

Angela Van-Den-Bogerd

From: Gareth Jenkins [GRO]
Sent: 16 November 2018 16:05
To: Jonathan Gribben
Cc: Dave.Ibbett@ [GRO]; Matthew.Lenton@ [GRO];
pete.newsome@ [gro]; Katie.Simmonds; Legal.Defence@ [GRO]
Andrew Parsons
Subject: RE: Post Office Group Litigation: Some points to check please [WBDUK-AC.FID27032497]

Hi Jonny,

We've now found the related Peak that processed the Failed Recovery. It was Peak PC0251333 which says in relation to this Branch:

00-216321-1-1350900-1:
The £150 cash withdrawal transaction was authorised by the FI and an AUTHORISED receipt was produced on the counter. However, when the user attempted to settle the transaction it failed due to the known datacentre issue at the time so disconnected session receipts were produced and the user was logged off. The user managed to log back in but recovery also failed. As an AUTHORISED receipt was produced the user should have handed money over to the customer but we cannot be certain that they actually did so. Assuming money was handed over the customer account will be correct but the branch will have a shortage given that the transaction hasn't been recorded on the system. This will need to be manually reconciled.

The Peak also says that a Final BIMS was issued.

So it looks like the checks and balances all worked on the Fujitsu side. This info would then have been passed over to POL via a BIMS for them to generate a TC.

Best wishes

Gareth

From: Gareth Jenkins [GRO]
Sent: 16 November 2018 14:00
To: 'Jonathan Gribben' [GRO]
Cc: 'Dave.Ibbett@ [GRO]'; 'Matthew.Lenton@ [GRO]';
[GRO]; 'pete.newsome@ [GRO]'; 'Katie
Simmonds' [GRO]; 'Legal.Defence@ [GRO]';
'Andrew Parsons' [GRO]
Subject: RE: Post Office Group Litigation: Some points to check please [WBDUK-AC.FID27032497]

Hi Jonny,

OK, I've now worked out exactly what happened.

This was all on Counter 1 and the times are GMT so need to add on an hour to get the real time (I've not done that since the spreadsheet of my analysis has the UTC times, but I appreciate that the 1 hour difference may cause confusion!)

1. 08:27:20 Card Account withdrawal request for £180 which was successful
2. 08:27:57 Card Account withdrawal request for £73 which was successful
3. 08:28:16 Link withdrawal request for £150 which was successful
4. 08:28:45 Attempt to settle the basket which failed
5. 08:29:15 Automatic retry of basket settlement which also failed.
6. No attempt by Mrs Burke for any further retries so counter logged off.
7. 08:30:39 Log On to counter which failed
8. 08:31:14 Log On to counter which failed
9. 08:32:15 Log On to counter which succeeded (user CBU001 which is probably Mr Burke not Mrs Burke)
10. As part of the Log On there were 3 transactions obtained from BRDB that required recovery For each one a request was sent to the appropriate Banking agent asking what had happened. Both Card Account transactions were recovered OK. However attempting to recover information from the Link Agent failed, so the Link transaction was marked as Failed Recovery.
11. 08:34:17 A Recovery basket was sent containing the 2 recovered CAPO transactions and the one failed LINK transaction with their original timestamps and these are in the ARQ showing the LINK transaction as zero value. This message also included the event indicating that there had been a failed recovery. This settlement also failed
12. 08:34:47 Retry to settle the recovery basket which again failed
13. 08:34:53 Another attempt to settle the recovery basket that succeeded. As a result a recovery receipt was shown which just included the 2 successful transactions plus the text "recovery failed" (P5 of her attached evidence)
14. The system then seems to behave OK.

This means that Mrs Burke did exactly the right thing at all times.

What should then have happened was as follows:

- The Failed Recovery Report should have picked up the failed recovery event, and it should then have been investigated, initially by Fujitsu and then a BIMS raised with POL.
- This transaction should also have been visible on the DRS reconciliation reports showing a zero value at the counter (or perhaps no info from the counter) while there was a value of £150 from the Link and again a BIMS issued.

I can't comment as to whether these processed did or did not pick up the issue. There doesn't appear to be a Peak on the issue, but that doesn't mean that a BIMS wasn't raised to suggest to POL that there might be an issue.

It could be that Mrs Burke just beat the system. However she was correct in handing over the money, and that should have been deduced from the investigation of the Failed Recovery and so she should have been reimbursed (which eventually she was by a TC – the fact it says the wrong bank is irrelevant).

I hope this clarifies things and sorry if I had mislead you before about what had happened.

Happy to discuss further if required.

