

Filed on behalf of the: Defendant
Witness: Angela Van Den Bogerd
Statement No.2
Date Made: 16 November 2018

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

**THE POST OFFICE GROUP LITIGATION
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

**SECOND WITNESS STATEMENT OF
ANGELA MARGARET VAN DEN BOGERD**

I, **ANGELA MARGARET VAN DEN BOGERD** of **GRO**
GRO **WILL SAY** as follows:

1. I am the Business Improvement Director at Post Office Limited (**Post Office**). I am authorised to make this statement on behalf of Post Office.
2. 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.

THIS STATEMENT

3. This statement is being filed for the purpose of a Horizon Issues Trial. It responds to aspects of the evidence and allegations asserted by the Claimants through their witness evidence and the report of their expert, Mr Coyne. It is a compendium of individual responses to different allegations rather than a narrative on the operation of Horizon. The following areas are covered:-
 - 3.1 Corrections to factual points about Horizon made by Mr Henderson of Second Sight in his witness statement.
 - 3.2 Responses to certain claims about Horizon made in six witness statements served by the Claimants for the Horizon Issues Trial (namely Singh, Anup and

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

Akash Patny, Tank, Latif and Burke, which together I refer to as the Subpostmaster Evidence) – see paragraphs 28 - 110 below.

- 3.3 Responses to certain claims about Horizon made by the 6 Lead Claimants in their witness statements for the Common Issues Trial – see paragraphs 111 - 163 below.
- 3.4 Responses to certain claims made by Mr Coyne, the Claimants' IT expert, in his expert report – see paragraphs 164 - 166 below.
- 3.5 Other relevant matters – see paragraphs 167 - 188 below.
4. I understand from Post Office's solicitors that I have not been asked to respond to every allegation in the above witness statements because, first, some of those allegations are not relevant to the Horizon Issues and, second, the Horizon Issues trial was not designed to determine individual claims. On the basis that many issues raised in those documents are outside the scope of the Horizon Issues trial, I have been informed that I should not respond to them in this statement.
5. A common theme in my responses is that the evidence put forward by the Claimants does not concern a bug, defect or error in Horizon (ie. a Horizon-generated shortfall as defined in paragraph 41(6) of Post Office's Generic Defence). They often appear to assume that alleged losses, shortfalls or other problems must have been caused by Horizon. Given the unspecific nature of many of the allegations made and that some relate to things that are said to have occurred years ago, it is not now possible in this statement for me (and may not be possible for anyone else) to definitively state what may or may not have happened in each case. Instead, my evidence aims to give the Court a balanced view of the range of possible causes behind each allegation because I believe that, assuming the basic facts alleged by the Claimants are true, there is a plausible and much more likely explanation than the problem being caused by Horizon. The most common alternative explanation is that there may have been an accounting mistake or a user error by the Subpostmaster, his assistants or Post Office.
6. References below to paragraphs are to paragraphs of the witness statement I am commenting on. For example, a reference to "paragraph 2.5" in the section below regarding Mr Henderson's evidence means paragraph 2.5 of Mr Henderson's statement.
7. Page references are to pages of my exhibit, AVDB2.

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

MY BACKGROUND

8. My background is set out in my first witness statement. In the context of this statement, I would emphasise that in many of my roles I have frequently had direct contact with Subpostmasters and have frequently been involved in investigating concerns raised about operations of branches.

IAN HENDERSON

9. At paragraph 2.4, Mr Henderson says that he analysed some transaction data provided to him. I do not know to what transaction data he is referring or what he means by him being able to "reverse-engineer" this data. {E1/5/4}

10. He goes on at paragraph 2.5 to assert that: {E1/5/4}

"My analysis of this sample data showed a number of matters which gave rise to concerns:

- a) Transactions occurring outside of normal working hours
- b) Transaction associated with ID's other than the relevant sub-Subpostmaster; and
- c) Gaps in the numeric sequence of transactions"

11. I comment on matters (a) and (b) below. Point (c) I believe is about Journal Sequence Numbers which are addressed in the statements of Torstein Godeseth of Fujitsu.

Transactions outside of working hours

12. Mr Henderson has not provided specific examples of transactions occurring outside of normal working hours or transactions not associated with the Subpostmaster. None are cited in Section 14 of Second Sight's Briefing Report – Part 2 ("**the Part 2 Report**") which addresses these issues. At paragraph 2.11 of the Part 2 Report, he accepts that he did not reach a conclusion on these issues. Nevertheless, the impression that Mr Henderson appears to be trying to give is that there may be some improper conduct by Post Office or Fujitsu or an error in Horizon that has led to transactions entering a branch's accounts without the knowledge of a Subpostmaster. {F/1333.1/30} {F/1333.1/6}

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

13. There are a number of plausible and legitimate explanations for this which I set out below. For the sake of clarity, I categorically confirm that I am not aware of any improper conduct by Post Office or Fujitsu like this, or of any reason why Post Office or Fujitsu would engage in such conduct. I am informed by Post Office's solicitors that in the course of investigating this matter, Fujitsu have advised that "phantom sales" were reported in around 2000 which appeared to be caused by hardware issues. This is dealt with in the witness statement of {E2/11} Fujitsu's Steve Parker, but I understand the key point to be that such matters, provided they relate to stock sales, should not cause a discrepancy in a branch's accounts.
14. From my experience of working with Subpostmasters, there are a number of situations that might explain alleged "out of hours" transactions rather than hardware issues:
- 14.1 The core hours of a Post Office branch are typically around 9am to 530pm, but have varied over the years and with the size of the branch. The wider retail business in which the branch is located may be open earlier and / or later. There are a small number of Post Office products that are transacted on separate equipment which may then appear in Horizon like a transaction has happened outside the core hours of 9am - 530pm. For example, Paystation transactions are conducted on a separate terminal and therefore can be processed out of hours (they appear as *PS98 in the transaction logs that are available from Horizon). Also, branches accept transaction acknowledgments (TAs) in relation to the previous day's Paystation transactions when they log into Horizon in the morning and the TAs are associated with the user ID of the person that accepts them.
- 14.2 Another example (rare in my experience) is that if a user has not completed any work on Horizon for 59 minutes then there will be an enforced system log out. This is a security feature and applies to every branch. If the user has started to process a transaction or transactions but has not completed them before the enforced log out, they are automatically completed when the user is logged out. If there is a payment due to or from the customer, the session (i.e. the transaction or transactions sitting in the stack that have not been completed) is settled to cash and a receipt is automatically printed. This may then appear to the Subpostmaster like a transaction being completed without their input. This would however be a rare occurrence and only occur where the Subpostmaster had not followed Post Office operating procedures as each transaction should be immediately completed on Horizon in real-time whilst the customer is present.

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

- 14.3 One explanation I have come across before is that the Subpostmaster simply forgets that they have completed the transaction out of hours. In my experience this is more likely to happen if the Subpostmaster has not been doing their accounts properly (ie.in accordance with Post Office guidelines). One needs a more general sense of whether the Subpostmaster is acting diligently in order to assess whether this may have occurred in any particular case.
- 14.4 Alternatively, it may be that the transaction was undertaken by an assistant without the Subpostmaster's knowledge. It should be kept in mind that some branches have connected residential accommodation or are run by family members and so it may be that assistants have unsupervised access to Horizon outside core hours.
- 14.5 I would also not rule out the possibility of fraud by the Subpostmaster or an assistant. A strange transaction processed outside of core operating hours would warrant consideration of this possibility.
- 14.6 Before looking at any of the above, I would want to confirm that the alleged transaction actually exists and that the Subpostmaster is not innocently mistaken. If raised in a timely manner with Post Office, this can be done by a quick review of the transaction data, which can also be done by the Subpostmaster accessing the transaction log (available in branch for 60 days; 42 days pre Horizon Online) on Horizon.

Transactions not associated with a Subpostmaster's user ID

15. In relation to Mr Henderson's statement that he found transactions associated with IDs other than the relevant Subpostmaster, this is an unsurprising finding for the reasons set out below.
16. Subpostmasters have a unique user ID and password for Horizon with authorisation status so that they can grant a unique user ID and password to each assistant. User IDs and passwords should not be shared. This requirement is detailed in several places, including:
- 16.1 the SPMC (see section 1 clauses 5, 14 and 15); {F/1.1}

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

- 16.2 the Horizon System User Guide (hard copy) (which was provided to branches when Horizon was first introduced)¹ and Horizon Online Help (which came into use when Horizon Online was rolled out); and
- 16.3 the Security Operational Manual (the booklet that is provided to all Subpostmasters in branch and provides staff with the information required to adopt basic good security practices with the aim of keeping branch staff safe and Post Office assets secure).²
17. Whenever a user logs on or off Horizon, the logon and logoff is recorded. All transactions conducted by that user are logged against that user's ID. Transactions are conducted across the Post Office network every day by assistants with those transactions not being associated with the User ID of the Subpostmaster, but being associated with the assistant's User ID. Mr Henderson's finding reflects the ordinary conduct of business in branches.
18. If Mr Henderson means that transactions are associated with the Subpostmaster's User ID that the Subpostmaster did not conduct, then there are a variety of explanations for this.
- 18.1 The most obvious explanation is that the Subpostmaster has shared his User ID and password with someone else. I have seen this happen in many branches over the years and have even walked into branches to see the passwords pinned to a noticeboard or on a Post-it note stuck to the Horizon screen.
- 18.2 A more technical explanation (but very rare) is if there is a connectivity issue when a user (User A) is processing a transaction. A different user (User B) is then the first to log onto the Horizon terminal 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.
- 18.3 Another point to note is Horizon will also record people other than the Subpostmaster and/ or their assistant should they log into the system. For example, where an audit is undertaken, Horizon will record the auditor's user ID.
- 18.4 There is a further very rare scenario, in relation to Legacy Horizon only, involving the insertion of a transaction at the counter by the SSC. In this

¹ Equivalent instructions have been given in all user guides provided to Subpostmasters since the introduction of Horizon.

² Equivalent instructions have been given in all such manuals provided to Subpostmasters since the introduction of Horizon

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

instance Horizon would associate the transaction with the user ID of the individual logged on at that counter. If nobody was logged on at the time the transaction was inserted, then the user ID would be missing. These transactions would be clearly identifiable in the audit trail as having been inserted by SSC.

