

**Post Office audio file 13018**

**(Off the record conversation about holidays)**

FEMALE SPEAKER 1: Thank you very much for coming in.  
 (interference). Taking them in order to the points we  
 are needing to cover. Can I just give you my thoughts?  
 (interference). We obviously met James, as you know,  
 and we offered him, Alice and I, that we should have  
 an interim meeting with the MPs. I thought it was  
 important that you understood we had done that rather  
 than he having insisted. I think that's because -- the  
 reason that's important is because where we started this  
 whole process was about us being transparent  
 [overspeaking] showing people where we have got to.

What I wanted to talk about is how we should  
 handle that because one of the commitments we made to  
 each other when we spoke before was that (interference)  
 in the past. I want to make sure that we are still on  
 that page. So how we would handle that with the MPs.

Another one is I think is he mentioned to me that  
 you had some concerns about the letter of engagement and  
 if there are things I can do to help unlock that, then  
 let's (inaudible) that up as well.

A third one for me is, I guess for a couple of  
 months now related to the letter of engagement, the  
 shareholder executive are asking us about timescales and  
 budgets and I'm a bit stuck on this, to be frank. Cards  
 on the table, when we went into this we thought we would  
 probably have it finished by March, maybe June  
 (inaudible) to March, then extended it to June. The way  
 it is running at the minute, it looks like it will be  
 much longer than that.

Without going into all the detail and we are very  
 happy to do that, it is going to cost a minimum of 5  
 million just on the administration where we are today.  
 Your fees, with the adviser fees, with the increased  
 resources (interference).

So I think -- and I'm not sure (interference) not  
 just the cost issue but actually timing, because I think  
 it is in the interests of the cases, the postmasters are  
 going through the (inaudible) finish it with them as  
 soon as we can. (interference). And my worry is that  
 (inaudible) I gather there is three, so it is two or  
 three, we have now got a team of 22 people working

through the investigation of this size so that we can get into the pipeline of (interference).

IAN: On that point, are you aware that the Working Group specifically discussed the timetable and when the Working Group feels that the project will be complete? That came out at the last meeting.

MALE SPEAKER 3: (inaudible) before because I was present on the phone.

IAN: The thinking at the minute, and to be fair there wasn't an awful lot of discussion, it was just to a certain extent lick your finger and stick it in the air, but the Working Group were working to the assumption that it is going to be wrapped up by the end of this year.

MALE SPEAKER 3: I think we --

RON: October, wasn't it?

FEMALE SPEAKER 1: I was going to say October -- I think my question though is how? How is that possible?

IAN: One of the unknowns at the moment is clearly the mediation process. When we first kicked this off we were told that mediators could be available at relatively short notice. That seems to have sort of slipped, but I think there are some administrative steps that we can do. I mean, for example, we have had out of the 147 applications (interference) kicked out, we have had 60 what we call CQRs, case questionnaire responses, which are the final sort of input from the subpostmaster and their adviser.

There's obviously still more to come, but all of those CQRs are being processed by Angela's extended team at the moment. We have had five POL reports so far, which is the output from the internal POL investigation. And we are now sort of dealing with sort of our response to those two inputs because, again, the Working Group agreed that our report would sit above the CQR from the subpostmaster or their adviser and the POL report and it is very much being produced on a sort of compare and contrast basis and Chris, I think you came up very helpfully with some suggestions in terms of identifying sort of issues of common ground, issues where there is disagreement and then, where there is evidence that helps sort of resolve those issues, that's the main sort

of focus of Second Sight.

What we have decided to do is, they are sort of common themes across many of the cases. And where matters are unique to a particular subpostmaster, that is going to be dealt with within the individual report from Second Sight that sits above the POL report and the CQR. Where we have identified common issues that relate to multiple applications, those issues are going to be dealt with within what we are calling the thematic report, which ties in with --

FEMALE SPEAKER 1: Building on the interim report --

RON: Which Chris called the generic (interference).

IAN: The MPs tend to refer to it as thematic issues and the thematic report. We think it is a sort of more neutral and in some ways more appropriate --

RON: Of course Alan tries to drag it back to systemic, we are saying that is a much heavier, stronger word that implies right across the board. So we are very careful about using the word systemic.

IAN: And pejorative as well.

So we are currently working on the individual sort of reports based on the investigation by POL and at the same time working on the thematic issues report. The one slight problem or something that we should not lose sight of is the thematic issues report, to a certain extent, is going to be a living document. You know we have only had five reports from POL so far. As more reports flow through the system, it is likely that we will wish to update the thematic issues report so there may well be a number of versions of them.

FEMALE SPEAKER 1: So I understand that, let me break that down because my question, which I have got to go back to the shareholders with and there is a board meeting as well this week, is will we do it by October? So, I understand there were delays on our side and some delays on your side and the Working Group gave both parties extensions and we are now set up to, I think, generate five a week or something like that on that basis.

RON: I think (inaudible) is due on the 27th of this month.

FEMALE SPEAKER 1: (inaudible) I just don't understand how we are going to get through that timescale if also, at the same time, we have got the generic thematic systemic report.

IAN: The reason I think we are fairly --

FEMALE SPEAKER 1: Does that help?

IAN: It does help because when we identify the unique issues, it is a matter of almost putting those into sort of pigeon holes and the incremental sort of work for us is reduced. This again is partly the thinking behind this thematic issues report that is going to sit above all the work that we do. We think the turn around time for the individual reports is -- well, it is certainly speeding up and we are finding that already and at the moment we are fairly sort of confident --

FEMALE SPEAKER 1: (interference). I don't want you to try and reassure me. I need to know if there are real issues.

