

Filed on behalf of the: Claimant
Witness: C OGLESBY
Statement: 1
Exhibits: CO 1
Date made: 21/1/2006

**IN THE HIGH COURT OF JUSTICE
QUEENS BENCH DIVISION**

Claim No: HQ05X02706

BETWEEN:-

POST OFFICE LIMITED
Claimant/Part 20 Defendant
-and-
LEE CASTLETON
Defendant/Part 20 Claimant

WITNESS STATEMENT OF CATHERINE OGLESBY

I, CATHERINE OGLESBY of [REDACTED] GRO
[REDACTED] GRO WILL SAY AS FOLLOWS:

1. Since April 2005, I have been a Sales Account Manager for the Post Office Limited ("the Post Office") with responsibility for ensuring that 24 directly managed post office branches achieve their sales targets. Before that, I was a Retail Line Manager ("RLM") for approximately 8 years. As an RLM, I was responsible for ensuring that sub postmasters in 85 sub post offices properly carried out their duties to maintain service standards (for example, in relation to waiting times and office appearance) and reach sales targets. I have worked for the Post office for 23 years.
2. I make this witness statement in support of the Post Office's application for Orders that:
 - (a) Time being extended until 16 November 2005 for the Claimant/Part 20 Defendant to file and served it Reply to Defence and Defence to Counterclaim; and
 - (b) the Default Judgment on the Counterclaim entered against the Claimant/Part 20 Defendant be set aside.

3. I make this witness statement from facts within my own knowledge unless otherwise stated. I have had the benefit of reading through my correspondence and papers. References to page numbers in this witness statement are to page numbers of Exhibit CO1 to this witness statement.

Background

4. Between approximately Christmas and New Year 2003, I was contacted by telephone by the Defendant, Mr Lee Castleton, who was then the sub postmaster at the branch of the Post Office at 14 South Marine Drive, Bridlington, YO15 3DB ("the Marine Drive Branch"). Mr Castleton told me that on week 39 (the week ending 23 December 2003), he had been £1,100 short in his cash account. We discussed what might be the usual explanation for this, for example the Giro Bank error or cheque deposits going through as cash. I suggested that he contact Giro Bank and National Savings to see if there were any problems. I also asked him to make good the sum of £1,100, because a Giro Bank error notice may take up to 8 weeks to arrive. (An error notice is a correction statement that is generated when the operator of the Horizon Computer system at the branch makes an incorrect entry into the system when performing a customer or balancing transaction. An error notice would explain whether there was any legitimate reason for an error having been made). Mr Castleton said that he could make the amount good and we left things at that.
5. This had been the first time since Mr Castleton took over the Post Office in July 2003 that he had any major problems in balancing. Copies of the Cash Accounts signed by Mr Castleton for the weeks ending 23 December 2003 (cash account week 39), 30 December 2003 (cash account week 40), 7 January 2004 (cash account week 41) and 14 January 2004 (cash account week 42) are at pages 53 to 91.

Shortfalls in January 2004

6. In accordance with my normal visiting plan, I visited the Marine Drive Branch on Friday 16 January 2004. At the time, no reason had come to light to explain the loss of £1,100. The previous 3 weeks' balances seemed to be fine.
7. On or around 21 January 2004 (cash account week 43) Mr Castleton contacted me because his balance was over £4,000 short. A copy of the Cash Account he signed

for that week is at page 92. I again asked him to contact Giro Bank and National Savings to see whether there were any problems. I also asked him whether the cash was kept secure and who had access to it. Mr Castleton did not believe that any of his staff could have taken the money. He stated that on this occasion, he was unable to make good the shortfall. I advised him to contact the helpline to get a hardship form. (A sub postmaster is contractually obliged to make good any shortfalls without delay. However if a sub postmaster cannot immediately make good the shortfalls, he may complete and submit a hardship form setting out details of his earnings and other relevant information to seek the Post Office's permission to make good the shortfalls by instalment payments rather than immediately).