- 18.5 In relation to transactions inserted by the SSC from the data centre in Horizon, again, this would have no associated user ID, however, will be clearly identified in the audit trail and will also be visible in branch reports, including the transaction log, as having originated from the data centre as opposed to a counter.
- 18.6 I am not aware of any other reason the user ID could be affected.

Foreign currency transactions

19. At paragraphs 2.8 – 2.10, Mr Henderson talks about foreign currency transactions. He does not allege that there was any defect in Horizon that was causing shortfalls in branches related to foreign currency transactions. Instead, his belief is that prior to 2004 the way foreign currency was recorded on Horizon meant that it *"was not able to identify any of the individual transactions"*. {E1/5/5}
20. Prior to 2004 the Bureau de Change in branches used the Forde Moneychanger machine (**FMC**). The FMC was a foreign exchange calculator that performed various functions, primarily the selling and buying back of currencies and travellers cheques. Customers would receive from the FMC printed receipts for each transaction and the branch would receive a paper record for each transaction performed. There was therefore available to the Subpostmaster a complete record of all individual transactions, albeit this information was held in paper form rather than on Horizon. This information could be compared to the figures entered onto Horizon and could be used to identify and challenge any discrepancy. This point is acknowledged at paragraph 9.5 of the Part 2 Report. {F/1333.1/21}
21. Further, branches were required to check all foreign currency entries into Horizon against the FMC entries on a daily and weekly basis. As part of the process for entering foreign currency figures onto Horizon, branches were asked 'are you sure?' before the figures were accepted into Horizon. This should have helped branches to identify any discrepancies at an earlier stage.
22. For the sake of completeness, I note that the Part 2 Report also refers to a particular Subpostmaster who had a £645,000 loss relating to foreign currency (paragraph 9.1). I believe that this relates to Mr Carl Page, who is a Claimant in {F/1333.1/21}

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

these proceedings, and who was convicted of theft in February 2006 after entering a guilty plea.

Lottery transactions

23. At paragraphs 2.11 – 2.13 Mr Henderson comments on the accounting process for Lottery transactions. This point is also addressed at section 10 of the Part 2 Report. I note that neither in his statement, nor in the Part 2 Report, is there any evidence that the alleged problems with Lottery products stem from a bug or defect in Horizon. Rather, this appears to be a challenge against Post Office's accounting processes for reconciling the records of Lottery transactions in branch against records kept by Camelot (the provider of Lottery products and Post Office's client). Specifically, Mr Henderson suggests that the processes led to discrepancies which, although remedied by transaction corrections (TCs), hid *"real discrepancies from view, such that they remained un-investigated and uncorrected, thereby turning potentially recoverable errors into real losses."* I do not therefore believe that this evidence is relevant to the Horizon Issues.
24. Nevertheless, for the sake of completeness I quickly explain below what is meant when Mr Henderson says *"a branch's Horizon system would get 'out of sync' with the quite separate Camelot system"* and why this does not mean that there is a defect or bug in Horizon.
25. Lottery products sold in Post Office branches need to be transacted on a separate piece of equipment supplied by Camelot, the lottery terminal. The lottery terminal is a separate system to Horizon – there is no direct data feed from one system to the other. There are a variety of lottery products (lottery tickets, scratch-cards, etc.) and a number of different types of transaction (remittance in of stock, sales, prize payouts etc.) but Mr Henderson's evidence is focused on the process for scratchcard activations. The process for this changed following the introduction of a solution called PING in 2012 because some branches were not following the original process and this was leading to discrepancies in their accounts. Although those discrepancies were corrected by TCs, the practice that developed in some branches (which was contrary to correct procedure) may have made it more difficult for them to identify and remedy other errors in their accounts.
26. I have summarised both processes below.

{E1/5/5};
{E1/5/6}{F1333.1/22};
{F1333.1/23}

{E1/5/6}

{E1/5/5};
{E1/5/6}

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248Before PING

- 26.1 Packs of lottery scratch-cards need to first be activated on the lottery terminal (prior to sale) by scanning the barcode on the pack. This would send data from the lottery terminal to Camelot confirming that the pack of scratch-cards was activated. Failure to do this would result in customers being unable to claim prizes on un-activated winning scratch-cards. Because of this, un-activated scratch-cards had no value and were not classed as branch stock even though they might be physically in the branch.
- 26.2 Once activated, Lottery scratch-cards had a stock value and needed to be booked in on Horizon as a "Remittance In".
- 26.3 Camelot's data on activations was compared to the "remittances in" recorded on Horizon on a regular basis. If everything was done correctly, the two should match. If not, a discrepancy would be flagged which could have (depending on the circumstances) resulted in a TC being sent to the branch. Where the two figures did not match, this is where Mr Henderson says that they are "out-of-sync". There are many explanations as to why the two figures do not match, the simplest of which is that the branch had (i) activated a pack without remitting it in to Horizon or (ii) remitted a pack in to Horizon without activating it. {E1/5/5}
- 26.4 By around 2010, the level of TCs from lottery scratch-cards had begun to grow. A practice had developed in some branches whereby they would activate the scratch-cards but wait for the transaction correction a few days / weeks later rather than actively remitting in each pack on Horizon. They did this because it saved them a little bit of time, but it caused their accounts to become confused (because they would be selling scratch-cards without first having recorded the inbound scratch-card stock).
- 26.5 Post Office therefore changed the accounting process in 2012 with the introduction of PING.

After PING

- 26.6 The process post PING for activating Lottery scratch-cards is unchanged. They are still required to be activated on the lottery terminal.
- 26.7 The requirement to enter the scratch-cards by way of a "Remittance In" on Horizon ceased. Instead, Transaction Acknowledgments ("TAs") were introduced. Every night, Camelot reports to Post Office the number of activations in each branch and Post Office sends that information overnight to

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

each branch as a TA. The TA then needs to be checked and accepted by the branch when they first logon the next morning.

- 26.8 Following the introduction of PING, the volume of Lottery TCs reduced substantially.

Other matters raised by Mr Henderson

27. Paragraphs 2.2 – 2.3 are addressed by other witnesses, namely Torstein Godeseth and Steve Parker who work for Fujitsu. I have not responded to paragraph 2.7 as this appears to relate purely to the reconciliation process and not to the Horizon system. Paragraphs 2.14 – 2.16 are addressed by my colleague, Dave Johnson which relate to difficulty Subpostmasters experienced in determining the root causes of discrepancies reported by Horizon.

SUBPOSTMASTER EVIDENCE

28. The Claimants have submitted evidence from 4 former Subpostmasters, a son of a Subpostmaster and 1 assistant of their personal experiences of alleged problems in Horizon. I respond below to this evidence explaining why I believe there is a plausible and far more likely alternative explanation for the difficulties each witness encountered such that the Claimants' evidence does not support the view that they suffered from bugs or defects in Horizon.
29. It has been a difficult process to investigate the claims made in this evidence for a number of reasons:
- 29.1 Post Office had only very limited time in which to respond to it.
- 29.2 Some of the matters date back a long time, meaning that relevant records do not exist or have been difficult to find.
- 29.3 A number of allegations are very vague referring to general shortfalls over long periods without associating those shortfalls to particular issues, events, transactions or dates. I do not address those sweeping allegations in this statement as there has been insufficient time to do the sort of investigation needed before I could form a view on them.
- 29.4 Mixed in amongst the allegations about Horizon are allegations about other matters such as calls to the Post Office helpline and audit processes. I have

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

been told that these matters are not relevant to the Horizon Issues and I have not addressed them in this statement.

30. To prepare this evidence, I have had to rely on a small team of people at Post Office (predominately former trainers and auditors who have complimented their hands on branch knowledge with investigative skills honed from several years of investigating claims of accounting issues in branches) to help me investigate the allegations raised. We have only had time to investigate the clearly particularised allegations. Where an allegation is not addressed below, it should not be taken to mean that I agree with it.

SETPAL SINGH

31. Mr Singh has described a number of matters during his time as Subpostmaster at Reddish Post Office between January 2001 and October 2003. It has been difficult to obtain any documentary evidence relating to the matters referred to as they occurred over 15 years ago and is outside Post Office's normal periods for retaining documents.
32. By way of further explanation of the data held both in branch and available to Subpostmasters by requesting the same from Post Office, including the standard retention periods:
- 32.1 **Filtered Transactional data** - including transactions processed by the particular Post Office branch relating to customers. The standard retention period for this data held in branch was between 2 and 6 years (daily documentation/reports were held for 2 years and weekly reports/documents were held for 6 years). In addition, users can access a log of the transactions conducted in branch over the last 60 days on Horizon (42 days in Legacy Horizon).
- 32.2 **Unfiltered Transactional data** – also referred to as 'event data' including all transactions processed by the branch – for example if a connection was lost to the network then this would show on the event data/ Unfiltered Transaction data log and would be seen as a transaction. Users can access events logs on Horizon which cover the previous 60 days' activity (42 days in Legacy Horizon).
- 32.3 **Audit Request Query data ("ARQ Data")** – this includes all Filtered and Unfiltered Transactional data and is held by Fujitsu on behalf of Post Office. ARQ Data is normally retained by Fujitsu for 7 years from the date of the transaction. Due to the Mediation Scheme and this litigation, Fujitsu is currently holding Transaction data back to around October 2007.

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

33. We do still retain call logs for the NBSC (which is often referred to as the Helpline) which date back to 2000 and where these are relevant, I refer to them below.
34. Mr Singh has referred to four groups of issues in his statement and I comment on each of them below adopting the headings used by Mr Singh for ease of reference only.

