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Post Office considered Horizon IT system 'high risk', court told

The Post Office considered Horizon a high operational risk in an internal review, a trial focused on alleged fallibilities in the system used in thousands of Post Office branches has heard

By **Karl Flinders,** Chief reporter and senior editor EMEA   Published: **12 Mar 2019 8:30**

As the court battle between subpostmasters and the Post Office resumed in a second trial, documents revealed that the computer system at the centre of the dispute was considered high risk.

The court heard that an internal Post Office review found that its IT was not fit for purpose and would be expensive and difficult to change.

More than 500 subpostmasters are suing the Post Office through the Bates versus Post Office group litigation order (GLO).

In 2009, Computer Weekly revealed that the lives of some subpostmasters, who run Post Office branches, were turned upside down as a result of being fined, sacked, made bankrupt and even imprisoned because of unexplained accounting shortfalls. Some claimants were sent to prison, one while pregnant. They blame the accounting and retail system they use, known as Horizon, for the problems. The Post Office denies this.

Horizon, which was introduced in 1999/2000, is used by nearly 12,000 post office branches. Subpostmasters are held liable for any unexplained losses (_see timeline below_).

Citing Post Office documents, Patrick Green QC, representing subpostmasters, said the Post Office had stated in public that plans to replace Horizon had nothing to do with dissatisfaction or lack of confidence in the system. He said it stated this was because its current contract was coming to an end.

But a Post Office review of its IT, also revealed in court, categorised the Horizon branch system as being of "high operational risk". This was the middle level of three categories, between "severe risk" and "within appetite but attention required".

Known errors of Horizon system

In preparation for the trial, a document known as the known errors log was disclosed, revealing thousands of errors that the Post Office and Fujitsu knew about but did not inform the subpostmaster network of. One known error, which featured heavily on day one of the trial, was first made public by Computer Weekly in November 2015.

The issue, which has become known as the Dalmellington case, named after the branch, involved an incident in which thousands of pounds' worth of payments were duplicated for one subpostmaster. If undetected, this would have appeared as a loss when the accounts were completed, which would be the responsibility of the subpostmaster.

The problem, which was investigated by the Communications Workers Union (CWU) postmaster branch, involves the process where subpostmasters transfer money from a core Post Office branch to a remote branch created to serve rural areas, known as an outreach, which is basically a branch on a laptop. These processes are known as remittances.

It occurred because a subpostmaster repeatedly pressed the command to send a transaction because the screen didn't change and it did not appear to have been sent. As a result, four payments of £8,000 were recorded as being sent from a remote branch to a central branch, but only one was recorded as received. Accounts showed the subpostmaster was £24,000 short.

> The trial disclosed a document revealing thousands of errors that the Post Office and Fujitsu knew about but did not inform the subpostmaster network

In an email at the time, an Atos representative said: "This issue is caused by the user forcing log-off when the post-login checks have not fully completed. We have experienced previous instances of this issue in other branches [that] have been caused in the same way (forced log-off)."

Pressure exerted by campaigners following the Computer Weekly article led to the Post Office investigating the matter.

Helen Baker, president of the postmaster branch at the CWU at the time, was contacted by the subpostmaster at Dalmellington when the accounting shortfall appeared. At the time, she alerted Computer Weekly to the issue.

Following day one of the latest trial, Baker told Computer Weekly that when the subpostmaster involved contacted her for help, she looked into the records and identified what had happened. Subpostmasters generally do not have the training to spot things like this, she said, although the accounts shortfall is their responsibility. "Most subpostmasters do not know where to look or what to look for when there is a shortfall," she said.

Without help, said Baker, this type of loss might not be noticed until much later. She said if the subpostmaster at Dalmellington, Ann Ireland, hadn't acted quickly, there would have been an apparent loss that she would have found it difficult to explain at a later date.

She added that subpostmasters are told by the Post Office that they do not need to balance once a week, but only once a month, whereas her own advice is to "do it straight away when you make a transaction".

In relation to the Dalmellington bug, Antony de Garr Robinson QC, acting for the Post Office, said in court that the Post Office had got to the bottom of what had happened.

"They identified 112 potential branches with financial impact, 108 of which had been fixed or made good. Of the other four, only two had a significant problem, and further research showed that those two branches were not actually affected by the Dalmellington bug at all, they just had similar symptoms that were the result of an entirely separate cause and that were fixed entirely separately," he said.

He said Dalmellington-type problems would be picked up by Post Office teams before a subpostmaster lost money.

Post Office kept quiet about IT errors

The first trial in November focused on the contractual relationship between the Post Office and the subpostmasters who manage its local branches.

But the computer system's alleged faults were a constant theme during the trial. For example, documents referred to in court <u>revealed evidence of a known problem with Horizon</u> described by the Post Office and its IT partner Fujitsu.

A Post Office internal memo from August 2010, referred to in court and entitled _Receipts payments mismatch issue memo day 1 OP_0008387_, revealed that discrepancies showing at the Horizon counter disappear when the branch follows certain process steps, but will still show in the back-end branch account.

The memo added that this issue could be damaging if revealed. "If widely known, it could cause a loss of confidence in the Horizon system," the memo said. "There could be a potential impact upon ongoing legal cases where branches are disputing the integrity of Horizon data. It could provide branches with ammunition to blame Horizon for future discrepancies."

During cross-examination, Post Office director <u>Angela van den Bogerd admitted that the Horizon IT system had made mistakes</u>, which the Post Office was responsible for correcting, but said the Post Office did not necessarily have to tell its subpostmaster network about the errors. Van den Bogerd said the Post Office could have told subpostmasters about the errors, but did not.

