

Strictly privileged and confidential
Prepared for the purposes of seeking/providing legal advice
Statement No.: First
Date Made: 12 January 2018

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

IN THE HIGH COURT OF JUSTICE

QUEEN'S BENCH DIVISION

ROYAL COURTS OF JUSTICE

B E T W E E N:

ALAN BATES & OTHERS

Claimant

AND

POST OFFICE LIMITED

Defendant

**PROOF OF EVIDENCE ANGELA [DO YOU HAVE A MIDDLE
NAME] VAN-DEN-BOGERD**

Meeting to obtain proof of evidence took place on 12 January 2018 at Post Office Limited's offices in Swansea.

1. I, ANGELA VAN-DEN-BOGERD WILL SAY as follows:
2. I am Angela Van-Den-Bogerd, People and Change Director, of Post Office Limited (**Post Office**).
3. I make this proof of evidence in support of Post Office's Defence in these proceedings.
4. The facts set out in this statement are within my own knowledge, or if they are outside my knowledge, I have explained the source of my information or belief.

Background

5. I have been with Post Office for nearly 33 years. I completed by A-Levels and had secured a place at Newcastle University to do teacher training. I had planned to take a year out before starting university. My father was a postmaster. The head of Post Office HR lived close to me and informed me that Post Office was recruiting the summer I finished school. I applied and secured a role.
6. Post Office is a very good organisation to work with. I was sponsored to obtain an NVA and NCIPD. Post Office really do invested in their employees, providing we put the effort in.

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

7. I started my employment with Post Office on 1 April 1985, and since that date have worked in a number of positions including as:
- 7.1 a Branch Counter Assistant as part of the directly managed network between [please confirm dates];
- 7.2 an Area Manager in Cardiff looking after a number of directly managed (or "Crown") branches extending into managing the agency network in around 1994. As part of my later role as the area manager of Wales, I was responsible for interviewing the postmaster, appointing the postmaster, managing and exiting the contract with them and everything else in between ([please insert dates]);
- 7.3 Manager of the Training and Audit teams. I was responsible for the whole audit training and contract function between [please confirm dates];
- 7.4 Manager of the teams that closed and maintained Post Offices, dealt with the relocation and refurbishment of Post Offices and I was also responsible for the Contracts team between [please confirm dates];
- 7.5 Head of Sales in 2004 [please could you give some more detail about what this role entailed? From your CV, was this part of your role as National Network Development Manager?]
- 7.6 National Network Development Manager between September 2006 and March 2006, responsible for designing, developing and deploying the process to deliver 3000 changes to the Post Office network (including 2,500 closures and the establishment of 500 new type services) and led a field based team of c. 100 managers in the delivery of the national implementation plan;
- 7.7 Network Change Operations Manager between April 2009 and November 2010, responsible for determining Post Office's strategy in respect of key network partners and the development and implementation of the network strategy to deliver the right size and shape Post Office network to meet future commercial aspirations;
- 7.8 Head of Network Services between December 2010 and August 2012; responsible for the provision of the network services that shaped, supported and sustained the national network of circa 11,500 Post Offices including franchise contract development and deployment; implementation of the annual financial and compliance audit plan,

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

- 7.9 Head of Partnerships between September 2012 and August 2013, I was responsible for the relationship with CWU; Unite CMA for managers and also the National Federation of Subpostmasters;
- 7.10 Programme Director for the Branch Support Programme between August 2013 and March 2015, responsible for the delivery of a high profile and politically sensitive business improvement programme. As part of this, I was leading the investigations and was involved with the investigations and mediation scheme cases and part of the Working Group including setting that up;
- 7.11 Director of Support Services between April 2015 and December 2016, responsible for NBSC (the Network Business Support Centre), our helpline for postmasters; our customer helpline; the Financial Service Centre (**FSC**), the Human Resources Service Centre (**HRSC**) and managing the Contract Admin team.
8. Since January 2017 I have been employed as the People and Change Director, responsible for HR (HRSC) and Health and Safety. I also manage the change portfolio across the organisation.
9. I have always been close to the operation. I used to operate the manual accounting system myself when I worked on the counter. I was involved when Post Office introduced Horizon, which included supporting the agents and going out in to the branch when it was in the difficult transition period. I have a very hands on knowledge of how that branch works from Horizon and then Horizon Online and then subsequently as well.
10. I have always lived in Swansea, however latterly my roles have been mostly field based so I travel a lot. At the height of my network roles I would frequently travel to Scotland, Northern Ireland, Penzance and everywhere else in between.

Location of branches

11. When I was Head of Network Services, I was in charge of making the decision as to whether there was a role which needed to be advertised for; whether Post Office was going to continue having a Post Office branch in a certain location or whether or not there might need to be a new location.
12. At that time (and today) Post Office had a Government requirement that it maintained the network at 11,500 branches. There was certain criteria which Post Office had to fill as part of this requirement, such as a percentage of the population had to live within three miles of a Post Office branch and another

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

percentage within one mile of a Post Office for example. That in itself was the starting position which drove the size of the network.

13. Post Office also has a modelling team, which I have worked with, who use software which analyses where would be a good location to have a Post Office branch. Post Office would also be approached by people who were purchasing premises and considering having a Post Office. If so, Post Office would consider whether the location would be viable and a good opportunity or whether we would be poaching business from other established Post Offices. We also had a decision matrix to support all location decision making.

Recruitment

14. The recruitment and vacancy advertising process for appointments of agents, either new postmasters or replacements, has been relatively consistent over time.
15. The advertisement was historically made on paper, which would be displayed on a notice board in in the advertising branch and the nearest three branches.
16. Post Office later created a dedicated website to advertise vacancies for a certain period of time. There are guidelines for how long advertisements were posted for and what was stated in them.
17. Post Office would advertise any vacancy for a minimum period and invite applicants, with or without premises, to apply for the role. The applicant had to provide premises at some point to be able to continue with the application.
18. If Post Office advertised a vacancy, it would state that we have an opportunity for a branch and this is a contract that Post Office are willing to engage on. The applicant has to choose to engage with Post Office on the terms offered and be a part of the Post Office franchise or they can choose not to. There is very little room for contractual negotiation.
19. Another way in which Post Office has advertised vacancies is through roadshows and trade fairs, which it would have a stand at.
20. Some locations would only attract one applicant. It depended predominantly on the location and clientele. Following the economic downturn in 2008, we saw a much wider spread of one to one applicants to vacancies. That became difficult if the applicant was not suitable and Post Office knew the person currently operating a branch in that location wanted to leave.

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

21. As far as the recruitment process was concerned, Post Office operated on the basis that its responsibility was towards the person coming in, not the person going out. The focus was on the viability of that business going forward.
22. Sometimes Post Office came under pressure from the outgoing postmaster to accept the applicant who had offered the highest price for that business. A postmaster once said to me "Can you appoint that one because he's going to pay me more" and I responded "no, I'll do whatever is the right thing to do on the day".
23. As part of my role as [please confirm], I used to carry out interviews of prospective postmasters. The interview was always conducted by two Post Office interviewers. One would ask the questions whilst the other kept a note of the answers. It was important that two people carried out the interview, as Post Office was vulnerable to being accused of taking backhanders or succumbing to pressure from the outgoing postmaster. For this reason, Post Office's processes had to be transparent.
24. Sometimes I would carry out "pre-site visits" if Post Office had received lots of applicants for a post. During Cardiff Bay's regeneration in the early 1990s, Post Office would frequently receive multiple applicants for a position. I would visit the applicant on site and ask them to talk me through their business plans before the formal interview. This allowed me to get under the skin of their business plans and because of my experience operating branches, I could see some of the potential flaws in their suggested plans. I would make suggestions and expect them to take those suggestions on board at the interview.
25. As part of the application process, an applicant is required to put a business plan together, which would include their projections for income generation and ratios.
26. The interview would last around two hours. Typically, the first part of the interview would be asking standard questions such as "why do you want to run a Post Office" and "what are you looking to achieve if you work here".
27. The second part of the interview would be the interviewers scrutinising the applicant's business plan and assessing the financial viability of the business proposed. Interviewers used to prepare the resale projections to compare the business plan against.
28. Post Office would also test the strength of that business plan around "are they being very optimistic in terms of x, y and z ". Anybody can make a business plan work, it's just whether the figures you put in are credible. We would question "if

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

this is your remuneration, you've got this number of staff, what hourly rates are you paying them?" etc. Sometimes when you got under the skin of the business plan, you would realise that the postmaster would only make £10 profit a year. We would ask "is that really what you want to do?".

