

COMMERCIALLY SENSITIVE AND PREPARED IN CONNECTION WITH MEDIATION

Initial Complaint Review and Mediation Scheme

Post Office Preliminary Investigation Report

Branch Name:	South Marine Drive	Branch Code:	213337	Case number	M001
SPMR Name:	Mr Lee Castleton	SPMR Contact Details:	Mediation Application	Date of Appointment	18.07.2003 -23.03.2004

Executive Summary

Due to the age of this case (2003 – 2004), there is limited information now available to investigate the specific issues raised by the Applicant.

However, and uniquely among the applications into this Scheme, between May 2005 and January 2007 many of the issues raised by the Applicant were the subject of fully contested civil proceedings in the High Court which culminated in a six day trial before His Honour Judge Richard Havery QC.

On 22 January 2007 His Honour Judge Richard Havery QC granted judgment ordering the Applicant to pay Post Office the sum of £25,758.75 plus interest; ordered the Applicant to pay Post Office's costs; and dismissed the Applicant's counterclaim. In giving judgment, His Honour said "the conclusion is inescapable that the Horizon system was working properly in all material respects, and that the shortfall of £22,963.34 is real, not illusory."

Applicant's Issues and Post Office's Headline Response

- Helpline performance: Due to timescales, evidence is not available to carry out investigations in some of the areas. However, the available evidence suggests that calls were transferred correctly and proper advice given.
- "Supervisor" had little knowledge of Horizon or accounting practices: the individual has, throughout a 30 year career with Post Office, performed various operational managerial roles and has a wealth of Post Office operational knowledge. There is no evidence to suggest that the Applicant reported his concerns regarding the supervisor's performance to NBSC at the time under review.
- Limited audit trails available to branches: transaction data was, at this time, available in branch for 42 days, which was considered sufficient to enable the branch to identify any discrepancies in weekly and/or monthly balancing.
- Agent signed his appointment but was not provided with a copy of his subpostmaster (SPMR) contract: the process at the time of the Applicant's appointment was that he would receive a copy of the contract along with the appointment letter and welcome pack. In the Defence filed in the HC Proceedings, the Applicant admits signing an Acknowledgement of Appointment and contracting under Post Office's standard terms.
- Transactions occurred in the branch's accounts that were not processed by the SPMR: due to timescales, evidence is not available to investigate this issue.
- Transaction errors occurred when there were power failures: evidence is not available to investigate. However Post Office's response to Spot Review 1 explains the back-up and recovery processes which ensure that power failures cannot impact on the integrity of Horizon data.
- Transaction anomalies associated with scratch cards: The Applicant provides limited information in the Case Questionnaire relating to this issue, and due to timescales this cannot now be investigated. However, the accounting of National Lottery game sales of £176 was considered in the HC Proceedings. Further, Post Office's response to Spot Review 22 explains the processes for activating and REMMING-in scratch cards.

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The Applicant's Complaint			
<p>The Applicant was in place at the branch from 18/07/03 until he was suspended on 23/03/04 following an audit which revealed a final account shortage of £25,758.75.</p> <p>The Applicant's Case Questionnaire raises several areas of complaint, which are addressed in the "Response to issues raised by Applicant" section of this document.</p> <p>The Applicant seeks £5,185,663.15 for the financial impact which he claims to have suffered following his 9 months as a SPMR. The Applicant has provided some material in support of the issues he has raised. However, apart from documents used in the HC Proceedings, there is now very limited information available from Post Office given that the matters in issue took place outside standard document retention periods.</p>			
Case Review Actions			
<i>Summary of the information collated by Post Office</i>			
Information area	Information provided with this response	Information not available as beyond retention period	Information not available for other reason
Horizon Service Desk		X	
Transaction Corrections		X	
Financial Dispute Resolution		X	
POL Investigations		X	
System Connectivity		X	
Branch Training Records		X	
Contractual Files/Records		X	
Branch Audit Records		X	
NBSC call logs	X		
Debt Position	X		
Intervention Docs (noted below)	X		
Transaction & Event Logs		X	
Court Docs (noted below)	X		
<p>NBSC calls reviewed:</p> <p>Records of call logs applicable from 19/07/03 – 23/03/04 (detailed summary provided in next section of document) (Doc 001 refers)</p> <p>Debt Position:</p> <p>The Final Cash Account deficiency was £25,758.75.</p> <p>No Transaction Corrections were issued during the time the Applicant was in post. Transaction Corrections which came to light after the Applicant's contract termination applicable to him were:</p>			