The Phantom Transaction

35. At paragraphs 6 – 11, Mr Singh refers to a "Phantom Transaction". As this event is alleged to have happened 15 years ago, Post Office has not been able to find any relevant documents in the time available relating to it. The data described above is no longer available and, while NBSC call logs are available, there is no record of Mr Singh reporting such an issue. I am not therefore able to confirm or deny definitively whether a "Phantom Transaction" did or did not occur.
36. I note however that there are a number of inconsistencies and gaps in Mr Singh's evidence which lead me to believe that there is likely to be an alternative explanation as to what may have happened.
37. Mr Singh says that he "*opened the Branch and saw that Horizon was showing a discrepancy of £1m*". At no time has Horizon automatically displayed a "discrepancy" when a user first logs on to a terminal at the start of the day. To generate a discrepancy, a comparison is needed between the actual cash and stock in the branch and the position recorded on Horizon. The former requires a manual count of cash and stock and for the relevant figures to be manually input into Horizon. For Horizon to show a discrepancy, Mr Singh must therefore have pressed the sequence of buttons needed to call up that information on Horizon. Post Office's operating practices have never required Subpostmasters to run discrepancy reports at the start of the trading day. If this discrepancy was shown at the start of the day as Mr Singh says, this leads me to believe that Mr Singh must have had some (unstated) reason for running a discrepancy report then, suggesting that he was perhaps aware of an issue before Horizon provided him with information on the "Phantom Transaction".
38. Mr Singh also says that there was a "*discrepancy of £1m relating to the purchase of stamps*". This gives rise to two possibilities: either that the stock holdings for stamps were overstated leading to a shortfall of actual stamps in branch or the cash holdings were overstated leading to a shortfall of cash. Mr Singh's evidence is unclear on this point as in paragraph 8 he talks about tallying up all the stock

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

and says his branch *"never held £1m worth of stamps at any one time"* suggesting that the discrepancy was a shortage of stamps. This does not however align with the problem being caused by a *"purchase of stamps"* which for the reasons explained below would lead to shortage of cash and surplus of stamps. I suspect he means that there was a shortage in the cash holdings and I assume this to be the case in my comments below but without the branch transaction data, I cannot now check this point.

{E1/8/2}

39. Assuming it was a cash discrepancy, Horizon would simply have stated that there was a shortfall of cash. It did not (and still does not) have the ability to determine that a £1m shortfall of cash related to any particular erroneous transaction or product. It was not therefore possible that *"Horizon was showing a discrepancy relating to a purchase of stamps"*. Horizon would only show a cash shortfall and would not know that it related to stamps, nor has there ever been any report generated from Horizon that automatically would show this information.

{E1/8/2}

40. The above analysis leads me to believe that Mr Singh must have undertaken some form of investigation into the £1m shortfall in order to make the association with a suspected stamp transaction. He may have done this by running a transaction log showing all transactions over the last few days and then filtering to only high-value transactions, say anything over £100,000. Given that it would be very unusual for a branch to conduct a transaction for over £100,000, a stamp purchase for £1m would clearly stand out.

41. Mr Singh goes on to say that he *"immediately printed out a receipt from Horizon which stated that the Phantom Transaction occurred on a Monday at 12:45am"*. I do not believe this to be correct. Horizon does not have the functionality to retrospectively produce a receipt for a particular transaction. The more likely explanation is that Mr Singh ran a transaction log (as described above) perhaps with manually applied filters that meant that the log only showed one transaction meeting that criteria.

{E1/8/2}

42. Mr Singh says the erroneous / improper transaction related to a *"purchase of stamps"*. By purchase of stamps I presume he means a sale of stamps to a customer, rather than an inbound remittance of stamp stock to the Branch from Post Office. I also assume that the sale of stamps was recorded on Horizon as being paid for by cash (and not cheque or card payment – in relation to a card payment, this would not have generated a discrepancy). Clearly no customer would ever walk into a Post Office branch and buy £1m worth of stamps. Nevertheless, had this transaction been put through Horizon, it would have resulted in a £1m increase in the cash position and a £1m decrease in the stamp position. At this time in 2003, branches balanced their accounts every week on a

{E1/8/2}

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

Wednesday afternoon. Had the "Phantom Transaction" occurred on Monday morning, it would have been corrected in the natural course of branch accounting by Wednesday afternoon when the branch declared the number of stamps on hand in the branch.

43. The above analysis is in addition to the obvious point that Post Office would never demand a £1m payment from a Subpostmaster as that amount would be so extraordinary that I would be very surprised if it would not prompt much deeper enquiries into what had happened at the Branch before any action was taken.
44. Based on the above, the £1m discrepancy in the branch could have simply been a mis-key error by branch staff. Or, it may have been that someone was attempting to balance the accounts, made a manual adjustment to the stamp position (which could have been misread and taken as a purchase of stamps) and accidentally created the discrepancy.
45. I have investigated a number of issues over the years where Subpostmasters have claimed that there have been transactions conducted that they did not do, sometimes because they say they happened outside of trading hours. These investigations have revealed a variety of true explanations, including Subpostmasters forgetting that they actually did the transaction (as shown by CCTV in the branch), transactions being conducted by assistants or family members (including cases where passwords have been shared so that Horizon thinks that the Subpostmaster has logged on but it was someone else) or the Subpostmaster claiming that they did not undertake a certain transaction in an attempt to cover up their own errors. In the current case, if we had the transaction logs, the first thing I would have looked at was the user ID against the "purchase of stamps" transaction as that may then help find the root cause.
46. Mr Singh has also described an independent audit of his branch and has claimed that he was not permitted to enter his branch or flat when the audit was being carried out. This is not the normal procedure. For any audit undertaken at a branch, it is normally done in the presence of the Subpostmaster (or a nominated assistant) who will be required to check the audit as it proceeds. The only circumstances I can think of where the Subpostmaster would be excluded from an audit being undertaken within their branch would be where there are allegations of theft or fraudulent conduct. In Mr Singh's case, he recalls what the auditors said to him during the audit (paragraph 10 of his statement) that the alleged limitations in Horizon *"appeared to cause the auditors difficulty as well"*. It appears to me that Mr Singh could only recall these things if he did attend the

{E1/8/2}

{E1/8/3}

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

audit, but I have so far not been able to find any further information on the conduct of this audit to confirm this.

47. As to the allegation that Post Office or Fujitsu "*reversed the transaction*", one possible explanation for this was that an error was made (see above) and then corrected by way of a manual adjustment to the level of stamp stock. If the level of stamps was manually adjusted upward (offsetting the "purchase of stamps") this would automatically move the cash position down, thereby eliminating the discrepancy. As short-hand a Subpostmaster might refer to this as a "reversal" but in fact it is two opposite and offsetting transactions within the accounts. This could have been done by Mr Singh or an assistant (with or without his knowledge) or by an auditor during an audit using global user access (though this would have recorded the transaction against a 'ZZAUD' user (which auditors would have access to by requesting a one shot password from Post Office) being distinguishable from transaction by branch staff. Alternatively, an error notice (the forerunner to TCs) may have been sent to the branch and accepted by someone at the branch. Again, this might have looked like a reversal but would actually have been an offsetting additional transaction. {E1/8/2}; {E1/8/3}
48. In my view there are other viable explanations for the "Phantom Transaction" (if it did happen at all) other than that it must be a bug in Horizon or the editing of transaction data by Post Office or Fujitsu and these alternative explanations are far more likely in my view.
49. Mr Singh also alleges (in paragraph 11) that "Horizon's limitations in terms of access to data and reporting functions made it impossible for me to find the source of the error". I don't understand this allegation when (on his evidence) he says that Horizon told him that the error related to a purchase of stamps that occurred at 12:45am on a Monday morning. It seems to me that, on his story, Mr Singh had all the necessary data and indeed was able to find the source of the error. {E1/8/3}
50. Finally, I would expect any Subpostmaster with a problem on this scale to have contacted Post Office immediately for help. I note that the NBSC call logs have no record of Mr Singh contacting Post Office to complain about, or seek assistance in relation to, a major stamp problem or a missing £1m. {F/83}

Further technical issues

51. At paragraphs 12 – 16, Mr Singh refers to occasions when he says Horizon froze or the screen would go black or otherwise close down. This could happen if the {E1/8/3}

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

system crashes, there is a loss in power, or the system loses connectivity to the internet. The latter two matters are outside of Post Office's control. The former is too vague an allegation for me to comment on specifically. However, as explained below, Horizon has processes built in to address all three of these situations.

52. Before doing so, I note that had Mr Singh's issues been raised today (i.e. at a time when the relevant data would still be available), the first step would have been to review the Horizon transaction and event logs. These would record any loss of connectivity. A loss of power or full system crash can be seen where a user logs on, but due to the system crash or loss of power, there is no corresponding log off recorded. Back to back logons is a sign of a power failure or crash. This initial step of investigation would then allow a targeted review of specific events or times to see what transactions were in progress at the time of the failure. In my experience, the number of transactions affected by these events are very small compared to the total number of transactions conducted in a branch and therefore targeted investigations can usually be undertaken. This is of course not now possible in the case of Mr Singh because the data is no longer available.
53. When the system, power or connection is restored, the user is (and has always been) presented with a recovery process if they were in the middle of processing a transaction or transactions when the system went down. They are asked to confirm through a series of questions presented on the screen whether cash was handed to or taken from the customer. This is to ensure that any interrupted transactions are recorded correctly. Depending on the information provided by the user the transaction would either be completed or cancelled. If the user puts incorrect information into the recovery process then this can lead to a shortfall or surplus. In this way, a shortfall following a crash of Horizon (or a power failure or a loss of connectivity) does not automatically mean that a defect or error in Horizon was the cause of the shortfall. It is more likely to be a subsequent user error. If there was no transaction underway at the time of power loss then the recovery process would not be initiated.
54. User error may also explain the "doubling up" of transactions asserted in paragraph 12. A good example of this is a cash withdrawal from a bank account. Say, a customer wants to withdraw £100 but the Subpostmaster accidentally presses cash deposit. Horizon will record £100 in cash being received, but the Subpostmaster will have handed £100 cash to the customer. This in effect creates a £200 shortfall. Without identifying the specific transaction that has "doubled up", reviewing the transaction data for Mr Singh's branch and getting Mr

{E1/8/3}

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

Singh's recollection of the real transaction undertaken with the customer, it is not now possible for me to determine the root cause of this allegation.