29. As part of the interview process, I made it clear that I am here to help you help yourself to make a really good business. As part of assessing their business plan, I took a very strong interest in how the retail was operating because that was key to the whole viability of the business.
30. A "good chunk" of the interview would be going through the contractual obligations to make sure the applicant fully understood what they were signing up for. I would run through the key parts of the contract and explain the implications of the clause to the applicant. They would be given lots of food for thought. Post Office wanted to test that they were happy with what they were signing up for.
31. As I have said, part of my responsibility was or interviewing prospective postmasters. This required me to be familiar with the contract they would be signing up to (the Sub postmasters' Contract). I had read the contract cover to cover when I was a branch manager. I believe the contract was not too legalistic and could be easily read and understood by the postmasters. I understood it and the importance of explaining it to postmasters in the interview. The contract was part of the interview pack, so I believe that each interviewer would have gone through the same process as me.
32. There are a number of areas in the contract I would always refer to in an interview. This was partly done to protect the Post Office. I would expressly refer to "You are expressly forbidden to use Post Office cash for anything other than Post Office". I would give an example such as if the bread man comes in and you have got a bill to pay, you cannot not take the cash out of the Post Office till as this would be a breach of contract and allow Post Office to terminate the contract.
33. I used to work from a crib sheet which would flag the key areas of the contract for me to discuss during the interview. I haven't got the crib sheet any longer. I remember that it covered providing and maintaining the premises at the postmaster's own expense, accommodation (we used to go through what that means and how we would verify that) and personal service (which involved explaining to the postmaster that you don't have to be there at the Post Office premises but that does not negate your responsibility under the terms of the contract). I would run through all of section 12 of the contract (this section covered responsibility for Post Office cash and stock). I would also explain how the books were balanced and explain Post Office's approach to losses i.e. the

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

postmaster was responsible for all losses whether it's incurred by the postmaster or their staff members. I would talk through the fact that if there was a loss, the postmaster would need to make good those losses. Often the applicant would ask more questions around that and about gains. I would also cover sick absence and holiday cover contributions.

34. I would also cover section 15 of the contract, which dealt with assistants. This involved discussing what they were meant to do around the P250 form (which the postmaster had to complete giving details of his assistants so they could be vetted before being employed) and explaining the process for when they take on new people. I always went through CRB (Criminal Records Bureau) checks for both the applicant and if they were offered the position, their staff.
35. I also used to discuss the implications of the Official Secrets Act. Very often the applicant would come from within the community and therefore we needed to really instil in people the importance of, "this is data you cannot share". A postmaster will see things which are confidential to the customer, such as their account balance, the amount in their pension or National Savings, how much they were paying into their bank account each month etc.
36. Depending on the applicant, I was sometimes required to delve further into the meaning of the contract. For example, I once interviewed someone who was a local councillor. I ran through the fact that he could not use his office and position in the community improperly or use his position to distribute propaganda for his campaign.
37. Incoming postmasters would often be advised by an accountant as to the best way to pay themselves, whether through a wage or receiving the profit. From my interview experience, the approach was very much depended upon what type of business they've had in the past, what type of business person they were and how good their accountant was. Post Office always insisted that an applicant couldn't bring their accountant to the interview. Post Office wanted to ensure *they* fully understood their own business plan, rather than the person that put it together. I have rejected people on the fact that they couldn't give me confidence that they understood their business plan.
38. I was responsible for Post Office Development Fund. I secured some money from the Welsh Government to invest in Post Offices, with the Fund's aim to enable Post Office branches to remain commercially viable, for the subpostmasters to strengthen their businesses and make them sustainable in the long term for the benefit of the communities they serve. I used to run through what support they may be entitled to under that Fund if it was relevant.

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

39. Post Office would take into consideration whether an applicant had worked for Post Office before. However, there were many occasions I can recall where out of 2 or 3 applicants, I did not appoint the one with previous Post Office experience. You can train someone to run a Post Office: it's about their business acumen and whether they are able to run a successful business. However, some of our worst appointments have been postmasters who were ex-Post Office directly managed people. This is because they try to run an agency branch as they run a directly managed branch and it's not the same business. When it is your own business, you the postmaster have to pay the bills, manage your own accounts and look at your profit margin. So Post Office's assessment on who would be the best candidate can be very different, depending on the individual and their experience.
40. Sometimes, when the incumbent postmaster wants to leave, they want Post Office to appoint their staff or their family member as the new postmaster. For Post Office, it comes down to whether there is a good business case for this. The advantage of family transfers is that Post Office doesn't need to advertise that vacancy so long as it is not done for any financial gain.
41. When I was carrying out the interviews, I did get a bit of push back around family transfers because I carried out the interviews in the same way, despite the fact the applicant may have already worked at that branch and was seeking to take over that very business. However, I believe it was in Post Office's interests to check that the applicant knew everything about the business: I wasn't prepared to take them at face value. I just treated everybody as individuals and went through the process.
42. The process was largely similar for a replacement postmaster as for a new appointment at a new branch. However, there was less need for a scoping visit as often there was no refurbishment required. If refurbishment was required, for example fitting in a new counter, one of Post Office's team would attend the site to help with the fitting arrangements. They would receive drawings and the specific requirements of what they would need to build.

CRB checks

43. Once interviewed, Post Office would carry out checks on the individuals concerned. We would do CRB checks and a credit worthiness check to inform our view of financial stability against their business plan.
44. Post Office also carries out CRB checks on an incoming postmaster's assistants. This was important as this requirement is built into our contracts with clients (so

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

that clients can be confident about the people working in the Post Office network). In addition, Post Office is a financial institution and needs to comply with the FCA. Post Office is also trying to protect its assets by carrying out such checks.

Contracts and legal advice

45. If they are offered the position following interview, Post Office recommends that postmasters take independent legal advice on the terms and effects of the contract before they sign it. This recommendation is mentioned at interview and also referred to in correspondence if the applicant is successful at interview. Whilst Post Office recommends the postmaster takes legal advice, it cannot force the applicant to take advice, as it was a business to business transaction. There were instances when a postmaster signed the contract and I would ask, have you taken legal advice, and the answer would be no.
46. If the interviewee was offered the position, Post Office would send them a paper copy of the contract together with the appointment papers. A bound copy of the contract would also be present in the branch. Every postmaster therefore had a copy of the contract. Whether or not they referred to it, is a separate issue.
47. An outgoing postmaster should brief the incoming postmaster. I didn't rely on this process taking place, as I was aware that this didn't always happen. Part of this conversation between the postmasters should have covered the practical operation of the contract.
48. If the postmaster had not completed the appointment paperwork by the time Post Office was transferring the contract, we had to sign the appointment letter and contract on site on transfer day. The postmaster's signature was required before Post Office allowed them to take on/ over the branch and before they were allowed to have access to Post Office cash and stock.
49. Once signed, the contracts with the postmasters were stored in a building in Leeds. The appointment papers were also retained and formed part of the audit pack. The administration site in Leeds has since closed. The hard copy files are now located in Chesterfield or archived with Iron Mountain/ Boxset. The papers were later uploaded onto our electronic filing system.

Temporary subpostmasters

50. Temporary Subpostmasters (often referred to as "temps") were utilised when we had an audit situation and a postmaster had been temporarily suspended. Post Office also used temps if, for example, a postmaster was declared bankrupt. At

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

some points of its operation, Post Office has had a large number of temporary sub postmasters in place.

51. There is a defined process for recruiting a temp. The process was not as detailed in terms of the business plan and financial implications for the business, as the running of the business is still covered under the postmaster's business plan. The key consideration was whether the temp could reach an agreement with the incumbent postmaster around using the premises. Post Office has changed their process slightly so that it also pays the temp an amount of money. Under the Mains contract Post Office has step-in rights. We have built that in to say "we will pay X amount of money to cover the use".
52. We have a number of people who are repeat temps. There are some companies Post Office engages with which have been set up to do just this temp work. If Post Office hadn't used the temp before, they would go through an interview process. They would be subject to the same compliance checking and training as a postmaster.
53. Post Office sometimes faced difficult conversations where we had suspended the postmaster and he wanted his wife or vice versa to step in as the temp. That was always difficult. At one point there was almost an unwritten rule that we wouldn't allow the husband or wife to take over. I challenged that and changed it so unless the suggested temp was suspected of being involved in the situation which had deemed suspension necessary, then Post Office should allow them to cover the branch during the period of suspension.
54. The temp transfer process itself is relatively simple. Post Office will carry out a transfer audit on site and the temp will then take over responsibility of cash and stock. Post Office would also make sure the alarm codes had been changed and that the temp has a set of keys. In some cases Post Office insisted that the locks were changed.
55. There were streamlined documents for the temps to sign. They were given a 7 day notice period. This short notice period gave enough time for the final audit to be carried out before the branch was handed over again. It was sometime the case that the postmaster was re-instated in replacement of the temp.
56. If Post Office was unable to find a temp, the business was sometimes closed whilst the suspension and investigation was on-going. If the contract was terminated, the vacancy would be advertised.