IAN: October is not realistic in my view.

RON: One way of looking at it [overspeaking].

FEMALE SPEAKER 1: If you take 5 reports a week, even with a generic themes, you are still going to have to (interference) which -- and if you are saying it is a living document as well (inaudible). I don't see how we are going to finish this in 18 months, let alone a year to be frank. And I'm not sure that I can go back to the (interference) I don't think they will accept it.

IAN: Looking at the critical path at the moment, I see the main blockage being mediation. Our thinking at the moment is we need to pre-load some of the mediation even to the extent of booking (interference) and reserving individual sort of mediators.

FEMALE SPEAKER 1: Why is that a problem?

IAN: Because mediators tend to be booked up anything up to sort of two, three, four months in advance. So if we approach them now --

MALE SPEAKER 3: -- 8 weeks to give notice.

IAN: What will help is by prebooking possibly a small

number to start with, so that we can actually bring the date of the mediation much closer to the point where we release the Second Sight report.

FEMALE SPEAKER 1: If you took a theoretical picture of where you are currently, the reports you are likely to go through, if they follow what you might expect, let's say you agree that it goes back to the Working Group and they go on to mediation, you have got two reports due out next week, is that right?

RON: We are aiming for at least two this week.

FEMALE SPEAKER 1: They would go to the Working Group for say a week to review them, then they say, yes, they should go to mediation.

RON: Yes.

FEMALE SPEAKER 1: What would therefore be the earliest when they could go to mediation?

IAN: This is when mediation is on the critical path because at the moment, as I understand it, we have not prebooked or reserved any mediators and because of that there is going to be almost an inevitable two-month gap.

FEMALE SPEAKER 1: Why is that (inaudible).

MALE SPEAKER 3: I know two or three reasons. The cost issue obviously. And there is also an issue of taking them as they come, and the timescales, as we agreed with the Working Group, were both structure set up so (inaudible) come through and once they are through the process, we then know whether or not (interference) comes through and the recommendation is not to mediate or, indeed, if you get to a point where (inaudible) simple solution that does not require mediation. So we would rather take the whole process a step at a time.

Your point about bringing forward the mediation, at one level will serve to compress the timetable, but in the overall scheme of things will only ever bring the end date forward by 8 weeks. If you think about it logically. All we are doing is bringing the end day forward by 8 weeks, which could be beneficial but it doesn't get away from the point that there is a sort of gate through which everything must flow, which is effectively the two or three of you. And if we are throwing at you one a day, one of the concerns I

discussed with you is, how are you going to be able to process that one a day and turn around quickly enough, so that you adapt your thematic report and you do the applicant justice? In fairness to the applicant.  
[overspeaking].

RON: Let me take you through the process very, very succinctly. The first thing we see from an applicant  
[overspeaking].

MALE SPEAKER 3: It is very warm in here.

IAN: There is one other question, how long have we got just so we manage our time with you?

MALE SPEAKER 3: About an hour. I have an hour in my diary. It says hold for an hour.

RON: This won't take long. The first thing we see is either a CQR prepared by the applicant, or a contribution by that applicant to that applicant's chosen professional adviser. The professional adviser reports, the CQRs, vary in size, complexity and quality, frankly, from a scale of 0 to 10, 1 through to 9. They vary in size. We had several in last week that varied from two pages prepared by the applicant herself and the largest was 373 pages prepared by -- so in all there were 800 pages of input.

Some of it was quite (interference) things like that. Our assessment, and that's when Paul became seriously concerned, was to say: hang on a minute, if we then wait for POL's response, which is typically 20 pages with 50 pages of attachments, if we then try to review all that in one go, which is efficient in terms of focusing on that case on that amount of time, it is going to take three days for each case. Three days (interference) up to three month's work. We came to that conclusion ages ago, which is one of the reasons we got Chris in.

But what -- as Ian has alluded to -- we have found is, by writing up -- which we have done but is in the editing process -- the generic issues and by using a mechanised process in a sense saying: we know the thematic issues a person first raised; they raised six, which ones we know. Which new points got raised in the CQR? Another two. What did POL do? They answered all the eight or they left one out, (inaudible) and then they might have added two more, as sometimes happens.



We now know exactly which points we are dealing with and the whole of the approach (interference) we know this person raised the ATM issue (interference) second. We know we have addressed that, we have written it up. So now we will just write key specific things. Can we bring that down to one day's work for each case? Probably not. It wouldn't do it justice and some cases are (interference) and quite complicated.

FEMALE SPEAKER 1: (inaudible).

IAN: I think what we are hoping --

FEMALE SPEAKER 1: To do this CQR vetting [overspeaking].

RON: What we have done is, in terms of efficiency, we certainly lose somewhat some aspect of efficiency. When those CQRs come in, like these ones, what we are now doing -- whereas before we were, that's interesting, double line, highlight. What we are now doing is marking up the specific issues and then getting back to the professional adviser and giving them a week to talk to the applicant or both and saying: look, this thing is not clear. So that we then harden off that CQR before it goes to the Working Group.

That investment of time is useful. Obviously it can be very complicated because you can't necessarily remember going through something 103 cases ago. We can probably keep 60 cases in our mind, we are trained to do that.

So that new process means that right now we are reviewing this stuff that's coming in as well as producing the reports. That will have to continue. So we are looking at the reports coming in, then we look at that report again in conjunction with the Post Office response report. And that's when we produce our report. Are we concerned we don't become an awful bottleneck? Of course. But adding -- without trying to exaggerate, getting in the know on how this all fits together, is not an overnight job. So we can and are bringing Chris up to speed, subject only to signing the confidentiality agreement and releasing the stuff to him. But for Chris to be able to take the two incoming components, CQR and POL report and produce a fresh report, we have not thought that through yet. We don't think that's going to work for a while.

