

**Stephen Dilley**

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**From:** john.h.jones@GRO  
**Sent:** 23 November 2005 21:11  
**To:** Stephen Dilley  
**Cc:** mandy.talbot@GRO; cath.oglesby@GRO; Tom Beezer;  
john.h.jones@GRO  
**Subject:** RE: FW: Urgent The Post Office -v- Lee Castleton (Marine Drive Post Office, Bridlington)

Stephen

We can physically prove from the giro deposits made by the customer at the branch that the cash declared was not that, which was physically deposited to the branch and should have been there to be accounted for. It is not a case of mystical money in the Horizon system, it is actual cash deposits that were not accounted for when the cash was actually there.

The analysis of the actual cash usage for transactions at the branch did not differ from week to week, so why order additional cash remittances. At the end of several balances a large shortage is declared without the branch actually running out of physical cash. There were, and have not been since any subsequent error notices for the branch under Mr Castleton's operation, nor any similar experiences of large shortages by a number of locum Subpostmasters who have all operated the same pieces of Horizon kit, week in week out.

Your assumptions to state below are incorrect, if the Horizon system was incorrect then there would either be a numerical additional error or a client transactional error, all such theories have been discounted as they have been proven not to exist.

Hope this helps

John

Area Development Manager  
Network Change  
Post Office Ltd  
Sales and Service

Upper Floors, The Markets DMB, 6/16 New York Street, Leeds LS2 7DZ

Postline: @GRO External E-mail: @GRO

"Stephen Dilley"  
@GRO  
To: <john.h.jones@GRO>  
cc: <mandy.talbot@GRO>  
<cath.oglesby@GRO>, "Tom Beezer"  
@GRO  
23/11/2005 11:01 Subject: RE: FW: Urgent The Post Office -v- Lee Castleton (Marine Drive Post Office, Bridlington)

Dear Mr Jones,

Thanks for your email of 17 November.

Your attached report is very helpful. Irrespective of whether Mr Castleton's allegations about problems with Horizon are correct (which we deny), the key issue appears to be that during weeks when Mr Castleton was declaring a loss, he ordered more cash from the P.O. If Mr Castleton is correct that the losses were "manufactured by Horizon" then there would in reality have been sufficient cash in the branch to meet its

requirements, but there was not. He could not physically account for the extra cash he ordered.

Kind regards,

Stephen Dilley  
Solicitor  
for and on behalf of Bond Pearce LLP

DDI: [REDACTED] GRO  
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-----Original Message-----

From: john.h.jones [REDACTED] GRO [mailto:[REDACTED] GRO]  
Sent: 17 November 2005 18:15  
To: Stephen Dilley  
Cc: mandy.talbot [REDACTED] GRO cath.oglesby [REDACTED] GRO  
Subject: Re: FW: Urgent The Post Office -v- Lee Castleton (Marine Drive Post Office, Bridlington)

Stephen

I have attached my appeal report at the end of this e-mail for your information.

All documentation proper to the Marine Drive appeal was returned to the Area Intervention Office at Crown Street ,Darlington DL1 1AB ([REDACTED] GRO), the contact at this office is the Contracts Manager , Lesley Joyce.

In answer to the questions you have directed to Cath here are my responses:-

(i) The assumptions Mr Castleton makes, as well as those from his alleged 'experts' simply do not hold credence. As part of the appeal investigation I reconstructed the branch accounts for seventeen weeks as well as examined every transaction entry over the critical periods when the losses being incurred were at their greatest. The reconstruction of the accounts and the analysis of cash usage against the actual transaction being performed at the branch did not reveal any discrepancies , apart from incorrect cash declarations.

The reconciliation of these accounts, the evidence obtained from customers depositing cash at the branch demonstrated that Mr Castleton was making repeated false cash declarations. On a number of occasions it was demonstrated that the physical cash that was proven to be in the branch , was different from the cash that was being declared onto the Horizon system. Additional tracking of all increases in cash ordered by the branch , demonstrated that the branch did not need to order excessive amounts of cash that were not required to service the transactions that were being performed. The orders for extra cash were always in week where there was a reported significant loss at the branch.

(ii) The lists of documents that I examined included all the branches cash accounts, the daily balance snapshots and evidence in the branch from a customer who frequently deposited large sums of cash into the branch. It would be most unusual for Subpostmasters to perform frequent balance snapshots throughout the trading week. In my experience of hearing appeals, this practice is quiet common in proven theft cases.

(iii) The main frame computers of Post Office Ltd handle on line transactions performed by twenty eight million customers each week at around sixteen thousand post office branches. We will keep records of the total accounts, however the costs of extrapolating low level data would be significant , for a case that has already been established 'on the balance of probability'.

(iv)

a) The extensive examination of the Horizon System at the time of the discrepancies, subsequent checks at Fujitsu by myself as part of the appeal investigation as well as the examination of accounts of the system at the branch have clearly demonstrated that there is nothing wrong with the Horizon system.

b) The transactions were entered into the Horizon system correctly, I conducted several searches with our error resolution teams with only three minor errors being apparent over a significant period of time. This error rate was significantly below what would have been expected at a branch that was recording significant account discrepancies.

In summary, the decision to terminate the contract for services of Mr Castleton was sound and on the balance of probabilities the cash was removed by a person or persons working within the branch.