Contact / support during ongoing relationship

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

57. Post Office had a team which account managed a number of branches. Pre-Horizon, these were known as "cluster offices".
58. The Area Manager would be responsible for the whole life cycle of the postmaster. Over time the Area Manager position has had different names, but it has been a similar role. Some of the names included the RLM (Retail Line Manager), RNM (Retail Network Manager) and BDM (Business Development Manager). [Is the Area Manager another name for RLM, RNM or BDM or is it something else? Were there different responsibilities under these job titles or were the roles fundamentally similar? Have we understood this correctly?]. Part of the role of the RLM, RNM or BDM would be a visiting cycle, which was usually quarterly. Area Managers knew the branches very well due to this high level of personal contact. Over time, the way we run our business has changed and there is no longer a planned visiting schedule for branches.
59. The essence of the Area Manager role was account managing the branches to make them as viable as possible for the postmaster and Post Office. The postmasters sometimes confused this partnership as meaning something more, such as that this relationship means they are employees of Post Office. Clearly they are not.
60. Post Office set the requirements of how postmasters run the branch. The contract stipulates what the expectations of customer service is, how the premises should be presented, opening hours and the products and services that the branch would transact.
61. I was the Area Manager for Wales and would carry out quarterly visits to the branches under my remit. I had a really positive relationship with the postmasters as I had the background experience to be able to give them detailed support. Having worked in a branch before, I was able to give the postmasters practical tips on running the branch not only at the visits, but also on various calls with postmasters.
62. There are different ways of monitoring performance of a branch. I would have a conversation with the postmaster about performance at the quarterly visit. By being in the branch, I could also physically see how they were performing.
63. The BDM [can we say Area Manager to keep the terminology consistent, or is this different?] had a certain amount of influence, which a BDM would use to try to improve the performance of a struggling branch through hints and tips. The BDM may have been required to escalate their concerns after a visit and it could be the case that the postmaster would be deemed to be in breach of contract. If so,

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

Post Office would try to correct that situation with the postmaster. In some circumstances, Post Office would deem they were in breach of their contract and go through contractual breach procedures with them. [please could you confirm whether these are general comments or part of the BDM's specific role?]

64. Postmasters understood what their contractual obligations were through the interview process and training. Their obligations were reinforced through the quarterly visits.
65. From my experience as an Area Manager, I was aware that not all branches had frequent visits. These branches were aware of their obligations through branch standards. Post Office were made aware of possible breaches of branch standards through the customer helpline. Everything which comes through the helpline is recorded. This function enables Post Office to question a branch about its day to day running if a customer has raised concerns.
66. If a postmaster reached out to Post Office, we, the Area Managers, would give them more of our time. If they breached their contract by default or had unexplained errors they would get more of Post Office's time. In those instances, Post Office would sometimes proactively reach out to them.
67. Another point of contact for postmasters was (and is) NBSC, which they were told to telephone as their first port of call. NBSC and Kendra Dickinson's team, who focussed on [what part of NBSC did Kendra's team sit in, we understand Kendra has had a few roles within NBSC since 2006 and just want to make sure this cross references with her experience] particularly would collate this information and inform Post Office that this branch normally averages 2 calls a month and suddenly we have got 40 calls a month. Post Office would then reach out to the postmaster and try to ascertain whether there was a wider problem. It might be as simple as the postmaster is on holiday and they have brought in a temp who is not quite as familiar with the branch and Post Office processes. If that was the case, it was likely the issues will settle down upon the postmaster's return. However sometimes those calls would allow Post Office to identify issues we would not otherwise have been aware of. In that sense, the postmaster can influence the level of involvement we have in the running of the branch, by how informed they keep Post Office of such issues.
68. As Post Office has less branch face to face contact than it did historically, it is harder to tell nowadays if there is an underlying problem or if a branch is struggling. When I was visiting the branches as part of my role as Area Manager, I would know instantly if there was an issue, for example by looking at the stock

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

on the shelves in the retail side. This knowledge came from my longstanding experience in Post Office.

69. There has been a gradual change in approach as to managing the postmasters as technology has become more advanced. It would be a very costly model to maintain the field resource and frequent face to face contact with branches in the modern world.
70. Post Office has always had a sales focus. Part of the postmaster's objectives was always to drive certain volumes of transactions. The target may be a rounded up target depending on the level of business going through that branch, which a postmaster may need to either maintain or improve.
71. This is a win-win approach because if the postmaster sells more they get paid more and Post Office in turn generates more income from that branch. It was in everyone's interest to have that approach.
72. There has always been a focus on how does Post Office make sure the postmasters generate sales in the right way and ensure that they are compliant with the regulations.
73. Post Office has become more focused on individual product sets, for example it may expect [an Area Manager] to set a target across the 50 branches for which he is responsible of, for example, 2000 sales of Post Office home phone packages. This product based approach is an alternative to a fixed income target. The [Area Managers] objectives have always been linked to targets.
74. Whilst the role of [BDM] wasn't as rounded as the role had been previously, it was still part of the role to assist the postmaster if he/ she was in difficulty. Postmasters would sometimes contact me directly and say I have asked for help and haven't received any. I would then get involved and escalate their complaint. There was therefore always the mechanism there for support, providing the postmaster told us there was an issue. Post Office weren't able to see that there were problems in a branch from ground level, so it couldn't be proactively identifying there were issues unless it was informed of them by the postmaster. Post Office didn't have a sophisticated system or level of operation to enable it to do this without input from the postmaster or a concerned member of the public.
75. I was Head of Sales for multiple branches in about 2004. At that time Post Office was quite sales focussed. It entered into a joint venture with Bank of Ireland around that time. The emphasis was about how we introduced the products and empowered the postmasters to sell them. It became much more of a selling

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

conversation. At that point some of the postmasters would claim that it was all about sales and that Post Office was not giving them enough support. To some degree sales are always the focus. Post Office always had the helpline (NBSC) there to support the postmasters.

76. The level of support has transformed as Post Office started to segment the network and went away from geographical considerations to types of branches. The only physical support, as in assigning branches to Post Office individuals, was in the large branches. Around 2,000 of the more commercial branches had Sales Capability Managers. There were a number of different versions of that role. The rest of the network had pastoral support through NBSC.

Training

77. The aim of the training is that the postmaster is equipped to take the role and to do the role that they have been asked to do. The training is offered to the postmaster as part of the induction process.
78. The training offered to postmasters has changed over the years. Post Office has continually sought to improve the quality of the training and how that training is received.
79. Pre Horizon (which was introduced in 2000), the training was carried out on site (at the branch) over a period of around two weeks, as "on the job" training. I was an on-site trainer and used to visit and train postmasters on the manual system. I made it a condition of the appointment that the applicant attended the training course.
80. Post Office wanted to ensure that before the postmaster took on the appointment, they had had the opportunity to ask questions because different branches have different transactions, depending partly on the location of the branches and the services and products they were responsible for. The training would therefore be tailored in part depending on what sort of branch the applicant was going to run.
81. More recently, since the introduction of new contracts, different models of training were provided to the postmaster depending on whether they were on a Mains or Local contract. The number of days over which the training took place depended on which model of training was provided. The training usually took place over 8 to 10 days. Both courses involved some classroom and on-site training.
82. When a trainer went on site, they did a transfer of a cash and stock and showed the postmaster how to put all their cash and stock in. The trainer would also run through balancing the books with the postmaster as well. Most often, it would be

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

the same person who would come back to carry out the transfer audit after the applicant had passed the training.

83. It was often a stressful time for the incoming postmaster as they were often also moving house as well as buying a business and entering into a commercial transaction with the Post Office. I always stressed to them what this commercial relationship entailed and offered suggestions on how they would want to organise themselves. I also stressed how important it was to be "present" at the training to equip them properly for running the branch.
84. We would historically offer training to not only postmasters, but also their staff if there was space on the course. Now, it depends what type of contract Post Office has with the postmaster. I believe under the standard Local contract the postmaster is required to train their staff. In this situation, Post Office trains the postmaster, and they train their staff. In the Mains contract, there is an obligation that a number of their assistants are required to be trained as well.
85. At the training sessions, I would impress on the applicants that they as postmaster were responsible for the branch and his/ her staff and potentially liable to Post Office under the contract for actions not only of themselves but also their staff. I would also impress the importance of the postmaster being comfortable that their staff were properly trained and with signing off and declaring the cash count as carried out by their staff.
86. Even if a postmaster had experience with the Post Office before, it was important that they attend refresher training as the training was always evolving. If there was space on the course I would suggest that the postmaster bring their staff with them to utilise the spaces on the course. Post Office works on the basis that ideally at least 50% of postmasters' staff attended the training [is this correct? Can we explain more about how this works since training is only offered to assistants if there is space?].
87. Once the applicant has been accepted, the current position is that they will be sent a link to the online training through webcams, podcasts and video links. The online training is interactive and requires user participation. Recently, Post Office has provided online training as a precursor to classroom and on-site training. This is a change I suggested as it became apparent over a number of years that there is a lot to take in for postmasters and this approach ensured the postmaster has a variety of methods to take in the training.
88. A postmaster has to pass the online training before they are offered classroom training. This means that a postmaster has to have a certain level of basic

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

knowledge to process to classroom training. The classroom training is intended to reinforce the online training and put into effect the practical skills, such as working behind the counter.

89. The postmaster is required to pass both the online and classroom training before they are allowed to work in the branch. When I was in training role, I used to use the analogy of learning to drive a car. In that scenario, you had to pass both the theory and practical test before you could be let loose on the roads.
90. The content and set up of the training courses has changed and improved over time. One noticeable change is that the current content has a greater sales focus.
91. In the future, it is likely to be a condition of appointment that everybody who carries out Post Office transactions has to pass the Post Office training.
92. When Post Office introduces new products or changes to products, the type of training (if any) is determined by the type of change or the level of complexity around the product. If a new product is introduced that is similar to a product Post Office has already trained its postmasters to use, then Post Office wouldn't do face to face training. Instead we would issue instructions and easy to use guides.
93. For example some products like the lottery, Post Office provides face to face training when it goes live. This training is provided by Camelot.
94. I am aware of examples where an ATM was installed in a branch and the Subpostmaster was told to stock it and use it prior to Post Office training being given. Some Subpostmasters weren't happy with the level of training they received in relation to the ATMs. If it is something like an ATM, which can be quite involved, and Post Office are about to change some of the ways of operating it, Post Office would provide face to face training. In addition, Post Office would issue instructions and provide an instruction manual. Historically this would be in paper form in the operations manual. Now it would be provided on Horizon.
95. If Post Office is introducing a new product, for example a new bill payment client where even though the client is new the product is the same as one Post Office already has, Post Office wouldn't provide face to face training. Instead, it would issue instructions and provide easy to use guides.
96. Recently, training has also been by way of webcams.