The current trial is the second of four planned.

Judgments from the first trial are expected this week.

The case continues.

For live tweeting from court, see the Twitter account of broadcast journalist Nick Wallis. Also read his Post Office trial blog.

Timeline of the Post Office Horizon case since Computer Weekly first reported on it in 2009

May 2009: Bankruptcy, prosecution and disrupted livelihoods – postmasters tell their story

September 2009: Postmasters form action group after accounts shortfall

November 2009: Post Office theft case deferred over IT questions

February 2011: Post Office faces legal action over alleged accounting system failures

October 2011: 85 subpostmasters seek legal support in claims against Post Office computer system

June 2012: Post Office launches external review of system at centre of legal disputes

January 2013: Post Office admits Horizon system needs more investigation

January 2013: Post Office announces amnesty for Horizon evidence

January 2013: Post Office wants to get to bottom of IT system allegations

June 2013: Investigation into Post Office accounting system to drill down on strongest cases

July 2013: Post Office Horizon system investigation reveals concerns

October 2013: End in sight for subpostmaster claims against Post Office's Horizon accounting system

October 2013: Former Lord Justice of Appeal Hooper joins Post Office Horizon investigation

November 2013: 150 subpostmasters file claims over 'faulty' Horizon accounting system

September 2014: Fresh questions raised over Post Office IT system's role in fraud cases

December 2014: MPs blast Post Office over IT system investigation and remove backing

December 2014: Why MPs lost faith in the Post Office's IT investigation, but vowed to fight on

December 2014: MPs to debate subpostmaster IT injustice claims

December 2014: MP accuses Post Office of acting "duplicitously" in IT investigation

January 2015: MPs force inquiry into Post Office subpostmaster mediation scheme

January 2015: Post Office faces grilling by MPs over Horizon accounting system

February 2015: Post Office CIO will talk to any subpostmaster about IT problems, promises CEO

March 2015: Post Office ends working group for IT system investigation day before potentially damaging report

March 2015: MPs seek reassurance over Post Office mediation scheme

March 2015: Retiring MP aims to uncover truth of alleged Post Office computer system problems

April 2015: Post Office failed to investigate account shortfalls before legal action, report claims

April 2015: Criminal Courts Review Commission set to review subpostmasters' claims of wrongful prosecution

May 2015: IT system related to subpostmaster prosecutions under review by CCRC

June 2015: Post Office looking to replace controversial Horizon system with IBM, says MP

July 2015: Campaigners call for independent inquiry into Post Office Horizon IT system dispute

October 2015: James Arbuthnot takes Post Office IT fight to House of Lords

November 2015: The union that represents Post Office subpostmasters has warned of a problem with the Horizon accounting system

November 2015: An email from Post Office IT support reveals a problem with the Horizon system and supporting processes that could lead to accounting errors

November 2015: Group litigation against Post Office being prepared in Horizon dispute

February 2016: Post Office faces group litigation over Horizon IT as subpostmasters fund class action

June 2016: Post Office chairman Tim Parker says there would be "considerable risk" associated with changing its Horizon computer system

November 2016: The legal team hired by a group of subpostmasters will take their case to the next stage

January 2017: The group action against the Post Office that alleges subpostmasters have been wrongly punished for accounting errors gets a green light from the High Court of Justice

March 2017: 1,000 subpostmasters apply to join IT-related group litigation against Post Office

April 2017: Investigation into claims of miscarriages of justice in relation to a Post Office accounting system has appointed a forensic accountant firm

May 2017: Hundreds of subpostmasters have applied to join IT-related legal action since March

July 2017: Post Office defence in computer system legal case due this week

August 2017: Campaigners submit initial evidence in group litigation against Post Office over controversial Horizon IT system

October 2017: Subpostmasters' group action against the Post Office reaches an important milestone

November 2017: An end is in sight for subpostmasters' campaign against alleged wrongful prosecution, which they blame on a faulty computer system

November 2017: The high court judge managing the subpostmasters versus Post Office legal case over an allegedly faulty computer system tells legal teams to cooperate

January 2018: Forensic investigation into Post Office IT system at centre of legal case nears completion

April 2018: Criminal Cases Review Commission forensic examination of the IT system at the centre of a legal case against the Post Office has raised further questions

May 2018: Post Office branches unable to connect to Horizon computer system for several hours after morning opening time

October 2018: After over a decade of controversy, next week marks the beginning of a court battle between subpostmasters and the Post Office

November 2018: Case against Post Office in relation to allegedly faulty computer system begins in High Court

November 2018: High Court case in which subpostmasters are suing the Post Office has revealed a known problem with a computer system at the core of the dispute

November 2018: A High Court trial, where subpostmasters are suing the Post Office for damages caused by an allegedly faulty IT system, ends second week

November 2018: Post Office director admits to Horizon errors and not sharing details with subpostmaster network

November 2018: The High Court trial in which subpostmasters are suing the Post Office has reached an important stage

December 2018: CCRC may hold off subpostmaster decision until after Post Office Horizon trial

December 2018: Court case where subpostmasters are suing the Post Office set to span at least four trials and extend into 2020

January 2019: Subpostmasters' campaign group attacks Post Office CEO Paula Vennells' New Year honour amid ongoing court case

January 2019: Thousands of known errors on controversial Post Office computer system to be revealed

March 2019: Tech under spotlight at High Court in second subpostmasters versus Post Office trial

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