

[REDACTED] (ShEx)

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**From:** [REDACTED] (ShEx)  
**Sent:** 30 September 2011 09:41  
**To:** [REDACTED]  
**Cc:** [REDACTED] (ShEx); Gibson Will (ShEx)  
**Subject:** JFSA and Private Eye

**Attachments:** Private Eye extract.pdf



Private Eye  
extract.pdf (2 MB)...

[REDACTED]

In view of this article, it would be helpful to have some more sense of where the legal action might be heading and likely timescales from a POL perspective. Perhaps we can pick up in the margins of our meeting on Monday?

Regards

[REDACTED]

[REDACTED]  
Department for Business, Innovation and Skills  
Shareholder Executive  
Royal Mail and Postal Services  
1 Victoria Street  
London SW1H 0ET  
[REDACTED]

## IN THE BACK

### POST OFFICE AUTOMATION Computer says no

AS Britain's multi-billion pound public IT programmes hit the next stage in the lifecycle of botched computer projects - malfunction - alarming repercussions are being felt in Britain's post offices.

Over the last few years the Horizon system that 11,500 sub-postmasters are forced to use has thrown up a rash of apparent financial "shortfalls", prompting dozens of prosecutions and financial ruin for businessmen and women with previously spotless records. Fifty-five of them last week launched a "class action" against the Post Office, arguing their troubles owe more to computer error than dishonesty.

In a standard week a sub-post office performs thousands of transactions - many such as pension payments and lottery and foreign currency purchases, in cash. When the computer says the till is short, the sub-postmaster (or mistress) has to cough up the difference; and the computer is always right apparently. If the sub-postmaster or mistress can't pay up, the Post Office's fraud investigators swiftly descend.

Typical is the case of Jo Hamilton from South Wamborough in Hampshire, who one week was £2,000 down. After the helpdesk told her to press a few buttons the total doubled, and the Post Office took £4,000 off her. When the problem kept repeating, her mistake was to claim that everything was fine so she could at least keep trading in the hope the errors would correct themselves and she'd get her £4,000 back. Then the total hit £36,000, the auditors swooped and she was convicted for false accounting (without ever being accused of taking any money) and forced to pay the £36,000 back with the help of supportive villagers.

Others have been jailed for theft simply on evidence from a computer system that seems to be misfiring, with no indication of what they are supposed to have done with the cash. One, Secma Misra, was pregnant when she was found guilty of stealing £75,000 even though no trace of the money could be found and the judge at Guildford crown court, according to supporters present, appeared to instruct the jury that the evidence was very limited. She was sentenced to 18 months.

Since her case, others have pleaded guilty simply for more lenient sentences. Many more

have coughed up thousands of pounds from their own pockets in desperate attempts to retain their livelihoods. The Justice for Sub-postmasters Alliance reckons the total affected could run into the thousands.

The Post Office remains the only body in the UK to run its own prosecutions and campaigners think that if it had to use the Crown Prosecution Service many cases would not have made it to court. The last organisation with such powers, Customs and Excise, was stripped of them almost a decade ago when it was found to have over-stepped the mark in several high-profile cases.

Mrs Hamilton's MP, James Arbuthnot, expresses a widely-held view when he says: "I find it very difficult to believe that all these sub-postmasters and sub-postmistresses are suddenly found to be dishonest, if the alternative is that it may be a public sector computer system which has gone wrong. We've heard of that before." But postal services minister Ed Davey is washing his hands of the problem, simply re-directing MPs' questions to the Post Office itself.

There is no shortage of visible problems with Horizon. One sub-postmaster explained to the *Eye* how when selling stamps, for example, his terminal often either registered no stamp sale or not the class of stamp keyed in. And in July the entire Post Office banking system was shut down by a "Horizon online issue". Even the 370 large "Crown" post offices managed centrally are not immune from glitches. Latest known figures show shortfalls there of £2.2m in a year, although mysteriously these haven't produced criminal sanctions.

These are just the latest episode in Horizon's inglorious history. It originated in 1996 in a joint Department of Social Security-Post Office PFI deal for an automated benefits payment system with Pathway, part of ICL (now Fujitsu) on the back of a cheap but technically flawed bid. Four years and £1bn later it was ditched by the government, with the Post Office left to convert it into the Horizon automation project. Fujitsu still runs the technical side of things.

The lengthening list of "shortfall" cases, many in odd geographical clusters, has received little attention beyond diligent investigation by BBC South TV hack Nick Wallis and *Computer Weekly* magazine. This could be about to change, though, as solicitors Shoosmith begin action on behalf of the 55, with another 150 cases pending.

The Post Office, fearing immense further cost if its computer system is found wanting, has its head firmly in the sand. There are, a spokeswoman told the *Eye*, "no issues" with Horizon (which is nonsense given the ones already admitted). To say anything else would be to admit that the computer on which it depends is a pig in a poke that has not only wasted billions but might now be dispensing miscarriages of justice as well.



IRRELEVANT

IRRELEVANT

[REDACTED] (ShEx)

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**From:** [REDACTED]  
**Sent:** 30 September 2011 09:48  
**To:** [REDACTED] (ShEx)  
**Subject:** RE: JFSA and Private Eye

[REDACTED]

Yes – we can give an update of the position.

Thanks

[REDACTED]

[REDACTED]

**Post Office Ltd**  
1st Floor, 148 Old Street, London, EC1V 9HQ

 [REDACTED]  
 [REDACTED]  
 [REDACTED]

---

**From:** [REDACTED] (ShEx) [mailto:[REDACTED]]  
**Sent:** 30 September 2011 09:41  
**To:** [REDACTED]  
**Cc:** [REDACTED] (ShEx); Gibson Will (ShEx)  
**Subject:** JFSA and Private Eye

<<Private Eye extract.pdf>>

[REDACTED]

In view of this article, it would be helpful to have some more sense of where the legal action might be heading and likely timescales from a POL perspective. Perhaps we can pick up in the margins of our meeting on Monday?

Regards

[REDACTED]

[REDACTED]

Department for Business, Innovation and Skills  
Shareholder Executive  
Royal Mail and Postal Services  
1 Victoria Street  
London SW1H 0ET

[REDACTED]

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24/09/2012

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**From:** [REDACTED] [mailto:[REDACTED]]  
**Sent:** 17 September 2011 20:44  
**To:** [REDACTED] (ShEx)  
**Subject:** RE: JFSA legal action and Outline terms of reference for Local Stakeholder Group

[REDACTED]

On the JFSA point [REDACTED] the following may help for the moment [REDACTED] but I [REDACTED] inform you further when we know more of the appropriate details.

Thank you for your email of 5 September 2011 in relation to the notification from JFSA that an initial batch of letters had been issued against POL.

I can confirm that POL has to date received two letters before action from Shoosmiths solicitors, dated 16 August 2011 and 23 August 2011, setting out claims by Mr Scott Darlington and Mr Julian Wilson (two former subpostmasters) respectively.

Both letters make allegations about the Horizon system.

We have acknowledged receipt of both letters and are currently investigating the allegations made, with a view to sending substantive responses by the end of the month.

No claims have been issued as yet. In the event that claims are issued, POL's current intention is to defend the claims in full and possibly counterclaiming for any losses incurred at the relevant branch during the periods in question. However, a final decision on strategy will not be made until we have investigated the basis for each of the claims.

The letters are very similar, with both claiming damages of £150,000 for breach of contract and/or for negligence and/or for misrepresentation and/or misfeasance in public office. These claims are based on POL's alleged failure to (i) provide proper training in relation to Horizon; (ii) provide adequate system support for Horizon (e.g. the Helpline service); (iii) ensure that Horizon was free from defects; (iv) provide a suitable and fair way of dealing with transaction corrections; and (v) operate any disciplinary processes within the subpostmaster contract fairly. It is also alleged that certain terms of the subpostmaster contract are overly onerous/unfair (Section 1, paras 8 & 10 and Section 12, paras 4 & 12).

Although the value and basis of the two claims are almost identical, the facts differ. Once we have fully investigated the factual matrix to each claim, we shall be in a position to assess how best to respond substantively to the letters.

I trust that the above is helpful. If you require any further information at this stage, please let me know

Thanks

[REDACTED]

[REDACTED]

**Post Office Ltd**



[REDACTED] 148 Old Street, LONDON EC1V 9H1Q



**Postline:** [REDACTED]



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**From:** [REDACTED] (ShEx) [mailto:[REDACTED]]  
**Sent:** 13 September 2011 09:35  
**To:** [REDACTED]  
**Cc:** [REDACTED] (ShEx)  
**Subject:** JFSA legal action and Outline terms of reference for Local Stakeholder Group



We discussed on Friday the letter from the NI minister about NI representation on the Stakeholder Group. Helpful to have early sight of the outline terms of reference as I have to get a draft reply up to ED for tomorrow.

Also as discussed, helpful to have a note on the nature of the letters of claim no behalf of JFSA members (what is being sought, how many submitted, what the next stages are etc)

Regards



[REDACTED]  
Department for Business, Innovation and Skills  
Shareholder Executive  
Royal Mail and Postal Services  
1 Victoria Street  
London SW1H 0ET  
[REDACTED]

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**From:** [REDACTED] [mailto:[REDACTED]]  
**Sent:** 25 November 2011 19:07  
**To:** [REDACTED] (ShEx)  
**Subject:** Inside Out programme

[REDACTED]

As discussed – we believe that piece on Horizon allegations will be included in the InsideOut programme on BBC East that will air on Monday – the journalist has asked a series of detailed questions – and the material that has been sent in response is attached.

Thanks

[REDACTED]

[REDACTED]  
**Post Office Ltd**  
1st Floor, 148 Old Street, London, EC1V 9HQ  
 [REDACTED]  
 [REDACTED]  
 [REDACTED]

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**From:** [REDACTED] (ShEx)  
**Sent:** 25 November 2011 17:16  
**To:** Gibson Will (ShEx); [REDACTED] (ShEx); [REDACTED] (ShEx); [REDACTED] (ShEx); [REDACTED]  
**Cc:** Storey Susannah (ShEx); Lowe Roger (ShEx)  
**Subject:** FW: Horizon computer system

**Attachments:** Horizon BBC Insight Out final Nov 23 2011.doc

Hi

You may already have this information, but in case you don't, see attached and below.

Thanks

[REDACTED]

[REDACTED] | Royal Mail Team | Shareholder Executive | Department for Business, Innovation & Skills | [REDACTED] | 1 Victoria Street, London, SW1H 0ET | [REDACTED]  
| www.bis.gov.uk

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**From:** David Simpson [mailto:david.simpson@royalmail.com] **GRO**  
**Sent:** 25 November 2011 17:14  
**To:** Lowe Roger (ShEx); [REDACTED] (ShEx)  
**Cc:** [REDACTED]  
**Subject:** Horizon computer system

Roger, [REDACTED] - here is the statement we are using with the BBC Inside Out programme in East Anglia. We expect them to screen an item about the system on Monday evening.  
Have a good weekend,  
David

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**From:** [REDACTED] (Communications)  
**Sent:** 28 November 2011 09:12  
**To:** [REDACTED] (ShEx)  
**Cc:** [REDACTED] (ShEx); Gibson Will (ShEx); [REDACTED] (ShEx)  
**Subject:** FW: Horizon

**Attachments:** Horizon BBC Insight Out final Nov 23 2011.doc  
[REDACTED]

As promised on Friday this is what RM sent through.