8. We also discussed at length ways for him to double check all of the paperwork leaving the Marine Drive Branch (for example, the giro paying in slips, pension and allowance docketts and certain types of cheques) and to perform a snapshot each evening to check the cash. (Effectively, the balance snapshot is just a facility to allow the sub postmaster to quickly check transactions through the week. It is a report that contains what the computer believes *should be* the total cash in stock figure, not what cash the branch *actually does* have. It looks at the previous week's declared cash in stock and adjusts items as they are sold, so if someone forgets to enter an item that a customer has purchased, then the balance snapshot figure will be inaccurate).
9. I contacted Mr Castleton by telephone on or around 28 January 2004 (cash account week 44). After he said he was a further £2,500 short, again, we had a lengthy discussion to discuss all the daily workings. A copy of the Cash Account for that week signed by Mr Castleton is at pages 102 to 111. I brought up in the conversation the possibility that somebody might be taking the cash, but Mr Castleton discounted that possibility. I suggested that he carry out individual stock unit balancing. Small post offices such as the Marine Drive Branch which has 2 cashier positions run a shared stock system: All the cash and stock is contained on 1 balance sheet. However, with individual stock balancing, each computer has its own separate stock and cash balance. Mr Castleton did not wish to do this, as he felt that Marine Drive Branch did not lend itself to doing this sort of balancing. I was surprised that Mr Castleton did not take up my suggestion because although there is some work involved setting up individual stock balancing, it would have enabled us to identify whether the losses were caused by any individual cashier.

Shortfalls in February 2004

10. The next week ended 5 February 2005, (cash account week 45) the Marine Drive Branch was only £25 short (pages 112 to 123). However, the week after ending 11 February 2004 (cash account week 46) the Marine Drive Branch was £1,500 short (pages 124 to 135). By now, after just 4 weeks, the Marine Drive Branch was a total of £8,243.10 short, not counting the sum of £1,100 that Mr Castleton had made good to start with. I visited the Marine Drive Branch around this time and asked Mr Castleton whether he had obtained a Hardship Form. He said that he hadn't and I advised him to obtain one. I understand that he did, and he placed the sum of £8,243.10 into the suspense account. Sub postmasters are contractually obliged to make good all losses without delay and Mr Castleton should not have been rolling them over each week. By this time, I was very concerned and contacted the investigations team and asked them to carry out an audit.
11. In cash account week 48 (the week ending 25 February 2004) the short fall for that week alone was £3,509.18 (pages 148 to 159). Mr Castleton informed me that he and his assistant Mrs Christine Train spent many hours double checking the transaction logs to try to prove that it was the computer equipment that was changing the figures. I asked him if he had found anything, but he had not. However, he was convinced that since he had a processor changed about the time the losses started occurring that it was the processor that was causing the losses. I asked Mr Castleton to contact Fujitsu services (who were responsible for designing, implementing and operating the Horizon system) to obtain a system check. He did this and the system check came back fine. I asked Mr Castleton to contact the Horizon system helpline ("HSH") which he did and I understand that he sent cash accounts to the National Business Support Centre ("NBSC") to review. I also asked Mr Castleton to contact the Post Office's Transaction Processing section to see whether there were any error notices pending. An error notice is a correction statement that is a direct result of an incorrect entry made the operator on the Horizon computer system when performing a customer or balancing transaction.
12. On 27 February 2004, I visited the Marine Drive Branch and we discussed the losses shown in the various cash account figures again. Mr Castleton became distressed and angry and Mrs Train was also upset. I asked them what else I could do to help. We had discussed all the usual possibilities. Mr Castleton and

Mrs Train repeated that they had not taken the money and that it must be the Horizon system. Mr Castleton stated that HSH had confirmed that the Horizon system was working correctly, but he was not sure precisely what HSH had checked.

13. Mr Castleton thought that the 2 computer processors were not communicating with each other and that when he remmed in the stock the Horizon system altered the figures. (When stock ("a remittance") is delivered to a branch, the sub postmaster enters the details of the remittance into the branch's computer system, which is called "remming in" the stock). To prove whether or not the Horizon system had changed anything I suggested that he:

- (a) firstly print out an end of day snapshot;
- (b) remmed in; and then
- (c) print out a second snapshot.