NBSC/ Helpline

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

97. Around 1995 the Post Office started to centralise the business. As part of this, in around 1997, Post Office set up the Network Business Support Centre (NBSC) helpline. This is the corporate helpline for postmasters and Post Office employees which was firstly implemented on a regional basis and later centralised. There is also a customer helpline, which is currently an automated system.
98. The postmaster's point of contact changed from their Area Manager to the NBSC helpline. This was a period of transition for the postmasters. It was important however that they used the helpline as Post Office wanted a record of the calls reporting issues.
99. One of the purposes of the helpline was to give greater visibility of what the queries were, which would allow Post Office to produce trend analysis at a national level to ascertain whether there are particular things taking place that are not just one offs. If, for example, Post Office brought a new product in and the helpline received a large number of calls, Post Office could consider whether the training had not landed properly; or that the product design is not quite right. The helpline allowed Post Office to do that forensic analysis and the root cause analysis.
100. Even if the postmaster was to get hold of me as an RNM, I would inform them that you need to go through NBSC. I would inform them that the contact at NBSC would then page the relevant RNM or BDM and ask the person to contact the postmaster. We were always contactable as the second tier of support.
101. The postmaster's call in would be logged on the NBSC system. If that call was not returned by the RNM/ BDM, the only way Post Office would know would be if that same contact got back in touch with NBSC again. Overall though I think the system worked pretty well and that most RNM/BDMs followed up the calls.
102. If there was an issue with Horizon which is reported by a postmaster, NBSC correlates this information so that Post Office can understand the scale of the issue. If the Helpline contact was unable to deal with that issue, they would tell the postmaster who they need to contact.
103. If the RNM/ BDM was on annual leave, Post Office had a buddy system. There was always someone the postmaster could get hold of if they needed to.
104. After NSBC was implemented, Post Office informed the applicants at interview and training that NBSC was their first port of call for any query.

Horizon

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

105. Horizon is the Post Office's accounting computer system, provided by Fujitsu. As a computer program Horizon does exactly what Post Office asked it to do when we built it. It is fit for purpose. I have every confidence in the system.
106. I describe Horizon to new users as a big calculator. It processes the data exactly as it is input. The Horizon user just needs to remember what transaction needs to be done and follow the screens.
107. The system was stress tested before it was implemented. Part of this was questioning "what if this happens, what do you do..". That thinking process is built into Horizon.
108. Horizon records every keystroke. Post Office keeps that information for 7 years, which enables it to go back and analyse that data. It is not an easy process to do this. When Horizon was built Post Office did not anticipate it would need to analyse the data on such a large scale as has been required as a result of this dispute.
109. The contract Post Office has with Fujitsu evidences that Post Office did not expect to be required to analyse the data very often. The contract only permits so many enquiries a month. If there are more queries than allocated for that month, it becomes very expensive. The cost would also increase depending on the volume of data required, for example the difference between two months of data or two years. The data retention function was built into Horizon as a fool proof mechanism, but was one that Post Office never expected to use to a great extent.
110. Sometimes it was not cost effective for Post Office to provide all of the data to the branch requesting the same. For example, a branch might request the data for 7 years which would cost say £400, in relation to a £50 loss. [Are these figures just examples or close to the truth? I'm just thinking it might be better to say it would cost many times more to get the data than the value of the loss, particularly when the loss was small.] There have been cases where Post Office have pushed back in such circumstances as it was not a commercial resolution to the loss.
111. The postmaster in a number of cases has requested all of the data in what appears to be a last hope attempt at identifying the issue, rather than because there is some evidence that there is an issue to be searched for and addressed. There are however some cases where I've thought "no you (Post Office) should have got the data on that one".

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

112. The ability of the branch to access Horizon data has changed over time. The branch has access to the data from either the last 42 or 60 days. This is why Post Office saw such an increase in data requests during the build up to this dispute.
113. Post Office's security team would request and use the data extraction function as part of its investigation into a shortfall at a branch, or a similar issue. The security team would analyse the raw data to assess what happened at that branch. This was a labour intensive task. This data would sometime be provided to the Contracts Advisers if they were looking into a branch.
114. People expect the system to be fast and have the same reactivity as Google. One of the issues is that users try to compare it to a system we don't have or what idealistically the system would be. There is a mis-match between expectation and reality.
115. The biggest weakness in Horizon is that it is a bit "clunky" to use. It can be difficult to locate the information you want from the system and the way it is integrated isn't very logical.
116. Another weakness is that it relies on the user reading the screen and following the prompts. A large number of users don't know how to use Horizon as well as they should. Post Office has seen many instances where Horizon users have developed bad habits and do not use the system in the correct way. Unfortunately it is possible on a busy day for the user just to hit a button and move on the screens without reading the prompts and trying to shortcut the process. If a user was to shortcut the process it can be very difficult, if not impossible, to reconcile.
117. As with any IT system, there are instances where the system or the screen goes down. The system was built knowing that sometimes Post Office could lose connectivity, that a power line would go down or the communication could be faulty. Recovery steps have been built into Horizon to counter this risk.
118. If the Horizon user carried out a transaction reversal or if they lost power or connection whilst serving a customer and they are part way through a transaction, there are prompts built in to address that. For example, the customer might have given the postmaster money but the postmaster may not have completed the transaction on Horizon. If this is the case, when the system comes back up, it asks the postmaster questions to establish at what point he/she was at when they lost power. For example, "Have you given money to the customer? Have you taken money from the customer?". Depending on how the user answers these prompts, would result in Horizon either rejecting the transaction or completing the transaction.

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

119. There is therefore a way to use Horizon should such an issue happen. I found it very telling as to the competence of a postmaster if that individual or their staff were unable to handle such situations on Horizon.
120. I am aware there have been reports made that there were errors with Horizon and bugs which affected the system. I was involved with the communication of what those issues were to the affected branches.
121. Post Office did not notify the whole network of reported issues if they were isolated incidents. I think there were around 20 branches affected by the reported issues out of 11,500 branches. If the Post Office did flag an issue, the Helpline would tend to see a flurry of activity regarding that issue which the call centre would deal with.
122. I have also been involved with managing how errors or bugs are communicated to the media.
123. There have been some software changes to Horizon since it was implemented in 2000. Post Office has moved from Horizon to Horizon Online. Prior to the Online facility the information would be extracted from the branch overnight. The key difference between Horizon and Horizon Online is that Horizon Online is a live record of the transactions carried out by the branch.
124. The hardware is the same as when Horizon was first implemented in 2000. It is only recently being refreshed. There has been some refinement around the screen (which has been touch screen from the start), the usability in terms of how the screens are set up, the figures and how many screens you need to go through to sell a stamp, for example. Horizon has been improved to try to make it quicker and easier to use, but in essence it is the same program built on the same platform.
125. The Horizon user uses the keyboard to type in numbers and words, such as the number £1,000. The hardware has a card swipe functionality.
126. When the Horizon system was installed there were Post Office teams on site to make sure the implementation process went smoothly. The branch network also had a central coordinator in the office who would field the calls from the postmasters whose branches were being trained on Horizon.
127. Horizon relies on the individual using it to input the correct information. The training tried to address and mitigate the possibility of human errors. I created a training document which is around 50 pages on how to use Horizon. [Can we have a copy of this?]

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

128. Post Office supported the postmaster with balancing the accounts whilst transferring from the manual system to Horizon during site visits. Some site visits I arranged during Horizon's implantation phase lasted until 2/ 3 o'clock in the morning. I had lots of tips of the trade which I would share with postmasters to help them with the order in which they balanced the books using the new Horizon system.
129. Some postmasters were very competent with the manual system but had trouble with Horizon at first. They needed to follow computer prompts and input certain data into Horizon. There is a customer basket called a "stack". The prompts would tell the postmaster, or whomever was operating Horizon to, for example, take £x from a customer or pay £x to a customer. When they ended the session the stack should have been zeroed. The postmaster could then start the next transaction. In the mediations I dealt with there were postmasters who were forgetting to zero the stack at the end of a transaction.
130. If the user is putting in a numerical amount, say £100, they have to type both the numbers and also the sum in words. The double entry is to reduce the risk of an error. The prompt will also ask the user "Are you sure?".
131. The system has functions built in to tell the user to physically "take £20 to customer" or "give £20 to customer". It is then up to the user to follow the prompts.
132. Horizon is also colour coded, for example the icons for banking deposit and withdraw, in which one is red and one is green.
133. A change made to Horizon to reduce human error was rather than typing in the customer's account number and sort code, the Horizon user would swipe the customer's card which brought up the relevant account details. This has been more recently updated to the customer inputting their pin number. This reduces the data the Horizon user needs to input, lessening the risk of a typographical error.
134. The system has changed in this way over time. I cannot recall when all of the changes were made.
135. One of the issues which changes to the system cannot address, is when its users operate Horizon "on autopilot". This is where the user will just click through the screens without properly taking notice of the prompts and checking the data entry for errors at that point in time.