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- National Lottery Game Sales £176.00 debit
- Lottery Prize payments £75.80 credit

The final balance outstanding for the Applicant was therefore £25,858.95. (Doc 002 refers)

The HC Proceedings initially included a claim for an automated payment of £1,256.88 which was subsequently excluded.

Post Office sought to recover this final debt, initially through its standard debt recovery processes and then in the HC Proceedings. The Applicant disputed the debt, which was ultimately upheld in the HC Proceedings. The Applicant was ordered to repay all the loss and costs incurred including the debt of £25,858.95, costs of £270,995.78 plus interest on those sums. However the judgment went unsatisfied when the Applicant was made bankrupt on his own petition.

Records of Intervention:

The record of intervention is incomplete due to the time that has passed since the events in question. However, the following is available:

22/05/03: invitation to interview (Doc 003 refers)

23/03/04: suspension letter (Doc 004 refers)

26/04/04: charge letter (Doc 005 refers)

17/05/04: termination of contract (Doc 006 refers)

09/07/04: appeal decision letter (Doc 007 refers)

Response to issues raised by Applicant

Issues raised	Investigation Findings								
Helpdesk unable to answer queries when raised. Unable to contact Helpdesk during busy periods. Calls were inappropriately transferred to other Helpdesks.	<p>Call logs do not show trends where Post Office has failed to provide advice. (Doc 001 refers)</p> <p>Breakdown of call categories as follows:</p> <table> <tr> <th>Call Category</th><th>Number of Calls</th></tr> <tr> <td>Client Accounting Procedures</td><td>46</td></tr> <tr> <td>Complaint</td><td>1</td></tr> <tr> <td>Horizon</td><td>3</td></tr> </table>	Call Category	Number of Calls	Client Accounting Procedures	46	Complaint	1	Horizon	3
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	<table><tr><td>Horizon Balancing</td><td>30</td></tr><tr><td>Office Process</td><td>14</td></tr><tr><td>Performance</td><td>2</td></tr><tr><td>Switchboard</td><td>23</td></tr><tr><td>Utilities</td><td>1</td></tr></table> <p>Of the above mentioned, 8 calls were transferred to Horizon System Helpdesk (HSH); 4 were due to the caller selecting the wrong menu option when initially connected, and 2 at the request of the caller to be transferred. The remaining 2 were calls made by auditors.</p> <p>The 30 calls relating to Horizon balancing cover various aspects applicable to balancing process and procedures.</p> <p>Where the calls related to Horizon specific issues, Post Office followed the correct procedure in transferring the caller to HSH.</p> <p>The call logs confirm that calls were made about losses and branch accounting, but specific transactions are not identified.</p> <p>No data relating to the calls to HSH can be provided as they are now outside document retention periods. (Doc 008 refers)</p>	Horizon Balancing	30	Office Process	14	Performance	2	Switchboard	23	Utilities	1
Horizon Balancing	30										
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Supervisor had little knowledge of Horizon or accounting practices.	<p>During the Applicant’s time in post, he was supported by a retail line manager (RLM) with more than 30 years of Post Office operational knowledge.</p> <p>Career history as follows: (Doc 009 refers)</p> <p>Joined Post Office in 1982</p> <p>Counter clerk to 1982-1986</p> <p>Branch Manager 1986- 1996</p> <p>Retail Line Manager 1996-2004</p> <p>Crown Area Manager 2004-2008</p> <p>Regional Performance Manager 2008-2010</p> <p>Regional Sales Manager 2010- present day</p> <p>The available information does not disclose that the Applicant raised any complaints with the NBSC concerning the RLM’s performance while he was a SPMR. However, the Applicant’s dealings with the RLM are discussed in some detail in the “Second Witness Statement of Catherine Oglesby” dated 17 October 2006 filed in the HC Proceedings. (Doc 010</p>										