Cheers

[REDACTED]

[REDACTED]  
*Senior Press Officer*  
[REDACTED]  
*Department for Business, Innovation and Skills Press Office*  
*Email:* [REDACTED]  
*Phone:* [REDACTED]  
*Mobile (BlackBerry):* [REDACTED]  
**Out of hours media calls -** [REDACTED] **GRO**  
<http://www.bis.gov.uk/newsroom>

---

**From:** David Simpson [mailto:david.simpson@bis.gov.uk] **GRO**  
**Sent:** 25 November 2011 17:04  
**To:** [REDACTED] (Communications)  
**Subject:** Horizon

[REDACTED], good to talk with you. Here is the statement I mentioned on the Horizon issues we expect to be featured in the BBC Inside Out programme on Monday evening in the East Anglia area.

Have a good weekend,  
David

---

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**Statement**

"The Post Office is fully confident that the Horizon computer system in its branches, and all the accounting processes around it, enable subpostmasters to account accurately for the transactions and balances they record.

"The system has been operating for over ten years. In that time, thousands of subpostmasters will have used it in performing many millions of successful weekly and monthly financial reconciliations between the cash they have in the office and the transactions they have handled. The Horizon system has been rigorously tested. The National Federation of Subpostmasters, which represents subpostmasters throughout the country, has expressed its full confidence in the accuracy and robustness of the system.

"All three cases that Inside Out has raised have all had their contracts terminated following the most thorough investigations by the Post Office. In two of the cases this was three years ago; in the other it was 18 months ago. They include a case where there was a subsequent guilty plea in Court to a charge of theft and three cases of false accounting, The Post Office has a duty to the tax payer to ensure that individual branches properly and fully account for the Post Office funds in their possession."

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**Specific Cases Mentioned.**

**Mr Ward - Rivenhall.**

Mr Ward was suspended in September 2008 following an audit that identified a significant shortage in his account. The shortage was investigated meticulously and this led to Mr Ward's contract for services being terminated in November 2008. Mr Ward appealed against the termination, but after the full application of Post Office Ltd's procedures for such appeals (which are agreed with the National Federation of Subpostmasters), the decision was upheld.

Post Office Ltd is fully satisfied that the Horizon accounting system merely recorded the data entered by Mr Ward and his staff. The audit revealed a shortage of funds compared to what the information entered into Horizon indicated should have been there. There is absolutely no evidence whatsoever to suggest the losses were down to "computer error."

**Mrs O'Dell - Great Staughton**

Mrs O'Dell was suspended on January 2010 following an audit that discovered certain discrepancies. The situation was investigated and Mrs O'Dell's contract was terminated after the full and proper procedures, including a right of appeal, had been undertaken. There is absolutely no evidence that the Horizon system contributed to the losses and Post Office Ltd remains fully satisfied that the system is robust and fit for purpose.

**Mr Warren - Castle Hedingham**

Mr Warren's contract with the Post Office was ended in June 2008 after a large shortage of funds was discovered at an audit. The Post Office followed all the appropriate investigative and contractual processes before ending the contract. Mr Warren pleaded guilty on 30 March 2009 to one charge of theft and three charges of false accounting. On 2nd November 2009 at Chelmsford Crown Court, Mr Warren was sentenced to nine months' imprisonment suspended for 18 months, with an unpaid work requirement of 75 hours.

We note that you state that Mr Ward and Mrs O'Dell say that they have taken their cases to Shoosmiths solicitors. We have received no information or documentation from Shoosmith's with respect to any civil claims being made with respect to these particular branches, and the Post Office believes there is no contractual (or other) basis for such claims. If we were to receive any civil legal claims in respect of these cases, the Post Office would vigorously and fully defend its position. We are fully confident in our position that the Post Office and its systems have operated properly, accurately and fully appropriately for an organisation that handles significant

amounts of public money, and that the Post Office has acted fully in accordance with our business contracts with the parties concerned.

Additional specific questions asked by Maggie Dolan on 22 November

*1. One of the case studies says that the Post Office does not allow independent scrutiny of the Horizon system. Is this the case?*

Horizon and the Post Office systems environment have always been subject to external scrutiny for both assurance and accreditation purposes. Ernst & Young carry out an annual financial systems audit; an independent auditor also carries out a yearly audit to maintain the system's Payment Card Industry (PCI) accreditation. The system and its data Centre are ISO 27001 accredited which requires an annual audit from an independent agency. Horizon is also accredited by HSBC Payment Services and WorldPay (Post Office's Merchant Acquirers) and must comply with the VocaLink standard for card payment transactions. In addition to these regular audits, ad hoc independent audits of the system are initiated by Royal Mail Group and supported by the Post Office.

*2. Have you identified any operational faults with Horizon or other systems and processes that interface with it which could be behind some of the shortfall problems sub-postmasters have had?*

No - the integrity of the Horizon system is sound.

*3. Could you give me a timescale as to when you are likely to answer the questions put to your Managing Director Paula Vennells by the Government about complaints made about the Horizon system?*

We assume you are referring to a number of Parliamentary Questions raised by Mike Weir MP to which Post Office Ltd are in the process of responding. These are not questions that have been asked by Government, they are questions asked by an MP and as they refer to an operational matter, the Government has said that Post Office Ltd will reply. This is in line with normal procedural practice.

*4. As the operational responsibility for the Horizon system rests with the Post Office, is there anything wrong with it?*

"The Post Office is fully confident that the Horizon computer system in its branches, and all the accounting processes around it, enable subpostmasters to account accurately for the transactions and balances they record. The system has been operated successfully for ten years by thousands of subpostmasters who handle millions of transactions every day. The National Federation of Subpostmasters, who represent subpostmasters, has expressed its full confidence in the accuracy and robustness of the Horizon system.

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### **General Background**

The Horizon system has been operating for over ten years. In that time over 20,000 different subpostmasters will have used it in performing many millions of successful financial reconciliations between the cash they have in the office and the transactions they have handled.

For the tiny fraction who have not been able to reconcile their cash and transactions, there are tried and tested systems of checking, auditing and following up to determine what has happened. For example, transactions might have been miskeyed (writing 100 instead of 10), a clerk might have handed out too much change, a clerk may have forgotten to take the money for the transaction, there may even have been rare instances of fraud by a customer. These checking and auditing systems resolve virtually all discrepancies satisfactorily. These discrepancies are caused by the same kind of small day-to-day mistakes and human errors that any large bank or retailer would experience.

In a extremely small number of cases after all these checks have been undertaken, there remain significant missing sums that can't be accounted for. In such cases the Post Office may take action to end the subpostmaster's contract as public money is entrusted to the Post Office and it is vital that everything is fully accounted for. If significant money is missing - either as a result of lack of sufficient competence by the subpostmaster or their staff or, in extreme and very rare cases, as a result of dishonesty -it is not appropriate for that subpostmaster to continue to operate the branch, and the Post Office will seek to appoint someone new to take over.

There have been a limited number of cases where Court Action has been taken over missing sums of public money. In some of these cases, the subpostmaster has made allegations against the Horizon system that records their transactions. The Courts have consistently upheld the Post Office position that the Horizon system is accurate and reliable. When former subpostmasters have been convicted of false accounting and/or theft, it is, of course, the Courts that have convicted, not the Post Office. In some cases, the subpostmaster pleaded guilty; in others the Post Office had to provide robust evidence to support the Crown's case. A criminal court will only convict an individual if it considers that the evidence has shown, beyond reasonable doubt, that the individual is guilty of the offences with which they have been charged.

The Post Office takes meticulous care to ensure that the Horizon computer system in branches nationwide is fully accurate. Tens of thousands of Post Office branches have used the system to reach financial reconciliations without difficulty.

- The Post Office is fully confident that the Horizon computer system in its branches, and all the accounting processes around it, are absolutely accurate and reliable.
- The Horizon system has been rigorously tested using independently-assured, robust procedures. The Horizon information security processes meet the relevant industry standards which apply to such organisations as banks and building societies.
- Subpostmasters are given fully appropriate training, typically including classroom training and further time on site under close supervision and guidance from a Post Office manager. Subpostmasters can also ring a dedicated helpline for advice.
- The Horizon system has operated successfully for over 10 years across the Post Office network, which currently stands at more than 11,500 branches.
- The National Federation of Subpostmasters, which vigorously represents the views and interests of subpostmasters around the entire country, has gone on record on a number of occasions to express its full confidence in the accuracy and robustness of the Horizon system.

- The Horizon system provides detailed records of every transaction, no matter how small or large, in any individual Post Office branch. Separate records of all key strokes in the system are stored in a tamper-proof way.
- The Post Office handles large sums of public money as well as the money entrusted to it by the 20 million people who visit our branches each week. The Post Office rightly makes every effort and takes all reasonable steps to protect the money in its care.

**Information about document "Losses and Gains Quick Guide for Crown Managers**

**There is no suggestion whatsoever in this document to support the assertion that losses are due to the Horizon system.** In fact, the document that you have identified is an internal management document covering managerial processes at the branches - Crown branches - that Post Office Ltd directly operates. The document refers to the 2007/8 year - a time when there were 405 Crown branches. These are typically very large city centre locations employing significant numbers of staff and having a high number of serving positions (typically around 10 per branch) and handling around 20% of the total business across the entire Post Office network.

The document covers the kinds of good managerial practice that any large company handling significant amounts of cash (such as the banks) would apply.

You draw attention to the stated figure of Crown Office losses in 2007/8 amounting to £2.2m.

It is important to be clear about what this figure referred to. The figure represents an end-of-year snapshot on the total cases where clerks have not reconciled the cash and stock (stock here includes value items such as stamps) against the transactions that they have undertaken. This can occur for a number of reasons. The clerk may have recorded the transaction incorrectly (saying they paid out £10 instead of £100); they may have made a mistake when dealing with the customer (giving £10 change instead of £5); they may have given out the wrong stamps (a First Class instead of a Second Class, two stamps instead of one); they may have miscounted the amounts that a customer has paid in; they may have neglected to retain the transactional supporting document; there may be examples of fraudulent activities by the customer (forged documents); a clerk may lose stamps or cash (falling behind a cupboard etc); there may be cases whereby the clerk enters all the details of the transaction, serves the customer but then forgets to take payment from the customer - in most cases the customer would point this out but there are some who

just walk off! In very rare cases there may be actual dishonest activity by a member of staff.

As a result of all the above it is quite feasible for there to be both losses and gains when the clerks' tills are reconciled. This is a situation that can and does occur in any bank or indeed is a situation any retailer which handles millions of transactions per week may experience.

The document shows the sensible managerial practice and checks that any responsible bank or retailer would employ. **None of this implies in any way that there are any issues with the Horizon system.** These kinds of gains and losses occurred when all recording was done manually before any computerised systems (there were similar managerial control systems and guides before any computerised systems). Every bank and retailer will have similar approaches.