Balancing at the Branch

55. I do not understand what Mr Singh is saying in paragraph 17 and 18 of his statement. He appears to suggest that there was a shortfall "*[e]ven if all items showed and the money balanced*", which does not make sense. I cannot comment further on this without more information but my guess is that Mr Singh may be confused about what was being shown in the branch accounts. {E1/8/3}
56. I also do not recognise the process that he describes in paragraph 19. Records show that two calls were made to NBSC about reversals on 22 February 2001 and 13 February 2002 {POL-0000537} but it is not clear whether or not this complaint relates to any of these calls as Mr Singh has not provided specific dates. One of these calls was resolved by NBSC and one was transferred to the Horizon Service. {E1/8/3} {F/83}

Shortfall of £2,000 – October 2003

57. At paragraphs 20 – 21, Mr Singh refers to a shortfall that he says was "*in relation to the Lottery terminal*". Again, due to the fact that this happened 15 years ago, Post Office has been unable to obtain the details about this particular issue other than the NBSC call logs that detail no discrepancies were reported in Oct 2003. However, if there was an error it appears to have been corrected based on Mr Singh's statement {E1/8/4} {F/83}
58. I refer to paragraphs 23 - 26 above responding to Mr Henderson's criticisms of Post Office's lottery processes. As stated above, a shortfall associated with Lottery products may be an accounting issue or the shortfall may have been caused by user error rather than this being evidence of a problem with Horizon.

ANUP AND AKASH PATNY

59. The above witnesses are father and son, with the father (Mr Anup Patny) being the Subpostmaster and Mr Akash Patny being his assistant. They refer to two principal issues.

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

Monthly Balance – 11 May 2016

60. The Patnys allege that a Horizon system outage on 9 May 2016 caused their branch accounts to show a £17,000 shortfall when they produced the end of month accounts two days later. There are a number of inconsistencies in this story which make me believe that this shortfall was likely caused by user error.
61. There was an outage in one of the data centres on 9 May 2016 which affected a large number of Post Office branches in the network. I refer to paragraph 53 above, regarding the recovery processes built into Horizon that apply in this situation.
62. Mr Anup Patny states in paragraph 7 that he contacted the Helpline, but the call logs {POL-0444069} do not show that any call was made by this branch on 9 May 2016 as alleged. However on 11 May two calls were made. One was a foreign currency query and the other was that the branch was balancing and had a £17,000 shortage. {E1/3/2} {F/1522.1}
63. Fujitsu have extracted the transaction and event data for the Patnys' branch around this time {POL-0444059}. The data shows signs of a system outage on 9 May 2016. At the time of the outage a transaction was underway for the sale of two postage labels. The labels were printed but the transaction was interrupted before it could complete. In a worst case scenario, the Subpostmaster may have given the postage labels to the customer and collected the payment (which would have had to have been cash, because the pinpad will not work without the Horizon terminal) without following the correct recovery process. This would have resulted in a very small surplus, not a shortage. {F/1834.3}
64. The cash and balance for the Patny's branch at the end of 9 May 2016 shows that total cash declared was £48,021.94 for till 1, with a discrepancy of £1,138.21, showing a loss of £1,138.21. {F/1834.3}
65. On 11 May 2016, the Patnys allege that there was an incorrect entry in their branch accounts for the remittance in of £16,000 of £1 coins, which they then say led to a shortfall at the end of day of over £17,000 at the end of 11 May 2016. The branch's transaction and event data does not support this version of events as explained below:
66. Three pouches of cash were remitted into the branch on 11 May containing a total of £48,100. There was only £1,000 of £1 coins, however one of the pouches totalling £20,500 did contain £16,000 of £10 notes in addition to £4500 of £5 notes {F/1834.2}

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

67. Looking at the cash declaration carried out that evening by the Patnys, I would suggest that at least some of these £10 notes were not counted as the declaration shows just £22,000 of £10 notes, even though £16,000 of £10 notes had been declared the previous evening and the branch had received a further £16,000 of £10 notes that morning (i.e. the branch should have been holding something closer to £32,000 in £10 notes). The cash declarations on 12 and 13 May are for £37,000 and £35,000 respectively of £10 notes which suggests that the missing £10 notes were found the next day. {F/1514.1}
68. When the branch was balanced on 11 May, a cash loss discrepancy of £17,339.37 was recorded, which accords with the above theory that the branch had not counted some of its £10 notes. It could have been the case, for example, that a bundle of £10 notes had been placed in the safe and forgotten about. {F/1834.3}
69. Following this loss, cash declarations over subsequent nights had increasing gains in cash such that by the 13 May there was an apparent cash gain of £17,964.41 which would cancel out with the loss recorded on 11 May 2018. Again, this supports the view that this was an error by the Subpostmaster or his assistant(s) in counting cash and there was not shortfall in the branch once the cash count had been done correctly. {F/1834.3}
70. Thereafter the picture gets confused as the apparent cash gain decreases over the next few days. Specifically, on 17 May there were 2 separate cash declarations made an initial one for £68k followed by a second one for £52k recording an apparent loss of £16k of cash between these two declarations. The only transactions between these two declarations was for a £300 cash withdrawal. This suggests to me that something was going wrong in the branch with the manual counting of cash and the making of cash declarations. {F/1834.3} {F/1482.2}

MoneyGram Issue

71. Mr Akash Patny refers at paragraph 18 – 24 to a shortfall following a MoneyGram transaction which he says was the result of a technical or processing error in Horizon. The transaction data {POL-0444060} shows a very different pattern of events from Mr Patny's version and clearly demonstrates user error played a material role in events. {E1/2/3}; {E1/2/4} {F/1436.1}
72. Mr Patny is correct that on 23 February 2016, he processed a Moneygram transaction for £3,100 and the customer's debit card payment for the transaction was declined by the customer's bank. Mr Patny says that he therefore cancelled the transaction. The data shows that he in fact completed the transaction for a

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

cash payment and then tried to cancel the transaction showing the cancellation at nil value, the effect being that the £3,100 transaction still showed in the accounts.

{F/1437.1}

I do not know whether the customer actually paid in cash – I suspect not as few people carry that much cash on them. If no cash was paid, this would generate a £3,100 cash shortfall. This was due to user error in recording a cash payment on a transaction when in fact no cash was taken.

{F/1834}

73. As to the allegation that there was a total shortfall of £6,200 caused by this MoneyGram transaction, this is also not supported by the data.

74. On 23 February 2016, the branch declared a cash shortfall of £6,825.95. On 22 February (the day before) the branch declared cash holdings of £34,405.46. On 23 February, the branch declared cash holdings of £25,803.87, a net downward movement of £8,601.59. The net value of transactions during this period resulted in a £1,806.71 decrease in cash. The Moneygram transaction described above would account for a further £3,100, bringing the total explainable cash movement to a £4,906.71 decrease. However, this leaves £3,694.88 of cash movement unaccounted for. I cannot say for certain what caused this additional loss of cash but there is nothing in the accounts that suggest a problem with Horizon. It appears more likely to me to be a problem with cash handling in the branch or a user error when making cash declarations.

{F/1507.1}

{F/1437.1};
{F/1436.1.1}**JAYESH TANK**

75. In his statement, Mr Tank raises the two issues set out below.

Power Failure

76. Mr Tank refers to a shortfall of £600 which he claims arose following a complete electrical failure in his branch "*in or around 2010 - 2011.*"

{E1/6/2}

77. Mr Tank claims that he contacted the Post Office banking team in Chesterfield. NBSC call logs show that between 2010 – 2011 Mr Tank contacted NBSC regarding a shortfall of £195.04 relating to a cash withdrawal. This call was made on 13 December 2011. I understand from Post Office's solicitors and Fujitsu that this particular issue was resolved following an investigation as Peak PC0214226. It is possible that Mr Tank contacted the banking team direct (if he had their contact details), but such calls are not logged.

{F/1286.1}

{F/870}

78. I have described above at paragraph 53 the process which Subpostmasters need to follow when there is a system outage or power failure and, providing this

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

process is followed, Horizon will either recover or cancel the transaction. The online banking transaction which Mr Tank has described is a recoverable transaction and therefore if the correct recovery process had been properly followed in accordance with the Horizon Online Quick Reference Guide, a copy of which appears at **{POL- 200000366}**, the branch would not have sustained any shortfall. Mr Tank's witness statement indicates that he gave all relevant receipts to the customer. In accordance with this quick reference guide, Mr Tank should have retained a copy of the associated discontinued session receipt, as well as the recovery receipt.

{F/1365}

Label Transaction issues

79. Mr Tank describes a recurring issue that he says took place in or around 2007 with mail transactions where no label could be printed leading to a loss of around £2.50 each time. These events took place so long ago that I cannot find any record of this alleged problem being reported to Post Office. There is nothing in the NBSC call logs that refer to this type of issue being raised in or around 2007.

{F/1286.1}

80. Sometimes postage labels do not print correctly, either because of problems with the printing equipment or if the user fails to insert the label into the printer correctly or on time. As a result there is a process on Horizon so that users can record the label as rejected which allows a new label to be printed with no cost to the branch.

81. Horizon prompts the user to specify whether or not the label has printed correctly. If the user answers no then it allows them to record the label as spoiled and print a fresh label. In such cases, there would be no financial loss to the branch.

82. Also, it is possible to process a completely separate transaction for spoiled postage labels and printing a replacement, so even if Horizon did not prompt this, or the Subpostmaster presses the wrong button on the prompt, they can always correct the error. This option would also have been open to Mr Tank had, as he alleges, the printer not produced a label at all. This process is detailed within the Horizon Online help user guide.

{F/1848.6}

83. Mr Tank did raise an issue regarding postage labels and software updates initially via the NBSC in 2014 and then again in 2015 during a conduct meeting with Mr Keith Bridges, a Contracts Advisor. Mr Bridges investigated the issue and met with Mr Tank on 5 November 2015. At that time, Mr Tank was issued with a written warning in relation to his misuse of official postage as he admitted to

{F/1286.1}

{F/1355.1};

{F/1399.1}

{F/1410.1};

{F/1431.1};

{F/1433.1};

{F/1457.1}

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

wrongly using the facility to reclaim alleged losses from postage labels and to compensate himself for his time resolving an issue with a DVLA transaction.

84. Based on the above, there is a plausible alternative explanation for why postage labels may not have printed correctly or at all and in my view much more likely than any issue with Horizon.

ADREES LATIF

85. In his statement, Mr Latif raises the specific issues which I discuss below. He also raises some general issues which are expressed far too vaguely to make it possible for me to deal with them.