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	refers)
No audit trail	<p>Call logs produced confirm the Applicant made calls concerning losses and branch accounting, but no reference is made to specific transactions. The Applicant's CQR also does not refer to any specific transactions. (Doc 001 refers)</p> <p>It is therefore not possible to enquire into whether the Applicant had difficulties with the audit trail for any specific products.</p>
Inappropriately short (only 6 months) retention policy for transaction records	<p>When the Applicant was a SPMR, the policy for retention of Horizon data available in branch was 42 days. This was considered sufficient to enable the branch to identify any discrepancies in weekly and/or monthly balancing.</p> <p>Post Office's policy for retaining hard copy branch daily produced reports is 2 years, and branch trading statement is 6 years, and was the same during the time the Applicant was a SPMR. These documents must be retained in branch for the applicable retention period.</p>
Agent signed his appointment but was not provided with a copy of his SPMR contract.	<p>Due to retention periods, Post Office will not have any record which shows that the contract was sent to the Applicant. However, the process in place when the Applicant was a SPMR was that Post Office's HR Service Centre Recruitment prepared an offer of appointment letter to be checked by the Retail Line Manager (RLM). The letter was then forwarded by HR Service Centre (HRSC) Recruitment to the Applicant with a copy of the contract and a welcome pack.</p> <p>Upon the SPMR's appointment, the standard engagement process was (Doc 011 refers):</p> <ul style="list-style-type: none"> • RLM makes the appointment decision • RLM returns the interview file to HRSC to include copy of SPMR's business plan, assessment documentation and training requirements. • HRSC chases any outstanding references and notifies RLM of result. • HRSC arranges training for SPMR and an audit for the transfer of office • HRSC prepares the offer of appointment letter, which is checked by RLM. HRSC then forwarded to the SPMR a copy of contract and welcome pack. <p>At the time of the Applicant's appointment, the process was that on the first day of service a transfer pack would have been present in the branch. This included a "P13" (dealing with the Official Secrets Act) which should have been signed on the first day of service and returned</p>

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	<p>to the Post Office contracts team by the Post Office auditor in attendance at the transfer audit.</p> <p>In the Defence filed in the HC Proceedings, the Applicant admits signing an Acknowledgement of Appointment and contracting under Post Office's standard terms. A copy of that document was put in evidence in the HC Proceedings.</p>
Transactions occurred in the branch's accounts that were not processed by the SPMR.	<p>At Post Office's request, documents relating to the bank giro transaction processed on the 17th March 2004 were supplied by the Applicant after the CQR was submitted. This refers to a client ledgering and settlement system document which Post Office no longer uses. Transaction logs have not been produced by the Applicant and cannot now be produced because they are outside document retention periods. (Doc 012 refers)</p> <p>Post Office's Finance Service Centre (FSC) cannot provide detail on the client ledgering and settlement system document provided by the Applicant as it has not been used for some time and there is now no-one in the business with experience of using the system. FSC however did advise that the adjustment and authorisation were not made by the same individual (the adjustment entry was made by user ID: CPVPB77, and the authorisation made by user ID A/CPVPB7). (Doc 013 refers)</p> <p>The HC Proceedings considered three transactions which the Applicant claimed (but the judge did not accept) showed anomalies in the operation of the Horizon system which caused loss. These concerned postage stamps (on 07 January 2004), cheques balancing (on 3 March 2004), and cash balancing (on 14 January 2004).</p>
Transaction errors occurred when there were power failures	<p>At Post Office's request, evidence relating to Horizon "nodes" (i.e. terminals) disconnecting was supplied by the Applicant after the CQR was submitted (Doc 014 refers). These related to 2 disconnections, but only one powered back up. Fujitsu advised that if a node continues to work whilst disconnected from the system, the transaction data remains stored within that node, and will "catch up" (i.e. be downloaded from the terminal to the system) once it is reconnected. The only occasion in which data could be lost is if a disconnected terminal failed completely and was physically removed without ever being re-synchronised with the system.</p> <p>This does not appear to be the case here given that the transactions have been properly recorded as shown in the evidence provided by the Applicant. However, without sight of the transaction and event logs (which are now no longer available), we cannot ascertain if the recorded transactions presented by the Applicant were "catch up" transactions (i.e. stored in the node whilst disconnected then subsequently downloaded and synchronised once reconnected), or "real time" transactions entered via that node.</p> <p>(Post Office's response to Spot Review 1 explains how Horizon operates</p>