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

136. One of the areas where we saw autopilot in practice resulting in irrecoverable errors was with MoneyGram. This is an instant transfer of money from one country to another. For example, a customer may be sending money abroad to their family. Once the transaction is processed, the money can be withdrawn abroad within a matter of minutes. There is very little room for calling back an incorrect transaction. This was an area particularly open to fraud risks. To counter this risk, there is a ceiling on [how many transactions/ total amount of the transactions] a [branch/ user] can carry out per day. Post Office also implemented a prompt that informs the user that they should never be asked to carry out the transaction over the telephone, such as where the user would receive a call purporting to be from a Post Office "engineer" carrying out some "tests of the system" but it is in fact a fraudster and the "test" transaction is a fraud.
137. Post Office can see where a postmaster has used Horizon to tell them how much their discrepancy is before they make a cash declaration. This can sometimes raise suspicions as they are carrying out the process the wrong way around. You should be checking cash and stock first, not asking the system what the discrepancy is and then declaring you have enough cash to balance.
138. Instruction manuals are stored on Horizon Online. Before Horizon, there was a hard copy Operations Manual in branch known as the "bible".
139. A Horizon user can use Horizon Online to search the Operations Manual, although there isn't a search engine function per se. The Horizon Online help function is not very easy to navigate, as the Operations Manual was simply copied and pasted into this online system.
140. Due to the Horizon Online help system being clunky, Post Office still receives a high volume of calls into NBSC regarding this issue. This is something Post Office is looking to address.
141. Post Office is looking to simplify its transactions well enough that a Horizon user would not need Horizon Online help. When Post Office designs a transaction product, it tries to build it so that one click of a button on the screen will automatically take the Horizon user where they needed to go.
142. Post Office will never be able to remove the risk of human error, but it has sought to reduce the risk of that as much as we possibly can. I have been doing a piece of work on that recently with Jane McLeod (General Counsel) as Post Office is putting in new system now called Dynamics.

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

143. Gayle Peacock (Head of Branch and Customer Support) is acting on the new case management system that goes into support contact centres. This means Post Office can get better information, which in turn enables Post Office to assess what that information is telling it. Post Office can then be more proactive in what support it are giving to the postmasters.

Dealing with problems in branch/ shortfalls

144. A postmaster will declare a discrepancy on a branch trading statement. At that point it is declared as a loss. The postmaster then has the opportunity to dispute the loss and ask Post Office to investigate.
145. If the postmaster had asked Post Office to investigate, Post Office would not usually seek to recover the loss then. The loss goes into the suspense account and we put it on hold, this can be either for a couple of months or in some cases, over a year. There is a mechanism that Post Office has built into its approach that allows the postmaster time, either to work it out themselves or to work with us on it.
146. Sometimes a postmaster would raise a shortfall directly with us. Other times, audits were used to identify shortfalls.

Audits

147. Post Office used to have a separate audit and training functions, so they ran as separate teams. These teams have now been merged as one team. When I took over the Audit and Training team in about [date], they were multi skilled for both the training and audit functions for the duration of my time there, which was around about five years until about [date]. The audits were carried out by the audit and trainers team.
148. The audit is not an audit in the traditional sense as carried out by accountants. It is a detailed check of cash and stock on site. The auditors would use guidance notes when carrying out the audit. It was a process driven approach.
149. The postmaster is not given advance notice that the auditors will be attending, but would be given a document which explained what would happen in the branch on the day of the audit. This document was shared across the network to help make the audit process transparent. It explained that if a discrepancy was

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

discovered on the day of the audit, the postmaster would have the opportunity to discuss it with Post Office.

150. The branch is closed for the audit. The auditor will talk through with the postmaster what is going to happen. The postmaster is asked to call up all the reports that the auditor needs, as we want them to go into the system.
151. Some postmasters don't know how to bring up the reports required. This may be because they do not want the auditor to find something untoward, or because they have not been hands on and do not know how to operate Horizon. If the postmaster is not there, Post Office has to get a onetime password for Horizon so that it can access their system and documents.
152. Post Office would always inform the postmaster this is what it was going to do. For example, if we are checking the cash Post Office will say to the postmaster "would you like to be here with me to count the cash" and would always recommend that they do.
153. A postmaster has to sign the auditor's findings. The auditor will discuss any findings at that point in time so the postmaster is completely clear on the audit output. The postmaster will also be given a copy of that report. The content of the audit reports has changed over the years. The report is now automated. It is called a "FAT" report [is this correct?].
154. When I was involved with the audit team around [dates], it was carrying out around 5000 audits a year. These were broken down into random audits, risk based audits, special audits, branch transfer and systematic branch audits.
155. Around 100 random audits are carried out each year.
156. The "risk based audits" were for branches which had been identified using a risk model. The risk based audit system generates a list of between 50 and 100 branches that are at risk. That list forms a schedule of audits that Post Office carries out on a monthly basis.
157. There are a number of factors that would deem a branch to be an "at risk branch". For example where Post Office knows how much working cash should be in the branch when it has considered the number of deposits and withdrawals (this is called their overnight cash holding target) and the branch is holding more than that. In that example, Post Office would investigate why. It might be that they are just holding too much cash and Post Office will ask them to send it back or it might be that they appear to be holding more in their accounts because they actually physically haven't got as much as they tell Post Office they have.

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

158. There are also "special audits" which were carried out when something doesn't feel quite right. This isn't through the profiling system. It may be from a conversation somebody might have with a postmaster or some intelligence Post Office has received from a third party. These audits are arranged within 24 to 48 hours due to the urgent nature of the circumstances which has deemed it necessary to carry out an almost instant audit.
159. Another type of audit is carried out when there was a transfer from one branch to the next. Post Office would carry out an audit at that time to enable the hand over process.
160. Due to the wide range of skills, the Audit and Training team were able to help with shortfall queries. They had a very good working knowledge of how the whole thing came together and were very competent users of Horizon. The team understood not just the numbers but also the transactions to get to those numbers.
161. The Audit and Training team could identify where postmasters could be hiding money and would work together with the Support Services Resolution team to identify where money may be hidden. An example the team dealt with (although the figures I give are made up) was where a postmaster said that they have got £40,000 in the ATM, when actually they only had £20,000 in the ATM. This was a way to hide money as the ATM was separate to the postmaster's accounts.
162. Post Office stores audit data so that it can analyse what the trend has been over the years in terms of the number of audits carried out. From this data, you can see the average loss level for each of those audits. Post Office can also sort this data by type of audit.
163. The format of the audit report has changed slightly but the basic things issues checked have remained fundamentally the same.
164. The way we produce the report has changed due to Horizon. When Post Office operated using a manual system, it produced a pencil report. We now use an electronic version which shows the cash count and stock.
165. If there is a loss over £1,000, the auditor would tell the postmaster that they've got a loss and the auditor will need to take advice from the Contracts Adviser. The postmaster would then call the Contracts Adviser to discuss the loss.
166. The process was that the Contracts Adviser would gather more facts. Often, the Contracts Adviser would explain to the postmaster that they needed time to

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

investigate the loss. They may say "I will come back to you because I am considering whether I need to precautionary suspend you or not".

167. The Contracts Adviser will then carry out their investigation. Depending on the level of loss and what they find, the Contracts Adviser will then seek authority from their manager to take the recommended decision as to whether to suspend or not.
168. There is a process map which contains clearly defined steps, the process and what the consideration points are in terms of coming to a decision on whether the Contracts Adviser should reinstate the postmaster or terminate the contract.
169. The Contracts Adviser will need to record the decision rationale. A series of letters will be sent to the postmaster during this time keeping them updated of the investigation and the outcome.
170. If a subpostmaster doesn't agree with the outcome, there is an appeals process. There is an appeals process document in the subpostmaster Contract. There isn't an appeals process as part of Mains and Locals but the postmaster can request an audience with a senior manager if they feel they have something they want to discuss. I have attended such meetings myself before.
171. The reason there is no appeal process in the Mains and Locals is because the appeals process is in the quasi employee territory, which Post Office wanted to distance itself from. The Federation of Subpostmasters hate it. Post Office has therefore implemented a different process where the postmaster has the right to request a meeting. Any issues raised by the postmaster would be given the same consideration as they would if the issues were raised through the formal appeal process.

Why should the postmaster be responsible for the loss?

172. When Post Office enters into a contract with a postmaster it provides them with a starting pot of cash, stock and all the equipment. It also gives the postmaster practical training around how to carry out transactions and how balance the books, so the postmaster should always end up in the starting position.
173. Post Office engages them to run that branch. They are on site. The postmaster or their staff carry out transactions with Post Office customers, with Post Office cash and stock.