You draw attention to a particular phrase in the document and draw attention to the words "accounting error" namely:

*Additional Notes*

*Managers may apply some discretion should a 'one-off large loss' be incurred with likely mitigating circumstances e.g. known giro error, accounting error identified etc*

This refers to situations where a large loss has been recorded but it is clear to the manager what has happened - in this case "accounting error" is shorthand for perhaps recording something wrongly (keying in £10000 instead of £1000 for example). In such cases although a large loss will have been recorded, it is known that this can be ultimately explained and corrected. All that this "additional note" in the document is saying is that the Manager has discretion in such cases with respect to applying the defined escalation processes of informal and formal interviews that ultimately can lead to possible disciplinary code activity if a clerk is making a series of mistakes. These procedures have been fully agreed at national level with the CWU and form part of the Crown Office Staffing Agreement.



**From:** [REDACTED]  
**Sent:** 06 January 2012 16:38  
**To:** [REDACTED] (ShEx)  
**Subject:** FW: [REDACTED] post office (Arbuthnot, Hampshire) and JFSA

**Attachments:** ArbuthnotMPLI\_1324373172345[1].pdf  
[REDACTED]

As discussed. The MP wrote an identical letter to Moya Greene. The draft response that is being sent up to Paula is below. We would expect to have sent out by mid week.

PROPOSED DRAFT FOR PAULA.

Dear Mr Arbuthnot

Thank you for your letter of 15 December addressed to Moya Greene, Chief Executive, Royal Mail Group Ltd about [REDACTED] Post Office<sup>o</sup>. As Managing Director of Post Office Ltd, Moya has asked me to reply to you direct.

I fully recognise how important having continued access to Post Office services is for our customers and I do understand your constituents' concerns about their local branch.

I am sure you will understand that I cannot go into specific detail about [REDACTED] position as this is a contractual matter between us. However I can confirm that [REDACTED] is not a Post Office employee but has been operating [REDACTED] Post Office on a temporary subpostmaster contract since [REDACTED]. Prior to that I understand that [REDACTED]  
[REDACTED].

Following the cessation of [REDACTED] contract, the branch closed temporarily from [REDACTED] whilst we found a replacement temporary subpostmaster to run the service. Unfortunately due to unforeseen circumstances, the branch closed again between [REDACTED] but reopened on [REDACTED], since which time there have been no further problems. I know how important the Post Office is to our customers, especially at Christmas, and I am very sorry for the inconvenience caused on this occasion.

Moving forward it remains our intention to retain Post Office services in [REDACTED] and appoint a permanent subpostmaster, which will also help us to stabilise the service for our customers. The vacancy has been advertised and our local field team will also be revisiting the area in the next few weeks to see if there are any parties interested in operating a service in [REDACTED].

Turning to your more general comments about the Horizon computer system, we handle large sums of public money, as well as the money entrusted to us by the 20 million people who visit our 11,500 branches each week. There are a small number of previous and existing subpostmasters, including [REDACTED] who used to run [REDACTED] Post Office, who allege that financial discrepancies at their branch are due to a fault with the system. We are also aware of the activities of a group called Justice For Subpostmasters Alliance, JFSA. There has been no evidence to support any of the

allegations and we have no reason to doubt the integrity of the system, which we remain confident is robust and fit for purpose.

I do hope that the above information has clarified our position but if you do have any further concerns, then please do let me know.

Yours sincerely,

[Redacted]

**Post Office Ltd**

1st Floor, 148 Old Street, London, EC1V 9HQ



[Redacted]

---

**From:** [Redacted] (ShEx) [mailto:[Redacted]]

**Sent:** 20 December 2011 09:43

**To:** [Redacted]

**Cc:** [Redacted]; [Redacted] (ShEx); [Redacted] (ShEx); [Redacted] (ShEx)

**Subject:** Odiham post office (Arbuthnot, Hampshire) and JFSA

Hi [Redacted],

Grateful for advice on the situation at Odiham, and also for the latest state of play re the Shoemiths letters before claim. It would be useful if you could share a copy of Moya's reply.

Many thanks,

[Redacted]

<<ArbuthnotMPLI\_1324373172345[1]>>

[Redacted] | Shareholder Executive | Department for Business, Innovation & Skills  
| [Redacted] | [Redacted] | [www.bis.gov.uk](http://www.bis.gov.uk) |

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SheX

From: The Rt. Hon. James Arbuthnot, M.P.



HOUSE OF COMMONS  
LONDON SW1A 0AA

15 December 2011

Edward Davey MP  
Parliamentary Under Secretary of State  
Department for Business, Innovation & Skills  
1 Victoria Street  
London SW1H 0ET

Dear Edward,

I have been contacted by a number of constituents living in [redacted] in Hampshire who are most upset at the fact that their local post office has been closed, and a long-standing employee, [redacted] has been dismissed due to 'irregularities'. I would be most grateful if you would look into these related matters as a matter of urgency.

We discussed this matter some months ago, and I am most concerned that the 'irregularities' may be a continuation of the problems that Post Office employees have been having with the software system that reconciled takings. I am aware of 34 individual employees throughout the country who feel they have been wrongly accused of fraud due to faults in this particular system, and am meeting with them in the New Year to discuss what action they plan on taking. You may recall that this case was brought to my attention in 2008, when the SubPostmistress from [redacted] in Hampshire faced the same situation. It has not been rectified, a situation which does not bring credit to the Royal Mail. I am also writing to Ms Greene at to make her aware of this.

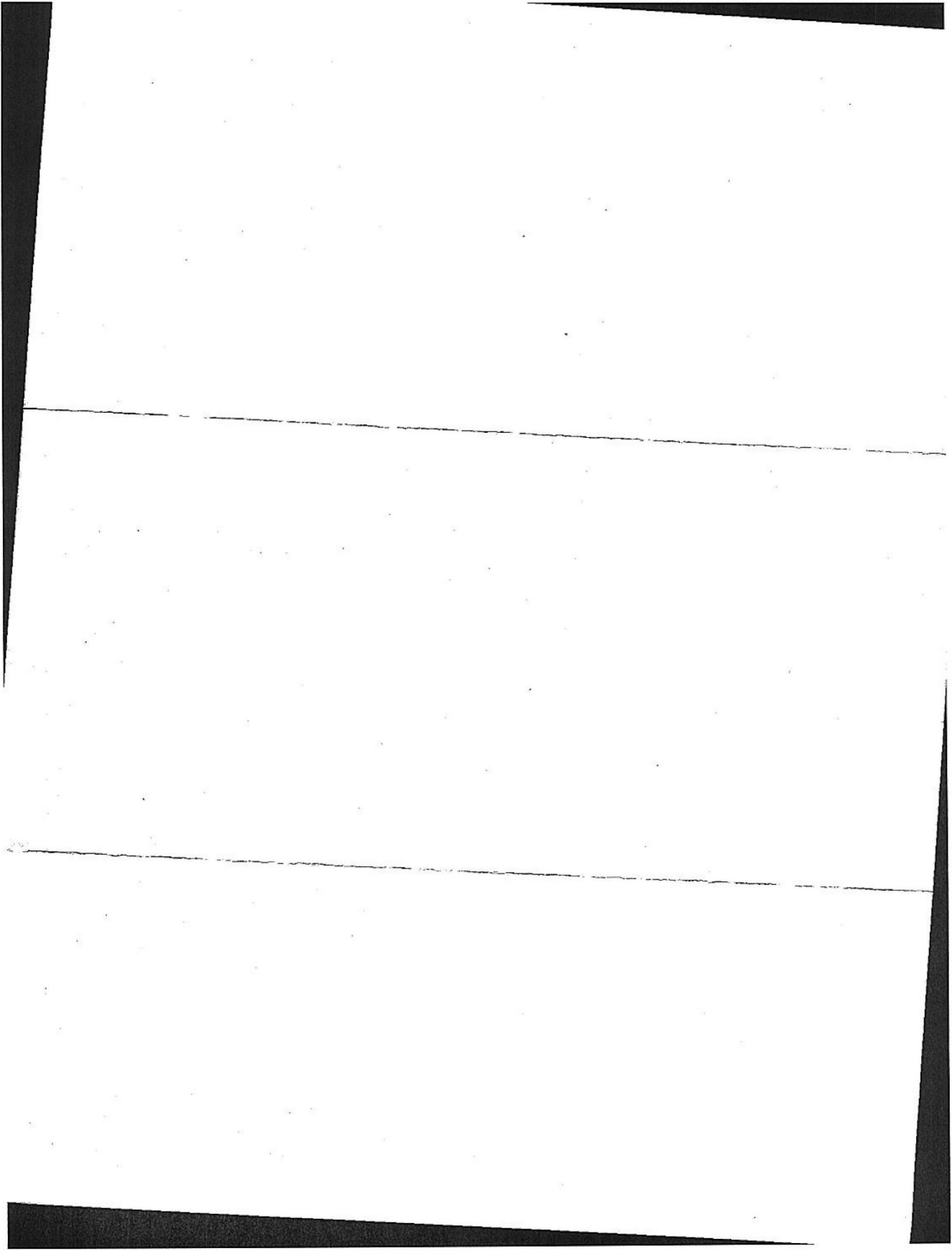
I have also asked her if she might offer some comments on the reasons why this particular Post Office, in [redacted] is now closed? Constituents quite rightly state that it is the worst possible time of year for it to close - in the run-up to Christmas. [redacted] is a hub for a number of surrounding small villages, and the Post Office there was well patronised.

I would be grateful if you could let me have your thoughts.

Yours ever

**GRO**

Telephone: [redacted] GRO Email: arbuthnot.j [redacted] GRO Website: www.jamesarbuthnot.com



**From:** Lamb MPST  
**Sent:** 14 February 2012 16:23  
**To:** [REDACTED] (ShEx)  
**Cc:** Gibson Will (ShEx); [REDACTED]  
**Subject:** FW: Ex Sub postmasters meeting  
[REDACTED],

Assume a decline - we had various conversations with ED about justice for sub postmasters. Could you please send a para of background on them as well so we can explain to NL why he should decline?

Thanks  
[REDACTED]

[REDACTED] | Department for Business, Innovation and Skills | T: [REDACTED] | M: [REDACTED]  
+ [REDACTED] [www.bis.gov.uk](http://www.bis.gov.uk)

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**From:** [REDACTED] [mailto:normanlambmp@GRO]  
**Sent:** 14 February 2012 15:21  
**To:** Lamb MPST  
**Subject:** Ex Sub postmasters meeting

<b>Name</b>
[REDACTED]
<b>Address</b>
[REDACTED]
<b>Email</b>
[REDACTED]
<b>Subject</b>
Ex Sub postmasters meeting
<b>Message</b>
Dear Mr Lamb,  Congratulations on becoming the minister for postal affairs. As such, I was wondering if you are attending the meeting in Portcullis house on the 27th of February chaired by the Rt Hon James Arbuthnot MP regarding the 100+ ex postmasters who were accused of defrauding the Post Office and who are fighting to clear their names due to the Horizon system used by the Post Office which caused the discrepancies. This

includes myself.

I ran the [REDACTED] branch between [REDACTED] and [REDACTED] before I was accused and promptly shut down. This, I suspect, was due to the fact that the Post Office wanted the office to be moved. I will not go in to too much detail as it would take too long, but I personally would appreciate you attending as I was one of your constituents and did actually vote for you and have always voted Liberal. You may also get an insight into what we are trying to achieve and all the obstacles that are preventing us from getting a fair hearing.