I advised that if the 2 computer processors were not communicating, then work done on the second machine would not show up on the summary sheets. However, all the Pensions and Allowances reports and the Giro Bank receipts agreed with each other, which to me suggested that there was no computer error.

Shortfalls in March 2004

14. In the week ending 3 March 2004 (cash account week 49), Mr Castleton transferred the previous weeks balance to the suspense account. The suspense account then totalled £11,752.78. In addition, the Marine Drive Branch Cash Account showed a further shortage of £3,512.26 (pages 160 to 171). Mr Castleton did not make good this amount.
15. In the week ending 10 March 2004 (cash account week 50) the previous week's shortage of £3,512.26 was rolled over and the shortage in the cash account increased to £10,653.11 (pages 172 to 183).
16. In the week ending 17 March 2004 (cash account week 51), the Marine Drive Branch showed a shortage in the cash account of £11,210.56 plus a shortage in the suspense account of £11,752.78 (pages 184 to 189).

Audit on 23 March 2004

17. On 23 March 2004, Helen Rose (nee Hollingworth) of the Post Office carried out an audit of the Marine Drive Branch together with Chris Taylor. The audit concluded that there was a total unauthorised shortfall of £25,758.75 (page 1).
18. I arrived at the Marine Drive Branch in the afternoon of 23 March 2004 and took Mr Castleton into the back room to speak to him. I told him that as a precautionary measure, and with his permission, I would like to remove him and his staff from the Marine Drive Branch and to operate the branch with a temporary post master to see how it would balance. I wanted the temporary sub post master to retain the same Horizon system that Mr Castleton and his team had been working with to try and keep everything the same. Mr Castleton and his assistant Mrs Train were both angry. Mr Castleton said that he could not wait until the temporary sub postmaster was "thousands short next week" and that "heads will roll" for the distress that he had suffered.
19. On the same day, Lesley Joyce (the Post Office's contract manager) wrote to Mr Castleton to confirm that he was suspended as a precautionary measure pending further investigations (page 3).

Events following Mr Castleton's suspension

20. I asked a very experienced post master, Mrs Ruth Simpson, from the First Lane Post Office in Hull if she would run the Marine Drive Branch on a temporary basis. Mrs Simpson agreed, but was only able to run the Marine Drive Branch for a few weeks as she had other commitments. She opened the Marine Drive Branch on the morning of Wednesday 24 March 2004 and balanced £2.14 short on that night. She brought with her a part time assistant to help out on Mondays. On the close of business on the first Monday (the week ending 31 March 2004), she was £100 short and explained that this was because her assistant had left something in the stack and erroneously paid this amount twice. (The stack is an on screen list of transactions for the individual customer that is being served at the time. Each time a new customer is served, the stack should be cleared so that it starts from zero). A copy of the Cash Account for that week is at pages 196 to 201.
21. I telephoned Mr Castleton to see what his reaction would be. He stated that Mrs Simpson was only using 1 computer rather than 2 as he had done, so it was not a

true reflection of how he ran the Marine Drive Branch. He also stated that Mrs Simpson had misbalanced (i.e there was a shortfall of £100). I said that I would speak with Mrs Simpson regarding his concerns. I contacted her and asked her to use both machines. She stated that on a Monday she had 2 people working all day, so 2 machines were used. The rest of the week she was on her own, but logged on to the system with 2 usernames and had 2 machines running, she was serving customers from both machines, remming in on both and putting the lottery cash on both.