IAN: (inaudible).

RON: We are where we are. Even if we had been PwC -- and I can call for fully trained investigators from other firms that we have worked with and have relationships with --

IAN: I think it will be a lot clearer after the next meeting with the Working Group because the plan is, at that meeting, which is 7 March?

RON: Yes, Friday.

IAN: They will have seen at least two, possibly four of our draft reports and they have asked to see them in draft before their finalised [overspeaking]. They will also see the first draft of the thematic sort of issues report and what is quite important is the feedback from the Working Group because in terms of what the Working Group is asking us to do, we have ranged from a very short report based almost on the format that we adopted for the Spot reviews, which actually worked very well. The feedback from Tony however was -- and this reflects his judicial appointments and so on -- is that he would prefer a longer --

MALE SPEAKER 3: (inaudible).

IAN: -- and more descriptive report. I suspect we are going to end up somewhere in the middle. Clearly, in the same way that there are common issues, there are common facts as well. For example, all applicants that are referring to issues that occurred more than 7 years ago, the likelihood is there is actually relatively little new evidence or even sort of available evidence. And Tony himself in the Working Group has said: when this goes to mediation, it is going to be horse trading. The subpostmaster will present their case --

FEMALE SPEAKER 1: How many fall into that category? Presumably you have a sense, how many fall into that category because if they do, presumably, there is a different approach?

IAN: That's what we are looking at. We have not analysed that. It is probably 40%.

RON: It was a minimum of 20 and probably 40.

MALE SPEAKER 3: 30.

IAN: Some of them are going to be much easier to process,



if only for those reasons. In other cases, the SPMR's case is so badly presented it is very difficult to get a grip --

FEMALE SPEAKER 1: Sorry to cut across you, have you looked at all the cases that have come in? Do you have a sense as to how many themes you have got to and whether they fit into those themes?

IAN: The short answer is, yes. We are finding --

FEMALE SPEAKER 1: You have a top level view as to where this 140 fit roughly?

IAN: Yes. What I was looking at right at the beginning, I will show you on a small screen --

RON: I have a copy. What we did right at the outset (interference). We took all the cases -- we submit this every week at the meeting. (inaudible). Then this is the thematic column notes. We know by adding those up that 21 people have raised that theme -- sorry 61 have come in; 46 have been sent to Post Office; 5 have been responded to; 24 have come up with that issue; the minimum is on things like motor vehicle licences (interference).

There is a question whether that is a thematic issue. Clearly training and support gets multiple listed. Then as we get more into the CQRs (interference).

FEMALE SPEAKER 1: So this is done as a result of the initial responses?

RON: Yes.

FEMALE SPEAKER 1: Then you further qualify it once you have gone through the CQR?

RON: Exactly. That tells us the thematic score. Clearly our thematic report has a combination of all of those, save the ones where (interference) put something in a motor vehicle (interference).

MALE SPEAKER 3: It is a very (inaudible) process. Certainly my concern for a while has been the amount of effort and time to process everything that we are throwing -- I know how much work goes in on our side. I see a lot of the stuff that you don't see, I mean the

working documents. The amount of work in producing this analysis (inaudible) on these things, that's taking each person quite a number of days just on one case. Then actually to reverse engineer that and understand what's being said, what the differences are, what is the analogy, the theme, if the facts are subtly different, even that just strikes me as (inaudible). Three of you (inaudible).

IAN: We approach it from a slightly different perspective. One of the things that I tend to do is start at the end point. What are we trying to achieve? Certainly the question, is this appropriate for mediation? If the answer to that is, yes, what are the issues that are particularly relevant to the mediator? And that is where it is so helpful to separate out issues, sort of, where there is common ground; identify the disputed items and then in relation to the disputed items, identify what evidence or not is available.

To a certain extent our role is slightly simplified by all the work that has been done previously. We are very much putting ourselves in the shoes of the mediator and trying to ask that question as the mediator, what do I need to --

RON: Writing our reports is -- to be crystal clear -- brevity is slightly less important than clarity. We don't write terribly long reports but they will need to -- can be read in one pass. Whereas, typically, you have to read a CQR prepared by an individual applicant, and on reading it and full of absolute nonsense (interference) £20,000 of cheques were missing on such-and-such a date and it was POL's fault. Well, tell us more. You have to keep going over it, the same again, and again. It takes twenty times to read every -- it might be three pages, but it will take you 60 pages worth of reading to understand it.

IAN: One thing I think you need to be aware of, this ties in with your transparency point, something we are seeing time and time again is tangible evidence that the subpostmaster raised one or two more sort of issues, got either a limited amount of support or in some cases no support in terms of resolving those issues. But what is a very common feature over a number of the cases that we are looking at is that there was not closure. In other words, the initial sort of question or query that was raised by the subpostmaster, was not satisfactorily resolved by the support that was provided and therefore

the default position is, under the contract between the subpostmaster and the Post Office, the subpostmaster is responsible for those losses. It is that scenario that we are seeing time and time again that is sort of coming up.

FEMALE SPEAKER 1: That's useful and we know that. That's why we are putting all these other changes in place. To come back to the purpose of the mediation scheme; it was to try and reach some resolution and acknowledge that. We are not disputing that, I have never disputed it, that is the reason it was put in place. We are not going to be defensive about that at all because we are changing the way we do this stuff.

