POL00034836

Post Office Mediation Scheme

Second Sight - Case Review Report

Case Reference: M035

Applicant: Josephine HAMILTON

Advisor: Robert Holland (James Cowper)

19 September 2014

POL00034836

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 and her Professional Advisor;
b) comments by the Applicant on the previously issue draft of this report;
c) Post Office's Investigation Report ('POIR') including attachments;
d) comments by Post Office on the previously issued draft of this report;
e) Second Sight's Part One Briefing Report; and
f) Second Sight's Part Two 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 submitted by the Applicant;

b) the Case Questionnaire Response ('CQR') submitted by the Applicant's Professional Advisor; and

POL00034836

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) responsibility for direct losses that total £36,644.89;

b) related accusations of false accounting and theft;

c) transactions or adjustments seemingly not entered by the Applicant or her staff;

d) transaction anomalies associated with cheques

e) advice from Post Office's Helpline;

f) adequacy of training and support;

g) limitations in the Transaction Audit Trail;

h) process issues at the end of each Trading Period; and

i) other consequential losses not dealt with in this report, but which may be raised if the case progresses to mediation.

1.6. Given that the main issue here is financial loss, this report focuses primarily on the direct losses of £36,644.89. The other 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 Subpostmistress at the South Warnborough branch from October 2003 until 9 March 2006. She had worked in the branch from late 2001 (for a short while under the direction of the manageress employed by the previous Subpostmaster) and then as an employee until October 2003. An Audit, carried out on 9 March 2006, revealed a shortage of £36,583.12 (later revised to £36,644.89) at which point she was suspended.

1.8. After interviewing the Applicant under caution on 5 May 2006, Post Office charged her with multiple counts of false accounting and a single count of theft.

1.9. After several court appearances, the Applicant pleaded guilty on 19 November 2007 to the false accounting charges, the theft charge having been dropped on the understanding that she would repay all the missing funds prior to sentencing. On 18 February 2008 the Applicant paid £37,644.89 (the shortfall revealed by the Audit plus £1,000 in costs).

1.10. Post Office says that it now believes that "*operational errors*" are "*the most likely cause of the shortfall*" and points to the likelihood of these having included "*mishandling cash, mis-keying transactions into Horizon, cheque remittance errors, etc*". In addition Post Office

POL00034836

expresses its view that false accounting would also have been a significant factor in increasing the shortfall because it delayed the discovery and correction of those operational errors.

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

2.1. It is common ground that the Applicant told Post Office's investigators that all the branch staff had always used the same Horizon system ID and password, this being a clear and serious breach of Post Office's Standard Operating Procedures.

2.2. It is also agreed that Post Office was aware that there were issues and problems at the branch and that the Applicant had also told a representative of the National Federation of Subpostmasters that there were some problems at the branch.

3. Points of disagreement between Post Office and the Subpostmaster

3.1. The Applicant does not deny the likelihood, suggested by Post Office, that the shortfall was generated by operational errors made at the counter, but she believes that Post Office bears some responsibility for those errors, because:

a) in her view it had not trained her adequately;
b) she had come to distrust the Helpline, because following its advice in the past had sometimes resulted in the doubling of her shortages;
c) it had failed to react to her calls for help;
d) it had failed to notice and correct systemic errors (such as the use of a common system ID and password for all staff, although Post Office stresses that these were her responsibility to manage); and
e) the Horizon system, and its associated operating procedures, failed to prevent, detect or help her to mitigate those errors, notwithstanding the impact of any false accounting.

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. Post Office's records indicate that the Applicant made comparatively few calls to the Helpline to seek support. The Applicant comments that the difficulties she encountered in being able to get through to the Helpline on many occasions, and particularly when new products and procedures were introduced, would have distorted any statistics on this matter.

4.2. The Applicant's failure to use the Helpline when problems occurred resulted in the Post Office having no knowledge of those problems. The false accounting by the Applicant compounded this situation, ensuring that Post Office was ignorant of the rising shortfall.

4.3. The Branch's use of only one system ID and password (shared by the Subpostmistress and all her staff) is a fundamental operational error that may have been inherited from the time of the previous Subpostmaster and his manageress.

POL00034836

4.4. From the evidence provided it would appear that the Applicant had a weak grasp of the way that transactions were meant to be processed and how some important aspects of the system were meant to work.

4.5. In support of this opinion the Applicant told us, in response to our further enquiries, that she and her staff:

> "*occasionally got seriously confused when handling complex transactions, getting them wrong and then trying to correct the error and making even more mistakes*".
>
> She also said that:
>
> "*the real difficulty was that, unlike in pre-Horizon days, when a paper audit trail could later be ticked off, it became very difficult to isolate errors that they had made*".
>
> and, as a further example, where her customers had used credit or debit cards to pay for Premium Bonds or other products (or to withdraw cash), she said:
>
> "*although those customers received a paper receipt, we received nothing (unless we specifically printed out an extra copy of the receipt, which of course we did not always remember to do)*"
>
> *"this made life very difficult when trying to identify errors"*.

4.6. In our view, this suggests that the Applicant, and consequentially also her staff, had been inadequately trained from the outset. We believe that Post Office should therefore bear some responsibility for errors made as a result of this Applicant's inadequate training. Post Office's view is that the Applicant was provided with adequate training and support and that staff training was her responsibility.

4.7. When making subsequent enquiries, the Applicant also told us about a series of cheques, given to the branch by a named customer in payment for goods and services received in the branch, that had never cleared through his bank account.

4.8. We have been able to verify this allegation with the customer and have established that some of these cheques were issued in breach of the relevant code of practice, and would not have been accepted by the clearing bank. Other cheques, appear to have been lost for some other reason, possibly due to handling errors in the branch. It is clear that this particular customer did obtain goods and services without paying for them and that this has contributed to the overall loss. There may be other customers who have benefited in a similar way. This topic is dealt with in more detail in our Part Two Briefing Report.

4.9. The Applicant believes that some cheques were lost in transit and recalls at least one incident where a pouch containing cheques was found in the road outside the branch. Post Office has procedures in place to deal with incidents of this type and say that, providing the correct

POL00034836

procedures are followed, this should not give rise to a loss at the branch.

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 of 2003 - 2006, very few of the documents relating to the matters raised have been retained, or made available to us.

5.2. It is therefore not possible to provide an evidence based opinion on a number of matters raised by the Applicant.

6. Is this case suitable for mediation?

6.1. In our opinion this case is suitable for Mediation and that 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 £36,644.89.