

Bankruptcy, prosecution and disrupted livelihoods - Postmasters tell their story

May 11 2009

Rebecca Thomson reports on claims that the Post Office has failed to recognise a potential IT problem.

Lee Castleton cannot get a mortgage or a bank account, and is unlikely to ever own his house. He works over 100 hours a week as an electrician to make ends meet and support

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The 40-year-old former postmaster was declared bankrupt after he refused to pay the Post Office £27,000 – money he owed because the accounts of his Post Office branch in Bridlington, Yorkshire, showed deficits over a 12-week period in 2004.

Castleton insists he did not owe the money – although it showed as a loss on the Post Office’s Horizon system, which is used by postmasters to do their accounting. He is one of several postmasters to come across losses they could not explain.

Castleton was so concerned about the debt that he refused to pay it back, and decided to go to court to contest the Post Office’s insistence that he should pay.

But the court ruled that the debt was real, not illusory as Castleton argued. "The losses must have been caused by his own error or that of his assistants," the judge said. "It is inescapable that the Horizon system was working properly in all material respects."

Having lost the case, Castleton was left with costs of £321,000. In 2007, he filed for bankruptcy. "I was in too deep – I see that now. The whole thing has been heartbreaking," he says.

After an investigation of six months, Computer Weekly has discovered that at least seven postmasters have come into conflict with the Post Office after the system showed losses which took them by surprise.

Jo Hamilton started signing her accounts even when she knew they were wrong, because, she says, calls to the Horizon helpline didn't stop the deficits occurring and she felt backed into a corner. She was convicted of false accounting, but was spared a prison sentence after local villagers organised a collection to pay the debt.

Noel Thomas was convicted of the same charge, and spent his 60th birthday in jail.

A fourth postmaster, Amar Bajaj, ended up selling his Post Office. He resents making good the shortage and claims that the Post Office has received £11,000 from him which he does not owe.



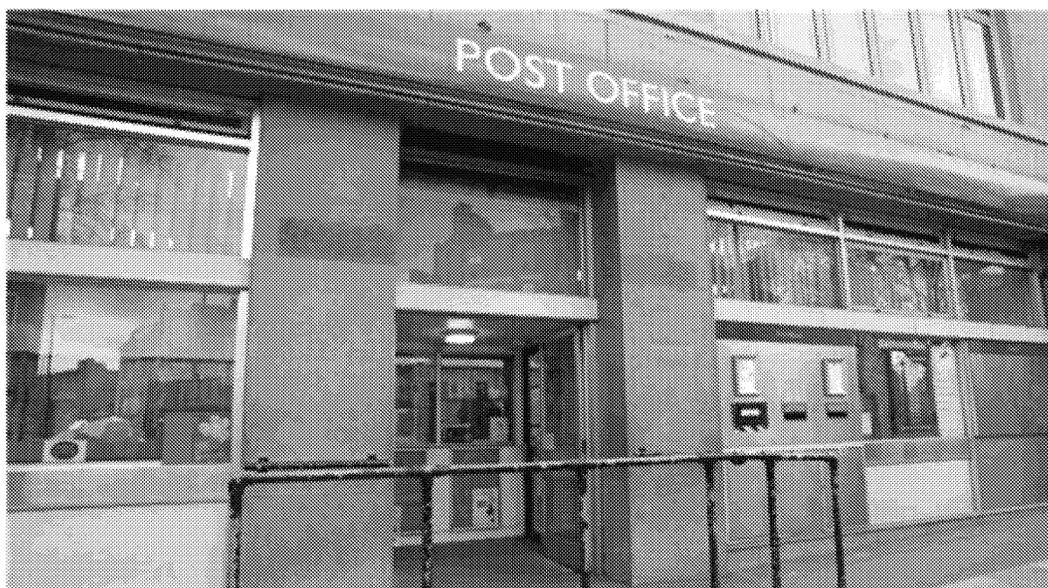
A fifth, Alan Brown, had a £6,500 deficit written off by the Post Office – only to find another £13,000 loss that he could not explain.