Transfer of £2,000 between stock units

86. In paragraphs 6 - 8, Mr Latif describes a transfer of the sum of £2,000 between stock units in his branch which was unsuccessful and resulted in a shortfall in the branch account of £2,000. Stock units is the term which simply describes the sub sets of accounts within the main branch accounts on Horizon. Stock units can be set up for a variety of reasons. In larger branches each person may be allocated to their own stock unit (in effect their own till) with their own cash and stock. This is a good way of managing the accounts in branch and pinpointing any errors when they occur. Where branches have out of hours services eg Lottery and ATM, having stock units for these again enables any errors to be isolated to these stock units but also enables the main branch accounts to be balanced pending the out of hours stock units to be balanced at a later time ie when the post office is closed.
87. If Subpostmasters wish to move cash or stock between stock units, there is a process which must be followed. Firstly, the item which is being transferred (in this case cash) must be transferred by the user via Horizon using the back office function (transfer out) from the outgoing stock unit. The cash must then be physically removed from that particular stock unit. Providing these two actions are completed, the stock unit from where the cash is transferred should not show a discrepancy.
88. Once the above process has been completed, the stock unit to which the cash is being transferred must then accept the transfer via Horizon using the back office function (transfer in). The cash to be transferred must then be physically introduced to the receiving stock unit. Again, providing these actions are

{E1/1/2}

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

completed there is no discrepancy in the branch accounts. However, if the transfer is not accepted, Horizon will prompt the user when doing the monthly balance to complete any outstanding transfers. In addition, Horizon automatically prints out a receipt when transferring in and out, detailing the transaction. These transfer receipts have a place for signature which allows for an audit trail in branch in the event of there being more than one user.

89. Mr Latif indicates that he completed the first two steps, followed by a cash declaration which appears to have confirmed that, at that point, the transfer out had been successful. He then indicates that an issue arose when he went to accept the transfer in but there was no such transfer to accept in the receiving stock unit. He says that this caused a £2,000 shortfall.

90. My strong belief is that Mr Latif has recalled these events incorrectly. The transaction data for the branch {POL-0444061}, {POL-0444062} and {POL-0444063} shows that in the relevant period (June to August) every transfer out has a corresponding transfer in. I also note that the ARQ data show that there is no stock unit SJ1 as asserted by Mr Latif, however there is a stock unit SP1.

{F/1345}; {F/1354};
{F/1508}

{F/1353.1};
{F/1365.1};
{F/1371.1}

91. Specifically, the transaction data shows that:

- 91.1 In June 2015 there were no transfers between AA and SP1 stock units for £2,000.

- 91.2 In July 2015, there were two transfers of £2,000 from the AA stock unit to the SP1 stock unit, both of which were successful.

- 91.3 There were 4 separate transfers of £2,000 in August 2015 (on the 1st, 3rd, 5th, 26th) all of which were successfully transferred into stock unit SP1.

92. I also note that no £2,000 discrepancy was recorded on any balance done between June and August 2015.

93. Further, from a review of the NBSC call logs, there are no calls logged of the branch having any issues with transfers during July 2015 or a month earlier or later ie June and August 2015

94. Mr Latif also claims that Horizon's *"reporting functions made it difficult to interrogate the system and locate the source of the error"*. There is a back office function specific to transfers, which allows the user to view or print reconciled and unreconciled transfers. However, as noted above transaction data for the branch shows that in the relevant period (June to August) every transfer out has a corresponding transfer in.

{F/1353.1}; {F/1345};
{F/1365.1}; {F/1354};
{F/1371.1}; {F/1508}

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

95. Accordingly, the records that Post Office has reviewed do not support what Mr Latif has said and I believe that he may have mis-recollected events from 3 years ago.

Transaction Correction Issue

96. In paragraphs 9 - 14, Mr Latif describes an issue which is said to have occurred in March 2018 concerning a Transaction Correction that was issued by Post Office but did not properly record in his branch accounts, as the stock figure of the scratch cards remained unchanged. {E1/1/2};
{E1/1/3}
97. I refer to paragraphs 25 - 26 above which describes the activation and remittance process for scratch cards.
98. The transaction data {POL-0444076}, including data relating to TCs, shows that the branch received two TAs on 18 January 2018. However, due to an error by Post Office, instead of increasing the scratch-card stock, the TAs decreased the stock. To be clear, this was a data entry error by Post Office and not an issue with Horizon. Horizon processed the TAs accurately. I note that the TAs were accepted by the branch, which could have been challenged at that point if the user had noticed that the TAs were not for a positive number, as they should have been. {F/1761.1}
99. The event log for 18 January 2018 shows that the branch attempted a balance but they were not able to do so due to a negative stock of scratch-cards. Later the same day, a sales reversal was completed by a user in the branch which brought the stock level back to zero but automatically decreased the branch's cash holdings. One of the rules of Horizon is that manual adjustments of stock must have an equal and opposite effect on the cash holdings otherwise significant fraud could be perpetrated by manipulating stock levels. At this point, the scratch-card position was correct, but the branch was running a cash surplus. {F/1761.2}
100. The branch was then issued with a credit volume TC on 24 January 2018 which cancelled out the incorrect TAs and recorded the positive increase in scratch-card stock. Due to the sales reversal by the Subpostmaster, this would have had the net effect of leaving a shortfall of scratch-card stock (because the scratch-card stock was adjusted up twice, once by the TC and once by the sales reversal). {F/1833.1}
101. At this point, the branch would have been carrying a stock shortfall and a cash surplus. These two would net off to leave the branch in balance. A manual stock

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

adjustment by the branch to decrease the scratch-card stock level and increase the cash holdings would correct this, essentially reversing the Subpostmaster's earlier sales reversal.

102. The transaction data clearly shows that Horizon processed the TAs and TC correctly. I can understand why Mr Latif has become confused and believes that Horizon performed incorrectly as the sequence of above stock and cash movements is tricky to follow. But when properly analysed it shows that there was not a problem with Horizon.

ANGELA BURKE

103. In her statement, Mrs Burke describes suffering a shortfall which arose out of the Horizon system outage on 9 May 2016. On the basis of the ARQ Data **{POL-0444059}** the shortfall was caused by a failed transaction recovery but Horizon did accurately identify this at the time. It is not therefore evidence of a fault in Horizon.

{F/1459}

104. The account provided by Mrs Burke clearly shows 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 i.e. 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.

{F/40}

{E1/4/3}

105. 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 Exhibit 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

{F/1467}

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

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 may not have a complete record of the transaction.

106. 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 two attempts it will record a failure. The user is then asked if they wish to attempt the recovery process again. If the user says 'yes' then a further two attempts will be made. If these further two attempts fail Horizon will 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) indicating {F/1462} to the Subpostmaster what monies need handing over to the customer because the transactions have already gone through. It's at this point, there may have been some confusion as the receipt shows three transactions but two transaction related to a previous customer who presumably had left the branch by this point.
107. Once Horizon comes back up, it will check whether there are any recoverable transactions logged. If it finds a recoverable transaction, in this case a cash withdrawal, it will then attempt to communicate with the banking agent to see what happened to that transaction. 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 transactions have been successfully recovered and recorded in the branch accounts. There are a number of reasons why a transaction might not be recovered, bearing in mind that the recovery is reliant on a third party system confirming a transaction has been completed and so some of this process is outside of the control of Horizon.
108. 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 that only {F/1464} the transactions for £73 and £180 have been recorded. This is also reflected in the transaction list at page 6 of AB1 which only shows the withdrawals for £73 {F/1465} and £180, and not the withdrawal for £150.
109. Horizon therefore accurately recorded the recovered and unrecovered transactions and communicated this information to Mrs Burke.
110. Following Mrs Burke's investigation, Post Office generated a transaction correction for the £150 withdrawal that had not been recovered at the time. If Mrs {F/1687.1} Burke had not done this herself, there is a process built into Horizon for flagging

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

non-recovered transactions which would have prompted an investigation and I'm sure would have led to the same outcome. 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 with the actions of Mrs Burke at the counter.

LEAD CLAIMANTS

111. I understand from Post Office's solicitors that the Claimants' IT expert, Mr Coyne refers to the witness statements of the Lead Claimants and asserts that there are examples of instances where either (a) the cause of the shortfall has not been correctly identified; or (b) the reporting and logging facilities have not identified a true picture of events; or (c) the actual event not being detected in the first instance. In this statement, I have sought to address the allegations raised by the Lead Claimants only to the extent that they may be relevant to the Horizon Issues. My evidence is not intended to be a comprehensive response to every allegation made, many of which go to wider issues of breach that I understand will be dealt with in a separate trial.

INFORMATION ON HORIZON

112. A number of the Lead Claimants have raised allegations about the availability of information from Horizon. These allegations all complain about a lack of information in general terms but do not specify the information that was missing or needed. I am not therefore able to provide anything more than general responses until such time as these complaints are better explained. I make two comments in response to this general allegation.
113. First, the witness statement of my colleague David Johnson describes the information available to Subpostmasters through Horizon. {E2/4}
114. Second, the introduction of Horizon allowed Subpostmasters to undertake the same checking exercises as they previously would have done with paper receipts but protected against instances where receipts were not kept or dockets/ paper slips were inadvertently handed back to the customer (for example). Prior to the implementation of Horizon, if receipts were not retained, details of the relevant transactions would have been unavailable and consequently the branch would have been unable to investigate the authenticity of the transaction/ verify it took place. Horizon therefore should offer a greater protection to Subpostmasters and

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

provides them with multiple ways to investigate transactions and shortfalls/ issues.

PAMELA STUBBS

115. Mrs Stubbs describes a number of matters during her time as Subpostmistress at Barkham Post Office between August 1999 and June 2010 that appear to touch on the operation of Horizon.