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

174. Post Office will also know what button they have pressed through Horizon, but only the Horizon user will know why they have pressed the button and whether it was the right button to press.
175. Post Office can see through Horizon whether or not a transaction or pattern of behaviour looks normal. Post Office considers it normal behaviour to count the cash and to put it into the machine as you count your cash. Then the Horizon user hits the button that tells you what your discrepancy is. If there is a discrepancy, it is normal to go back in and check it and then to make some adjustments because you've found a mistake somewhere. It is not normal behaviour to say how much am I out before I make my account declaration. This would suggest falsifying the accounts. There were instances where a postmaster may be less than £50 out and would think, I am not going to bother. I will just take it and just adjust it.
176. This is the root of the trust element of the relationship. It is not commercially viable for Post Office to have eyes on the ground. Post Office trusts the postmaster to give it the right information and supports the postmasters with its systems and training. Post Office will build its processes to try and see where it is not getting that accurate information. Post Office can't possibly say it is better placed than the postmaster to know what is going on in that branch.
177. The relationship needs to be mutual for it to work. Post Office is not dishonest. We and postmasters need to have confidence and trust in each other. We are a financial institution and are held in very high regard. I think we are probably the second most trusted brand in the country and Post Office holds that very dear. Post Office's reputation is partly why it has survived so long as a business.
178. **Implied terms**
179. I understand that the Claimants in this litigation have tried to argue a host of implied contractual terms. It is a commercial issue as to whether or not Post Office should agree to incorporate new terms into the contracts with postmasters. I have already explained that there was very little scope for negotiation on the terms of the contracts used with postmasters.
180. There is already a clause in the contract which states that Post Office will provide training and support. Under the new contracts the incoming postmaster is required to attend the training to secure the appointment, which is a reasonable request. I consider the Post Office does provide adequate training and support.

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

181. In relation to the proposed implied term that Post Office should provide an adequate system reasonably fit for purpose including any or adequate error repellency, this is something I consider Post Office provides. Horizon is fit for purpose. I have used the system and consider it to be adequate. Horizon has the functionality it was intended to deliver. It is however possible for the individual inputting information to make an error and the system requires human input. It does properly and accurately record transactions effected by Horizon.
182. In relation to a branch vacancy, the contract would be offered on a "take it or leave it" approach. An applicant can choose to do business with us or choose not to. It would not be viable to operate different contracts across Post Office's vast network. Operationally, commercially and legally, it was important for the branches (which are effectively franchises) to operate from the same contract.
183. Operationally, the contracts had to be standardised for the Post Office and branches to be able to operate as effectively and efficiently possible. This was to the benefit of the postmasters as it helped keep Post Office's cost base low. Post Office needs to ensure it is generating enough revenue to make reasonable commission payments to postmasters. Standardisation is the best way to be able to do that. If everyone operates in the same way, Post Office does not need build in additional costs for variances.
184. Commercially Post Office restricts a franchise's products and services around those it knows they are able to sell. Post Office is also able to restrict the franchise's ability to sell certain products in its retail remit. For instance, Post Office has an exclusive contract with Royal Mail to transact mail and parcels through our Post Offices. There is therefore a clause in the contract which states a postmaster cannot enter into a private arrangement with another mail company, such as CollectPlus, to transact from the premises, as that is a breach of our contract with Royal Mail.
185. Legally, when Post Office enters into its contracts with our clients, these terms have to be carried across into the "franchise" contracts. For example, a client Post Office contract may cover how many branches would sell that product and the way that the client wanted that product to be sold. Post Office are doing business on behalf of its clients and is under its own contractual obligations that it must apply otherwise it will be in breach of its client contracts. Each of the products and services Post Office operates on behalf its clients comes with specific requirements on how it is transacted. A number of them would have financial regulation. On our counter service products, for example dangerous goods, there are a number of requirements that we have to adhere to. The

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

contracts therefore contain a clause to ensure that we pass on that obligation to the postmaster. These must be standard obligations to ensure consistency between contracts.

186. Although there is no specific obligation in the contracts, Post Office does properly and accurately obtain and record all transactions effected through Horizon. It retains every keystroke for 7 years.
187. I understand postmasters have claimed that Post Office should properly and accurately produce all relevant records and/or to explain relevant transactions and/or any alleged or apparent shortfalls (GPOC 64.3). On the whole, Post Office are unable to do this due to the high level of cost, resources and time required to be commercially effective. What Post Office does do, if a postmaster has raised an issue, is investigate and pull up reasonable, relevant information. Such a term could not be implied into the contract. Under the distribution of responsibility under the contract, it is not Post Office's responsibility to carry out this function. This is the case even with our employees. Providing a postmaster adheres to their contractual obligations, we wouldn't expect them to have many causes to request such information.
188. Post Office does cooperate in seeking to identify the possible likely causes of any alleged or apparent shortfalls and/or whether or not there was indeed any shortfall at all (GPOC 64.5 and GPOC 64.11). A shortfall would come as a result of an error or an inter business loss. I have seen claims where postmasters have said there was a glitch in Horizon. Post Office is aware of a couple of issues with Horizon, which have already been disclosed. If Post Office does see a genuine "glitch", it will not just deal with that one, it will also investigate whether this has caused a problem somewhere else. If there was an issue, Post Office would reach out and put it right. We would inform those affected about what the issue was and what we were doing about it. Post Office does not, as alleged, conceal known problems or errors in or generated by Horizon that might have financial and other implications (GPOC 64.8).
189. Post Office cannot disclose possible causes of apparent or alleged issues experienced by individuals "candidly fully and frankly" without breaching confidentiality (GPOC 64.6). If there was a system error, all of those affected would be informed. An alleged shortfall might not actually *be* a shortfall. It wouldn't assist the affected postmaster to share this information with others nor those not affected without establishing if it is or isn't a shortfall. In addition, it would also be a breach of confidentiality to share with others the extent to which other subpostmasters are experiencing issues relating to Horizon as this may be due to the user's ability or competence (GPOC 64.9).

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

190. Postmasters have argued that Post Office should have a duty to automatically seek to identify shortfall causes. I don't agree with that at all. If it was Post Office's responsibility, what are we paying the postmasters to do? Managing the accounts is part of their role. The postmaster is responsible and therefore there are certain things that a postmaster needs to do before they come to us for help. Of course if the postmaster contacts Post Office with a serious issue, we will assist as best we can.
191. Post Office cannot allow branches to continue to operate in total oblivion. This is why we require them to inform the Post Office if they have made a loss. We cannot imply such a term and be responsible for identifying the postmaster's cause of the shortfall. Post Office does not have the level of sophistication in its system to offer this. To do it would be so costly that it would make the commercial relationship unsound.
192. Post Office cannot physically be present to help determine the cause of the loss if caused by the human element. This would require, as a minimum, CCTV in every one of those premises with a view of every part of that building with 24/7 continuous monitoring. Commercially Post Office couldn't afford it. This way of operating would cost more money than Post Office was making out of that operation. No business would do this.
193. Post Office does make reasonable inquiry, undertake reasonable analysis and carry out an investigation if there is cause to (GPOC 64.7). It gives fair consideration for factual information available as to possible causes of the appearance of shortfalls in a commercial manner.
194. Alleged shortfalls do represent a genuine loss to Post Office. For the postmasters, it can be a paper loss (GPOC 64.12). However, we have to settle with the client and if the client expects to get £100,000 worth of payment and we are only giving them £90,000, the client will pass on to Post Office the £10,000 difference. As Post Office is liable to make good its losses to its clients, it is only reasonable that postmasters are also responsible if they have incurred that loss. The postmaster has done something that has created that loss and should make that good. In every case I have seen the postmaster's loss has caused Post Office loss somewhere along the line.
195. The Claimants have argued there needs to be an implied term that Post Office should carry out a reasonable and fair investigation as to the cause and reason for the alleged shortfall and whether it was properly attributable to the postmaster under the terms of the contract (GPOC 64.7). I consider it to be the postmaster's

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

responsibility to carry out an investigation to establish the cause of the loss until they get to the point where they have exhausted what is within their gift to do.

196. I consider Post Office exercises its powers, contractual or otherwise, honestly and in good faith for the purpose of which is was conferred.
197. I do not consider that Post Office has taken steps which undermine the relationship of trust and confidence. If anything, I think Post Office has gone the other way to try to build the relationship of trust. The way we changed the policy towards suspension is evidence of that, as set out below. Post Office has continually looked to improve the way it operates and understands the human element of the outcomes of investigations, suspensions and terminations (GPOC 64.13, 64.14 and 64.15).
198. There are things Post Office does which are not in its contracts, such as setting up the Support Services Resolution team to address postmasters' concerns (Shirley Hailstones' team which Kath Alexander used to work in). I set that team up in [please insert date] off the back of my involvement in the mediation scheme as I felt NBSC alone might be a bit too broad to provide support to postmasters. This new team can help sort a problem on the phone and talk to a postmaster to resolve the issue if NBSC cannot help. This service isn't in the contract but is an improved way of working and supporting the postmasters, which Post Office has put in place now to rebuild the relationship of trust.
199. Post Office has addressed a number of the implied terms the Claimants have raised, as can be evidenced with how the result of the investigation is communicated to the postmaster and the depth of information assessed before a decision is made to end the contractual relationship with a postmaster. This has improved over the passage of time and Post Office is much more inclined to go the extra mile to explain a decision to a postmaster rather than simply rely on the contract.
200. If Post Office ran its franchises under an onerous contract which contained all the terms the postmasters say should be implied, Post Office would not be able to operate anymore. It would be impossible to operate using such a business model as Post Office would not make any money. An element of reasonableness has to come into it because if a term is not reasonable, commercially Post Office cannot operate.
201. If Post Office made changes to the contract terms and conditions, it would inform the postmasters in writing. Post Office weren't always obliged to consult with the

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

postmaster before changes were made, but we would usually notify them.
Sometimes the changes were woven into pay negotiations.