In a sixth case, Judy Ford had her IT equipment replaced by the Post Office, but not before £10,000 had gone missing. The company said it was probably down to her own errors, but she insisted she had not got anything wrong. She couldn't afford the repayments. "I lost all confidence in my job, and now I am going bankrupt. I have no trust in the Post Office at all," she says.

A seventh postmaster, Alan Bates, refused to sign his weekly accounts, saying it would have made him liable for any losses. He has called for a public inquiry.

All of the postmasters we spoke to say GRO National Federation of Sub Postmasters, has refused to help them investigate their concerns.

The Post Office denies it received any complaints from postmasters, and also denies that any IT-related fault could have caused the systems to show incorrect sums of money owed by some postmasters.



A spokesman said, "Horizon is an extremely robust system which operates over our entire Post Office network and successfully records millions of transactions each day. There is no evidence that points to any fault with the technology. We would always look into and investigate any issues raised by sub-postmasters."

The Federation declined to comment on the postmasters' claims.

Lack of evidence

None of the postmasters have firm evidence that IT was to blame. Jo Hamilton did not even realise it could have been the equipment causing problems until after her court case. She says, "I didn't understand what was happening, and I'm so rubbish with IT that at the time I thought it was somehow my fault. But other postmasters contacted me after my case, and I realised I wasn't alone."

One expert, Tony Sykes, a business systems specialist, says that further investigation is needed. Sykes has studied the system print-outs which showed that Castleton's Post Office had run up large debts.

A senior official at the Federation of Sub Postmasters, who asked not to be named, said, "The Horizon system may have been hunky dory on day one, but how does the Post Office know the system hasn't degraded over the years?"

"The problem we have is the culture of the Post Office. It's heresy to say something can go wrong. No one can say computers cannot go wrong."

Those affected say the Post Office did not fully investigate their claims. They also say that their contract requires them to pay any loss at their branch, whatever the circumstances.



Litigation solicitor Leigh Ellis, an IT specialist, says the contract between postmasters and the Post Office is weighted in favour of the company. "Postmasters need to be very careful that they retain evidence of differences between what the computer system reports and what they receive through the till. They need to put their concerns in writing to the Post Office explaining what the problems are."

Chris Wise, a business systems consultant who acts as an expert witness in court cases involving IT systems, says, "It's difficult to know what has gone wrong from the evidence we have to date, but almost all IT systems ever built have malfunctioned at some point. What matters is the way a business deals with those errors and gets to the bottom of what has actually happened."

He says it may not have been IT glitches that caused problems for postmasters but the way the Post Office handled them.

Case study 1

•Lee Castleton, Bridlington, Yorkshire



Lee Castleton, 40, was postmaster at the Bridlington post office in east Yorkshire. His problems started in January 2004, and he claimed he couldn't get help from the Post Office.

"Misbalances continued for 12 weeks. I spent hours going through accounts, trying to find out what had happened. It was baffling," he says.

Castleton rang the Horizon helpdesk, which is run by the Post Office, and asked repeatedly for help and a system check, but says they did very little.

"The Federation didn't help me either. It said it didn't want to get involved and refused to let me join."

After 12 weeks, Castleton was suspended and the Post Office told him he had to pay for the losses. "I decided to contest my obligation to pay the money in the civil court, because I hadn't done anything wrong," he says.

Castleton could not afford lawyers in the High Court, or pay an IT expert witness to look at the system logs for him. He argued that the discrepancy in his accounts had been created by the computer. But the judge said that the deficiencies were real, not illusory, and, as such, were evidence that

the branch had not been managed properly. “The losses must have been caused by his own error or that of his assistants,” the judgment said.

Under their contract with the Post Office, postmasters are liable for any losses that are due to carelessness, negligence or error. Castleton was also liable for the company’s legal costs.

“The Post Office really put me through the mangle,” he says. “I owed £27,000 for the deficits, and £321,000 altogether. I was in too deep – I see that now. The whole thing has been heartbreaking.”