22. On the week ending 7 April 2004 (cash account week 02), Mrs Simpson was £19.38 over (pages 202 to 207). We discussed how she was getting on every other day and she would text me to confirm that she was okay. On her next balance for the week ending 14 April 2004 (cash account week 03) she was £10.76 short (pages 208 to 213).
23. On 16 April 2004, I visited the Marine Drive Branch and spoke to Mr Castleton away from the counter. He was distressed. We discussed Mrs Simpson's balancing results. Mrs Train wanted to know where the £100 shortage had gone in Mrs Simpson's first full week and I explained what she had thought. Mrs Train became aggressive and threatening. I said that I felt the balance reflected any normal Sub-Post Office. Mr Castleton again stated that it was the computer that was making the losses. I told Mr Castleton that Mrs Simpson would be finishing on Wednesday 21 April 2004 due to other commitments and said that I wanted more time and more balance results and wanted another temporary Sub-Postmaster to take over. Mr Castleton said that he did not wish to go back on the counter as things stood anyway.
24. On the week ending Wednesday 21 April 2004, (cash account week 04) there was a surplus for the week of £0.02 (pages 214 to 219). Mr Greg Booth took over as temporary Sub-Postmaster on the same day. He completed his first week on Wednesday 28 April 2004 and declared a gain of £14.76 (pages 220 to 225).
25. On 23 April, Mr Franks (Mr Castleton's father-in-law) contacted me by telephone to discuss the way in which Mr and Mrs Castleton had been treated. I explained the situation and told him that the suspension was a precaution and that I was hoping that by having a temporary Sub-Postmaster in the office, that if there were any problems with the computer equipment, this would come to light. Mr Franks demanded that Mr Castleton be reinstated immediately. I referred him to the Post

Office Head of Area, David Mellows-Facer and told him that I could not agree to reinstate Mr Castleton at the time. I understand that Mr Franks spoke with David Mellows-Facer and asked for a speedy conclusion to the situation. David Mellows-Facer spoke to me and asked me whether Mr Castleton could be interviewed as soon as possible.

26. On 26 April 2004, I wrote to Mr Castleton and stated that there was a shortage of £25,758.75 and that he had reported large, unexplained losses over the preceding 12 weeks. I asked him to explain the reasons why his contract should not be terminated summarily (pages 4 and 5).
27. On 28 April 2004, Mr Castleton replied and queried whether the losses existed or whether they were "a figment of a computer's imagination". He asked me to send to him various documents and information (pages 6 and 9).
28. I contacted the Transactions Processing Department again on 29 April 2004 to see whether there were any outstanding error notices. There was an error for the National Lottery that had yet to be investigated for £125. There had also been an error for cheques that later cleared and did not generate an error notice. There was also an error for an Easy Access Account that had been processed incorrectly. I contacted Girobank to see whether there were any errors outstanding with them. I asked them to look back to week 43. They looked back as far as week 43 and came forward to week 02. There was a small error of £1.43, but that would not be reported. Everything else was fine.
29. Mr Castleton telephoned me on 4 May 2004 and stated that he had found £15,000 of the losses. I asked him where he had found the cash. He stated that the suspense account had doubled the figures. When he had put the cash into the suspense account, although the amount was showing in the suspense account, it was also still showing as a loss in the cash account again the next week. Mr Castleton asked for the suspense account software to be checked. I again contacted the NBSC to request this.
30. To test whether the suspense account was having any effect on the balance, I contacted the temporary Sub-Postmaster, Greg Booth on or around 5 May 2004. I asked him how he was balancing that week on his snapshots. He told me that he had a few pounds over. I told Mr Booth what Mr Castleton had said about the suspense account. I asked Mr Booth to put £100 into the shortages line on the

suspense account. First he ran an office snapshot (pages 232 to 233), then he placed the £100 into the account, then he ran a second snapshot (pages 234 and 235) and a suspense account report (236 and 237). During this time, the same Horizon kit was still being used by the assistant. The £100 was in the correct place and the cash figure on the snapshot had changed by £100. This demonstrated that the system worked correctly. I asked Mr Booth to balance with those amounts still in the account. He should balance £100 over. I would then call into the Marine Drive branch on 7 May 2004 and we would take the amount out, to see if the opposite occurred. Mr Booth left me a message on my telephone later that evening to state that he had balanced over, just as we had expected.