Best wishes

Gareth

From: Gareth Jenkins [GRO]
Sent: 16 November 2018 13:04
To: 'Jonathan Gribben' [GRO]
Cc: 'Dave.Ibbett@[GRO]'; 'Matthew.Lenton@[GRO]'; 'Katie [GRO]'; 'pete.newsome@[GRO]'; 'Katie [GRO]'

Simmonds' [GRO] 'Legal.Defence@[GRO]
'Andrew Parsons' [GRO]
Subject: RE: Post Office Group Litigation: Some points to check please [WBDUK-AC.FID27032497]

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Hi Jonny,

I need to look at this again more closely. The Disconnected recovery receipt (which I hadn't looked at before) shows that the transaction for £150 was successful and so she was correct to pay out the money.

That doesn't match with what I saw in the logs.

I'll have a further look after lunch.

Best wishes

Gareth

From: Jonathan Gribben [GRO]
Sent: 16 November 2018 12:34
To: Gareth Jenkins [GRO]
Cc: Dave.Ibbett@[GRO]; Matthew.Lenton@[GRO]; pete.newsome@[GRO]; Katie Simmonds [GRO]; Legal.Defence@[GRO]; Andrew Parsons [GRO]
Subject: RE: Post Office Group Litigation: Some points to check please [WBDUK-AC.FID27032497]

Gareth,

Thank you for this. In relation to the section that I've highlighted yellow below, can you explain which reconciliation process should have picked the issue up? Is it possible that the process would have picked this up in due course, but Mrs Burke was proactive?

Kind regards

Jonny

Jonathan Gribben
Managing Associate
Womble Bond Dickinson (UK) LLP



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From: Gareth Jenkins [GRO]
Sent: 16 November 2018 12:28
To: Jonathan Gribben
Cc: Dave.Ibbett@[GRO]; Matthew.Lenton@[GRO]; pete.newsome@[GRO]; Katie Simmonds;

Legal.Defence@[redacted] GRO

Subject: RE: Post Office Group Litigation: Some points to check please [WBDUK-AC.FID27032497]

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Hi Jonny,

Please see comments below prefixed [GIJ]

Best wishes

Gareth

From: Jonathan Gribben [redacted] GRO

Sent: 16 November 2018 11:29

To: Gareth Jenkins [redacted] GRO

Cc: Dave.Ibbett@[redacted] GRO; Matthew.Lenton@[redacted] GRO; pete.newsome@[redacted] GRO; Katie Simmonds <Katie.Simmonds@[redacted] GRO>

Subject: Post Office Group Litigation: Some points to check please [WBDUK-AC.FID27032497]

Importance: High

Good morning Gareth,

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We are in the process of finalising a number of the witness statements for Post Office in advance of Friday's deadline. Please can you take a look at the points below and let us know if they are incorrect in any way, as soon as possible (this is a top priority)?

1) In relation to the "phantom sales" that were reported in around 2000, can you confirm these:

i. appear to have been caused by hardware issues; and

[GIJ] confirmed

ii. should not have caused a discrepancy in a branch's accounts;

[GIJ] provided they related to stock sales (and the examples I have seen all do). In that case there would be a corresponding stock discrepancy that would cancel out. However it is hard to be definitive.

2) In terms of transactions not being associated with a Subpostmasters user ID, we believe there are two possible ways a user ID can be affected as follows:

i. Sharing of User ID passwords between users/ in branch;

ii. Connectivity issue when user A is processing a transaction. A different user (User B) is then the first to log into Horizon when the connectivity issue has been resolved. Any recovery action taken by User B will be logged against their user ID. However, Horizon will also record that User A undertook the original interrupted transaction, which may appear as if a transaction was completed by User A when it was not.

[GIJ] Sorry, but I can't remember exactly how this worked on old Horizon. Certainly on HNG-X when a transaction is recovered, then the User Id is that of the user who is recovering the Txn, but we do also record in the audit record who the original user was. I suspect that this was also the case on old Horizon, but cannot be definitive.

There is a further scenario. On Old Horizon if SSC were to insert a transaction at the counter (which although possible, was very rare), then this would have been associated with the User Id of whoever was logged on at that counter. If nobody was logged on then the User Id would be missing. Such transactions should be clearly identified in the audit trail as having been inserted by SSC.

Similarly any transactions inserted by SSC at the Data centre would have no associated User ID, but should be clearly identified in the Audit Trail and also clearly visible in branch reports such as the Transaction Log as having originated from the Data Centre rather than a real counter.

Are there any other reasons that Fujitsu are aware of that could result in a user ID being affected?

3) Angela Burke:

- a. In her statement, Mrs Burke describes suffering a shortfall which arose out of the Horizon system outage on 9 May 2016. I have described this outage at paragraph XX above. On the basis of the ARQ Data (exhibit) I believe that this shortfall arose due to Mrs Burke not following the recovery process after a system outage rather than any error in Horizon.

[GIJ] I disagree with this. Not sure where this text comes from. The error was due to a failed recovery and was not her fault. This should have been picked up by the reconciliation process and a BIMS passed to POL to resolve. The fact she had to chase things up indicates a failure somewhere in that process, but I don't know exactly where.