(See attached file: Marine Drive Appeal Case.doc)

Hope this helps

John

Area Development Manager  
Network Change  
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Sales and Service

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Postline: [GRO] External E  
-mail: [GRO]

"Stephen Dilley"  
[GRO] To:  
<john.h.jones@postoffice.co.uk> [GRO]  
<mandy.talbot@postoffice.co.uk> [GRO] cc:  
Subject: FW: Urgent The Post Office -v- Lee Castleton (Marine Drive Post Office,  
17/11/2005 15:22 Bridlington)

Dear Mr Jones,

I am a solicitor at Bond Pearce LLP and have recently taken over conduct of the Post Office's claim against Mr Castleton. I understand from Ms Oglesby that you presided over his appeal against being dismissed in 2004. Is this correct?

You will see the gist of Mr Castleton's defence from my email to Ms Oglesby below. In summary, he has obtained 2 expert's reports which state that the deficiencies have probably been brought forward despite the fact that they have been entered onto the suspense account entry. They suspect this is because the Horizon system, despite the suspense account entry, has failed to recognise the entry on the daily snapshot.

We need to obtain as much documentation as possible to ascertain whether there may be any truth in this defence. Ms Oglesby believes that a full set of the documentation which was removed from the post office would have been sent to you to deal with on appeal. Do you still have these documents? If so, please could you send them to me?

Please could you also answer the questions that I have directed to Ms Oglesby below?

I look forward to hearing from you as soon as possible.

Kind regards,

Stephen Dilley  
Solicitor  
for and on behalf of Bond Pearce LLP  
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-----Original Message-----

From: Stephen Dilley  
Sent: 17 November 2005 11:50  
To: cath.oglesby; GRO  
Cc: 'cheryl.woodward'; GRO; 'mandy.talbot'; GRO  
Subject: Urgent The Post Office -v- Lee Castleton (Marine Drive Post Office, Bridlington)

Dear Ms Oglesby,

I have tried unsuccessfully to speak to you today.

Mr Castleton's solicitors are seeking the return of documents that they say you removed from the Marine Drive Post Office when you did an audit. I understand that not all those can be found.

I attach copies of the following:-

- (a) A without prejudice letter dated 30 September from Mr Castleton's solicitors to Bond Pearce;
- (b) Bentley Jennison's Report dated 23 September and attachments; and
- (c) White & Hoggard's report dated 18 August.

Bentley Jennison state that the deficiencies have probably been brought forward despite the fact that they have been entered onto the suspense account entry. They suspect this is because the Horizon system, despite the suspense account entry, has failed to recognise the entry on the daily snapshot. They have drawn this conclusion through looking at the discrepancy of £3,509.18 on Thursday 26 February 2004. They then suggest that this double accounting could have continued over a number of weeks and that as such, Mr Castleton's Defence, "appears to hold potential merit based on the limited documentation" they have so far reviewed. White & Hoggard reach a similar conclusion in their report.

Bentley Jennison seek:

- (i) A full list of all the transactions carried out within the Post Office (he says that it is not good enough that management information is not available simply because the "month end has been closed down".
- (ii) The actual audit report you prepared. He says that the actual report would have been a manuscript writing document rather than a typed document.
- (iii) P and A Reports for weeks 39-52.
- (iv) Cash and stock counts for when Mr Castleton began trading and when he stopped being a Post Office Sub-Postmaster.
- (v) The events log for weeks 39 to 52.
- (vi) Transaction log.
- (viii) The daily snapshots.

Mr Castleton believes that if he can get these documents, he will be able to undertake a manual reconciliation of the cash account in order to substantiate his belief that the losses are not real but attributable to computer error.

1. Do you believe the suggestion put forward by the experts could (at least in theory) be correct? If not, why not?
2. Do you have a list of what documents you removed to do the audit? Is it normal for sub post office masters to do daily snapshots?
3. Would it be possible to regenerate the above missing records from computer records at the Post Office? If computer records are not kept centrally, would they be stored on the hard drives of the computers at the Marine Post Office? If so, could you obtain them?
4. In an email from Fujitsu to Richard Benton dated 5 May 2004, Fujitsu stated "It is possible that they are not accurately recording all transactions on the system. " If there have been human errors in recording the transactions, could an explanation be that:
  - (a) there was nothing wrong with Horizon, because it simply reflected the information entered on to it; but
  - (b) if staff punched in the wrong numbers into Horizon, there may have been no real loss (even though Horizon would show a loss) - it is simply an error in accurately recording transactions.

I look forward to hearing from you as soon as possible.

Kind regards.

Stephen Dilley  
Solicitor  
for and on behalf of Bond Pearce LLP  
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-----Original Message-----

From: cheryl.woodward@bondpearce.com [redacted] GRO  
[mailto:cheryl.woodward@bondpearce.com] GRO  
Sent: 17 November 2005 08:49  
To: cath.oglesby@bondpearce.com [redacted] GRO  
Cc: Stephen Dilley  
Subject: Urgent Re: FW: The Post Office -v- Lee Castleton

Hi Cath

Could you please contact Stephen Dilley at Bond Pearce Solicitors in relation to Lee Castleton formally of Marine Drive Po. They need to know what documentation was removed from the office.  
Stephen [redacted] GRO

Hi Stephen

As you can see I have asked Cath to contact you but here is her number anyway [redacted] GRO

Thanks Cheryl.

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