Power outages

116. Mrs Stubbs describes a number of power outages within the branch which she claims were caused by the installation of Horizon and caused shortages and gains in weekly balances.
117. An investigation into these outages was commissioned by Post Office at the time. ICL Pathway Limited, whose report of 8 March 2001 is exhibited at **{POL-200000366}**, established that these were caused by Mrs Stubbs' own electrical equipment, specifically, the incoming mains circuit breaker which was in need of replacement. The power outages were therefore not related to the installation of Horizon or Horizon itself. {F/94}
118. With regards to the discrepancies in weekly balances, I have described above at paragraph 53 the process which Subpostmasters have needed to follow when there is a system outage or power failure since Horizon Online was introduced. Horizon will either recover or cancel the relevant transaction and provided that the branch follows the correct procedure when they log back onto Horizon, the failure will not create a discrepancy in the branch accounts.
119. In Legacy Horizon, which was in place when Mrs Stubbs was in post, the recovery processes differed depending on whether or not a transaction involved an automated payment. The processes are described in sections 9 and 13 of the Horizon System User Guide **{POL-0026602}**. Provided that a branch followed the correct process, a power outage would not cause a discrepancy in a branch's accounts. {F/40/84};
{F/40/253}

Shortfall of £1,000 – between 2001 – 2002

120. Mrs Stubbs seeks to attribute the £1,000 shortfall to the power outages, which she claims required Horizon to be rebooted multiple times per day.

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

121. I have already described the process which Subpostmasters need to follow when there is a system outage or power failure and, providing this process is followed, there would be no discrepancy sustained, absent of any other errors in branch.
122. The only shortages that Post Office have a record of being reported by Mrs Stubbs between 2001 and 2002 totalled £617.49 and were reported in May 2001. The details of Mrs Stubbs' report to Post Office and Post Office's decision are confirmed within Mrs Stubbs letter at {POL-200000355} and Post Office's response dated at {POL-200000352} as follows: {F/98} {F/95}
- 122.1 **Shortfall in the sum of £367.34** – there was a robbery at the branch in week 42 of the year and when Post Office investigated this shortfall it was established that the shortfall occurred prior to the robbery.
- 122.2 **Shortfall in the sum of £182.78** – appeared after the audit following a robbery: while this was investigated by Post Office there was no signs of error on the audit and all receipts, payments and stock aligned with the estimated figure.
- 122.3 **Shortfall in the sum of £67.37** – previous week's shortage – Mrs Stubbs volunteered to make good this amount. It should be noted that the letter dated 5th April 2001 refers to a mis-key by branch staff (£308.00 entered instead of £38.00).
123. In my view, the losses in around 2001 were actually the aggregation of several smaller losses likely due to a variety of different factors, including the possibility of human error in the branch. Should Mrs Stubbs have needed assistance in ascertaining the cause of the claimed £1,000 shortfall and/ or any of the above shortfalls, she could have contacted NBSC. Instead, as per Mrs Stubbs' witness statement, it appears that she paid this shortfall. I note that the NBSC call logs {F/86.2} have no record of Mrs Stubbs contacting Post Office to complain about, or seek assistance.

Shortfall of £2,584.65 – December 2009

124. Mrs Stubbs describes a shortfall in the sum of £2,584.65 that was identified within the Branch Trading Statement (BTS) submitted on 9 December 2009 and explains that she was unable to ascertain the source of this disparity from her investigation into the data available on Horizon. Mrs Stubbs also queries why this figure suddenly appears in this line as the other BTS appear as nil / zero.
125. The reason for this figure on this particular BTS in was that she told Horizon that she had settled the shortage to cheque, which would then report as a cheque on

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

hand in the branch. In instances when she told Horizon that she had made good to cash, then this would show on the cash line. The difference would be visible from the last cash declaration she had submitted – the amount of loss/gain would have changed by the amount made good to cash. It would seem that Mrs Stubbs has not understood what happens to the cheque that she told Horizon she used to make good the loss. The reason why there are zeros on other BTS is that the "make good" option by cash was elected on other occasions.

126. I note that the call logs have no record of Mrs Stubbs contacting Post Office to complain about, or seek assistance in relation to this shortfall. It appears that Mrs Stubbs chose to make good the shortfall by way of cheque on 10 December 2009 which was recorded by Horizon as confirmed by {C-0714-0000005} and did not seek any further assistance from Post Office in investigating the shortfall. On this basis, I cannot see that this shortfall gives rise to any evidence of their being a problem in Horizon.

{F/574}

{F/556}

Shortfall of £9,000 – January 2010

127. Mrs Stubbs contacted NBSC on 6 January 2010 in relation to a reported loss of £9,000. This loss was settled centrally on 7 January 2010 by Mrs Stubbs. It is possible that this is the issue referred to by Mrs Stubbs in her statement.
128. The FSC customer account (i.e. the record of all branch discrepancies, TCs, credits and debits on the Subpostmaster's account) confirms that Mrs Stubbs chose to settle this shortfall centrally and so this does not appear to be a problem with Horizon as I would expect Mrs Stubbs to dispute this shortfall if Horizon was thought to be the cause.

{F/574}

{F/1851}

ALAN BATES

129. Mr Bates has described a number of matters during his time as Subpostmaster at Craig-y-Don Post Office between March 1998 and November 2003 that appear to touch on the operation of Horizon.
130. Due to the fact that this happened 15 - 20 years ago, Post Office has been unable to obtain any further details about these particular issues other than any call logs for the NBSC/Helpline (which date back to 2000). Also, it appears that during the latter part of his tenure, Mr Bates was not declaring losses to Post Office so Post Office was not able to investigate any issues relating to Horizon at

{F/1289}

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

the time they occurred because it was not aware of there being any underlying shortfall that may indicate a problem in Horizon.

Shortfall of £1,000 in February 2001

131. At paragraph 143.8 of Mr Bates' witness statement he raises his experience of an unexplained shortfall of over £1,000 on 28 February 2001. While Mr Bates indicates he tried to call the Post Office Helpline for assistance and there was no support, the call logs from the Helpline confirm Mr Bates simply chose not to hold on or receive a call back until someone became available on Service support to take the call at that time. Mr Bates could have arranged for a call back at a time that would have been convenient for him to seek advice from NBSC.

{E3/1/31}

{F/1289}

Shortfall of £5,000 in December 2000

132. Mr Bates asserts that this shortfall can be explained by Horizon incorrectly duplicating a number of Giro items. Giro transactions were manually entered into Horizon by branch staff. If there were duplicate entries it is likely that this was the result of human error by branch staff rather than an issue with Horizon.
133. NBSC calls [C-0019-0000014] confirm that a loss of approximately £6,000 was reported by Mr Bates. However, this was reduced to £368.50 which suggests that the cause(s) of loss(es) to the value of £5,631.50 were identified by Mr Bates, suggesting that this was an issue caused in branch rather than by Horizon.

{F/1289}

ELIZABETH STOCKDALE

134. Mrs Stockdale has described a number of matters during her time as Subpostmistress at Sandacre Post Office between May 2014 and May 2016 when she was suspended (later terminated in September 2016). Although these are under a heading of "Horizon" in her witness statement, they are general allegations about shortfalls (presumably alleged to have been caused by Horizon) but with nothing specifically identified as a fault in Horizon. .
135. Mrs Stockdale consistently refers to her "robust paper system" that she had separately implemented in branch, requiring her staff to complete a manual till and safe log each time cash was paid in and out, including the relevant denominations and the double protection of CCTV. No details of how the CCTV was used in branch have been provided by Mrs Stockdale. While the paper

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

system was intended to prevent against errors, this did not change the need for all transactions to be properly recorded in Horizon. The documents relating to her paper system, which contains the signatures of all members of staff, suggest that each member of staff had access to the safe instead of one person being responsible and it would appear that Mrs Stockdale failed to restrict access to the branch safe.

136. It is clear at paragraph 109 of Mrs Stockdale's statement that she does not consider it to have been the branch's responsibility and / or fault that a duplicate Lottery transaction had been manually entered and processed. While this discrepancy was easily resolved by Post Office, it appears that Mrs Stockdale was unable to identify other errors on the system and indeed appeared to have not properly understood how Horizon worked. As a result of a continued pattern of Mrs Stockdale not undertaking accurate cash declarations, often resulting in erratic (and at times I suspect untrue) cash declarations, making it very difficult for Post Office to analyse the available transaction data to identify any real problems. Furthermore Post Office's Helpline records show that very few queries were raised by Mrs Stockdale and most of these were general operational queries and as such do not give any insight into the likely causes of the shortfalls. For these reasons, I do not believe that the issues alleged by Mrs Stockdale are evidence of problems in Horizon as opposed to accounting or operational issues.

{E3/6/23}

{F/1485.1};
{F/1470.2};
{F/1624.1}**NAUSHAD ABDULLA**

137. Mr Abdulla has described a number of matters during his time as Subpostmaster at Charlton Post Office between January 2007 and May 2009 that he says were caused by problems in Horizon, nearly all of which relate to TCs.
138. For the reasons explained below, all these issues do not relate to a suspected problem in Horizon, but rather relate to the accounting and operating process for issuing and processing TCs.
139. TCs issued by Post Office are accompanied by supporting evidence or documentation and / or a contact number of someone at Post Office who is able to provide further information. Mr Abdulla would have been aware of all TCs issued to his branch, the reason behind them being issued and would have had the opportunity to raise any questions or concerns that he may have had at the time the TC was raised with the individual contact at Post Office who had knowledge of the reason for issuing the TC.

