pinpad terminal and enters an incorrect PIN number.
- A customer requests a withdrawal but no funds are present in their account
- A customer has previously entered an incorrect PIN on 3 separate occasions and the card provider blocks the transaction
- The card has been reported stolen and the card has been cancelled.
- The transaction does not receive online authorisation from the card provider even with a correct PIN entered.

[REDACTED]

There are no calls recorded on the helpline logs in respect of this issue. A copy of the calls made by Mr Thomas in respect of problems at Gaerwen, are enclosed in this file. [REDACTED] has stated that Mr Thomas has made no representation to him regarding the zero entries or any concerns he has with the system despite the loss rising to over £48,000. [REDACTED]
[REDACTED]

The loss has not been recorded on the cash accounts. Since week 1 to week 29, the branch has been declaring some losses and gains however, the latter weeks seem to show straight balances.

In week 24, a total of 3 charge error notices have been cleared for the sum of £540.06 however, the office cash account shows a straight balance for the week. Similary, no corresponding gain was shown in the weeks in which they refer. A schedule showing the declared balance figures with any error notices returned and cleared has been produced and enclosed in appendix B of this file.

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[REDACTED]

[REDACTED] was the subject of a previous investigation some 6 or 7 years ago. There was evidence of giro suppression at the branch as clients had made complaints. [REDACTED] made some admissions in relation to this, which resulted in Mr Thomas repaying £11,000 to Post Office Ltd. It seems Mr Thomas kept control of the office but signed a document stating [REDACTED] was not to carry out any Post Office work. [REDACTED]

[REDACTED] Information was given to me by [REDACTED] who was the RLM at the time.

[REDACTED] has been working at the branch since August 2004. She has recently left to have a child.

The branch has remained closed since lunchtime on Thursday 13th October 2005. This is in order to check the Horizon system in relation to the defence put forward by Mr Thomas. The interim Subpostmaster balanced the office aided by the auditor. There was a zero amount on the summary, which was a known incorrect PIN transaction. The office balanced.

[REDACTED]

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Loss to Post Office Ltd £48,454.87

Copies of all exhibits or documents mentioned in this report can be found in the relevant appendix of this file. The master tape is held at Capstan House, with a copy enclosed in this file.

This report is submitted for the present position to be noted and for consideration as to whether the evidence is sufficient to support a prosecution at this stage. Mr Thomas is bailed to appear at Holyhead Police Station on 29th November 2005. Please can this file be returned to me in time for this hearing. If insufficient evidence, please could you advise on what further evidence is required and if a second interview at this stage is necessary.

Investigation Manager
25th October 2005

✉ Capstan House, 35 Broadway, Salford Quays, Manchester, M41 6FW

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[REDACTED]

Criminal Law Team

POLTD/0506/0401 – Hughie Noel Thomas
Gaerwen Post Office – Audit Shortage £48,454.87

This purpose of this report is to provide additional information on the nil transactions undertaken at Gaerwen Post office, for which Mr Thomas has stated, is the reason for the audit shortage which occurred on October 13th 2005. Mr Thomas claimed this loss had started some twelve months prior to this audit.

As requested by the Criminal Law Team, I obtained and analysed 3 periods of Horizon data covering a twelve month period. The periods are Nov 18th to Nov 24th 2004, May 19th to May 25th 2005 and Sept 14th to Oct 12th 2005. A schedule of these findings can be found in appendix B of this file.

Fujitsu had no concerns with the integrity of the data received from Gaerwen Post Office, similarly, the Horizon System Helpdesk (HSH) who monitor the working of the system have not been alerted to any hardware problems through there off site monitoring or by any complaints raised by the staff at the branch.

I will summarise each week in detail.

November 18th to November 24th 2004

During this period a total of 70 on line banking transactions were undertaken with a nil value. Of this 70, 59 are standard balance enquiries. At the conclusion of this transaction, the Horizon system will request that the customer removes their card and a printed balance will be produced and handed to the customer. If the customer then wishes to make a withdrawal, they will be required to reinsert the card into the pinpad and enter their PIN number again.

On 4 occasions, the nil transaction related to the customer requesting to change their PIN number. In order to do this, the customer must first correctly enter their original PIN number. The pinpad machine will then request the customer to input their new PIN number twice.

On 3 of these occasions this was undertaken correctly. On one occasion, a customer entered his original PIN number incorrectly, thus invalidating the transaction and the customer having to restart the process.

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During this period a total of 4 withdrawal requests were declined, all due to the customer incorrectly entering their PIN number. Out of the 4 declined, 3 seem to be attributed to the same customer as all took place consecutively, by the same clerk, [REDACTED] and within 1 minute 41 seconds from the first request to the last. This time lapse is consistent with a customer having to start the transaction each time from the beginning. If the customer makes three failed attempts to enter their PIN number, the system will lock them out requiring intervention from the relevant card provider.

On 3 occasions the on line facility at Gaerwen Post Office was not operational and requests for a withdrawal of funds could not be verified from the card provider.

May 19th to May 25th 2005

During this period a total number of 45 on line banking transactions with a nil value were undertaken. 30 of these were for standard balance enquiries, all of which were authorised and processed.

A total of 12 withdrawal transactions were undertaken which were declined. The reason for this were incorrect PIN number being entered by the customer or the card provider failing to authorise the transaction due to insufficient funds or other concerns with the card or account.

On 3 occasions, the card provider declined a debit card payment for services.

September 14th to October 12th 2005

During this 4 week period, a total of 82 on line banking transactions with a nil value were undertaken. 39 of these were for standard balance enquiries that were authorised and processed.

A total of 43 withdrawals produced a nil entry. The main reason for this is due to an incorrect PIN number entered by the customer. Other reasons were insufficient funds, Usage violated, which means the withdrawal limit has been exceeded, or where the customer has been timed out and taken too long to enter their PIN number.

A schedule of the nil transactions was compiled which also includes the following transaction undertaken. It was found that in the majority of cases, a nil transaction was immediately followed by a further transaction of the same

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type that was authorised. For example on Nov 22nd 2004, at 11.09.07, a customer requested a withdrawal from their Post Office Card Account (POCA). This was declined as the incorrect PIN number had been entered. The next transaction undertaken at the branch was at 11.09.41, again for a POCA withdrawal. This was authorised and £89.00 was entered. These transactions were undertaken by the same clerk, [REDACTED] and on the same terminal number 1.

This pattern is repeated throughout the data examined. Out of 42 declined withdrawals, 38 (90%) were immediately followed by an authorised withdrawal that was performed on the same terminal and by the same clerk.

It was also noted that the nil transactions were performed on both of the terminals installed at the branch and by [REDACTED]

A schedule of this information can be found in appendix B of this file.

In conclusion:

- No problems highlighted with the integrity of the data or the system
- All nil on line banking transactions examined have valid reasons for the transactions having no value attached to them.
- The majority of declined withdrawals with nil value are immediately followed by an authorised withdrawal for various amounts and are undertaken by the same clerk on the same terminal.
- The nil transactions are undertaken by both [REDACTED] and on either terminal 1 or 2.

This report is submitted for the present position to be noted. Mr Thomas is bailed to appear at Holyhead Police Station on 10th January 2006. Please can this file be returned to me by this date with advice on if a further interview is required based on the evidence or if charges are to be made at the bail or if Mr Thomas is to be released from bail pending charges by summons at a later date.

[REDACTED]
Investigation Manager
12th December 2005

[REDACTED]

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✉ Capstan House, 35 Broadway, Salford Quays, Manchester, M41 6FW

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