But whether you put aside the 40 or so that were prosecuted, because in a sense -- my sense from -- I had one conversation with Toney last year, (interference) process --

IAN: Yes very much so.

FEMALE SPEAKER 1: But that still leaves 100, where we probably need to apologise and there maybe 40% of those where they are over 7 years old and we don't have a record and it will have to be an apology and a token gesture of some sort.

But my worry around this is that it just -- listening to you, I don't see how we can get it done by October. The level of claims that are coming in is nothing to do with an apology and a kind of low level (inaudible), it is up £100 million. You know? I have got to go to the shareholders executive this week and tell them it is 100 million.

I'm kind of in a situation where I am not quite sure how to find a way through this at the moment. I wonder is there anything in terms of resetting the dial on this thing in some way; looking at the themes and dealing with the whole thing at a generic level?

IAN: One thing that worried for me some time, you may remember Chris it was one of the things that I said to you when you came on, the elephant in the room is the expectation gap between subpostmasters and Post Office. It may be possible to sort of bridge that using skilled mediators. Unfortunately, at the moment, we don't even know the quality or in some cases even the identity of the mediation panel.

Again, Chris, you may want to look at that and have discussions with CEDR who are the organisation providing --

MALE SPEAKER 3: We had those discussions as part of the process in setting them up. That doesn't detract from the point that there are two sides (inaudible) in the room. From my perspective (inaudible) Post Office (inaudible). But the initial conversations I heard around the table were (inaudible) face to face, were the mediation scheme and it was set up because people had actual or perceived injustices in the past and we were trying to get parties together and an apology. It felt to me at the time the mood was very much around a gratuitous payment of some sort. Not millions of pounds but you know thousands of pounds maybe, but a contained amount. That was the sense I sort of got from you and the JFSA and others. Sort of rapidly over the course of the build up to Christmas, we started to see things come in where the level of claims went up and up and up and almost felt a bit like a spiral where people are just putting in -- I don't know if this is true or not.

IAN: And there is certainly some applications that we believe --

MALE SPEAKER 3: I'm being totally --

IAN: It is fine. It is helpful to have this discussion. There are some applications that we feel are purely speculative. It is people jumping on the band wagon raising issues now that they have not raised at any time during the last five years in some cases. And I'm reasonably confident the mediator will be able to see those off in an appropriate fashion.

But the toughest category of case, I feel, are cases where there has been the early stages of criminal prosecution, certainly sort of criminal investigation and this is driven by what appears to be POL policy. You know, to immediately and almost automatically suspend an individual and of course that has huge financial consequences because the practicalities of that usually mean they lose their business. In many cases they have been sort of made bankrupt and I don't know what the current numbers are, but we are certainly aware of a number of cases where the POL criminal investigation has been underway for, in some cases, quite a long time and then, at some point, the decision is made to discontinue that potential prosecution. But

of course by then it is too late.

Now, those cases I think you could quite legitimately see a very large financial sort of impact. Because of the devastating impact of the decision to suspend and effectively separate the subpostmaster from his livelihood and --

RON: We even had cases where the individual has (interference) to get a police investigation (interference) where they suspended that their (inaudible) mysterious shortfall, that occurred over many, many months. So they obviously start to suspect -- triggered sometimes by POL's investigation team's input that it had to be (inaudible). It follows that they assume that one of their staff have. They go to the police and I think in three instances we have seen of what is (interference) a refusal by POL to (interference). No, we have got our own investigation, we will investigate it. And two instances where the police reported that POL was not prepared to co-operate with their own investigation. So that left the person devoid -- left the SPMR suspicious that one of the staff had (inaudible) the problem, devoid of any investigation either by the police or by POL. That's the sort of thing that Ian is referring to.

FEMALE SPEAKER 1: Those sorts of cases though are not the kind of thing that mediation is ever going to settle because if that subpostmaster felt so strongly about that (inaudible), then one would imagine that they would need to take some sort of legal action on that.

So what I'm concerned about is appearing things that are stretching the scope in a sense of what mediation can do, or stretching the original intention which was around the support and the training on the back of it and if there are a small number of cases like that, what we can't do is allow those to derail the whole process and stretch it out further. I'm not sure I'm hearing anything that's going to help us --

IAN: Manage it internally.

FEMALE SPEAKER 1: Yes.

MALE SPEAKER 3: The flip side of that is the worst possible outcome is, with the best intentions of the world to get a fair outcome for the subpostmasters, and it is derailed because of the (inaudible) cases.

IAN: Three or four months ago I did some back of the cigarette packet calculations based on the fact we had had the initial applications, we had not had many (interference). The ballpark figure I came up with, because bearing in mind one of the objectives was to really achieve closure and finality for both Post Office and these individuals. The sort of figure that I felt might be appropriate was between 25 and £50 million. And that was the sort of number that I felt the Post Office may need to consider if it wants to sort of close these issues down.

Looking at it from the other perspective, what we are being sort of told, and we are seeing this in some of the documents that we have seen and so on, applicants are using the mediation process in part as an opportunity to get further sort of insight and, frankly, evidence and we know a number are lining themselves up almost for failure because they do not believe that the Post Office is serious about reaching closure and they are going to use the mediation process --

MALE SPEAKER 3: (inaudible) so extreme --

RON: And we have heard cases right across the spectrum. In other words, you have cases that, without any doubt, a sort of grown up conversation, without any financial compensation, is going to resolve it for sure. There are some like that. One questions why --

IAN: And there are others where the numbers are relatively small.