Case study 2

•Jo Hamilton, South Warnborough, Hampshire

Jo Hamilton, 51, was postmistress in South Warnborough in Hampshire between 2003 and 2005.

Hamilton started experiencing problems in October 2003. She entered every transaction into the system via the touchscreen till, and at the end of the week the computer would tell her how much money she should have.

“One time it said I was down £2,000, so I rang the Horizon helpdesk. The supervisor told me to do various things, and three minutes later I was £4,000 down. Whatever I did after that, I couldn’t get it to come up any different,” she says.

The Post Office told her she owed the money, and took repayments out of her monthly wages. “It made me reluctant to phone them, because it was just crazy – when I asked for help, it just doubled the amount and said I owed it money.”

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Hamilton's problems worsened. "Every week the system would come up telling me how much I should have in there. I knew it wasn't the right amount, but I didn't know what to do. I couldn't ring them up, because I just didn't have the money to pay it all back. So I signed the accounts each week, saying there was a certain amount in there when I knew there wasn't. I know it was dishonest, but I didn't steal any money. It got worse and worse."

Post Office auditors visited the branch in March 2005 and told Hamilton she owed £36,000. They prosecuted her for theft and 14 counts of false accounting, but later dropped the theft charge.

Hamilton says the case did not deal with the issue of IT. She pleaded guilty and was given a year's probation. Her house was remortgaged to pay the money, and the villagers in South Warnborough collected £9,000 between them to help.

Hamilton says, "In 18 months, I will have finished paying back the villagers, but won't have paid off our mortgage."

Case study 3

•Noel Thomas, Gaerwen, Anglesey

Noel Thomas, 61, from Anglesey, worked for the Post Office for 42 years. His problems started in 2003, when he discovered a deficit of £6,000. He says he spent hours looking at it, trying to find out what was wrong.

He says the Post Office paid half of the deficit for him, and he paid the other half. He didn't have any more problems until 2004.

"It started up again all of a sudden. The money was going at a rate of £2,000 a month, and it went on until October 2005. The last figure they told me I owed was £50,000.

"The National Federation of Sub Postmasters didn't want to know. It is frustrating – I would like to know where that money went to. The whole thing is a real mess," he says.

Faced with mounting deficits and nowhere to turn for help, Thomas signed the accounts to say the money was there, when it wasn't. "I didn't know what else to do. It was my biggest mistake – I should have turned round and told them I was shutting up shop until they found out what was going on. But at the time I thought they would close the Post Office if I did that, and that would cause a problem for the village."

The Post Office prosecuted Thomas for false accounting. He pleaded guilty and says the IT system didn't come up during his hearing – his barrister told the judge about his good character.

Mark Jenner, who at the time was the director of fraud investigation at accountancy firm Baker Tilly, said in a report prepared in advance of the case that he did not propose that the Horizon system was flawed. "If the Horizon system was flawed, I would expect to see issues raised by all 14,000 branches in the UK and not only a handful," he said.

But Jenner had been unable to examine the computer terminal used in Thomas's branch. "To completely discount the possibility that the Gaerwen branch terminal was not responsible for creating systematic and cumulative errors, I would still wish to inspect the terminal," he said.

Jenner's report was produced before the court hearing, when Thomas expected to face charges of theft. It was not used in the hearing because the theft charges were dropped.

Thomas was sentenced to 12 weeks in prison. "I spent my 60th birthday in there," he says. "It was hell on earth and it took me a long time to get over it."

Case study 4

•Amar Bajaj, Chelmsford, Essex

Former barrister Amar Bajaj, from Chelmsford, sold his post office after losing £11,203.

His problems started in 2004, and he wrote to the Post Office every time there was a misbalance in the accounts. In July 2005, he contacted a solicitor because he felt that "the Post Office would look to prosecute us due to its own mistakes".

Bajaj says of the problems, "Any shortage will remain on the system for many weeks until a demand is made by the Post Office for the amount to be made good.