- b. The account provided by Mrs Burke means that it is clear that she did not follow Post Office's standard processes for processing transactions. Specifically, each customer's transactions should be separately recorded on Horizon in what is called a "basket" or sometimes referred to as a stack (because the transactions appear to stack up on the screen). After each customer, the transactions needed to be submitted to the branch accounts ie the transaction needs to be completed, which is sometimes called "clearing the stack". Mrs Burke did not do this and bundled together two customers' transactions into one basket (see paragraph 14 of her statement). From Horizon's perspective, this would have looked like a set of transactions relevant to a single customer.

[GIJ] This is true, but is not the reason for the problem.

- c. When processing bank withdrawals, Horizon first checks that the customer's bank account has sufficient funds for the withdrawal. If the bank's system confirms this, Horizon adds the withdrawal to the stack and prints an "authorisation receipt" (see page 12 of AB1, timed at 9:28). Multiple transactions can be added to a stack. It is not uncommon for a customer to withdraw cash and then, say, pay a bill or buy some stamps. Once all the transactions are added to the stack, Horizon calculates the net amount due to or from the customer, the user completes the basket (which submits the entire basket of transactions into the branch accounts) and cash is physically handed over the counter. Because there can be multiple transactions in the stack, there can be a delay between a cash withdrawal being authorised by the bank and the full basket being submitted to the branch accounts. This raises the possibility of some form of intervening act such as a power outage or loss of connectivity. If that happens, the bank's system may be showing a withdrawal of cash but Horizon has no record of the transaction.

[GIJ] correct

- d. This is where the recovery process is initiated if there is a connectivity failure, Horizon will make multiple attempts to complete the basket, but after XX attempts it will record a failure and log out the user. It will also print a disconnected session receipt showing the transactions in the stack at that point (which happened in this case: see page 2 of AB1, timed at 9:30).

[GIJ] It will make two attempts (the original request followed by a single retry. The user is then asked if they wish to retry. If they say "yes" then 2 further attempts are made. If these both fail, the same retry screen is then shown and the process repeated until the user either gives up or the basket is settled successfully. The recommendation is that they retry one and then give up (ie after 3 attempts to settle). There is a 40 sec delay between each retry thus allowing time for any temp issue in the Data Centre to be resolved. If they say "no" they are logged out and recovery is instigated on the next Log On.

Rest is as described

- e. Once Horizon comes back up, it will check whether there are any cash withdrawals logged by the bank but not on Horizon. Where it gets confirmation from the bank that the cash withdrawal has gone through, Horizon will then add that cash withdrawal (and any other recovered transactions) to a new basket and complete that basket so that it forms part of the branch accounts. It will then print a recovery receipt telling the user what cash to give to the customer.

[GIJ] The check is more general. It checks for an recoverable transactions (all Cash withdrawals are marked as recoverable). If it finds a recoverable transaction (in this case a Cash Withdrawal) it then attempts to communicate with the Banking Agent to see what happened to that transaction. In this case that communication

failed (due to the system problems that day) and so recovery failed and it was marked as such to be resolved manually.

- f. In Mrs Burke's case, the first two withdrawals (of £73 and £180) were recovered but the withdrawal of £150 was not recovered. This is shown on the recovery receipt, at page 5 of AB1 and timed at 9:36, which instructs Mrs Burke to only pay £73 and £180 to the customer. This is also reflected in the transaction list at page 6 of AB1 which only shows the withdrawals for £73 and £180, and not the withdrawal for £150.
- g. Had Mrs Burke followed the recovery receipt, she would not have given the £150 to the customer and would have suffered no shortfall.

[GIJ] correct.

- h. If Mrs Burke had followed the correct process the failed recovery would have disadvantaged the customer, whose account would have been debited but who would have not received any cash from Mrs Burke. From the Subpostmaster's perspective, Horizon accurately recorded the recovered transactions and told Mrs Burke not to pay the £150 to the customer. The problem was caused by Mrs Burke not following the procedure which would have instructed her not to pay out the £150
- i. Following Mrs Burke's investigation, Post Office generated a transaction correction for the £150 withdrawal. I believe it was quite proper for Mrs Burke to do this investigation as it was her original error that caused the loss. Once Post Office was presented with evidence that the customer had received the cash and the customer's bank had recorded the withdrawal, a transaction correction was issued to bring the branch accounts back in line thereby correcting Mrs Burke's mistake.

[GIJ] I was not aware of this, but it seems reasonable.

- j. Mrs Burke states (at paragraph 26) that the TC "had settled the amount to Lloyds bank and not TSB". TSB was part of Lloyds bank until September 2013 and I suspect this is the reason for this. The identity of the financial institution is not relevant from a branch accounts perspective.

[GIJ] Agreed this has no impact on the branch accounts.

Thank you in advance

Kind regards

Jonny

Jonathan Gribben
Managing Associate
Womble Bond Dickinson (UK) LLP

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m:
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