RON: Something around that number, not many. Then there are others where a suicide is involved or a business collapse is involved, where even if the core reason is (interference), the person or the staff of that subpostmaster made a series of -- systematically made mistakes, that they now feel should have been detected earlier by them or by POL and (interference) either the system (interference) training to make sure that they or the staff made that mistake again.

IAN: (interference) focus on training. (inaudible) training is not the issue here. What is perhaps much more significant is timely and effective support when a subpostmaster has a problem. All the signs are that the initial training that it provided is perfectly adequate in terms of the subpostmaster sort of starting



the job and running a Post Office. Where things start going wrong seems to be many weeks and in some cases months or years later, when they have a particular problem. It is the failure to respond in a sort of timely and effective manner to those problems that seems to be the real issue.

FEMALE SPEAKER 1: I'm sorry, I'm just aware (inaudible). Just coming back to -- so we entered this (interference). We are now saying it looks -- the ambition is October. We are all saying that is going to be impossible. That's useful to know. The cost is already running at more than we can afford. The compensation is completely out of court, in terms of what the shareholders are ever going to agree to.

My biggest worry I guess for you in a sense is -- those are problems the Post Office has to deal with -- is your ability to get through the workload and I still haven't heard anything that tells me that you are going to be able to get through this by when. Could we give you additional resources to help you do that? Can you think of (interference) approach that would change the way we go through the scheme in some way? We need to go back to the drawing board.

IAN: The thing that will make the biggest difference is the Working Group because of course under the new proposed terms of reference and so on, it is the Working Group who, to a certain extent, is directing the work we do and what our output is. The thing that would be the greatest help is for the Working Group to accept a simplified report from us, where it is more in the style of the sort of reports that we did at the Spot review stage and we may get an answer to that as early as next week.

FEMALE SPEAKER 1: They are likely to say no, Ian, aren't they? It is not in their interest to say yes.

RON: Tony used the phrase: oh no, I'm looking for a much longer report than that or words to that effect in one of the meetings, which slightly rattled us.

MALE SPEAKER 3: Yes, we had been heading in the direction of a small (inaudible).

IAN: If you think about it and put yourself in the potential shoes of a mediator and one of my suggestions that was not accepted by the Working Group was, can we

get a mediator in and actually do a desktop exercise where we actually sort of run through maybe even a sort of a live case of -- a real case and see if we can narrow down what are the key issues that the mediator wants to do or needs to have, just to sort of make sure that we aren't spending our time on stuff that is potentially adding very little sort of value? I still think an exercise like that --

FEMALE SPEAKER 1: Kind of a dry run.

RON: The only input we have had on that is that Kay is CEDR approved. This is one of the mediators on the panel of the company that is over seeing this. [overspeaking]

FEMALE SPEAKER 1: What's her view?

RON: Her view is that a thematic report as a back up and therefore the mediator would pre-read it first, to have available the glossary Angela has produced, plus our report, plus the POL report and the CQR and would be able to -- and the thematic report -- and would probably read the thematic report first to get an understanding what's going on here. Then perhaps glance at our report, then go through the other ones in more detail then come back to our report.

MALE SPEAKER 3: (inaudible).

RON: Yes. But there's only so much point in making life easy for the mediator and messing up the work flow. In order to do that, our audience for that is one person at that stage.

IAN: I think there is a huge risk that we do more than is needed because at the moment we are not paying sufficient attention to what is the core material that the mediator needs in order to do what Tony called this horse trading.

MALE SPEAKER 3: Which Kay echoed actually.

RON: (inaudible) when people would say or the applicant would say something like: I had transactions occurring at 2 am, but I can't remember when. That's really helpful. Do you remember what year? Well, sort of. Then to -- but (interference) through the weekend, which we didn't (interference). Well, did it have your ID on it? I can't remember. That's really difficult to deal with.

IAN: There are going to be these unresolved issues. We can't wave a magic wand and answer every question, particularly for some of the older cases.

RON: What we can do is say: we never found a code for that particular branch, let's run a computer program to pick up every transaction occurring after -- make it generous -- make it after 9pm and before 7am in the morning and at weekends, when the Post Office is shut. It shouldn't be using that system then. Just strip them off, have a look at them, for that branch. Rather than expecting the applicant to have that (inaudible) which I think the mediator can be a bit unhappy about and say: hang on a minute, why are you expecting the applicant to have that data? They wouldn't have that information.

And if they did have it, well, POL is throwing information away, why would you expect them to have it? So they might be unsympathetic to POL's response. We would ordinarily (inaudible). In fact, we have just suggested that to Angela. Other things that are really problematical are where the underlying -- the (inaudible) likelihood is the underlying cause of the problem is mistakes made at counter level.

Classically, for example, a deposit -- a withdrawal accidentally processed as a deposit. The argument is why didn't the system take that and flag that up and stop us doing that? And when we did do that, it was very difficult by way of the design of the audit trail to find out -- to find we made that mistake and we to identify the customer whose account had benefited. Now that sort of situation gets you into, well, if some of those things had been investigated more thoroughly at the time, would that systematic occurring error or type of mistake be picked up and corrected in terms of just (inaudible). That's the issue that underscores it. Does that make sense to you, Ian?

IAN: Yes, a lot of the discrepancies are likely to be down to user error at the end of the day, but that then immediately moves onto the point Ron has just made, should the system have better error checking? Should the system have actually prevented or at least detected these user errors at an earlier stage?

RON: Some of those are large.