Thank you for your time  
Regards  
[REDACTED]

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**From:** [REDACTED]  
**Sent:** 12 March 2012 12:04  
**To:** [REDACTED] (ShEx)  
**Cc:** [REDACTED] (ShEx); [REDACTED] (ShEx); [REDACTED] (ShEx)  
**Subject:** FW: Stephen Hepburn MP

**Attachments:** 24FebSHepburn\_1330956308990[1].pdf  
[REDACTED]

POL are not aware of any specific legal action from this Subpostmaster.

The background to this case is as follows;

(Firstly just a point of clarification - [REDACTED] is the Subpostmaster and not his wife [REDACTED].)

There have been ongoing problems at the branch for some time and on 15 April [REDACTED] senior POL network managers visited the branch to discuss the situation with [REDACTED], her husband being unwell and unable to attend. During this discussion various aspects of performance were discussed and proposals put to [REDACTED] to tighten up controls to try and identify where losses were occurring. This included setting up stock units for the ATM [that had been recommended the year before but not actioned] and Bureau de Change, and giving advice on how to conduct spot checks. [REDACTED] was reluctant at the time to set up individual stocks as she stated she trusted her staff and subsequently did not introduce these at this time □ a separate ATM stock was set up.

An audit was conducted at the branch on 12 October [REDACTED] and it was noted that the Sub Postmaster was unable to run this Branch at present due to [REDACTED] GRO. In his absence it has been managed by his wife ([REDACTED]) with a lot of assistance from the staff. Since the 9th August [REDACTED] it has been managed by [REDACTED] due to [REDACTED] being unable to return to work full time following [REDACTED] GRO whilst she was on holiday.

The audit revealed a significant shortage at the branch that had not been declared. [REDACTED] has admitted to falsifying the accounts when doing the daily/weekly cash declarations. [REDACTED] could offer no explanation for the shortages other than to blame the Horizon system. From the Cash Declaration Summary printed off from Horizon another member of staff, [REDACTED] had also been falsifying the figures when declaring the cash on hand.

[REDACTED] contract for services was suspended and [REDACTED] was interviewed on 2 November following that audit.

It was clear at the interview on 2 November with [REDACTED] [who attended in place of her husband] that she was deeply

distressed at the current situation at [REDACTED] and that she was not aware of the actions taken by [REDACTED] or her daughter [REDACTED]. It was also clear however that she had not introduced all of the control measures detailed in an earlier letter from POL dated 4 May 2011.

The options open to POL in this case were summary contract termination, 3 months contract notice or reinstatement.

POL took the view that neither [REDACTED] were aware of or involved in the falsification of the accounts or in the creation of the loss identified at the audit. Whilst it was disappointing that the accounting controls at the branch had not been introduced POL decided to reinstate [REDACTED] on a final written direction on the understanding that the 2 staff involved in falsifying figures are no longer employed at the branch and that individual balancing is introduced immediately. Mrs Riddell also stated that she would be employing a manager to help run the branch.

It is noted that [REDACTED] had encountered losses over a long period of time that would have encompassed 2 versions of Horizon but since the reinstatement of Mr Riddell on 18 November [ ] under the conditions set [ ] and the removal of the staff who falsified the records [ ] there have been no settled centrally losses recorded.

Hope this helps.

[REDACTED]  
Government Affairs  
Royal Mail Group  
100 Victoria Embankment  
London  
EC4Y 0HQ  
[REDACTED]

---

**From:** [REDACTED] (ShEx) [mailto:[REDACTED]]  
**Sent:** 05 March 2012 15:08  
**To:** [REDACTED]; [REDACTED]  
**Cc:** [REDACTED] (ShEx)  
**Subject:** Stephen Hepburn MP

<<24FebSHepburn\_1330956308990[1].pdf>>

Martin/Mike

Grateful for background and advice on this case. The letter refers to [REDACTED] (and others) taking legal action against POL for 'breach of contract'. Is she linked to any of the Shoosmith cases directly or is there a 'class action' case kicking around?

Regards

[REDACTED]

[REDACTED]

Department for Business, Innovation and Skills  
Shareholder Executive  
Royal Mail and Postal Services  
1 Victoria Street  
London SW1H 0ET

[REDACTED]

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min B sh



HOUSE OF COMMONS  
LONDON SW1A 0AA

from  
**STEPHEN HEPBURN, M.P., JARROW CONSTITUENCY**

Constituency Office Address:  
141 Tedco Business Centre  
Viking Industrial Estate  
Jarrow, Tyne & Wear NE32 3DT  
Tel: **GRO**  
Fax: **GRO**  
E-mail: hepburn@jarrow.gro

24<sup>th</sup> February 2012  
Our ref [REDACTED]



Edward Davey MP  
Parliamentary Under-Secretary of State  
Department for Business, Innovation and Skills  
1 Victoria Street  
London  
SW1H 0ET

Dear Minister

I have been contacted by [REDACTED] of [REDACTED] is a sub-postmaster and runs [REDACTED] acting as an agent on behalf of Post Office Ltd. She informs me that she would like to raise concerns of the difficulties faced by sub-postmasters such as the use of the computerised accounting and electronic system called Horizon. [REDACTED] informs me that the system is difficult to use and over time she found discrepancies in her accounts that she was unable to explain. [REDACTED] has informed me that she suffered significant financial loss due to the losses incurred using this system and was subsequently suspended from her contract with Post Office Limited. [REDACTED] strongly maintains that it is not possible, when using the Horizon system, to establish the reason for any discrepancy and believes the system maybe to blame for the discrepancies that have occurred. I am informed by [REDACTED] that although she has since been reinstated by Post Office Limited she has had to dismiss two staff members, both of whom are close trusted family members. This situation has caused a great deal of distress to [REDACTED] and her family and [REDACTED] informs me that she and other sub-postmasters are pursuing legal action against Post Office Limited for breach of contract. Therefore, I would be grateful if you could look into [REDACTED] concerns and let me know your comments.

Yours sincerely

**GRO**

Stephen Hepburn MP



**From:** [REDACTED]  
**Sent:** 26 March 2012 15:32  
**To:** [REDACTED] (ShEx)  
**Cc:** [REDACTED]; [REDACTED] (ShEx)  
**Subject:** FW: Ashok Sharma MP

**Attachments:** Lynx-AlokSharmaMPLI\_1331553272771[1].pdf

The background and current position on this case is as follows;

- The correspondent's brother [REDACTED] was the Subpostmaster at [REDACTED].
- [REDACTED] contract was terminated (back in September [REDACTED]) following an audit identifying financial losses at this branch. [REDACTED] subsequently pleaded guilty to two counts of false accounting contrary to Section 4 of the Fraud Act 2006 and a confiscation order was made against him pursuant to the Proceeds of Crime Act 2002.
- [REDACTED] has since claimed that the Horizon system was the reason for the shortage and Post Office Ltd has received a letter before claim from [REDACTED] (who are instructed on his behalf) alleging wrongful termination of contract based on (a) alleged failings in Post Office Ltd's internal processes and (b) the Horizon electronic point of sale system used in branch. [REDACTED] claims damages in the sum of circa £150,000.
- Post Office Ltd has sent a robust response to the claim strongly denying liability. The last correspondence on this matter was sent mid-December 2011. Post Office Ltd is not aware of any substantive steps having been taken in order to progress this matter since that date. Beyond this it would be inappropriate for Post Office Ltd to comment further on this matter.

[REDACTED] I understand that this is one of the five claims previously notified to BIS by POL)

Hope that helps

[REDACTED]  
Government Affairs  
Royal Mail Group  
100 Victoria Embankment  
London  
EC4Y 0HQ

---

**From:** [REDACTED] (ShEx) [mailto:[REDACTED]]  
**Sent:** 12 March 2012 12:05  
**To:** [REDACTED]; [REDACTED]  
**Cc:** [REDACTED] (ShEx)  
**Subject:** Ashok Sharma MP

<<Lynx-AlokSharmaMPLI\_1331553272771[1].pdf>>

[REDACTED]

Another JFSA related case which appears to have been triggered by the recent James Arbuthnot sponsored meeting. Helpful for background only to know the outline of the [REDACTED] case.

Regards

[REDACTED]

[REDACTED]

Department for Business, Innovation and Skills  
Shareholder Executive  
Royal Mail and Postal Services  
1 Victoria Street  
London SW1H 0ET  
[REDACTED]

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SheX

Alok Sharma, MP for Reading West



HOUSE OF COMMONS

LONDON SW1A 0AA

Norman Lamb MP  
Parliamentary Under Secretary of State  
Department for Business, Innovation & Skills  
1 Victoria Street  
London  
SW1H 0ET

08 March 2012  
Our ref: [REDACTED]

Dear Norman,

Please find enclosed two emails I have received from [REDACTED] of [REDACTED] who is a constituent of mine, with regards to an issue with Post Office computer systems used by sub-post-masters.

As you will see, [REDACTED] has raised concerns about an alleged glitch in the Post Office computer system, which has led to sub-post-masters being accused of false accounting. I would therefore be grateful if you could investigate [REDACTED] concerns and provide me with your comments, in a form that I can relay to my constituent.

Thank you for your attention to this matter.

Best wishes,

Alok Sharma MP

GRO

Please reply to: Alok Sharma MP, House of Commons, London, SW1A 0AA  
e: alok.sharma.mp@parliament.uk GRO w: www.aloksharma.co.uk Tel: 020 7233 0000 GRO

[REDACTED]

---

**From:** [REDACTED]  
**Sent:** 01 March 2012 14:51  
**To:** SHARMA, Alok  
**Subject:** POST OFFICE -ALLEGED DISCREPANCIES

**Follow Up Flag:** Follow up  
**Flag Status:** Flagged

I wrote to you some time ago with regard to my brother who was caught up in dispute with regard to his sub-post office in [REDACTED], nr. Birmingham [discrepancy £27,000]-

He lost his job , the post office , his health and almost his whole reason for life .

As you may know many of the sub postmasters affected by the computer "glitch" ?? have taken legal action against Post Office .

My brother and many others , together with legal representatives and quite a few M.P.'s had a meeting in London last week on the 27th Feb in London -I don't if this meeting was called an adjournment debate ???

~~I know you can't do anything specifically as my brother is not in your constituency - BUT I AM ASKING YOU TO TAKE AN INTEREST IN WHAT IS GOING ON~~

[REDACTED]

---

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[REDACTED]

---

**From:** [REDACTED]  
**Sent:** 07 February 2011 20:42  
**To:** SHARMA, Alok  
**Cc:** [REDACTED]  
**Subject:** Alleged Post Office discrepancies[sub Post Offices]

**Follow Up Flag:** Follow up  
**Flag Status:** Flagged

I am writing to you as a follow up to the programme on B.B.C. this evening " Inside Out." in which the question of alleged errors made by sub postmasters was brought into the public domain -all brought about by alleged glitches in the computerized system .

