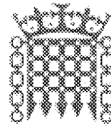


JONATHAN LORD MP



HOUSE OF COMMONS

LONDON SW1A 0AA

Tel: **GRO**

Mrs Seema Misra

GRO

JGCL/RP/

06 March 2012

Dear Mrs Misra

I was sorry not to be able to attend the event with Shoosmiths concerning sub postmasters on 27th February and I was grateful for your recent email following the meeting. I have now been sent a briefing and the minutes of the meeting by James Arbuthnot. I have enclosed a copy for your records.

I will certainly continue to follow this matter very closely.

With good wishes

Yours sincerely

GRO

Jonathan Lord MP

Representing Woking Constituency

Summary of Issues affecting Sub-Postmasters

- Sub-post offices make up the vast majority of the Post Office Network. A sub-postmaster or sub-postmistress ("SPM") is a self employed manager of a sub-post office. They contract with Post Office Limited ("POL") to provide this service.
- Although SPM's are self employed, many are under the mistaken impression that they are employed by the POL such is the control exercised by POL as to how they carry out their duties.
- Access Legal from Shoosmiths, a national law firm, have been contacted by almost 100 SPM's who have suffered losses they cannot explain and have been subject to disciplinary measures by POL. All are adamant that they or their staff have not stolen any money. They claim that the Horizon system, an electronic point of sale and accounting system POL require them to use, has caused the errors or not enabled them to work out why the errors have appeared in the first place. They claim there has been no real investigation by POL as to the cause of the losses that have appeared – SPM's are expected to pay it back regardless of how it was caused.
- POL are adamant that the Horizon system has no faults.

Horizon & the balancing of accounts

- All transactions in a sub-post office are processed through Horizon. At the end of a trading period (a 4 or 5 week period) a SPM must balance his accounts and send a declaration, plus any related receipts, checks and cash to POL. The Horizon system will produce figures based on the transactions that have taken place as to what the cash and stock total at the sub post office should be. The SPM will then have to count the stock and cash held to check it matches up.
- When an SPM has completed a cash and stock check and discovers that there is less cash or stock than Horizon believes there should be, the SPM must make good this loss if it was caused by his/her error or that of an employee. It is also the case that if the SPM has more cash than the Horizon system believes there should be, the SPM is entitled to take the surplus money from the system. At the Crown offices, the larger post offices run by POL, the managers do not have to repay these losses as they are written off by POL.
- If the SPM is ever faced with a loss when balancing, the SPM is presented with two options on the Horizon system: "Settle Centrally" or "Make Good Loss". Settle centrally means that, according to POL, the loss can be investigated. However the description of this from SPM's is that it just means the loss will be taken from the SPM's remuneration either as a lump payment or in stages. If "make good loss" is selected the SPM must make good the loss there and then out of their own pocket. One of these options must be selected otherwise an SPM will not be able to trade the following day.
- Some of the SPM's have told Horizon that they have made good the losses when in actual fact they haven't. The reasons they do this vary, but are typically related to an inability to pay (often due to have made various repayments previously) and a desire to keep the post office open for their community. When doing the above an SPM is committing false accounting, albeit not to enrich themselves, or deny POL what is rightfully theirs.
- If a SPM, over a period of time, settles centrally lots of losses or appears to POL to making good lots of losses they will be audited. If discrepancies are found at audit, a SPM will be suspended and all the accounts papers at the post office will be taken away for investigation. The SPM will not be allowed to go behind the post office counters in their shop. The losses at this stage have been between £6,000.00 and £150,000.00.
- The SPM then has a supposed chance to explain the losses but without access to the papers or the post office system the SPM's ability to do this is extremely limited. Typically the SPM's contract will be terminated and POL will request that any losses are repaid under the Contract.