FEMALE SPEAKER 1: There are two (inaudible) either the system itself or they are pointed through to the

helpline and seeing something through to conclusion.  
I get all that. I come back to my point, how do you get through this? Because it has the potential to you know run and run and run and [overspeaking]

IAN: We have got to constantly look at ways of simplifying and streamlining the process. There's got to be some sort of almost central sort of management overriding or --

FEMALE SPEAKER 1: Because whenever I have asked the question in this meeting, you have immediately gone down into, understandably, all the detail that's there and this was meant to be a top down (inaudible) apology, a quick settlement. The Post Office (inaudible) handle some of this stuff better, you made errors, we didn't handle it as well as we could have done and we are now putting processes in place so that it can't recur. And I'm not -- I'm just not hearing -- [overspeaking]

IAN: [overspeaking] The best suggestion I have at the moment is actually to pick a small sample of cases that possibly are at a fairly advanced stage in the process and actually use those as test sort of cases, where one of the objectives is to see what we can do to sort of streamline the whole process, both Second Sight's report and the mediation sort of phase and then apply any sort of lessons learned from that maybe handful of cases to the much wider population.

At the moment, it is all happening somewhat sequentially and serially and I think we need to run a small number of cases as tests first, so that we can fine tune the system and identify [overspeaking]

RON: When we get 28 cases come through, the question (interference) let's get other investigators in to increase the number of investigators to six. The upside of that is running this in parallel (interference) process speed things up. Whether that will cause kickback from either the MPs or the JFSA, will be something (interference).

IAN: Ron, the first thing is to actually evaluate whether that is going to add any --

RON: I know.

IAN: -- because I think there is an argument that says, the greatest contribution from Second Sight is arguably

going to be the thematic report rather than the individual sort of cases report because largely what we are doing in the individual case reports is going through the CQR almost with a highlighter and highlighting the issues for the mediator and the same for POL.

The decision-maker actually is the mediator, not Second Sight. I think in a number of cases, I hesitate to use the term added value, Second Sight will be adding relatively little added value to the individual cases, but what we have got to be prepared to do is to streamline that process and identify sort of opportunities where a very light touch perhaps --

FEMALE SPEAKER 1: To just try and build on that, is there a (interference) which is that your priority (interference) your priority becomes that thematic report that says these are the things that (interference) and identify (interference) approvals. And that is then handed over to us to then use with the mediation scheme. We can then bring in another business that has got much more resource, to apply that then to those cases so that we can potentially accelerate (interference) scheme. Another thought is we could just say, we have got the thematic report setting different outcomes to it, here is where all these different cases fit and we talk to the mediators about helping us get to some sort of, I use the word loosely, compensation recognition for each of those themes which becomes a generic acknowledgment of compensation, that's then applied to the (inaudible).

So that we don't -- in that particular occasion -- and we wouldn't do every case individually because it has not gone through individually or triaged if like into the (inaudible).

If we can reset something like that, we might get there by October. Without something like that, I do not see -- it is just potentially (inaudible). My biggest worry is that actually either the shareholder executive or the board says enough, we can't -- I personally don't want to get to that because I think as Ron said (interference).

RON: James made that point in all the meetings that we have attended, that the Post Office is very -- is to be applauded for (interference) and pretty sympathetic --

FEMALE SPEAKER 1: Yes, he has been very supportive [overspeaking].

IAN: Another thought I have had, I like the idea of triage, and I wondered whether the Working Group ought to be managing the order at which we deal with some of these cases to a much greater extent than is happening at the moment.

At the moment the driver is frankly the timetable because -- the applicant, how quickly they respond to various points.

RON: There is no logic to that.

IAN: I think a much better approach is for the Working Group to look at the substance or at least categorise every application. I've (inaudible) a lot of class action litigation and typically we (interference) our lead cases, a handful that raise really substantive points that may have a much wider sort of application and shouldn't the Working Group be encouraged to adopt that sort of approach, identify the key cases, the top half dozen out of 140 odd.

FEMALE SPEAKER 1: Let me interrupt. What makes a key case a key case? Is it because it fits into a particular theme?

IAN: I think a key case in my book has got to be one where there is good quality relevant evidence, where the arguments by the applicant are well presented, where they are sort of clear. Where they are capable of resolution. Where it falls within the 7 year window. Where you have potentially relevant evidence held by POL.

I think our team would be much better placed by the Working Group identifying those key cases and maybe giving priority to those and then seeing if the lessons learned from those cases can be applied across a much wider population of cases.

RON: The downside of that, which is really commonsense, is you can only do that when you have got sufficient input. You build in a time delay in order to make that decision. In other words, with fewer than -- less than half the cases in -- and POL hasn't had the chance to see them, that decision-making process would have to be applied in (inaudible) 65/70.



IAN: POL of course has seen them. We have 61 CQRs in at the moment, all of which have been released to Angela's team. So that knowledge is available. I wonder whether -- I do like the idea of selecting a small sample of almost test cases and concentrating our resources on those to see whether lessons can be learned and streamlined.

RON: Chronological order is not particularly smart. One of the most difficult --

MALE SPEAKER 3: It is rough and ready justice.

FEMALE SPEAKER 1: That sounds a very sensible approach to the scheme as it is currently. I don't know that it gets us still to a place of finishing by October nor does it necessarily address the issues of cost and compensation and that kind of thing. [overspeaking]

RON: [overspeaking] sympathy from either the JFSA or its membership or the applicant body or some of the MPs by expressing what you are saying. You will from James Arbuthnot but you won't from the likes of Mike Wood and others whose view is: why do we care what pain and suffering POL is going through. The pain and suffering is only the equivalent of one of [overspeaking] cases.