My brother [REDACTED] honestly ran a sub post office in [REDACTED]; fell foul of this system to the extent of £29,000 to which he had to plead guilty to false accounting .He has been suspended and has been ~~through pure hell for the last 4/5 years with many court appearances, his health has suffered and I and other~~ members of the family have been trying to help him emotionally and financial over this period of time .[ He still owes about £19000]

Luckily the aggrieved sub postmasters have now got together -to the extent of several hundreds - and some ,my brother being one have started instituting legal actions against the Post Office . Their lawyers Shoosmiths & Harrison are acting for them on a no win no fee basis so it looks like someone is beginning to believe an injustice is being done . At no time have Post Office admitted there could be an error on their system .As it says on T.V. "LITTLE BRITAIN - COMPUTER SAYS NO !"

I am asking you as my M.P. to take a personal interest in this situation , as it could well be that there are some Honest people in OUR constituency who are being affected by this wholly unreasonable and heavy handed action being taken by the Post Office.

[REDACTED]



**From:** Whitehead Mike (ShEx)  
**Sent:** 18 June 2012 12:35  
**To:** [REDACTED]  
**Cc:** Gibson Will (ShEx); [REDACTED] (ShEx)

[REDACTED]

Norman Lamb is meeting Alan Bates JFSA + Issy Hogg on 27 June. Follow up to JFSA meeting request a couple of months back. Suspect the timing is not altogether a coincidence.

Regards

[REDACTED]

[REDACTED]  
Department for Business, Innovation and Skills  
Shareholder Executive  
Royal Mail and Postal Services  
1 Victoria Street  
London SW1H 0ET  
[REDACTED]



**From:** [REDACTED] (ShEx)

**Sent:** 21 June 2012 17:33

**To:** [REDACTED]

**Subject:** Emailing: MPs raise concerns over post office payment system - Channel 4 News.htm

**Attachments:** MPs raise concerns over post office payment system - Channel 4 News.htm

Referred to in my voicemail message

[REDACTED]



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## Channel 4 News

THURSDAY 21 June 2012

### MPs raise concerns over post office payment system

Thursday 21 June 2012

MPs meet with Post Office officials to raise subpostmasters' concerns over a payment system that they say has caused inaccuracies for which staff are charged and held legally accountable.



A group of MPs led by the Conservative James Arbuthnot presented a number of cases where subpostmasters have been charged with theft and held responsible for false accounting that they say are the fault of the system they use.

The Horizon system was introduced in 2000 and is used to process Royal Mail services by those running a post-office within a shop. But since its introduction, subpostmasters have complained that the system consistently records errors in accounting which they are unable to correct, and that they are held liable for the subsequent recorded losses.

One subpostmaster was charged with theft and told

to pay back £36,000, despite calling the system's support services when she realised that errors were being processed.

At first they took money out of her wages to make up the difference in the accounting errors, and then took her to court after an auditing visit.

"I remortgaged my house, borrowed and was generously given enough money to repay the post office in full in order to get them to drop the theft charge," she said. "I had to plead guilty to 14 counts of false accounting in (the) Crown Court and only escaped prison because over 70 people turned up to support me."

MPs are calling for disputed cases to be examined individually through a robust, transparent process. One of the problems raised by the campaign group, Justice for Subpostmasters Alliance, is that subpostmasters' appeals against theft are dealt with solely by the Post Office, with no independent arbitrator.

"It is in the interests of everyone involved - constituents, their MPs, and Post Office Ltd - to get this matter resolved," said James Arbuthnot MP, who said he was positive about the meeting's outcome.

Paula Vennells, Post Office Limited's chief executive said: "The Post Office continues to have absolute confidence in the robustness and integrity of its branch accounting processes. We have no hesitation in agreeing to an external review of these few individual cases that have been raised with us by Mr Arbuthnot and some of his fellow MPs."

Alan Bates from the Justice for Subpostmasters Alliance welcomed that the issue was being raised, "but unfortunately it only seems to be concentrating on one particular area," he told Channel 4 News. "They're purely looking at false accounting - it is only one part of what's wrong with Horizon."

He lists issues to do with a lack of training, lack of access to the system, subpostmasters' liability for losses and the failure of the system to produce an audit trail.



**From:** [REDACTED] (ShEx)  
**Sent:** 22 June 2012 10:33  
**To:** [REDACTED]  
**Cc:** Gibson Will (ShEx)  
**Subject:** POL Horizon

**Attachments:** H21099\_217959518.pdf

[REDACTED]

The only national daily pick up today I understand.

Regards

[REDACTED]

[REDACTED]  
Department for Business, Innovation and Skills  
Shareholder Executive  
Royal Mail and Postal Services  
1 Victoria Street  
London SW1H 0ET  
[REDACTED]



Source: The Daily Telegraph (Main)  
 Edition:  
 Country: UK  
 Date: Friday 22, June 2012  
 Page: 4  
 Area: 119 sq. cm  
 Circulation: ABC 575132 Daily  
 BRAD info: page rate £46,000.00, scc rate £214.00  
 Phone: GRO  
 Keyword: POST OFFICE

## Post workers win a review of theft cases

By James Hall, Consumer Affairs Editor

A GROUP of sub-postmasters who claim they were wrongly accused of theft and fraud have forced the Post Office to review their cases.

The 10 were accused of false accounting by the postal service after money went missing.

They lost their contracts and some went to prison.

The sub-postmasters always claimed that deficiencies in the computer system used in Post Office branches were to blame for money going missing.

They are part of a wider group of about 100 sub-postmasters who are considering suing Post Office Ltd over alleged problems with its computer system, which is called Horizon.

Following a meeting between the Post Office management and MPs on Monday, the Post Office has appointed external investigators to examine allegations of deficiencies in the computer system relating to the 10 cases.

The firm of forensic accountants, called 2nd Sight Limited, will re-examine the 10 cases to see whether the Horizon system could be to blame for the accounting irregularities.

A Post Office spokesman said it “continues to have absolute confidence in the robustness and integrity” of its branch accounting processes.

“Over the past 10 years, many millions of branch reconciliations have been carried out with transactions and balances accurately recorded by 25,000 different sub-postmasters.

“The Post Office had no hesitation in agreeing to an external review of these few individual cases that have been raised with us by a number of MPs,” the spokesman said.

Andrew Bridgen, a Conservative MP who has an accused sub-postmaster in his North West Leicestershire constituency, said the investigators should have been appointed independently.

Mr Bridgen said: “I would far rather they be appointed by another body.

“I would prefer it if they were paid by the Cabinet Office.

“It is important that this whole review should be beyond reproach and conducted at arm’s length from the Post Office.”





**From:** [REDACTED]  
**Sent:** 26 July 2012 15:35  
**To:** [REDACTED] (ShEx)  
**Cc:** [REDACTED] (ShEx); [REDACTED]  
**Subject:** FW: Albert Owen - JFSA

**Attachments:**

IncomingletterfromAlbertOwenMPtoNL\_1342445030946[1].pdf; Newspaper  
Article [REDACTED].doc

We have very little information to hand on the case regarding [REDACTED] as it is so long ago. It appears that [REDACTED] was suspended in [REDACTED] following an audit [REDACTED] we have found a press article at the time that mentions the case [REDACTED]. It appears that the branch remained closed until [REDACTED] when it re-opened operated by a temporary subpostmaster.

Unfortunately we don't have any other information on this electronically as it appears that those records started after this case.

I could ask for a search to be carried out for any manual archived files but this would not meet your timescales and it may be that any files have been destroyed over this period of time.

On the position of the review that is mentioned in the MP's letter the situation is that it will be an independent review and the specific cases and the timescale for the review are still to be determined at this stage.

For info, the reactive position from POL at the time of the review being agreed was as follows; i

Post Office spokesman said: "The Post Office continues to have absolute confidence in the robustness and integrity of its branch accounting processes. Over the past ten years, many millions of branch reconciliations have been carried out with transactions and balances accurately recorded by more than 25,000 different subpostmasters. The Post Office has no hesitation in agreeing to an external review of these few individual cases that have been raised with us by a number of MPs."

This affects a very small number of individual cases and to put this into context, over the past ten years, many millions of branch reconciliations have been carried out with transactions and balances accurately recorded by more than 25,000 different subpostmasters. The Post Office continues to have absolute confidence in the robustness and integrity of its branch accounting processes. We are not independently reviewing our systems. We have agreed with MPs to commission an external review of a small number of individual cases and report back on these. We already have processes in place to ensure that systems and processes are fully audited and are robust.

Hope that helps

Regards

[REDACTED]  
Stakeholder Relations  
Post Office Ltd  
148 Old Street  
London  
EC1V 9HQ  
[REDACTED]

---

**From:** [REDACTED] (ShEx) [mailto:[REDACTED]]  
**Sent:** 25 July 2012 17:09  
**To:** [REDACTED]  
**Cc:** [REDACTED]; [REDACTED] (ShEx); [REDACTED] (ShEx)  
**Subject:** RE: Albert Owen - JFSA

Hi [REDACTED],

I'm afraid I'm chasing on another letter today. Our response to Albert Owen is due by the end of the week, I would be grateful for your advice by close of play tomorrow.

Kind regards

[REDACTED]

[REDACTED] | Shareholder Executive | Department for Business, Innovation & Skills  
[REDACTED] | [REDACTED] | [www.bis.gov.uk](http://www.bis.gov.uk) |

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---

**From:** [REDACTED] (ShEx)  
**Sent:** 16 July 2012 17:13  
**To:** [REDACTED]  
**Cc:** [REDACTED]; [REDACTED] (ShEx); [REDACTED] (ShEx)  
**Subject:** Albert Owen - JFSA

Dear [REDACTED]

Grateful for advice relating to any history of accounting irregularities at what I assume is [REDACTED] Post Office (?) and more widely about recent progress regarding the forensic review of cases (i.e. how many, and when the review will be completed).

Many thanks

[REDACTED]

<<IncomingletterfromAlbertOwenMPtoNL\_1342445030946[1]>>

[REDACTED] | Shareholder Executive | Department for Business, Innovation & Skills | [REDACTED] | [REDACTED] | [www.bis.gov.uk](http://www.bis.gov.uk) |

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HOUSE OF COMMONS  
LONDON SW1A 0AA

Shea

Ein cyf/Our ref: [REDACTED]

12 July 2012

Norman Lamb MP  
Under Secretary of State  
Employment Relations, Consumer and Postal Affairs  
1 Victoria Street  
LONDON  
SW1H 0ET



Dear Norman

I have recently met with my constituent [REDACTED] of [REDACTED] to receive his briefing of the concern that exists over the integrity of the Post Office's Horizon system and the proposed independent review.

[REDACTED] advises me that like himself many sub-postmasters regard themselves as victims of the unreliability and inaccuracy of the Post Office Horizon system and have paid a considerable price. I note that the number of individuals involved is not insignificant and there exists a strong consensus that the failings of the Horizon system have been known for a long time.

It is only reasonable that I should be concerned for the wellbeing of any constituent that may have fallen foul of a system that may be flawed and I am encouraged by the news that there is to be an independent review of Horizon.

I would value your advice on this matter and respectfully request that I be kept up to date on developments and receive your report on the outcome of the review.

I thank you in anticipation of your assistance.

Yours sincerely

**GRO**

Albert Owen MP/AS  
Ynys Môn

Norman - Good to see you last Wed @ BIS.