202. Contractual breach / performance issues

203. If a postmaster made a complaint which was governed by the contract, Post Office's approach is to strictly interpret and apply the contractual provisions.
204. Postmasters are contractually liable for their branch's losses. If they have any accounting queries, they are aware they should contact NBSC and the process which is followed after such a declaration.
205. If the postmaster makes a gain, the approach was "you can withdraw them but bear that in mind because if you have a gain, like when you have a loss, then it's usually because you've made an error". Post Office always used to recommend the postmaster put that money in an envelope and keep it in the safe, because typically that money would be required at a later stage to balance the books down to nil again.
206. Signing off false accounts is dishonest and harms Post Office. It is a criminal activity. Unfortunately some people think that it is white collar crime and therefore it doesn't count. This is clearly that is not the case.
207. At the very grass roots level, signing off an account and declaring that I, the postmaster, have £100,000 here when they don't is clearly wrong. They are in a position of trust, not just with Post Office in terms of the trust that we put in the branch, but also due to their position in their community. There is a certain status that goes with being a postmaster and it is held in very high regard.
208. We, on behalf of our clients, trade on our image of trust and integrity. When I have had conversations with postmasters regarding false accounting, sometimes they don't see it as being wrong let alone a criminal activity until I tell them what the consequences could be.
209. We didn't prosecute all of the individuals who falsely declared their accounts. Post Office didn't explain all of its decisions at the time in the detail that it could have. This was partly because Post Office wasn't obliged to do so and we didn't see that as our role to do so.
210. My view was that if we could give the explanation then we should. It helped make people understand what had happened, why it shouldn't have happened and the consequences. From my first working groups with the JFSA (Justice for

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

Subpostmasters Alliance), I agreed that giving an explanation and allowing the individuals to get some kind of closure on the incident was necessary.

211. I take this dispute very seriously. It is difficult because I have a job to do to protect Post Office and as part of that, need to address postmasters' breaches of contract. This doesn't mean that I don't treat the postmasters as human beings, it doesn't mean I don't give them the respect that goes with that and it doesn't mean I need to be aggressive in any way. I did however need to be assertive in my position.
212. There are guidelines which we followed in deciding whether or not Post Office was going to press ahead with a prosecution. Typically the decision would be made following an audit review. The audit is done. You then have the Contract Advisers who make a decision on whether or not to terminate the contract. Sometimes it is done in parallel with criminal proceedings.
213. Post Office has terminated contracts independently from any criminal investigation. We inform the postmaster at the relevant time. Post Office may then separately take the decision to initiate criminal proceedings which is subject to a separate review.
214. The decision to initiate criminal proceedings is not taken lightly and that would always be done in conjunction with General Counsel and the Security team. At its height, there were around 200 instances of false accounting a year, which was around 10% of the Post Office population.
215. Most of our postmasters are very honest people. Our postmasters are a representative population of the UK make-up, in terms of all ages and nationalities etc. As a result, you would expect to have some kind of representation of people who get themselves in to difficulty. I genuinely believe that no one comes in with a view to steal from Post Office. Circumstances happen and postmasters find themselves in a situation where they have easy access to money. With external pressures, they may be tempted in that way and there are some very sad situations where these pressures have overtaken people. When people stop seeing money as just money or just as paper, and start seeing it as a new car, that is when Post Office had a problem.
216. The process for dealing with a breach of contract or suspected misuse of cash has been the same for a long period of time. Post Office has however reviewed its mitigation circumstances criteria to take into account lessons learnt.

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

217. The way investigations were carried out has changed over time. The historic investigation was carried out by the Security Investigation team. Most often, issues would come up as part of an audit. The Security team would then carry out an initial fact find. The Contract Adviser would assist this part of the investigation and deal with the review of the contract in light of the fact finding exercise. That process has been the same for a long time.
218. To enable the Contracts Advisers to be able to carry out the investigation function, they were trained on Horizon and what certain products were and what the product's functionality was to assist in their review of whether the contract had been breached.
219. From my experience in the mediations, the Contracts Advisers typically had progressed to management through the branch route and therefore had a very good understanding of how to use Horizon on a day to day basis. However, sometimes if they had been outside of a branch role for a number of years they were less familiar with how things worked.
220. I believe Post Office had built a very good level of skillset in terms of where to look for discrepancies, how to build that case and do a thorough root cause analysis. It is one thing to be able to analyse that money has gone missing. It is quite another task to be able to explain *why* that money has gone missing, when and how.
221. From my experience working in the branch and working with postmasters, I understood that it was important that where possible we explain to the postmaster what can see and what we can use the data to tell us. The process of elimination helped take everything else out of the equation.
222. Part of the reason for this dispute is that a number of people don't know what happened or why there was a discrepancy. As a result, they look to Post Office to explain it. In some cases we can and in some cases we can't. There have been numerous occasions when I have seen the explanation provided to the postmaster and seen the reality of the penny dropping and the explanation sinking in.
223. There has clearly been a breakdown of trust between Post Office and its postmasters. Postmasters often work with close family and friends, and trust these people with their lives. They do not believe such people would do anything to harm them. Postmasters believe they are running a tight ship and cannot possibly lose money. They believe their team are really careful, that they do not make mistakes and follow protocol, such as checking the bins for stashes of

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

cash. If they convince themselves of these things, the only thing left is to blame the Horizon system which they do not have in depth knowledge of.

Suspension and termination

224. The way Post Office has dealt with suspension has changed over the years. Historically Post Office operated a black and white policy, before this was part of my role. If a postmaster had an audit, and the postmaster had a loss of more than £1,000, the default position was to suspend whilst we investigated.
225. When I became involved, in around 2013-2014, I changed the policy so that suspension was the last part of the equation. I also suspended postmasters as part of my role.
226. The change in policy meant Post Office did more investigation in advance and on the day. Post Office would only suspend a postmaster if it was absolutely clear cut. The default position changed to keep the postmaster in post unless we had good reason not to. A good reason to suspend was narrowed to situations where Post Office had a very large loss.
227. Post Office has a very well documented approach that it goes through if it is going to terminate a contract or suspend a postmaster. There are a number of decision points and standard correspondence, within which Post Office would refer specifically to the section and the paragraph of the contract it was relying on to suspend the postmaster.
228. The process of dealing with a potential termination took a significant period of time to run through. We would review a certain amount of information and hold an interview with the postmaster. Post Office would consider mitigation circumstances and do all it could to ensure that it was making the right decision on the facts it was presented with.
229. Before reaching a conclusion, Post Office would check it had properly applied the contract. It would give the matter its due consideration and sufficient weight and would not make a hasty decision, as it takes suspension and termination very seriously.
230. When we precautionary suspend a postmaster, no matter how hard Post Office tries to keep it under wraps and not let customers know, it would be picked up in the community. Post Office would always argue that a precautionary suspension whilst we investigate doesn't imply anything, however it is aware of circumstances where a temporary suspension has caused reputational damage to

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

the postmaster. Post Office recognises that reputational damage is significant when you are running a small business.

- 231. The significant change in Post Office's default position around 4 years ago demonstrates how seriously Post Office took suspension and termination
- 232. Post Office has data on how many postmasters it didn't precautionary suspend, which evidences the effect of the change of default position.
- 233. If we didn't precautionary suspend a postmaster, we would expect them to make good the loss. Post Office wants to keep someone in post where possible. It creates a bigger problem for Post Office if it has to suspend or terminate a contract with a postmaster and fill that position. It costs the Post Office more to terminate and rehire a postmaster than it does spending some time with the existing postmaster trying to resolve a slight contractual issue.
- 234. In the Mains and Locals contracts, there are periods of remedy in there. It is an elongated process to terminate those contracts.

Remuneration

- 235. Post Office offers different remuneration levels for different types of products and types of contracts. Each product and service attracts a certain level of commission or remuneration.
- 236. Different model types would be paid different amounts, for example a Mains contract is different to a Local contract because there are different obligations in how they operate.
- 237. Post Office remuneration has declined over the years. The volume of transactions has generally remained steady but the amount of profit for those transactions has decreased. Post Office's contracts and margins were squeezed during the 2008 crash. This meant Post Office had to review how it paid postmasters and the profitability of Post Office is linked to the remuneration Post Office can offer its postmasters.
- 238. Part of the reason for implementing Horizon and updating the training to be more sales focussed was to encourage postmasters to sell as many products and services as they can, which in turn will generate more income for them.
- 239. A manager's role is based on objectives and they would have a great influence on implementing those objectives at the branch level. Post Office's strategy was to ensure that the postmasters were incentivised to perform in their role.

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

240. Post Office has to be able to look to its central cost base and consider how it can reduce its costs by working smarter. The centralised network helped reduce base costs as it enabled Post Office to analyse the information it was receiving and form a more holistic view of the business. The centralised network flagged issues of contentions and points for improvement. This is something Post Office continues to focus on today, which I think is very important.