IAN: There are a lot of people out there expecting this process to fail and some of the more militant SPMRs see this as a step on the road to litigation and I think what POL ought to be doing is almost a cost benefit analysis of the potential sort of outcomes (interference). If mediation sort of fails, what is the potential cost to POL? In the light of the increased knowledge that we now have of these cases going to litigation, we know Shoemiths are waiting in the wings, we know they are hoovering up the new information that is coming to light. We know Chris, that further disclosure has been made in some of the historic criminal prosecutions as a result of this process. So, I think one factor that the board needs to consider is the alternative scenario if mediation does not succeed, what other litigations --

MALE SPEAKER 3: In a fraud sense.

IAN: Yes.

MALE SPEAKER 3: Of course there will always be a number of people for whom mediation is a failure because

(inaudible) even with the best run scheme in the world and we won't agree an outcome, because that's the nature of mediation. You don't agree all the time.

IAN: Yes.

MALE SPEAKER 3: Particularly if there is a big gap in terms of --

IAN: And the other element of uncertainty is a weakness in the process we are following. We have not been rigorous in terms of requiring the applicants to substantiate the financial value of their claim.

MALE SPEAKER 3: I agree.

IAN: I think that is a potential sort of delay to the whole sort of process. Assuming mediation goes reasonably well, and depending on whether they have a professional adviser or not, I think a real potential issue is the fact that we are not requiring them to adopt a structured approach.

MALE SPEAKER 3: (inaudible) very gloomy about the entire process actually.

IAN: We want to be completely transparent. We have been living with this for (interference).

RON: (interference) 25 cases which is the situation, to the 150 odd that we have got now. The number of sort of thematic issues that crept up (interference) we could add more if we wanted to. For example, a lot of people have alleged (interference) that there was some skullduggery going on in terms of deliberately closing down their branch (interference) of somebody that was in the management structure. That's been alleged on at least five occasions in just (interference).

IAN: Or just to avoid the normal closure cost of closing branches (interference) POL has dreamt up a weak prosecution because getting them out in that process is going to be cheaper than closing the branch and using the more normal method of (interference).

RON: (interference) stuff out.

IAN: What I would say is it is very useful we have had this conversation today.

FEMALE SPEAKER 1: We may be the one --

IAN: That's what I was going to suggest. It has actually been very useful and we perhaps ought to spend more time talking to you about ways that we can streamline the process. We want to do that.

RON: Yes.

IAN: We have got no desire to spend the rest of our lives croaking on this. And I think it doesn't compromise us in any way because it doesn't directly impact on the investigative side. But I think our knowledge of the work that we have done and the issues that we have come across actually can make a contribution to some of these ideas for streamlining the whole process.

RON: The other thing we are trying to deal with, just to add a complication, is a lot of the responses we are getting, and we have seen through the Spot process, tend to be the delivery by Angela and her team of current operating (inaudible), which -- and speaking of current tense. In other words, someone will say 7 years ago this happened. (interference). The answer is that cannot happen because -- present tense -- because our procedures make sure it doesn't. We say: stop talking about current procedures, we don't care about current procedures. What we have to look at is much more difficult, unfortunately, is what the system did at that time. And that's (interference).

FEMALE SPEAKER 1: Yes, I get that [overspeaking] unresolved issues because (inaudible) to resolve them and that was the point about mediation, which was to accept that, but actually there will be [overtalking] and I'm really, really sorry but I can't [overspeaking] £5 million.

RON: One of the fundamentals is the contract. The argument that (interference) I never received a 150 page contract (interference) that procedure required that (interference). Well, it doesn't matter what the procedure required, we don't have any (interference).

FEMALE SPEAKER 1: (inaudible) Angela just reinforced that point because I suspect -- I mean why would they know, the people working on this today, what was in place [overspeaking] years ago. They might be relying on their memory.

RON: Yes.

IAN: And all the changes that have occurred --  
[overspeaking] robust audit trail. [overspeaking].

RON: There was a huge, huge shortfalls and surpluses. Huge  
surpluses.

MALE SPEAKER 3: I'm aware of time. One item mentioned in  
the introduction was the letter of engagement and for  
obvious reasons -- there is really only one or two  
points of difference as far as I'm concerned  
[overspeaking]. One was your ability to act against the  
Post Office in the future. The other issue was,  
I thought we had reached closure on the question of not  
mentioning or at least not -- the engagement letter --  
discussing in any other shape or form any other work  
done other than the work done in the engagement letter.  
My intention being to focus on the engagement letter on  
the work you are doing for the Working Group.

I think at the last hurdle it came back via the  
last Working Group discussion, that you wanted the  
engagement letter to cover not just Working Group  
matters but this so-called wider piece of work with MPs  
[overtalking].

RON: Our problem was the first, the scope of the  
(inaudible) mediation prevented us from [overspeaking]  
work. That was where it came from.

IAN: I mean, I deal quite a lot with James Arbuthnot's  
office and know something (interference) comes under  
(interference) MPs. I was concerned (interference)  
letter was completely silent on that issue. I think the  
original suggestion was we needed two engagement  
letters, one covering the -- because at the moment under  
the confidentiality agreement that we have signed, we  
are not allowed to discuss any of this with James  
Arbuthnot, his office or MPs. Which is contrary to  
certainly his understanding of what had been agreed,  
I think presumably with you and Alice or whatever. What  
I don't want to do is bury our head in the sand. We  
somehow need to address or deal with (interference) to  
James Arbuthnot and the MPs, which at the moment isn't  
covered.

FEMALE SPEAKER 1: Have we dealt with that?