Swyddfa'r Etholaeth, Tŷ Cledwyn House, 18 Stryd Thomas Street, Caerdybi, Ynys Môn, LL65 1RR  
Constituency Office, Tŷ Cledwyn House, 18 Thomas Street, Holyhead, Isle of Anglesey, LL65 1RR  
Ffôn/Phone: GRO Ffacs/Fax: GRO



**From:** [REDACTED]  
**Sent:** 27 July 2012 12:13  
**To:** [REDACTED] (ShEx)  
**Cc:** [REDACTED] (ShEx)  
**Subject:** FW: [REDACTED] (ex SPM - Horizon review)

**Attachments:** [REDACTED] 9Jun2012\_1342546171490[1].pdf

The background on this case is that [REDACTED] was suspended in July [REDACTED] following an audit, which [REDACTED] indicates in his email, revealed a shortage of around £9000.

[REDACTED] was already paying back significant losses.

[REDACTED] was due to attend an interview with POL on 17/10/[REDACTED] but he resigned in a letter dated 08/10/[REDACTED] and his resignation was accepted with effect from 22/07/[REDACTED].

Post Office received official notification of [REDACTED] bankruptcy in July [REDACTED]. The case was kept open until January this year to see if any monies would be forthcoming from the receiver, but none were received.

The general position on the review is the same as for the Albert Owen case that I sent across yesterday and set out here for ease of reference [REDACTED]

The situation is that it will be an independent review and the specific cases and the timescale for the review are still to be determined at this stage.

For info, the reactive position from POL at the time of the review being agreed was as follows; i

Post Office spokesman said: [REDACTED]The Post Office continues to have absolute confidence in the robustness and integrity of its branch accounting processes. Over the past ten years, many millions of branch reconciliations have been carried out with transactions and balances accurately recorded by more than 25,000 different subpostmasters. The Post Office has no hesitation in agreeing to an external review of these few individual cases that have been raised with us by a number of MPs.[REDACTED]

This affects a very small number of individual cases and to put this into context, over the past ten years, many millions of branch reconciliations have been carried out with transactions and balances accurately recorded by more than 25,000 different subpostmasters. The Post Office continues to have absolute confidence in the robustness and integrity of its branch accounting processes. We are not independently reviewing our systems. We have agreed with MPs to commission an external review of a small number of individual cases and report back on these. We already have processes in place to ensure that systems and processes are fully audited and are robust.

Also, I think that [REDACTED] has had a conversation with [REDACTED] on this.

On your question [REDACTED]

Hope this helps

Many thanks

[REDACTED]  
Stakeholder Relations  
Post Office Ltd  
148 Old Street  
London  
EC1V 9HQ

---

**From:** [REDACTED] (ShEx) [mailto:[REDACTED]]  
**Sent:** 18 July 2012 09:07  
**To:** [REDACTED]  
**Cc:** [REDACTED] (ShEx); [REDACTED] (ShEx)  
**Subject:** [REDACTED] (ex SPM - Horizon review)

Dear [REDACTED]

Please see attached another letter from an ex-SPM regarding the forensic review. I suspect that we may see a great number more letters from ex SPMs over the coming months.

I would be grateful for the POL version of events regarding [REDACTED] tenure as SPM at [REDACTED], and particularly regarding the transition of services from SPO to the [REDACTED].

As well as the details of the forensic review that I requested earlier in the week (in relation to the Albert Owen correspondence), it would be helpful to know [REDACTED]

[REDACTED]

Many thanks

[REDACTED]

<<[REDACTED]9Jun2012\_1342546171490[1]>>

[REDACTED] | Shareholder Executive | Department for Business, Innovation & Skills  
| [REDACTED] | [REDACTED] | [www.bis.gov.uk](http://www.bis.gov.uk) |

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8 June 2012

To

ShEx

RECEIVED  
10 JUL 2012



Dear Mr Lamb,

First of all, thank you for taking the time to read this. As you are now aware, there are several ex-postmasters trying to get justice for the appalling way they have been treated by the Post office.

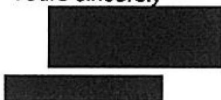
I ran the Post office in [redacted] from 2006 - 2008 and even voted for you. As you know, it is now in the local [redacted] I was treated in much the same way as the other ex subpostmasters but with a twist. This, I won't go into in this letter, as I have another problem concerning the upcoming inquiry and you probably don't have much time.

My problem is that, I do not really have an MP to attend the meeting with me, as I am here near [redacted] and will soon be moving back to [redacted] near [redacted] on the 25th of this month. I know that you would probably not be able to represent me at a meeting. Would you be able to advise me what course of action to take as I do not know when you intend to start the inquiry. I believe my new MP will be Matthew Hancock.

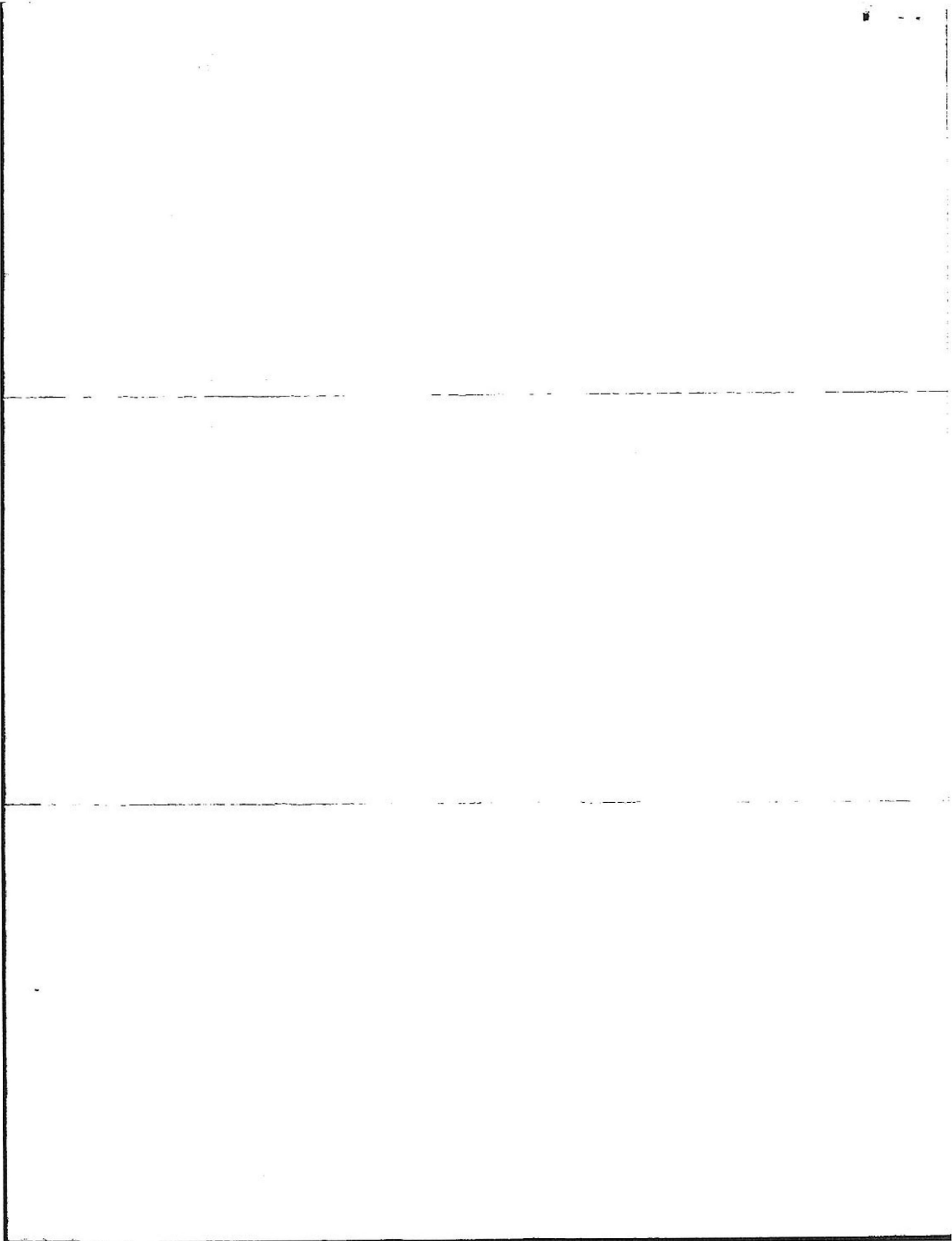
I thought you would also like to know what happened to myself, so I have enclosed a (very) brief account of what happened at [redacted]. The twist is the second paragraph. If you would like a more detailed insight into what happened, I would be pleased to meet with you. But I do understand that you cannot (probably) be involved.

Once again, thank you for your time

Yours sincerely



Received in  
Central Drafting Unit  
17 JUL 2012



Bought Post office in Jun 2006

5 days training at [REDACTED]

3 different trainers ( all giving different advice )

Computers only 128k processor. Always breaking.

Keypads often not working.

After remittance( stamp or money deliveries), we would be that amount down, most of the time would not gain that amount back.

Post office only interested in sales of products to customers.

Asked for help several times, got none.

On one occasion, after a shortfall of £2000 I rang helpline and after doing what they told me it doubled to £4000, I was told it would sort itself out and the phone was put down on me. This happened on several occasions with different amounts.

Sold car to help pay shortfalls that showed on system week after week.

Paid back £15,000+ due to shortages over 2 years. Plus £9000 down at audit.

Jan 2008 took part time work.

May 2008, received phone call from [REDACTED] with offer to buy office.

Jun 2008, audit team found loss. Suspended from office.

[REDACTED] made firm offer to buy office, accepted and resigned ( 3months notice)

Resigned after being advised "It would be for the best" Still offered no help.

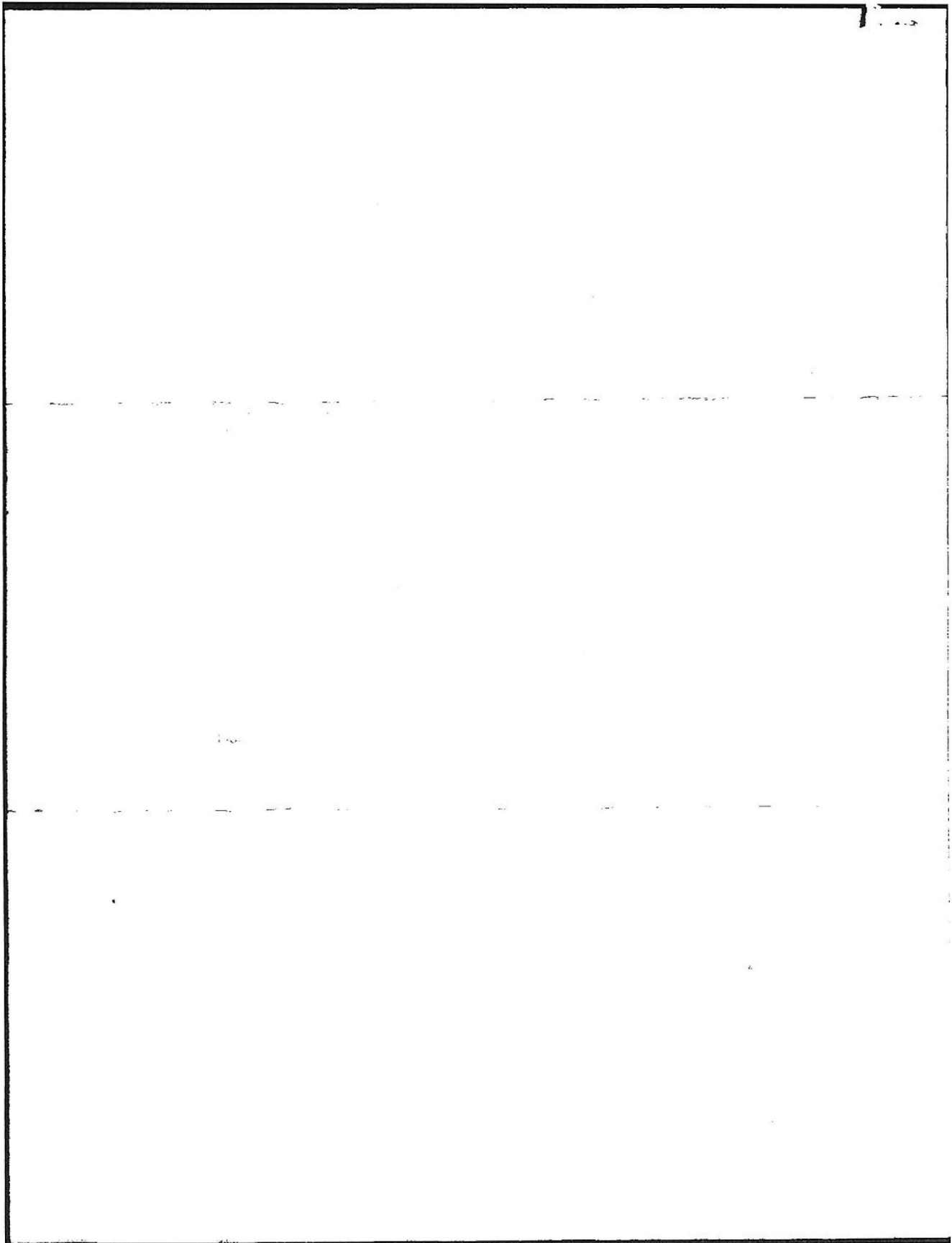
Despite finding £9000 missing at audit, I was not prosecuted !!

[REDACTED] would not reply or meet.

Office counters observed in [REDACTED] while I was still running office.

Ater 3 month notice period Post office took over sale and sold to [REDACTED].

May 2009 went bankrupt. Judge could see what had happened and wished me the best of luck. He said it was VERY obvious what had happened.



**From:** [REDACTED] (ShEx)  
**Sent:** 31 August 2012 12:51  
**To:** [REDACTED]; [REDACTED]  
**Cc:** [REDACTED] (ShEx); Gibson Will (ShEx)

**Attachments:** [REDACTED]solicitors 23Aug2012.pdf

[REDACTED]

Grateful for background/advice on this case. In particular we need to consider whether we advise them to contact James Arbuthnot/Second Sight or whether their clients should refer the issue to their constituency MP who in turn would need to liaise with James Arbuthnot. The other approach to consider is whether we note that a sample of cases are being reviewed by forensic accountants and decisions on further cases being referred will be made in the light of the outcome of the reviews which are in progress?

I think we need to think carefully now about first phase process as regards case numbers for review , post review outcome scenarios and next steps in handling as I suspect that the numbers of approaches such as this or from MPs will continue to drift in over coming weeks.

Regards

[REDACTED]

[REDACTED]  
Department for Business, Innovation and Skills  
Shareholder Executive  
Royal Mail and Postal Services  
1 Victoria Street  
London SW1H 0ET  
[REDACTED]



*TO bespoke*  
*Shex*  
*horizon*  
*system*

[Redacted]  
Solicitors

Our Ref: [Redacted]

United Kingdom

23<sup>rd</sup> August 2012

T+44 [Redacted]

F+44 [Redacted]

Mr Norman Lamb MP  
Minister for Employment Relations,  
Consumer and Postal Affairs  
Department for Business, Innovation  
And Skills  
1 Victoria Street  
LONDON  
SW1H 0ET.

DX [Redacted]

Received by  
Control (reading) Unit  
31 AUG 2012

Dear Sir,

RE: **OUR CLIENT** [Redacted]  
**OF** [Redacted]

We refer to our above named client.

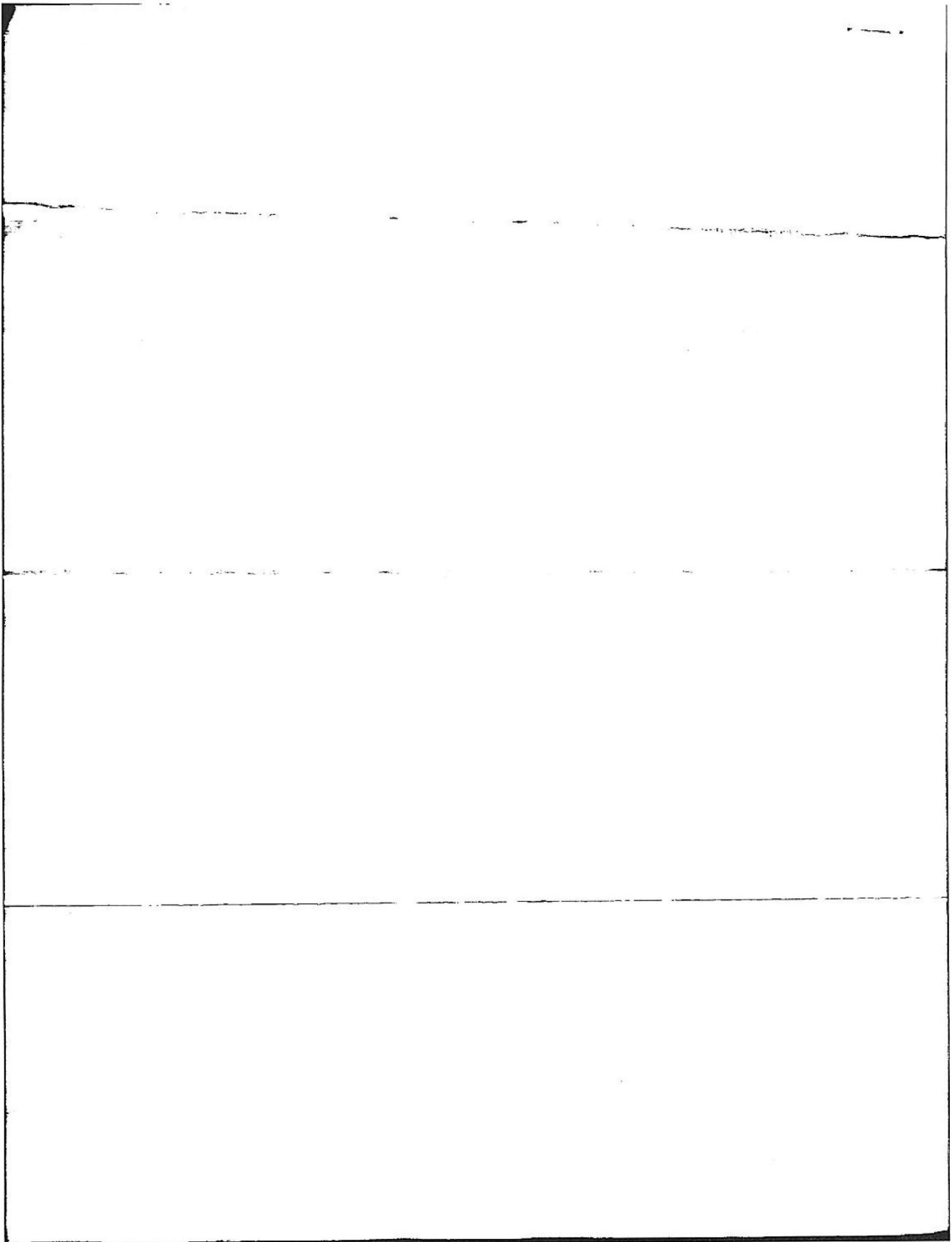
Our client is currently subject to ongoing Proceedings before Liverpool Crown Court in relation to an allegation of false accounting arising from her previous employment with the Post Office Limited. During the course of our client's employment she was required to utilize Horizon, the Post Office Ltd's computer system. Our client has instructed us that as soon as the Horizon system was installed, apparent cash shortfalls arose. Initially our client and her colleague, [Redacted] who is also co-accused in this matter, covered these alleged shortfalls in cash from their own funds. However, after a certain period of time our client and [Redacted] were unable to afford to do this and were therefore compelled to attempt to conceal the shortfalls of cash. They did this by means of temporarily delaying the entering of cash deposits on the Horizon system. Our client asserts that any cash received was immediately placed into the Post Office till and at no time was a loss caused to any individual or company concerned. Our client maintains that she did not steal any money from Post Office Ltd and that the apparent shortfalls appeared as a result of an error on the Horizon computer system.

We have been informed that a number of MP's have been consulted by other employees of Post Office Limited who appear to have also been wrongly accused of offences of theft, fraud and false accounting. We understand that accordingly said MP's are now actively involved in calling for a formal

[Redacted]

Regulated by the Solicitors Regulation Authority  
Organisation's SRA No [Redacted]





investigation into the issues surrounding the Horizon System and have contacted you requesting your assistance with same.

- In these circumstances we would be obliged if you would be so kind as to confirm what progress, if any, has been made to date in respect of the investigation into the Horizon System and whether there are any other Authorities that we may contact to assist us in actively pursuing our client's defence.

We thank you in anticipation of your co-operation in this matter and we look forward to hearing from you.

Yours faithfully

**GRO**





**From:** [REDACTED]  
**Sent:** 05 September 2012 15:47  
**To:** [REDACTED] (ShEx)  
**Cc:** [REDACTED] (ShEx)  
**Subject:** FW: John Pugh MP

**Attachments:** DrJohnPughMP\_1345732316212[1].pdf  
[REDACTED]

There are a couple of pieces of information that I have gathered that may help clarify the Post Office position on the points that you have raised.

Firstly the question of the document showing the amount of Crown Office losses was the subject of an FOI request in March 2011 and the Post Office response on this aspect is set out below

#### **FOI Request**

**Referring to my previous response ref: PDJN-8EELZ9 and the following requests] Are you aware of a document, produced by the Post Office, entitled 'Losses and Gains Quick Guide for Crown Managers'? It states in section 1 paragraph 1 that 'actual Crown Office losses in 2007/2008 amounted to £2.2M.**

You have asked me to revisit my response to your points 3 and 4 in the light of this information. These points are set out below for ease of reference:

First, please note that the document which you refer to was circulated to Post Office® Crown Office staff only, and is clearly confidential. Post Office Limited has not consented to any disclosure of this document to, or any use by, any third parties such as yourself. If you are currently in possession of a copy of this document please destroy it and do not refer to its contents in any communications with third parties.