- POL will ask an SPM to repay all losses that occur and as such there appears no distinction between losses that may be the fault of the SPM and those which may have been caused by something else. SPM's have no opportunity to investigate the reason for the loss, nor to POL seem inclined to do so either. It is far from clear whether when there is a loss in a sub post office that POL have actually lost any money.
- If the loss is not repaid POL will prosecute the SPM for false accounting. SPM's are typically advised by their legal advisors to plead guilty to false accounting, as in the above circumstances they will have committed it. Many will be charged with theft or fraud but these charges are typically dropped in these circumstances. SPM's have been imprisoned as a result of convictions for false accounting.

Other relevant issues

Interview – At interview for the position of SPM most are not questioned about their accounting or computer literacy skills. Very few of the SPM's had any experience or qualifications in accounting before taking on the role of SPM, although even those with accounting qualifications have struggled with Horizon. The SPM's are then expected to take over the full accounting and balancing procedures upon their appointment as SPM without even basic knowledge of the same.

Contract – The contract with POL is a standard form 100 page contract that was drawn up in 1994 when a paper based accounting system, with a full paper audit trail, was used. SPM's are routinely not provided with this contract until they have purchase the sub-post office and completed the interview and training process. The SPM's are typically not made aware of the onerous sections of the contract, specifically those sections relating to repayment of losses, termination of the contract and lack of compensation for loss of office.

Training - POL provide training for SPM's on how to use the Horizon system which is undertaken prior to an SPM commencing their contract. This tends to vary between 2 days and two weeks. The training typically focuses on sales technique with very little focus on accounting skills. When an SPM starts they are typically accompanied by a trainer for their first week who shows them how to use the system, in their own post office. The majority of SPM's believe that their training was not adequate, in particular in relation to the accounting and balancing procedures and what to do if a loss occurs. Requests for further training are denied and there is no possibility for a SPM to obtain further training on the Horizon system without it being provided by POL. The support provided by the Helpline POL operate to assist SPM's is reported to be inadequate.

Faults with Horizon – It appears that there are numerous ways in which these losses could have occurred, whether it is as a result system errors, human errors when entering data, faults with cross system communication or electrical faults. The technical reasons why the errors are occurring is not the main issue that needs be addressed, instead it is that the Horizon system is does not allows SPM's to find where an error has occurred and rectify before having to repay losses.

National Federation of Sub-Postmasters – The NFSP are the trade association for SPM's. They negotiate with POL on behalf of SPM's and provide representation at disciplinary meetings. They state publicly that there are no issues with Horizon. Many SPM's report that they receive no useful assistance from the NFSP when they have accounting difficulties. The Communications Workers Union, the relevant union for POL employees, have recently set up a branch to assist and represent SPM's. This has been set up by former executive members of the NFSP. Many SPM's are now seeking assistance from the CWU as opposed to the NFSP.

Subpostmasters and the Post Office

Minutes of meeting

2pm

Monday 27 February 2012

The Wilson Room

Portcullis House, Westminster

MPs present

James Arbuthnot

Mary Glendon

Andrew Tyrie

Edward Garnier

Mike Wood

Louise Ellman

Annette Brooke

Jonathan Djanogly (by representative)

Anne Milton (by representative)

Access Legal

Tadge Channer

Rose Donoghue

Opening James Arbuthnot

Thanked everyone for attending, and welcomed constituents. Mentioned that he had three subpostmasters/mistresses in his constituency who had been accused of false accounting following problems with the Horizon system. Mr Arbuthnot said he did not believe that they were anything other than honest, and that the accusations gave rise to a series of concerns.

The meeting was organised by the solicitors, Access Legal at Shoosmiths, and its purpose to discuss the issues at stake, and what might be done to help.

Mr Arbuthnot said it was important not to raise the hopes of those who attended. There may be something that can be done, there may not.

Summary Tadge Channer & Rose Donoghue, Access Legal from Shoosmiths

Tadge Channer said that just under 100 individuals had come to Shoosmiths with similar cases. He discussed what had been happening with regard to the legal side of the matter, and what Shoosmiths have discovered. (Rather than reiterate here, please see attached document summarising the issue)

Rose Donoghue discussed problems with funding a case. Access Legal are acting on a 'no win, no fee' basis, but there are problems in relation to protecting individuals from adverse costs should cases be lost.