MALE SPEAKER 3: We can deal with that very easily, to say  
you can -- contained carve-out -- so that you can talk  
to James Arbuthnot and others. That was not the

stumbling block as far as I recall. The stumbling block was you wanted the engagement letter to expressly acknowledge there was a wider piece of work, which I said I was not in a position to because I didn't understand there to be a wider piece of work, and/or to build that into this engagement letter to say you are conducting two pieces of work. I think you called them scope 1 and scope 2 and as I said to you, my clear handover notes from Susan were absolutely crystal clear, the Working Group is focused on the mediation scheme itself and that was the piece of work that the engagement letter was --

RON: I think there was discussion at one point that (interference) did job 1, dealt with the MPs (interference) for the Working Group (interference).

IAN: I mean at the meeting with MPs in July, their initial request was for Second Sight to produce a further report in October. We said there was very little point in doing that and what was more important was to continue what in that moment were very early discussions about mediation. The MPs then sort of agreed that October was too early and left it slightly in the air that they would be expecting a further report from Second Sight in January or February this year.

I spoke to Janet last week. That is still left on the table. And one of the suggestions that came out, this whole idea of thematic issues was originally developed by the MPs and one of the suggestions that was mentioned to us last week was whether the thematic issues report that we were working on for the Working Group, could also be used as a way of sort of briefing the MPs and that will certainly buy us some time and may streamline and integrate the whole process.

RON: But we certainly wouldn't be able to carve-out in the middle of this process time to write a separate report for the MPs, that would be nuts.

FEMALE SPEAKER 1: From the meeting I had with James, he didn't have an expectation of some other separate report or separate work at all. We exchanged minutes of the meeting. There was no issue on that. I think there is a danger that we over play the MPs' expectations on things. I think they understand there is a scheme underway. James is very happy with what we are doing (interference). It was our suggestion that we update the MPs because we wanted to be transparent about it.

I would be very happy, as I said at the beginning, that we do this along what's emerging on the themes. That seems to be fine to me, and if the themes helped us do some sort of triage of the scheme as well, then that may [overtalking].

We are going to run out of time and I will be completely honest with you why, because I'm seeing Tony Hooper at half past. I'm having exactly the same conversation with him.

RON: Do you want us to tootle off and be available on call?

FEMALE SPEAKER 1: Unfortunately I haven't got enough time, because I have another couple of meetings coming up. What I will do is get back to you next week, if that's okay, because I think all of us need to try and find a way through this for your sakes and for our sake and particularly for the subpostmasters, who are sat out there waiting. Because what I can't have is this mismatch of expectations and it just feels to me as though the whole (interference).

IAN: Maybe at the next meeting it should be a combined meeting of the four of us plus Tony Hooper.

FEMALE SPEAKER 1: It might well be. It would be much easier to do that actually, I don't know Tony well enough, you know him much better than I do. I wanted to give him the opportunity to have a conversation and see where his head is at but I think that can be --

RON: It would be interesting simply on the 28th report crunch and that's where we are going to really see what happens because when those 28 reports come in, the original plan (inaudible).

FEMALE SPEAKER 1: When are they coming along?

RON: 28 February.

FEMALE SPEAKER 1: 28 reports from us to you.

IAN: We know there is some slippage.

RON: Let's assume it works and we get a great lump through the sausage machine. Can we clear them within a month that we originally hoped to be able to clear the cases? POL will also have to clear things in a month, in some cases it takes them four or five months to produce its



report, actually got a lot more work to do.

FEMALE SPEAKER 1: Because of the nature of the CQR?

RON: Yes, because of the issues being raised and the time it takes to get the information from Fujitsu and so on. I'm not horribly worried about -- provided we can streamline the case review report construction, and agree with Tony and the others what it looks like, it is not going to be complicated. I'm not as worried as I was two months ago, that we are going to have a horrible bottleneck that takes three months to clear. I'm worried about (inaudible) and I would like to have more resources and Chris isn't going to necessarily be enough.

IAN: I think we have to be careful about saying additional resources will speed things up because what you can't do is immediately bring somebody up to speed [overspeaking].

RON: Briefing five investigators.

IAN: I think the way to deal with this is to simplify it and almost automate our individual case report.

RON: You and I have made a lot of progress on that in the last couple of weeks actually because at first we were kind of (interference) writing the report. Now we are saying we are going to be much more discipline (interference). We have got to deal with all eight, but we better not raise ten because we can't just invent an issue because we think we would like to write about it. I know it is crass.

FEMALE SPEAKER 1: No, it is not because you started with six or seven and now it is 17. So it does feel as though (inaudible). What I was going to say, if things come up, what I don't want to do is to ignore them because that was not the point of the exercise at all. If other stuff comes up separate to the themes I imagine are only six or seven that you had established, that ought to be dealt with somehow separately. Because otherwise this things just grows and grows and grows and I don't know how you --

IAN: We may even be able to simplify the 17 themes because two-thirds of them (interference). In some cases they are (inaudible) after the distinction between (inaudible) transactions.

RON: For example there is a link between the telecoms and power failures and (interference) giro, the person who comes in and pays --

FEMALE SPEAKER 1: (inaudible).

RON: -- pays their gas bill and electricity bill and that gets paid and they don't get charged. That's down to the system -- it is not just one system the transaction has to go through, it is sometimes two. (interference).

IAN: I don't know.

FEMALE SPEAKER 1: Can you take this away and --

IAN: Yes, we will have a look at that and see what we can do to streamline that.

FEMALE SPEAKER 1: Thank you very much indeed. I will talk to Tony this afternoon. There is a board meeting (interference). I guess it would be next week (interference). Thanks.

RON: Yes. Thank you very much.