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

140. For the sake of brevity, I do not intend to fully respond to every allegation in relation to TCs raised by Mr Abdulla but quickly address a few examples to show that these matters are not relevant to the Horizon Issues.
141. Mr Abdulla questions the TC data disclosed by Post Office at paragraph 90 of his witness statement, confirming that he does not believe this is a report he has had sight of before. This report was produced by FSC and was not available to Subpostmasters in branch. Mr Abdulla would, however, at all times have access to information about TCs as described above. {E3/4/17}
142. Mr Abdulla raises concerns at paragraph 93 regarding entries appearing as credits or debits on the FSC copy of the Subpostmaster customer account. This account is not held on Horizon so is not relevant to the Horizon Issues. {E3/4/18}
143. At paragraph 94 there is reference to three consecutive TCs issued in May 2008, June 2008 and July 2008 in relation to lottery transactions which Mr Abdulla believes might be incorrect. {E3/4/18}
144. I have already explained the Lottery system in place in branches which is separate to Horizon above at paragraphs 23 – 26. In short, at the close of business every day a user must obtain two reports from the separate Lottery terminal (one for online sales and one for a scratch card summary) and then the Subpostmaster is responsible for ensuring that all relevant Lottery transactions, save for those recorded by TAs, activations or online sales, are declared on Horizon. This can then be checked against the balance snapshot on the balance day, allowing for any discrepancies to be corrected.
145. The first two of the TCs were issued as a result of the branch over-stating its lottery sales by £1,092 for two consecutive months through the manual input of incorrect information into Horizon. Those TCs were followed by evidence of the relevant over-stated transactions to allow the branch to reconcile with its receipts which the Subpostmasters were required to retain. Contact details were also supplied to the branch for the lottery team should they have wished to query any specifics direct with them. The third of these TCs was another invoice TC which was incorrectly issued on 12 July 2008 and which resulted in an offsetting TC. {E3/4/18}
146. These matters relate to the accounting and issuance of TCs. They do not suggest that there is any problem in Horizon.
147. Another example is at paragraph 96 where Mr Abdulla raises another TC issue which is clearly stated to be an administrative error and therefore not an issue with Horizon. {E3/4/19}

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

148. At paragraph 98, he raises what he believes is a duplicate transaction. This issue was not caused by Horizon, rather, arose due to the correct acceptance procedure not being adhered to by the branch for the purchase of foreign currency. The TC report for the branch confirms that the following cheques had been accepted incorrectly:

{E3/4/19}

148.1 two cheques in the sum of £250.00 for the account of S. Conroy; and

148.2 a cheque in the sum of £165.77 and another one in the sum of £250.00, both for the account of D. Lowe.

149. There was therefore no duplicate entry of £250.00 and Horizon was behaving as it should. Rather there were errors in branch in accepting cheques as payment.

150. At paragraph 99 of Mr Abdulla's witness statement, he questions the account balances produced by Post Office in relation to a debit entry for £960.00, specifically querying whether two debits for this amount have been incorrectly applied to the branch account.

{E3/4/19}

151. The transaction data shows a £960.00 invoice TC issued on the 20 March 2009 and the same TC being accepted and settled centrally by Mr Abdulla on the 6 April 2009. A credit TC for £960.00 was then accepted and settled centrally on 11 April 2009.

{E3/4/19}

152. The reason for the invoice and credit TC both being settled centrally is that, following the issuing of the initial TC, the relevant missing funds were recovered by Post Office and the credit was then passed onto the branch, therefore there was no duplication, rather Post Office passing onto Mr Abdulla a credit, the root cause of which was due to the branch accepting a cheque for a service which did not allow a cheque method of payment. This ultimately resulted in Mr Abdulla's account for this amount to be balanced/netted off.

MR COYNE'S REPORT

153. I address below a number of factual points raised by Mr Coyne in his report.

Failed reversals

154. At paragraph 5.175 of his report, Mr Coyne has referred to a report prepared by Helen Rose dated 12 June 2013 in the context of failed reversals. The extracts taken from the report by Helen Rose referred to by Mr Coyne are taken out of

{D2/1/101}

{F/1082}

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

context and mistakenly claim that the relevant reversal was issued in error by Horizon, not the Subpostmaster. The Rose report makes it clear that:

- 154.1 the concerns were based on the fact that reversals were not being shown on the particular data sets reviewed / reports typically run by Subpostmasters in branch on Horizon;
- 154.2 transaction reversal data can be extracted from Horizon;
- 154.3 the issue was therefore surrounding how the transaction reversals were displayed / accessible in branch and that there was no issue with Horizon itself.
- 155. There is therefore no indication that the reversal was not notified to the Subpostmaster. When recovery was carried out a discontinued session receipt would have been printed and messages would have been clearly displayed to the user in branch during the recovery process.

Changes to improve Horizon in branch

- 156. Mr Coyne has made reference at paragraph 5.125 of his report to an internal presentation from Post Office {**POL-0218441**}, which repeats the statement made previously that "*relatively small changes to Horizon could avoid errors/mistakes made in branch*".
- 157. The examples in the slides varied greatly in terms of detailed assessment of feasibility and cost and were in my view high level potential opportunities rather clearly defined recommendations. Nevertheless my understanding is that these examples were considered by Post Office along with other potential improvements at the time.
- 158. Examples of where we have made changes to Horizon to mitigate the risk of error in branch are below. These predominately are for the benefit of the Horizon user and the customer:
 - 158.1 Drop & Go. In November 2014 as a result of some branches settling Drop & Go sessions to cash instead of the customers pre-paid account, a screen-prompt was added to the Horizon journey advising branches to not press Settle at the end of the session before they had pressed End Mails.
 - 158.2 In June 2017 this was taken further as a new Drop & Go transaction was introduced, which prevented users pressing the Settle button before End Mails

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

(the settle function is disabled in transaction). The screen prompt was removed at the same time as it was now redundant.

- 158.3 Cheque rem out. This was a change to bring all the steps in the cheque rem out process onto a single screen and automate the calculation of the cheques total for the counter. This was prompted because branch staff occasionally forgot to complete the process fully due to interruptions, allowing extra cheque transactions to occur mid process from other counter positions. This change went live to all counters on June 26 2015.
- 158.4 Bureau de Change automated 2nd receipt. This was a change to Horizon in Sept 2014 to introduce a function defining the number of copies of a receipt for a transaction which will automatically be printed. This was prompted because some branches were being defrauded by the use of fraudulent debit cards for bureau transactions. If the counter clerk did not print a second receipt for the branch to keep (showing 4 digits from the card number and the form of ID given), a fraudulent transaction would not be refunded by the card issuer.

Criticism of changes implemented by Post Office

159. Mr Coyne has made reference, at paragraph 5.183 of his report, to "*[p]oorly handles changes introduced by Post Office*", asserting that these have "*also caused errors in accounts*". When changes to products and how they are transacted are proposed the Post Office Products teams consider in conjunction with Post Office Learning & Development team the appropriate training required and how it should be delivered to branches.
160. Depending on the level of change user testing/input is also done/sought with a view to introducing an error free front end (customer and branch) and error free back end (processing at FSC and NBSC).
161. Turning to the MoneyGram example referenced by Jason Coyne, in October 2015 MoneyGram and Post Office agreed jointly to introduce debit/credit card acceptance for payment [pages 1 – 2 of AVDB2]. This change was aimed at making MoneyGram at Post Office more attractive for customers with a subsequent benefit for postmasters and Post Office.
162. Accepting debit/credit cards as a method of payment is familiar to branch staff, however, processing a refund for MoneyGram card payments is different so the instruction given to branches is to liaise with NBSC to ensure the branch is

{F/1382}

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

walked through the correct process. This was an added step check to prevent the branch making an error.

163. Further communication to branches were made to remind branches what the process is:

163.1 3rd March 2016 – Branch Focus article reminding branches they must call NBSC to process a refund; {F/1440}

163.2 19th February 2018 – Branch Focus article reiterating the refund process and a flow chart was sent out [page 3 of AVDB2]; {F/1767}

163.3 5th September 2018 – Branch Focus article reminding branches never to settle a debit card transaction to fast cash (some branches were settling the transaction to cash when the card failed even though no cash was received). They were reminded to simply remove the transaction from their basket and never complete it without payment {F/1825}

OTHER MATTERS

164. In this section, I address a number of ad hoc matters that have arisen in the course of this litigation and which may be relevant to the Horizon Issues.

The process for disputing discrepancies

165. I have read the witness statement provided by my colleague, Dawn Phillips who is a Team Leader of a parallel team in FSC, which explains the processes by which Subpostmasters have been able to dispute discrepancies that have been in place since Dawn was appointed as a Team Leader for Agent Accounting and Santander Banking in November 2016. I confirm that the content of Dawn's statement is accurate. In summary, Dawn's statement confirms that: {E2/3}

165.1 a branch can always contact the NBSC for assistance to identify the cause of a discrepancy of any size; and

165.2 where a Subpostmaster settles a shortfall of more than £150 centrally at the end of a Trading Period (TP), they may contact Dawn's team (usually after receiving a request for payment) to dispute the discrepancy. As explained in paragraph 8 of Dawn's statement, the letter sent to Subpostmasters regarding a shortfall that has been settled centrally provides contact details for Dawn's team should they have any queries or questions.

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

166. Dawn's statement describes the processes by which Subpostmasters have been able to dispute discrepancies that have been in place since November 2016 (when Dawn was appointed as a Team Leader for Agent Accounting and Santander Banking). The processes for disputing shortfalls since Horizon was rolled out in 1999 are briefly described below.

NBSC

167. NBSC is the support centre operated by Post Office that branches may contact for assistance with a wide range of issues and is the first line of help should the Subpostmaster have a query or need assistance in relation to an operational issue. It was introduced in December 1999 as part of the launch of Horizon.
168. Since Horizon was introduced branches have always been able to contact NBSC for help to identify the cause of a discrepancy.
169. NBSC call advisors have access to a knowledge base that they use to provide advice to callers. If a call advisor is unable to provide an answer themselves, they can escalate the call to a senior colleague, a specific team in the FSC or Fujitsu.

Disputing discrepancies

170. I understand from Post Office's solicitors that my colleague David Johnson has provided a witness statement which explains that:- {E2/4}
- 170.1 when Horizon was first introduced branches had to balance their accounts every week and produce a Cash Account; and
- 170.2 in 2005 the Cash Account system was replaced with the Branch Trading system, which requires branches to balance their accounts and produce a Branch Trading Statement (**BTS**) at the end of each 4-5 week Trading Period (**TP**).

Cash Account process (1999 - 2005)

171. Before Horizon was introduced branches were issued with a guide entitled "Balancing with horizon" **{POL-0171229}** (**Horizon Balancing Guide**). {F/59}
172. In the Introduction Alan Barrie, Post Office's former Operations Director, stated that he wanted branches to use the guide as their "*first reference point when you have any questions about or problems with balancing*" and went on to invite branches to contact NBSC "*if you have any queries about this manual or about any business as usual procedures*". Mr Barrie also directed branches to ring the {F/59/2}

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

Horizon System Helpdesk (which was operated by Fujitsu) "for help with using the Horizon system".