31. For the week ending 5 May 2004 (cash account week 06), the Marine Drive branch declared a small gain of £103.11 (pages 226 to 231).
32. On 6 May 2004, I wrote to Mr Castleton and sent to him a copy of an email from Fujitsu and logs of calls to the NBSC and HSH (pages 10 to 20). I also sent to him a copy of the Horizon System User Guide, System Failure Sub-Sections 12 and 13 and a copy of the Audit Report (pages 21 to 37). The email from Andrew Price at the NBSC dated 20 April 2004 to me stated:

"The PM sent cash account information to NBSC and it was looked at by Andrew Wise, he was unable to find any errors. The only amount questioned was a large amount on the cheques to processing centre which Andrew was able to confirm was a cheque for the purchase of Premium Bonds. The PM was advised there was nothing more we could do and we suggested that he works on a manual system at the side of Horizon to see if any problems were highlighted. Also, when doing the REMS the PM should take a snapshot before and after to see if any problems were occurring when doing a remittance. Andrew Wise and I both feel that the Horizon system is working properly and we are unable to help the PM any further."

33. The email from Julie Welsh, Service Delivery Manager HSH Fujitsu Services stated:

"There is no evidence whatsoever of any system problem... please tell the PM that we have investigated and the discrepancies are caused by the difference between the transactions they have recorded on the system and the cash they have declared, and are not being caused by the software or hardware." (page 42).

34. On 6 May 2004, I also contacted the Transaction Processing Department at Chesterfield again to check whether there were any outstanding errors. Only the easy access error was still showing. I also contacted Mr Castleton by telephone and informed him that I had received his letter and was doing all I could to get him the information he had requested. I said that I would probably not be able to obtain everything that he had asked for.
35. On 7 May 2004, I visited Greg Booth at the Marine drive branch, as arranged. First he ran an office snapshot (pages 238 to 239), then he removed the £100 from the suspense account and ran a second snapshot (pages 240 to 241) and a suspense account report (242 to 243). Again, the cash figure in the snapshot and the suspense account had changed by £100 which demonstrated that the system worked correctly.

Interview with Mr Castleton on 10 May 2004

36. On 10 May 2004, I interviewed Mr Castleton. Ms Lesley Joyce (Contract Manager) and Mrs Train were also present. A copy of the Minutes of the interview meeting are at pages 43 to 45. At the interview, I explained that it was his opportunity to give any explanation as to why his contract for services should not be terminated. I summarised the events which lead to his suspension on 23 March 2004 due to an unexplained shortage of £25,758.75. During the 12 weeks prior to this audit, the Marine Drive Branch had several large unexplained losses. The figure for cash on the system was not the same as the physical amount of cash at the Marine Drive Branch. Mr Castleton stated that the Horizon system was to blame.
37. I informed Mr Castleton that since he had been suspended, the same Horizon system had remained in place and that there had not been any further complaints about it from the Marine Drive Branch and that the cash account showed no large losses. The Horizon system did crash whilst Mrs Simpson was running the branch, but when she rebooted it, this did not effect the balance. When Mrs Simpson had finished, Mr Booth was appointed as a temporary sub postmaster, and again, he had no problems.
38. Mr Castleton stated that he had not taken any money and that he trusted his staff not to have taken anything. Mr Castleton said that he had asked for 10 pieces of

information and I explained that I had only received his letter 2 working days prior to the interview and that I was working on obtaining this.