**3. Please confirm whether or not Crown Post Offices made losses of £2.2m in 2007/2008.**

Post Office Limited does hold this information. However, this information is exempt from disclosure pursuant to section 43(2) of the Act (Prejudice to Commercial Interests).

#### **Commercial Interests**

Post Office Limited believes that disclosure of information about losses reported for the Crown Office Network would be likely to prejudice the commercial interests of Post Office Limited. Post Office Limited competes with a large number of organisations who provide banking, bill payment, money transfer and other services. Disclosure of the information would be likely to damage customer confidence, and be exploited by Post Office Limited's competitors, who could use the information to undermine the services provided in the Crown Office network and seek to persuade customers to switch to their services. This would lead to a reduction in the revenues earned by Post Office Limited, which clearly would prejudice its commercial interests.

#### **Public Interest**

Section 43(2) is a qualified exemption and therefore the public interest test must be applied. This involves weighing the balance of public interest in maintaining the exemption or releasing the information. Post Office Limited understands that there is public interest in promoting the transparency and understanding of matters which affect the public. However, there is also public interest in allowing the normal course of commercial activity to take place. On balance in our view, the greater public interest lies with maintaining the exemption.

---

More recently there was correspondence from another MP regarding Horizon and Crown office losses [redacted] and relevant extracts from the response are set out below

The Post Office takes very seriously any perception that there is an issue with the accuracy of the Horizon system. Over the past ten years, many millions of branch reconciliations have been carried out by 25,000 subpostmasters and their staff in Post Office branches with transactions and balances accurately recorded. We continue to have absolute confidence in the robustness and integrity of the Horizon system, and our branch accounting processes.

The external review referred to in your letter is our decision to commission of a small number of individual cases; where ex-subpostmasters have felt that their contracts to run a Post Office were terminated inappropriately. These cases relate to the branch accounting procedures and were brought to our attention by their constituent Member of Parliament, via the office of James Arbuthnot MP.

The scope of our investigation has yet to be finalised; the Post Office's senior management want the investigation to get to the truth and we wouldn't put our names to anything less than full impartiality and transparency. An independent forensic accountant has been appointed and to ensure impartiality, James Arbuthnot has reviewed and approved the appointment.

Turning to losses, these can occur for a number of different reasons across our network, including incorrect data entry, staff or agent theft and customer fraud. Horizon is basically an accounting system which records individual accounting entries made by the user, as a result of transactions they have performed with customers. It is a snapshot in time and losses (& gains), particularly larger ones, usually come to light at a later stage; very often [redacted] missing funds [redacted] are a keying or balancing error which can then be put right and reverse a loss or gain brought to account. For example the incorrect keying of a deposit (£100,000.00 for £1000); entering a deposit as a withdrawal; forgetting to enter the transaction; not taking the method of payment.

The document [redacted] Losses and Gains Quick Guide for Crown Managers [redacted] is an internal, operational document and you will note that it is confidential. Post Office Limited has not consented to any disclosure of this document, or any use by any third parties and we request that XXXXX destroys her copy.

However, I am sure you will recognise that there are fundamental contractual differences between a directly employed member of staff and an agent who offers Post Office services on our behalf under a Contract for Services. However, as with our agency network, we have robust disciplinary procedures in place which are followed in cases of carelessness, negligence, or dishonesty by an employee. These procedures can ultimately lead to dismissal and on occasion prosecution.

Hope this helps

[REDACTED]  
Stakeholder Relations  
Post Office Ltd  
148 Old Street  
London  
EC1V 9HQ  
[REDACTED]

---

**From:** [REDACTED] (ShEx) [mailto:[REDACTED]]  
**Sent:** 04 September 2012 09:34  
**To:** [REDACTED]  
**Cc:** [REDACTED] (ShEx)  
**Subject:** FW: John Pugh MP

[REDACTED]

Any feedback on this case yet? Our deadline is Thu.

Regards

[REDACTED]

[REDACTED]  
Department for Business, Innovation and Skills  
Shareholder Executive  
Royal Mail and Postal Services  
1 Victoria Street  
London SW1H 0ET  
[REDACTED]

---

**From:** [REDACTED] (ShEx)  
**Sent:** 30 August 2012 17:02  
**To:** [REDACTED]  
**Subject:** John Pugh MP

<<DrJohnPughMP\_1345732316212[1].pdf>>

[REDACTED]

Grateful for advice/background on the claim that an internal POL memo in September 2008 showed Crown office losses of £2.2m purported to be attributable to Horizon, as referred to in the Asian Trader article.

Also helpful to know whether responsibility for any financial deficiencies at Crown offices rests with branch managers or who, otherwise, is liable to repay them.

Regards

[REDACTED]

[REDACTED]

Department for Business, Innovation and Skills  
Shareholder Executive  
Royal Mail and Postal Services  
1 Victoria Street  
London SW1H 0ET  
[REDACTED]

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Shex



HOUSE OF COMMONS  
LONDON SW1A 0AA

Our Ref: JDP/AP/lt

Mr Norman Lamb  
1 Victoria Street  
London  
SW1H 0ET



Date: 20 August 2012

Dear Norman,

You are on record as saying that JFSA victims (people effected by apparent glitches in the Post Office accounting software) need to be happy with the forensic accountants needed to look into it.

Could I urge you to stick to your guns on this as potentially some very serious injustices have been done, In the case of one of my own constituents the imputation of serious dishonesty deprived a sub post mistress of her livelihood and good name. Major errors in the Crown Post Offices picked up recently show how this may happen but this by itself is little consolation and no vindication of those treated shabbily by the post office.

Yours Sincerely

**GRO**

Dr John Pugh MP



Leadb

# NEWS

## 'Wrongly accused' sub postmasters hope external probe will clear them

*P.O. finally agrees to independent investigation into postmasters' claims they were wrongly accused of fraud*

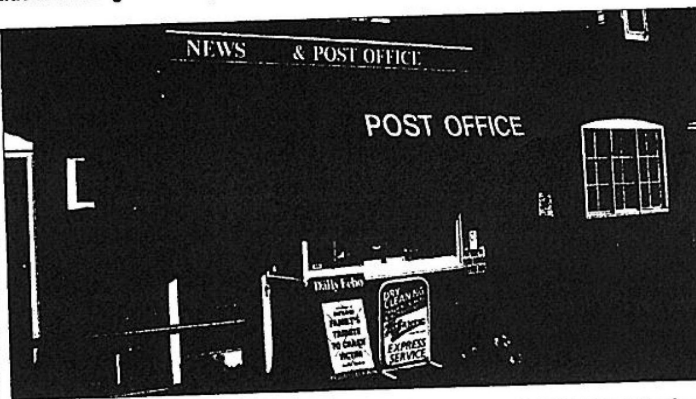
SUB-POSTMASTERS accused of theft and fraud have forced the Post Office to bring in external accountants to review their cases, focusing on alleged faults in the computer system used in all branches.

The decision was made by the Post Office after its management team met with MPs last month to look into the cases of 10 sub-postmasters accused of wrong-doing.

The group were stripped of their contracts after allegations of theft, fraud and false accounting, while some were sent to prison in cases dating back five years.

However, the sub-postmasters have always denied these allegations and claim the missing money is the fault of severe deficiencies in the Horizon computer system used by the Post Office.

An internal Post Office memo sent in September



2008 appears to back up these claims as it shows that its own crown offices – which are run by itself and not by sub-postmasters – have made losses of £2.2 million in one year alone.

The Post Office has refused to publish figures on apparent losses at sub-post branches.

The 10 sub-postmasters whose cases will be looked into say they have been forced to pay back thousands that they didn't take.

They are part of a wider group of around 100 sub-postmasters who are considering suing Post Office Ltd over alleged faults in its Horizon computer system.

One former Post Office employee, Seema Misra, ran a branch in Surrey and was jailed for four months after being convicted in 2010 of stealing nearly £75,000.

She said she hoped the investigation would clear her name: "I'm no thief, I

never was. I haven't taken a single penny from the Post Office. I put money in the Post Office. I haven't taken any of their money. I want to get my name cleared."

Nevertheless, the Post Office denies any problems exist in its computer and accounting systems.

A spokesman said: "The Post Office continues to have absolute confidence in the robustness and integrity of its branch accounting processes."

**IRRELEVANT**

## Campaigners blame problem on 'faults' in the Post Office's Horizon computer system

ALAN Bates, founder of action group Justice For Subpostmasters Alliance, has welcomed the investigation into alleged faults in the Post Office's Horizon computer systems.

Mr. Bates formed the alliance after having his contract terminated by the Post Office in 2003, for what he calls "making a fuss" about the Horizon system.

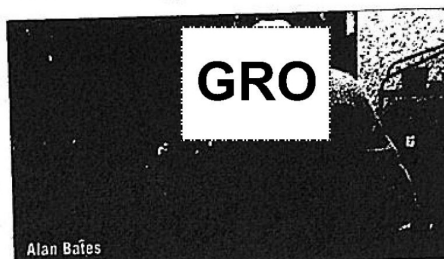
He said: "Ever since it has been installed, it has been nothing but

trouble and has caused enormous upset and hardship to people across the whole of the country.

"We don't think it's accurate. We think there are flaws in the system.

"Fortunately, now, it looks like the Post Office are going to look into some parts of it, though not the whole issue. At least it's a start."

Mr. Bates says he had highlighted faults about the system ever since it was first introduced.



He recounts one occasion when his till showed he was more than £5,000 'short', only to find through a search of his till receipts that the same sum of money

had appeared as duplicate transactions.

"This had come about because of a software upgrade they had installed that week," said Mr Bates.



r .

**From:** [REDACTED]  
**Sent:** 21 September 2012 17:37  
**To:** [REDACTED] (ShEx)  
**Cc:** [REDACTED] (ShEx); [REDACTED]  
**Subject:** RE: Horizon

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We're still in the situation where we can't be definitive on timescales. We haven't dictated timescales for the review on the position that Second Sight should operate outside of control of the Post Office. The slow pace at which cases have come through means that it is difficult to estimate a completion date at this point.

Hope this helps. I can touch base by phone next week.

Thanks

[REDACTED]

[REDACTED]  
[REDACTED]  
**Post Office Ltd**  
1st Floor, 148 Old Street, London, EC1V 9HQ  
 [REDACTED]  
 [REDACTED]  
 [REDACTED]

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**From:** [REDACTED] (ShEx) [mailto:[REDACTED]]  
**Sent:** 21 September 2012 17:09  
**To:** [REDACTED]  
**Cc:** [REDACTED] (ShEx)  
**Subject:** Horizon

[REDACTED]

I understand you are in Brighton for part of next week but just wanted to follow up on a voicemail message I left for you yesterday. Jo has asked for note on the Horizon/JFSA/Arbuthnot/Forensic Accountants review which I need to get into the box for noon next Thu.

I have most of what I need but think I should try to give at least an indicative timescale for forensic review results/outcomes. Are we talking 'later in the autumn' ?

Regards

[REDACTED]

[REDACTED]

Department for Business, Innovation and Skills  
Shareholder Executive  
Royal Mail and Postal Services  
1 Victoria Street  
London SW1H 0ET

[REDACTED]

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The Business in You campaign highlights support for start-ups and growing businesses, and encourages entrepreneurial spirit. For more information search online for "business in you".

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