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	when there are issues with connectivity.) (Doc 015 refers)
Transaction anomalies associated with scratch cards	<p>Following his suspension, the Applicant alleges he was held responsible for afterhours trading on a Wednesday when cards were not recorded correctly.</p> <p>There is no clear direction in the CQR as to what this is applicable to; there is reference made to £100.20, but no explanation. Timescale is outside Post Office retention periods, therefore no information is now available and the Applicant has not provided evidence to support.</p> <p>However, this issue was dealt with in detail in the HC Proceedings. On 23 March 2004 there was a lottery charge error in the sum of £176. This was reduced against payments that were understated in the sum of £75.80 (for which a claim error notice was issued). That left the balance due of £100.20. The Applicant argued during the HC Proceedings that he had been suspended and a temporary Subpostmaster had dealt with the entering of lottery sales into Horizon on 24 March 2004. This arose because sales of lottery products continued in the shop after the Post Office had closed. The Applicant's practice had been to then enter the sales tickets and account for the cash the following morning.</p> <p>The judge concluded that the Subpostmaster did not enter the lottery vouchers on 24 March (her first day in post) as she had not been handed them by the Applicant. The judge then found the Applicant liable to Post Office for the £100.20 as he admitted receipt of the lottery monies.</p> <p>(Post Office's response to Spot Review 22 explains the processes for activating and REMMING-in scratch cards.) (Doc 016 refers)</p>

Documents being provided to Second Sight

Evidence Reference	Description
M001_POL_NBSC Call Logs_SH_001	<i>NBSC Call logs</i>
M001_POL_Debt Position_SH_002	<i>Debt Position</i>
M001_POL_Invitation to Interview_SH_003	<i>Invitation to Recruitment Interview</i>
M001_POL_Suspension Letter_SH_004	<i>Letter confirming Suspension of contract</i>
M001_POL_Charge Letter_SH_005	<i>Letter confirming charge relating to contract termination</i>
M001_POL_Contract Termination_SH_006	<i>Letter confirming Contract termination</i>
M001_POL_Appeals Decision Letter_SH_007	<i>Letter confirming outcome of agent's appeal</i>
M001_POL_HSH call logs out with retention_SH_008	<i>Details confirming no HSH calls available</i>
M001_POL_Career History_SH_009	<i>Details of Retail Line Manager's job history</i>

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M001_POL_Cath Oglesby Statement_SH_010	<i>Court Case Witness Statement: Cath Oglesby</i>
M001_POL_Agent Recruitment Process_SH_011	<i>Agent Recruitment process</i>
M001_POL_Client Ledger_SH_012	<i>Evidence provided by applicant relating to client ledger</i>
M001_POL_Client Ledger Confirmation_SH_013	<i>Email from FSC advising system no longer in use</i>
M001_POL_Nodes Disconnection_SH_014	<i>Evidence provided by applicant relating to nodes disconnection</i>
M001_POL_Spot Review 1 Response_SH_015	<i>Post Office Response to Spot Review 1</i>
M001_POL_Spot Review 22 Response_SH_016	<i>Post Office Response to Spot Review 22</i>

- Judgement in *Post Office Limited v Castleton* [2007] EWHC 5 (QB) (Doc M001_POL_Judgement_SH refers)
- Various witness statements filed in *Post Office Limited v Castleton* also included that are not referenced in case summary.

NB. Data was requested previously for work being undertaken by 2nd Sight. Confirmed then as not available e.g. HSH call logs, system connectivity & transaction/event logs