39. I checked that Mr Castleton understood how the cash account worked with regards to balances and losses and gains and he confirmed he understood it. I then went into detail with balances, error notices, losses etc and the evidence I had with the snapshots and declared cash. I provided all of this information to Mr Castleton, together with a list of the results of the balance.
40. I referred Mr Castleton to some of the cash declarations which had been manually altered or written on. Specifically I referred him to week 47 and also the declaration on 12 February 2004 which had a figure of approximately £7,000 written onto the bottom of the cash declaration. Mr Castleton thought it was Mrs Train's writing, but she was not sure. I said this was very important because although the cash account for week 46 showed a loss of £8,243.10, the following snapshots and declared cash did not evidence this. For example:
- (a) The snapshot timed at 5.27p.m. on 13 February 2004 showed that the Marine Drive Branch needed £92,095.36 cash. The cash declaration shows that the branch had cash of £99,128.40, a gain of £7,033.44.
 - (b) The snapshot at 14 February 2004 showed that the Marine Drive Branch needed £95,896.59, but the cash declaration showed that it actually had £102,706.10, a gain of £6,809.51.
 - (c) The snapshot of Monday 16 February 2004 showed that the Marine Drive Branch needed £77,958.28, but the cash declaration showed that it had £84,909.54, a gain of £6,951.26.
 - (d) The snapshot dated Tuesday 17 February 2004 showed that the Marine Drive Branch needed £68,163.08, but the cash declaration showed that he actually had £84,909.54, a gain of £6,776.77.

In other words, the Marine Drive Branch had more physical cash than it actually declared.

41. Crucially, the cash account on Wednesday 18 February 2004 showed that the cash is an exact match for the cash required on the balance. I asked Mr Castleton

where the surplus had gone. He had no explanation and stated that it was something to do with Horizon. I gave Mr Castleton other examples where there was shortages in subsequent weeks and that they did not match the snapshot in the cash declaration.

42. I explained to Mr Castleton that the Horizon system is a double entry accounting system and that everything I had checked worked through. The evidence does not support Mr Castleton's theory that the Horizon system went wrong when he entered the stock remittances on to the system.

Post interview

43. After the interview, I sent copies of the cash and suspense accounts to Elizabeth Morgan and Davlynn Cumberland in Leeds who were two people very experienced in dealing with the suspense accounts. Neither of them could see anything wrong with the way that the computers were working.
44. On 14 May 2004, I wrote to Mr Castleton to clarify the entries at the top of the final balance that he had queried and to explain why the 2 final balances he had mentioned did not look similar (page 46). I also sent him a copy of the interview notes.

Mr Castleton's dismissal

45. Mr Castleton did not provide any evidence of a computer problem. All the entries in his cash accounts were double checked. The figure declared for cash on the system did not match the physical amount of cash he had in his office. This showed that there was an actual loss, rather than a computer problem.
46. Mr Castleton denied taking the cash, but he would not take my advice to try individual balancing, or listen to my suggestion that a member of his staff might be taking the money.
47. The Transaction Processing Department at Chesterfield and Girobank have stated that they had no outstanding error notices to issue. Fujitsu Services had checked the software and could not find any problems.

48. Since Mr Castleton had been suspended, the temporary sub postmasters had worked with exactly the same Horizon kit and the balance had continued to be fine each day. In the circumstances, I decided to terminate summarily Mr Castleton's contract for services, due to the large unexplained losses. I wrote to Mr Castleton on 17 May 2004 to confirm that I had decided to terminate summarily his contract for services (page 47).

Events following Mr Castleton's dismissal

49. On 23 May 2004, Mr Castleton wrote to me to confirm that he wished to appeal against my decision (page 49). He also stated that he was seeking further information relating to the computer fault. On 1 June 2004 he wrote directly to David Mellows-Facer for this information (page 50). On 2 June 2004, David Mellows-Facer replied to Mr Castleton (page 51). I understand that Mr Castleton's appeal was dealt with by Mr John Jones, Area Development Manager, which upheld my decision.

50. In the circumstances, I believed (and still believe) that my decision to dismiss Mr Castleton was entirely justified and that there is a real prospect that the Post Office will succeed if allowed to defend the Counterclaim.

I believe that the facts stated in this Witness Statement are true.

Signed

GRO
CATHERINE OGLESBY
GRO

GRO

Dated 21st January 2006

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Date made: 21/01

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**Claimant/Part
Defendant**

- and -

LEE CASTLETON

**Defendant/Part
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**WITNESS STATEMENT OF
CATHERINE OGLESBY**

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