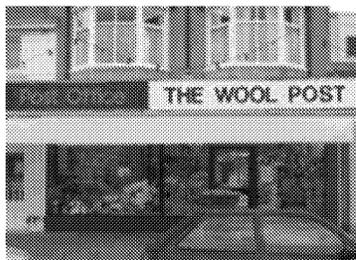
"I personally made good any shortage. After we got it back down to zero, the system would show a shortage of anywhere between £2,500 and £3,500 within a week.

"In spite of various letters and correspondence between myself and solicitors, no official has visited to see or check or remedy the defects. I am of the opinion that the Post Office is in breach of its contract to maintain the system, and therefore has wrongfully obtained our money and is earning interest as a result."

Bajaj contacted his MP, Simon Burns, who wrote to the Post Office on his constituent's behalf. In its reply, the company said, "We do accept that individual branches may experience very occasional failures."

Case study 5

•Alan Bates, Llandudno, Wales



Alan Bates, 52, worked at the post office in Llandudno in north Wales, from 1998 to 2003.

In 2000, he discovered a shortfall of £1,041.86 which he couldn't account for, and wrote to the Post Office. After two further letters, the company wrote back in 2002, saying they would write off the amount but without giving any reason.

It said, "Post Office Ltd has decided to take no further action in respect of the loss at your post office which will be written off."

Despite the loss being written off, Bates continued to have problems with deficits. He refused to sign his weekly accounts, saying it would have made him liable for any losses. When deficits occurred, he refused to use his own

money to pay them. [GRO] but said it was not supportive.

“Why didn't the Post Office prosecute me? Because it knew there were faults with my system. It did not want to take me to court. I never tried to take it to court as I had received quite a broad range of legal advice about doing so. I was told that it could keep me in court and keep appealing any findings until I ran out of money.

“There should be a public inquiry into this. I am in no doubt that many sub-postmasters have finished up breaking the law because of the Post Office and the position it left them in,” he says.

Case study 6

•Alan Brown, Callender Square, Falkirk

Alan Brown is a serving postmaster. He gave an e-mail dated January 2006 to Lee Castleton for Castleton to use in his own court case. The e-mail says the Post Office had written off a £6,500 loss on his account “some time” after he said it had appeared on the system.

But he says another shortage appeared that evening when he was balancing the accounts. “I have one screen that says I have a £4 gain, and the screen next to it says I have a £13,000 loss on the same stock unit,” he says in the e-mail.

“One node has stopped communicating with the rest. This could be costing sub-postmasters throughout the country a fortune and all because the computer systems occasionally do not work.”

Case study 7

•Julie Ford, Yeovil, Somerset

Julie Ford is from Yeovil in Somerset. She became postmistress of Westfield Post Office in October 2007. Her problems with the company started at the beginning of November 2007, when her branch started losing hundreds of pounds at a time. The problems continued until February 2009, when she was forced to file for bankruptcy.

“At one stage I was £1,300 down. I rang up the Post Office and said I think there’s something wrong. It said one of the staff, or myself, had sticky fingers,” she says.

By January, Ford had paid all her £2,500 savings to the Post Office, so rang up and asked for an audit when £3,000 went missing overnight. The audit found she was nearly £10,000 short. The Post Office took money out of her wages, and suspended her for 18 weeks while it carried out an investigation.

Instead of prosecuting or terminating her contract over the deficits, the company reinstated Ford in June 2008 without further action. The problems continued until several parts of her Horizon system were replaced, then balancing returned to normal.

But Lynn Hobbs, general manager, network support at the Post Office, said in an e-mail at the time, “I am sure you are aware that we have had previous challenges in relation to the integrity of the system and I can confirm that the system has passed all tests and been exonerated in both the civil and criminal courts. I therefore cannot accept that the losses were as a result of the Horizon kit.”

Hobbs suggested, “I think we should also look at other factors which coincided with this change, such as the additional training provided and the change of personnel at the branch.”

Ford says, "In the end I refused to work. I wasn't taking the money and I wasn't making stupid mistakes. If they thought I was stealing money, why did they reinstate me? I lost all confidence in my job, and now I am going bankrupt."