173. The balancing process and the processes for dealing with losses and gains are described on pages 65 to 79 of the Horizon Balancing Guide. In summary: -

- 173.1 if a branch had authority from their Retail Network Manager to hold a loss or a gain, they could move them to its Suspense Account³ after the production of the final balance and Cash Account Period (**CAP**) rollover (pages 73 and 75);

{F/59/73}; {F/59/74};
{F/59/75}; {F/59/76}

{F/59/61}; {F/59/62};
{F/59/63}; {F/59/64};
{F/59/65}; {F/59/66};
{F/59/67}; {F/59/68};
{F/59/69}; {F/59/70};
{F/59/71}; {F/59/72}

- 173.2 any losses or gains held in the Suspense Account needed to be redeemed in line with Post Office business rules and branches were directed to Part two of the Horizon System User Guide (dealing with a loss or gain) (**POL-0184485**) for further information (pages 74 and 76).

{F/42}

- 173.3 some agency offices (i.e. offices operated by Subpostmasters had an agreement with Post Office to hold all losses and gains in the Suspense Account for a specified period and, in such cases, amounts could be held in the Suspense Account and adjusted in accordance with the relevant agreement (page 76);

- 173.4 branches without authority from their Retail Network Manager to hold a loss or a gain were:-

- 173.5 required to make good losses directly after the rollover to the next CAP by placing cash for the amount of a loss into the till, unless the loss was the result of a "known error" (i.e. a mistake made within the branch) for which the branch expected an error notice (the forerunner to Transaction Corrections) to be issued, in which case the loss could be moved into the Suspense Account and authority sought to hold the amount via NBSC (page 77); and

- 173.6 able to deal with gains either by moving the gain to the Suspense Account or removing cash equal to the amount of the gain from the till, although branches were directed to move "*large counter gains*" to the Suspense Account (this is because if an error notice was issued in relation to an issue which gave rise to the large gain and the large gain had been taken out of the till by the Postmaster, the Postmaster would have been required to make good the corresponding large loss produced by the relevant error notice (page 79)).

³ As the name suggests, a Suspense Account is an account within the branch accounts where branches may temporarily hold losses or gains in certain circumstances. If a discrepancy is moved into a Suspense Account, it has no impact on a branch's accounts for the current trading period. This is sometimes also referred to as "Local Suspense".

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

174. If a loss was moved into a Suspense Account in accordance with the process described in paragraph 173 above, the branch's retail network manager would provide a written authority to hold the loss which would have an end date; if a compensating error notice had not been issued by the end of the authority period the branch would be required to remove the loss from the Suspense Account and make it good by adding cash to the till.
175. If authority was not given to hold a loss or gain, or if a compensating error notice was not received, it was still open to a branch to contact NBSC for assistance with identifying the cause of a discrepancy. The nature of the assistance provided and the people who provide it depend on the nature of the issue.

Branch trading (from 2005)

176. In 2005 Post Office changed the accounting process from the Cash Account to Branch Trading. This was done for a number of reasons, but one reason I recall is that there were a small but growing number of branches who were placing losses and gains into a Suspense Account without authorisation. This was difficult for Post Office to monitor unless it reviewed the Suspense Accounts of every branch every month and got the Retail Network Manager to confirm whether authorisation was given or not.
177. The Post Office Product and Branch Accounting Team (**PBA**) (being part of FSC) produced a guide entitled "Debt Recovery Processes under Branch Trading" in October 2005 **{POL-0007501}**. This document was provided to all branches prior to the change to Branch Trading and explained the following:-
- 177.1 The previous error notices would be replaced by TCs. On receipt of a TC, the Subpostmaster had effectively 2 choices; he could accept and make good the TC (either with cash or cheque) or he could accept and settle centrally the TC.
- 177.2 Where a Subpostmaster accepted a TC, he should select either the cash or cheque accept and make good options. Upon making good the TC, Horizon would automatically adjust the cash, cheque or stock figures.
- 177.3 All TCs and branch discrepancies⁴ under £150 had to be dealt with via the accept and make good option. The £150 threshold was to keep volume of settle centrally discrepancies to be processed by PBA (discussed further below) within a manageable range. However, if the Subpostmaster wished to challenge the TC or branch discrepancy, he could do so by contacting NBSC and submitting

{F/309}

⁴ Branch discrepancies are deficiencies declared when the branch trading statement is prepared ie a surplus or a shortfall.

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

his reasons and evidence for the dispute. If accepted PBA may issue a compensatory TC. All TCs and branch discrepancies, irrespective of amounts can be disputed by Subpostmasters, there are just different ways of accounting for this depending on the value.

- 177.4 The new branch trading system introduced the accept and settle centrally option. As explained in the guide, by choosing the option to accept and settle centrally the Subpostmaster was moving the shortage or surplus off the branch accounts and to central account held by PBA in the Subpostmaster's name.
- 177.5 Subpostmasters may accept and settle centrally TCs or branch discrepancies provided they are above the £150 threshold).
- 177.6 If no step is taken by the Subpostmaster to dispute the TC or branch discrepancy, PBA will take steps to recover the sum settled centrally from the Subpostmaster as a debt.
- 177.7 However, a Subpostmaster may dispute any TC issued to him by contacting the phone number given on the TC or otherwise contacting NBSC and submitting his evidence. Similarly, a Subpostmaster may dispute a branch discrepancy he has settled centrally. The Subpostmaster's dispute will be referred to PBA who will consider the Subpostmaster's evidence. If the Subpostmaster's explanation and/or evidence is accepted, PBA will not pursue the debt. However, if the PBA does not agree with the Subpostmaster steps will be taken to recover the sum from the Subpostmaster.

Volume of branches and volume of customer sessions

- 178. My colleague, Kjetil Fuglestad, Senior Programme Analyst, has prepared the table which appears at **{POL-0444070}** which sets out the number of {F/1838} Subpostmaster branches in place each year, from 1951 to 2018. This shows that when Horizon was rolled out to branches between 1999 and 2000, there were respectively 18,175 and 17,795 Subpostmaster-operated branches in place in these periods.
- 179. In relation to the individual branches associated with the group litigation, Kjetil has also prepared the spreadsheet which appears at **{POL-0444071}** which {F/1837} aims to provide a snapshot of the branches' weekly customer sessions at 2001, 2007 and 2018. Please note that there were some errors in the raw data obtained by Kjetil when preparing the spreadsheet which meant that there were some gaps in relation to the 2007 customer data available. Following further

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

investigation, these have been completed and for transparency have been included within a separate column titled '2007 gaps'. Taking the Barkham branch as an example, being the branch that Mrs Stubbs was Subpostmistress for and raises a number of matters that I have responded to at paragraphs 103 – 110 above, you are able to see that that the workload for this particular branch in 2001 involved an average of 1,047 weekly customer sessions and in 2007 this had increased to 1,836.

Implementation of Horizon and Horizon Online in branches

180. In relation to the practical implementation of Horizon and Horizon Online in branches, Post Office representatives were present as explained below.

Horizon

181. It is my understanding that branches were required to do their final paper based cash account before the changeover to Horizon. The information was then transferred onto the Horizon system including the physical cash / stock held in branch so a starting / opening figure could be established and agreed with the Subpostmaster as reflecting the closing paper based account.
182. The transfer onto Horizon was supported by the Horizon field support officer ("HFSO") and also the RNM. If there were any issues as to discrepancies / general functionality of Horizon then the HFSO / RNM would assist the branch.

Horizon Online

183. Before the change to Horizon Online, a cash check was completed in branch by the HFSOs. Branches were notified in advance that this cash check would be carried out. I recall that this mandatory cash check across the entire network caused a temporary spike in declared losses. I suspect that this was due to branches tidying up their accounts before the cash check and therefore losses coming to the surface that had previously been ignored or covered up.

NBSC

184. In terms of the use of the Helpline and NBSC generally, my colleague, Dean Whitehead, WFM & Telephony Manager, has prepared the attached spreadsheet which appears at {POL-0444072} which includes the NBSC call data volumes from 30 March 2015 to 11 November 2018.

{F/1330}

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

185. By way of explanation of the spreadsheet:
- 185.1 'Offered' means calls to the NBSC that entered the queue and were either answered or abandoned;
- 185.2 'Answered' means calls answered by NBSC advisors;
- 185.3 'Forecasted' means the predicted volume of calls that NBSC planned to receive; and
- 185.4 'Difference between Calls Offered and Answered' includes calls that entered the queue and were abandoned/ unanswered. Please note that it is difficult to be certain what happened in relation to these calls, as it is plausible the relevant Subpostmaster/ user called back at a later time/ date, for example, so it does not necessarily mean issues were left unresolved;
- 185.5 In terms of the period of the available call volume data, to confirm, while Post Office hold records of the calls received that predate 30 March 2015, we do not hold in a readily accessible place any aggregated call volume data from before this date.
186. This spreadsheet shows that over the relevant period: {F/1330}
- 186.1 NBSC have answered 1,096 calls per day on average; and
- 186.2 there have been 158 abandoned/ unanswered calls to NBSC per day on average.
187. In terms of what was typical behaviour of Subpostmasters and what level of discrepancy would cause them to call the NBSC, this is dependent on what the individual branch considers to be trivial which will depend on the type and size of the branch. For example, the smaller the branch, the more likely they may be to contact the NBSC regarding a small discrepancy. Generally, when discrepancies are of a value of several hundreds of pounds, I would expect Subpostmasters to contact NBSC.

Feedback from Subpostmasters on Horizon

188. Feedback from Subpostmasters on Horizon has always been collated through a number of channels:
- 188.1 The NFSP will raise issues with branch accounting and Horizon with Post Office on behalf of their members.

Claim No: HQ16X01238, HQ17X02637 & HQ17X04248

- 188.2 Calls to helplines are monitored and re-occurring issues escalated for deeper investigation.
- 188.3 Concerns with Horizon can be escalated through RNMs and later contracts advisors.
- 188.4 There have been various forums and focus groups over the years through which Subpostmasters can raise questions about branch accounting and Horizon. The most recent of these has been the branch user forum setup in 2013. Any Subpostmaster could apply to be a member of this and through this forum feedback was provided on the operation of Horizon.

Statement of truth

I believe that the facts stated in this witness statement are true

Signed:

GRO

Name: Angela Van Den Bogerd

Date:

16.12 Nov 2013