She stated that if there was no legal obligation for the Post Office to address the problems with Horizon, there surely was a moral obligation. Sub Post Offices are central to the community they serve, particularly those in small villages where they act as the heart of the community. She said that if there was an avenue through the problems of putting a case before the courts, it would be found. She asked if there were any political pressure that could be brought to bear on the Post Office to help solve things.

Contributions from MPs

Andrew Tyrie – didn't realise that the Crown Post Offices were writing off losses in a way sub Post Offices could not (documents seen by Shoosmiths show losses of £2.2 million written off in 2007-8 across 400 Crown Post Offices; unlike sub Post Offices, these businesses were not liable for any losses presented by Horizon). Tadge Channer said there ought to be an investigation into these losses. Rose Donoghue said that the problem with Horizon had many facets – no proper training being one. Mr Tyrie suggested hiring an independent professional to look at Horizon and establish if it was at fault. Everyone agreed and said this was what was required. Tadge Channer said the problem is not simply with how to fund this, but also that such a person would have trouble gaining proper access to Horizon.

Mike Wood asked how much would such a report cost. Rose Donoghue advised between £60-80k. The Post Office would have to agree to share information and data, disclose documents about the system and from the system, and a further £30k would be required to collect and examine resulting documents.

Mr Arbuthnot asked whether someone from Computer Weekly might be interested? Tadge Channer said the problem was access to the system. One constituent mentioned an independent expert who had reported that South African post offices had used a similar system, but that it had been shut down because of huge losses.

Contributions from constituents (un-named here)

One constituent from Cambridgeshire cited her own case, where losses of £9k were reported. She was told that she had to prove that the losses were the responsibility of the Post Office, not her. She had a letter from the Minister at the time (Ed Davey). The Post Office was wholly owned by the

Government, and therefore the Government should look into this. Widespread applause and agreement.

Another constituent said that the problem was that the Post Office appeared not to be accountable to anyone. He had had a very successful business, with £42 million turnover in two years. He now had a criminal record. He had not received a copy of his contract until after his suspension, and had he seen it, he never would have signed it. The majority of people at the meeting were well educated, and had had their reputations destroyed. Mr Arbuthnot stated that in the cases where his constituents had undergone similar treatment by the Post Office, the upwelling of sympathy and local support was immense, and so it was not in the eyes of the community that individuals were guilty.

A constituent said that he had extended his sub Post Office in 2005 to build a very successful retail business. Following problems with Horizon, he had been dragged through the courts. Thus far he had lost over £100k.

A constituent stated that she had been told by the judge who heard her case that there were no facts and no evidence to prove that she was a thief. The Post Office had known that there were problems at her branch for three years before they did anything about it.

Another constituent said that, following her husband's suspension, she decided to prove a point and asked the Post Office whether she could take over from him. They agreed, and she did so, with no training at all. It should not have been allowed.

Other comments:

Problems appear to be endemic to the Post Office.

There used to be an action one could choose which would hold an account in suspension – this is no longer an option.

In dispute process, references are lost quite regularly.

Closing remarks and next steps

Edward Garnier suggested asking for an Adjournment Debate in the House of Commons. This might be possible as the issue affects so many people, and there ought to be a political way through the problem.

Mr Arbuthnot said he had scheduled a meeting with the Chairman Designate of the Post Office to discuss the entire matter.

He called on all individuals present to get more people who are in the same situation to write to their MP to ask their MP to get in touch with Mr Arbuthnot.

Annette Brooking said that the standard Ministerial answer she received was that this is a matter for the Post Office, not the Government, so despite the Government owning the Post Office, it is keeping it at arms' length.

Mr Arbuthnot said that the Post Office line was always 'there is nothing wrong with Horizon.' He said it was wholly implausible that this is the case, as the people present would not have come to the House of Commons simply to say they were not criminals. They were there to ensure something was done to prove that they were not. Loss of reputation a very hurtful thing.

He thanked everyone for attending.