Subpostmasters as employees

241. I consider the contract with postmasters is a contract for services, rather than a contract of employment. I recognise some of the reasons why subpostmasters want to be granted employee status.
242. Postmasters operate as franchisees of Post Office. I was always keen to ensure applicants realised this from the outset and understood the contract. This is why I gave so much attention to the meaning of the contract when I carried out interviews and why Post Office recommended the applicant take independent legal advice before entering the contract.
243. The way the relationship operates also indicates that postmasters are not employees of Post Office. Contracts with the individuals were always offered on the understanding that they were self-employed and that the main provisions of the contract were non-negotiable.
244. Post Office employees and postmasters and their staff had access to the same products, system, equipment, helpline, support structure and general communications with Post Office. Post Office gave postmasters everything that they would need to be able to run the branch properly, in accordance with the contract and standards that we set. The postmaster is then responsible for running the business on our behalf under the terms of the contract. The key distinction between the franchises and the Crown and directly managed branches was the way the contract worked and the distribution of responsibility for the franchise.
245. Postmasters received the same training as employed Crown employees and managed branch employees. Once the training was completed, the way employees and franchisees were managed was different. For example, an employee would have to declare a branch loss over a specific sum and this would be assessed as part of the employee's performance review. It could be escalated to a disciplinary and eventually to being dismissed. In contrast, if a postmaster had a loss which was not made good, the contract could be terminated. There was no disciplinary or performance review process, as they were not employees.

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

246. Postmasters were not entitled to the same holiday, sickness absence and maternity pay as Post Office employees. Postmasters instead are given holiday and sickness absence [and maternity?] contributions to help cover their absence from the branch. The holiday and sickness contribution is worked out on a two year cycle.
247. Post Office recognised that it would be good for the business for the postmaster to take a break from running the business by having a holiday. Post Office therefore considered it to be goodwill gesture to give the postmaster some financial contribution to assist them in doing that, partly to encourage them to take a break as it recognises we all need a holiday or to take time out sometimes.
248. It was in Post Office's interest to make a financial contribution to keep the branch open. It is not payment in the same way as an employee would be entitled to if they wanted annual leave. Post Office did not cover the full cost of the postmaster taking holiday. Instead, it made a contribution towards it, which is why it's an allowance.
249. It is the same with sick substitution. Post Office recognises that we all get ill at some point. Post Office considered that taking off the pressure financially should a postmaster be ill could potentially aid their recovery and as with holiday contributions, allow the branch to remain open. Post Office therefore offers a contribution for them allowing someone to come in and pick up the work when they weren't able to do that.
250. Some postmasters chose never to take the contribution, either because they didn't put in a claim even though they had time off, or were never sick. Some people never take time away from their small businesses as they feel integral to its success. Sometimes, those that never took the time away from the business are the ones that Post Office had suspicions about, as it raised a concern as to why the postmaster never wanted somebody else to see the ins and outs of their business.
251. The more recent contracts, Mains and Locals contracts, do not contain holiday and sickness absence contributions.
252. Postmasters have to carry out their own tax returns, which points to the fact that they are not employees. They also have to do tax returns for the retail side of their business.
253. A number of Subpostmasters I appointed or worked with relished the way the relationship worked and the level of autonomy granted as a franchisee. For

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

example, some postmasters were very good businessmen/ women. They would sell on the business with the goodwill element and hold onto the freehold and enter into a lease with the new postmaster. It was their own business. They would do this multiple times over. Post Office used to trade about two and a half times remuneration, so this was a commercially sound plan.

254. The success of a postmaster very much depends on the type of individual they are. Some absolutely relished the fact that they are independent business people. They tended to be the better postmasters because they come in with the attitude that "I am here as my own boss, I want to be able to have the influence of running my own business and have my destiny in my own hands". Such postmasters would see Post Office as the overarching bit under which they operated, as a franchise banner. We also had postmasters at the opposite end of scale. The undertone was that they wanted to be employed with the security and benefits they thought this offered.
255. I am aware that there are some things which may not traditionally be seen as things which point towards self-employment, such as PAYE and NI contributions. Post Office deducts PAYE and NI contributions at source. Postmasters elect as to whether these payments are deducted in this way or whether they are responsible for paying the same.
256. There are some other odd things in the relationship, such as allowing the postmaster to attend Territorial Army training.
257. Post Office also makes "small offices payments" which effectively top up a postmaster who has not made minimum wage. I do not agree with this policy and can see why it could cause confusion around a postmaster's employment status. I believe this was implemented by Mike Granville at the time when the national minimum wage was prevalent in the press and this was a policy consideration to protect against possible reputational damage.
258. The "small offices payment" policy was for small branches, where there is not a lot of business coming through. In these branches, remuneration worked out on the whole as less than national minimum wage based on the number of hours the branch was open. Small offices payments are not offered on a contractual basis.
259. I was very aware of the cost to Post Office of this policy when I was Head of Area for Wales, because in some of the rural communities in Wales the postmaster would have a small foot-fall and so would often require "small offices payments". The cost of this policy to the Post Office was around £1.7 million for my area.

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

260. There is a practical problem with Post Offices that were struggling in rural communities. I used to attend public meetings at which we discussed with the community the possibility of the Post Office closing down. Some options were reducing the opening hours if the branch didn't have the business for the operating hours, which would help reduce Post Office "small offices payments". What it really boiled down to was that the loss of the branch would impact the sale value of the residential properties in the area and their ability to sell their property.
261. I think the reason behind offering these extras was because of the ethos of Post Office. There is also an argument that in situations where the postmaster was struggling, Post Office offered goodwill gestures such as the "small offices payments" to stop the branch closing down and to maintain Post Office presence within that community. As far as I am aware this reasoning isn't documented anywhere.

Practical Arrangements

262. Having a Post Office element to a business creates a halo effect on that business' retail. It increases that business' foot-fall. This is one of the reasons why a Post Office counter is at the back of most branches, as the customer will have to walk past the business' retail section first. I recall one instance where a Post Office counter helped increase retail turnover in a branch in Tottenham in North London by 25%.
263. The only way Post Office can measure foot-fall in a branch is through its transactions. Historically, in Post Office's directly managed network, it used door counters so it could track each time a customer stepped through the door. The Horizon data tells us customers have come and carried out a transaction. However, there might be people that come in to ask a question. This is not recorded through the Horizon system and so that part of the foot-fall isn't counted.
264. We expected the applicant to provide their own premises from which to operate a Post Office. They had to meet certain conditions in terms of size, so that Post Office could fix a counter in and make sure it was secure. It would do all the security checks and make sure that the Post Office element itself was secure and alarmed.
265. Post Office had specifications on the thickness of the walls, the quality of the door and how many mortice locks. Post Office's security team would also

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

consider how to separate the Post Office counter from the domestic premises (if any).

266. The postmasters' premises are assessed to ensure they can operate out of them; that the premises are kept in good order and that they have liability insurance in place. This forms part of the contractual relationship with the postmaster and will be flagged to them in an interview.
267. Post Office's interest in the premises is what is the postmaster's ownership of the premises and/ or do they have a licence to trade from it. Post Office would check the permission from the licensing staff, what grade it is, and whether the postmaster can show it evidence that they have a legal arrangement to operate from there. This formed part of the recruitment process.
268. Not all postmasters live on the premises. Post Office did not restrict who lived in the property or worked in the premises save for standard checks and staff CRB checks.
269. Over the years Post Office have changed their premises policy. At one point Post Office insisted as a term of appointment that there was a secure door between the Post Office and domestic premises. We also considered how Post Office secured the counter itself.
270. Post Office also needed to reduce the risk of a "tiger kidnapping". Postmasters are at risk to this crime as they have access to large amounts of cash, often work with close family members who will not raise the alarm to protect the hostage meaning the police will not be notified until after the event. The aim was to protect Post Office, its reputation and to protect the Postmaster and his/ her staff whilst they were in the Post Office. The policy did not extend to their domestic lives. Post Office did give them advice on where they should keep their keys so it wasn't obvious to criminals. Post Office offered guidance on the obvious security points and referred the postmasters to the Security Manual which is part of the appointment pack.
271. Post Office historically charged an introductory fee, licence fee or franchise fee when an incoming postmaster began to operate a new branch. Post Office did not quantify what the postmaster got for this fee. Obviously, incoming postmasters were allowed to trade under Post Office's brand and they often received additional foot-fall, however the basis of the fee was never really explained well enough internally or externally. The fee was a bone of contention for a number of people.

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

272. At present Post Office does not charge introductory fees, or licence fees. I don't think Post Office is ever going to be able to get back to charging introductory fees or franchise fees unless it actually completely remodels its business model.
273. If the postmaster was buying the business as a going concern, which we called "commercial transfer", Post Office wouldn't typically charge a fee. If it was a greenfield site, a new business and there was no commercial transfer Post Office would charge 1.5 % remuneration. This was paid when the postmaster sold the business on.
274. The postmaster had a 25% reduction in remuneration arrangement for the first year. Sometimes the postmaster was charged the introductory fee of 1.5%. The postmaster also had a 25% reduction applied for the first year. That policy was short lived and stopped many years ago (either late 1980s or early 1990s).
275. The incoming postmaster would be sent the contract, the conditions of appointment letter and the addendum. The addendum might state "these are the conditions on your appointment that you have to do", which would be things like "we want you to replace the counter screen".
276. Post Office influences the retail side of the business, as it has restrictions on what can be sold in the branch to tie in with Post Office products and services.

STATEMENT OF TRUTH

I believe that the facts stated in this proof of evidence are true.

Signed:

Date: