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**Post Office Ltd****Document Information**

<b>Title</b>	Liability for Losses Policy (for agency branches)
<b>Category</b>	Standard
<b>Subject</b>	Treatment of branch trading losses at independent agency branches
<b>Version Control</b>	
<b>Author</b>	Jennifer Robson, Debt recovery section manager, Product and Branch Accounting
<b>Owner</b>	Marie Cockett ?? ( TBC)
<b>Purpose</b>	To document liability for losses at independent agency branches
<b>Audience</b>	Service Teams, Independent Agents, NBSC, Finance, Risk and control and Investigations
<b>Privacy level</b>	Commercial Confidentiality
<b>Document format</b>	Post Office Sans 14
<b>Document type</b>	Electronic (MS Word. Doc),
<b>Effective date</b>	April 2006
<b>Review date</b>	September 2006

**Approval**

<b>Role</b>	<b>Name(s)</b>	<b>Date</b>
Business input	V2 of the previous Policy, Geoff May, Rod Ismay, Martin Ferlinc, Tony Utting, Sandra Murray, Sean Farrow,	August 2005
Circulation	Business document change control	
Assurance	Victoria Noble,	
Authorised	Rod Ismay	

**Version control**

<b>Version No.</b>	<b>Reason for issue</b>	<b>Date</b>
1 Draft	Completely revised as a result of the implementation of Branch Trading and business requirements to implement a set of policies for various branch types.	September 05

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**LIABILITY FOR LOSSES POLICY**  
**(FOR INDEPENDENT AGENCY BRANCHES)**

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## **SECTION 1 - INTRODUCTION AND PURPOSE**

Aside from the direct cost to Post Office Ltd of losses, that are ultimately written-off, all losses involve associated administrative costs in dealing with the errors that cause them and managing suspense accounts, with many also leading to client penalty payments. (the subpostmasters contract currently stipulates that Subpostmasters could be held liable for client penalties, however this is not deployed at the date of issue but will be reviewed as necessary)

Given the impact that losses have on Post Office Ltd costs and therefore profits, this policy is defined to provide clear and consistent guidelines for the treatment of accounting losses within the independent agency network Which currently includes local multiples however it is recommended that system changes are made to incorporate into national multiples.

The overall purpose of the policy is to:

- Ensure probity, objectivity and conformity across the network in a commercial manner
- Clarify roles and responsibilities;
- Ensure equality and fairness of treatment of Subpostmasters and other agents.

For the purpose of this policy, the term “agent” refers to all people or companies operating as independent (i.e. including local multiples and pluralist subpostmasters but not the multiple partners) sub-post office branches under contract to Post Office Limited and the pronoun “he” refers to people of either gender. The term “Contract and service manager (C&SM) ” applies to the Post Office Ltd employee with direct responsibility for the control of the relevant branch.

From a purely contractual perspective, the agent is responsible for all losses caused through his own negligence, carelessness or error. He is also responsible for losses caused by the actions of any assistants, managers or relief personnel employed by him. This policy, consistent with the contractual relationships between Post Office Ltd and its agents, is designed to clarify circumstances where mitigation may be appropriate and to provide a clear framework to handle individual cases.

## **SECTION 2 - PREVENTION OF LOSSES**

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The most effective way of reducing losses in Post Office ® branches is to prevent them occurring in the first place. It is, therefore, essential that there are good accounting practices in place and that business procedures are complied with in branches, as poor accounting practices may lead to carelessness and unnecessary losses.

It is the responsibility of the agent to ensure that the accounting and operational procedures and practices employed in the branch conform to the current business standard for branches of that type. It is the responsibility to satisfy themselves that this is the case and to provide advice, guidance and instructions where it is discovered that this is not the case.

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### SECTION 3 - AUTHORITY TO HOLD LOSSES

The Subpostmaster's contract requires that losses are made good without delay. Immediate settlement is therefore the expected contractual norm.

Under circumstances where the exact cause of the loss is known and a compensating error is expected to be returned, losses may be held in the agent's central account and blocked whilst investigations are undertaken, providing that the agent has completed their own investigation and is able to show that a Transaction Correction (TC) ~~error notice~~ is likely to be issued for that loss or an element of the loss (i.e. the agent must be able to detail a specific error that occurred for a specific client on a specific date and be able to provide documentary evidence e.g. from the Horizon transaction log).

The Current Postmasters Debt Team will monitor amounts blocked in the suspense account until the investigations is concluded. If a TC cannot be confirmed at this stage, the amount will be unblocked on the agent's central account and will be reflected in the next request for payment.

Only amounts above a threshold of £250 apply  
***(Drafters note. This threshold is currently £150)***

The facility to block amounts on the agents central account, is supported by the quality standards section of the contract and as such should be considered to be the exception rather than the norm. Agents are expected to address the underlying cause of misbalancing and must expect that any subsequent errors of a similar nature will be referred to the Service Team for corrective action.

Where the agent cannot demonstrate that a loss is due to an error within a specific client's area of work but is unable to make good the loss immediately, he should settle centrally on the Horizon system whereby the normal debt recovery process will commence. If he claims that he is unable to pay at least a minimum of 25% then the Income and expenditure forms should be complete to assess his ability to pay but also to judge the viability of the branch and any corrective action that might be needed.

***Drafters note: This is an attempt to get away from the hardship***

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For any total loss of over £5000 in a financial year by branch singular or multiple, where the subpostmaster is repaying the amount by instalments interest payments will be levied at a rate current at the time. POL needs to determine whether debts are a risk to business funds and/or the affordability viability of the agent and as such whether he should continue in office

It should be noted that Subpostmaster with deductions from remuneration should be sent credit TCs but with the facility only to “accept and settle centrally” to offset the loss.

#### **SECTION 4 - POLICY ON RELIEF**

Occasionally, there may be exceptional circumstances where an agent believes he is entitled to relief in making good a loss. The main circumstances where consideration may be given are:

- Losses incurred by a new agent where personal attendance is provided (one without previous post office experience), during the first two Branch Trading statement periods, or part thereof.
- Distressing personal circumstances incurred at the branch that impacted the sub postmaster’s ability to function on the day in question

#### **New Agent**

In the case of a new agent, the agent applies in writing to Product and Branch Accounting (contact TBA), who will seek operational evidence from the service team on whether relief is appropriate.

The Service team will take account of the agent’s overall performance since appointment, the size and nature of the branch concerned (including staffing arrangements before and after the transfer) and whether or not the loss occurred whilst the trainer was present. He should obtain the trainer’s report of the competency of the new. In a recommendation for relief the Service Team must ensure that the agent has reviewed how the loss occurred and amended their operating or accounting practices to ensure that a similar loss cannot occur again. Once a recommendation is received from the service team P&BA will review the accounting record for the branch and make the decision and advise the subpostmaster (and the service team) of the outcome.

#### **Mitigating circumstances**

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If a subpostmaster considers that there are mitigating circumstances he must apply in writing to the area performance manager who will assess whether relief from the loss is justified (or whether a face to face meeting is required). The subpostmaster must be prepared to give full details to support his request.

The area performance manager will forward the case and a recommendation to the Debt Recovery Manager in Product and Branch accounting.

A representative of the Finance Director within PBA will make the final decision on the case --dependent upon the amount involved.

A decision will be taken within 28 days. The decision taken and communicated via the area performance manager will be final and no further appeals will be allowed.

It must be emphasised that this process will operate by exception and is not a means by which subpostmasters can abrogate their contractual responsibilities.

There will be an ongoing review of cases and payments to ensure as far as possible that claims are made in good faith and /or corrective action is taken if we have made the wrong judgement on recurring cases.

**SECTION 5 - WRITE-OFFS NETWORK RELATED-- DRAFTERS NOTE.**  
***Principles around write offs (and ownership of budgets to be addressed with PBA ( Vicky Nobel on sick leave at present) . This para to be re written once agreed***

Decisions in respect of write-offs are taken by P&BA with concurrence by the Service Team and POSIS. The reasons for a write-off must be fully documented and may be subject to audit. Contact with POSIS or C&SMs for overall objective view of conformance of branch and or is needed  
A write-off voucher (~~detailed at Appendix A~~), signed by an authorised signatory, must be used in line with the following levels (~~referring to the amount written off, not the amount of the loss where that is different~~):  
accounting for losses policy with post Office Limited®

Up to £2,000	/Contracts & Manager
£2,001 to £50,000	ASM
Over £50,000	General Manager

~~To ensure that write off decisions are reviewed against business policy and to review the impact on Post Office Ltd P&L, a financial concurrence must be obtained in all write off proposals in line with the following levels:~~

<del>Up to £50,000</del>	<del>Refer to segment Finance Manager</del>
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£50,001 – £100,000	<del>Refer to Head of Operational Finance and Planning</del>
Greater than £100,000	<del>Refer to Head of Operational Finance and Planning and then to Finance Director for final endorsement</del>

## SECTION 6 - HORIZON ISSUES

If an agent has evidence that an error has occurred via the Horizon system, it is essential that this be reported to the Horizon System Helpdesk (HSH) (script/process to be checked at NBSC Carola to check) ***Carola could you add anything her?*** The HSH will only consider the incident for further investigation if the evidence is sufficient to be determined as a system fault. If no evidence is available, the case will not be investigated and the agent will be held responsible for making good the loss.

. All known system errors are managed through Network Support Problem Management. Access to Problem Management is via the NBSC. If the agent feels that the issue is not being resolved, they should flag the issue up with NBSC. If a known system error has caused a shortage, the agent should settle centrally the discrepancy and this will be blocked on the agents central account whilst investigations take place .

## SECTION 7 - REMITTANCE DISPUTES

### 7.1. Cash centres

As a result of Bank of England rules, all cash centres in England are automated. Centres located in Scotland and Northern Ireland; however, do not currently face such a requirement. As a result the network of cash centres is split into automated and non-automated cash centres.

The very significant investment made by Post Office Ltd in processing and image capture and recording equipment in automated cash centres means that the accuracy of notes supplied and processed at these sites is of an extremely high standard. All processing must take place in accordance with the following criteria:

- all notes dispatched to Post Office Branches have been integrity checked (i.e. no forgeries, counterfeits, foreign notes or notes of non-circulation quality);

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- the high speed notes sorting equipment is calibrated daily (i.e. a known quantity is counted and verified) and records maintained;
- the operation of the high-speed note sorting equipment is under cover of high resolution CCTV;
- adequate processes are in place to ensure the integrity of notes held in storage;
- the outward remittance process is structured in such a way that the following can be witnessed on the CCTV system;
  - the appropriate numbers of bricks are laid out on the processing bench in a way that allows remote verification;
  - the placement of bricks into the security container can be witnessed;
  - the sealing of the security pouch can be witnessed;
- the inward remittance process is structured in such a way to allow the discovery of a discrepancy to be witnessed on the CCTV;
  - the opening of the pouches and the contents should be visible under camera;
  - the inward remittance processor must remain within camera coverage at all times until a supervisor has verified the discrepancy;
- records are maintained of any CCTV system down time.

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The notes processing procedures at non-automated sites are still considered to be fully acceptable, however the level of verification available at those sites is less than that achieved at automated sites.

As a result of this there are two separate approaches to assessing liability for losses caused by reported discrepancies in remittances between branches and cash centres and vice versa, depending on the status of the cash centre.

**Automated Cash Centres (England) will operate the following principles:**

Subject to the detailed provisions above and below it is not anticipated that undetected discrepancies will occur in remittances from automated cash centres to Post Office ® branches. As a result therefore claims will not normally be expected from branches for alleged shortages in note remittances supplied by automated cash centres. Any such reported discrepancies will be subject to internal check using automated systems and CCTV images and will be rejected if the internal checks give no cause for doubt over the preparation and make up of the remittance in question.

Due to the effectiveness of the automated image capture surveillance of the inward remittance opening process at automated cash centres, it is anticipated that clear evidence will exist to support any discovered discrepancies in note remittances from Post Office ® branches to automated cash centres. As a result, therefore, all discrepancies will normally be the liability of the sending branch i.e. if a cash centre discovers a shortage within an inward remittance the discrepancy will be borne by the despatching branch.

Note: In the event of the CCTV system being out of commission or the integrity of the note sorting equipment being in doubt, the rules governing the discrepancy process revert to the non-automated cash centre rules for the given period i.e. the receiver is deemed to be correct. Cash centre processors must adhere to processes laid down when undertaking these duties; any evidence to the contrary will result in a presumption in favour of the branch.

Digital CCTV cameras cover all inward and outward note processing in automated cash centres so evidence of notes despatched and notes received can be scrutinised in the event of claims. In the event of

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disputes, agents will have the right to view the CCTV footage accompanied by a suitable person, such as their NFSP representative or area intervention/ performance manager.

**Non-Automated Cash Centres (Scotland and N Ireland) will operate the following principles:**

For discrepancies in note remittances from non-automated cash centres to Post Office ® branches, all discrepancies will normally be the liability of the sending unit, i.e. if a Post Office ® branch discovers a shortage within a “non-automated” remittance the discrepancy will be borne by the cash centre, unless otherwise proved.

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For discrepancies in note remittances from Post Office ® branches to non-automated cash centres, all discrepancies will normally be the liability of the sending branch i.e. if a non-automated cash centre discovers a shortage within an inward remittance the discrepancy will be borne by the despatching branch, unless otherwise proved.

### **Discrepancy reporting and appeals**

For both automated and non-automated cash centres, Post Office ® branches must report discrepancies to the supplying cash centre within the following timescales:

Full block - 24 hours

Individual notes - within 5 days

Cash centres will report discrepancies to branches within 24 hours of the time of processing the remittance.

For full blocks the timescale from receipt to report back to branch will in the majority of cases be within 5 days.

The following information is required to support discrepancy claims from agents:

#### Missing Brick of notes

Branch (FAD)

Dates

Pouch Number & Physical pouch retained which has been correctly opened

Evidence of pouch integrity (e.g. no tears)

Value of shortage

Name of person opening pouch and second check officer (if practical)

#### Missing Individual Note

Branch (FAD)

Dates

Pouch Number

Band around notes to be retained

Value

If there are no known errors or problems with equipment at the cash centre the agent will be asked to make good the deficit. If, having seen CCTV footage and automated accounting system records at the cash

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centre, the agent is still dissatisfied with the decision and wishes to appeal, he will be asked to put his appeal in writing within 7 working days.

Appeals will be heard by a national panel, which will be chaired by a senior manager from the Product and Branch Accounting (**DRAFTERS NOTE—not yet agreed in PBA**) team and will include an NFSP representative, A Representative from the Service Team and a senior manager from cash centre line management.

On receipt of a written appeal at the cash centre, a questionnaire will be sent to the agent to complete. The agent must complete and return the questionnaire within 7 days of the receipt of the appeals form. The cash centre will inform the appeals panel of claims to be reviewed and will ensure that camera evidence is safeguarded until the panel are next due to meet.

The appeals panel will meet as required dependant on levels of appeals and will review all evidence for relevant claims. In particular the appeals panel will:

- Consult P&BA to access the error notice history and outstanding error information relevant to this case, which should agree with the cash centre view;
- review relevant camera footage to ensure that necessary criteria are fully met;
- consider any other relevant information;
- communicate the decision to the agent, C&SM and cash centre manager, with a detailed rationale to support the decision;
- record details of claims rejected/accepted and any follow up action required i.e. cash centre to review procedures where criteria were not fully met.
- Advise PBA team of the decision and agree action required to correct the accounts
- .

The processes for dealing with cash remittance disputes are illustrated in Appendices C-G.

Note: Coin discrepancies will be dealt with as for non-automated sites, as camera footage will not be available for this element of the remittance and the likelihood of large discrepancies in this area is minimal.

## 7.2. Bureau de change

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### **Outwards ( to the branch) Discrepancies**

In principle the receiver is considered to be correct.

However as CCTV is now installed reported discrepancies can be assessed against the appropriate video footage. If a review of the video indicates that the postmaster's challenge cannot be upheld there is an opportunity for him to withdraw the discrepancy report. If the subpostmaster refuses to accept it is likely that this will be reported to security /investigations.

***(drafter note: This review of the policy allows us to approach the NFSP with a proposal to adopt the cash centre process. Suggest that Hilary with support from Sandra work up the process which can be included in this document.***

This "automated centre" status would only apply to planned orders which are full blocks of Euro and USD because it is much more difficult to prove the case when small quantities of many different currencies are being picked.

### **Inwards Discrepancies**

***(Drafter's note –as above)***

### **Forged notes**

Obligation is on the PMR to identify forged notes. If they are uncertain, they can send the notes to us for authentication prior to paying the customer

## **SECTION 8 – STOCK LOSSES**

Agents are responsible for ensuring that all stock based transactions are carried out accurately, including the return of the stock. If any instructions provided (including those provided in Operational Focus articles) are incorrectly followed, Post Office Ltd will have the right to require the agent to make good resultant losses from any failure to comply.

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Post Office Ltd is only legally permitted to recover the loss which it actually suffers itself at the hands of its clients (e.g. if an agent fails to return stock with a face value of £5 but Post Office Ltd, under its contract with the issuer of the stock, is only required to pay the reprint cost of that stock and not the face value, then Post Office Ltd is only legally entitled to recover reprint costs from the agent). Each case turns on the wording of the contract between Post Office Ltd and the client and the particular circumstances of the case. The product manager should be contacted for the value of the stock ? or Damian Taylor ?

Robberies why don't we recover the stock ? and are we going to deploy this?

## **SECTION 9 – DEBT RECOVERY**

Post Office Limited operates in an increasingly commercial and competitive environment and constantly seeks to minimise losses and risk to business assets.

The business debt recovery process is documented and available to all subpostmasters. (***Drafter note: I am awaiting info from Communications to say how this will be communicated across the network.***).

## **SECTION 10 - LOSSES REVEALED AT AUDIT**

Inspectors, working for the Security team within Post Office Ltd, visit Post Office ® branches as part of a programme of audits.

The agent is advised of any loss revealed at the audit and, once they have agreed the loss, is required without prejudice to make it good immediately as would happen for any other cash account loss. This also applies at the final balance at a transfer audit before cash and stock is transferred to an incoming agent. POL will determine what corrective action will be undertaken for any unspecified loss

If the agent is unable to make the loss good at the time of the audit, the corrective action process will be invoked.

## **Section 11**

Forged Notes . Eddie Jarman is leading a review of liability for forged notes and we should include any relevant policies here (***Drafters note –current plans are to commence the review in October 05 so we should have something for early new year. )***

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## **SECTION 12 - NON-DEPLOYMENT OF THE POLICY**

If it becomes evident that an agent has not applied this policy, e.g. holding losses without authority or beyond the authorised period, the retail line will apply the agreed corrective action process.

Failure by Post Office ® branches to adhere to the timescales within the policy will invalidate discrepancy & appeal claims.

**APPENDIX A Drafters note ( think this does not need to be here?)**

**RETAIL LINE WRITE OFF AUTHORITY VOUCHER**

**BRANCH .....**

**BRANCH FAD CODE .....**

**COST CENTRE CODE .....**

**AMOUNT £**

**AMOUNT IN WORDS**

.....

**LOSS DESCRIPTION (record narrative details below)**

**Prepared by Retail Line Manager/Contracts Manager**  
(supporting papers available for review by concurring personnel)

Name (in block capitals) .....

Signature .....

Date .....

**Operational Concurrence**

Name (in block capitals)

Position

Signature of Authorisation

Date

Position

**Financial Concurrence**

Name (in block capitals)

Position

Signature of Authorisation

Date

Position

**APPENDIX B**

**FINANCIAL HARDSHIP CASE**

Please provide the following details for annual income and expenditure.

**BUSINESS DETAILS**

Income

Retail Sales  
Less Cost of Sales  
PO Remuneration  
Int Allowances  
Other (please specify)

TOTAL (1)

Overheads

Wages  
Gas  
Electric  
Telephone  
Printing/Stationery  
Accountancy Fees  
Insurance  
Motor Expenses  
Uniform Business Rate  
Water Rates  
Rent  
Repairs  
Bank Interest/Charges  
Loan Repayments  
Taxation  
Other (please specify)

TOTAL (2)

NET PROFIT (3)  
(1) - (2) = 3

**PERSONAL DETAILS**

Income

PO Drawings  
Interest on Savings  
Spouses Salary  
Other (please specify)

TOTAL

Overheads

Mortgage/Rent  
Council Tax  
Electric  
Gas  
Water Rates  
Telephone  
Motoring Expenses  
Housekeeping  
Clothing  
Other (please specify)

TOTAL

Please provide details of funds available from your own resources.

Bank/Building Society  
Stocks/Share

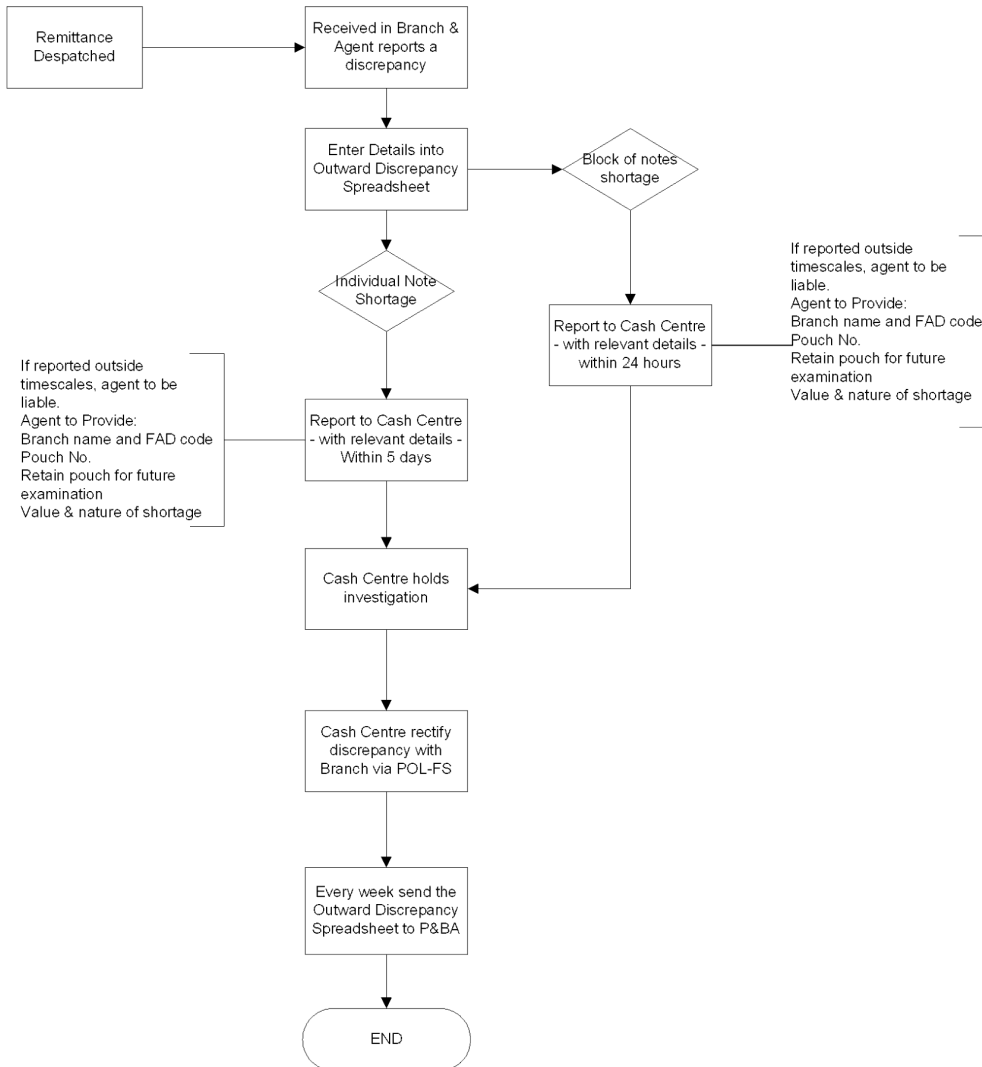
PEPs/TESSAs/ISAs  
Premium Bonds

What do you take out of the Business as personal income (drawings)  
NB: PLEASE NOTE THAT YOU WILL BE REQUIRED TO  
PROVIDE SUPPORTING DOCUMENTATION TO SUBSTANTIATE  
THE ABOVE INFORMATION. (e.g. LATEST SET OF ACCOUNTS).

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## Non-Automated Cash Centre - Outward Remittance Discrepancy Process

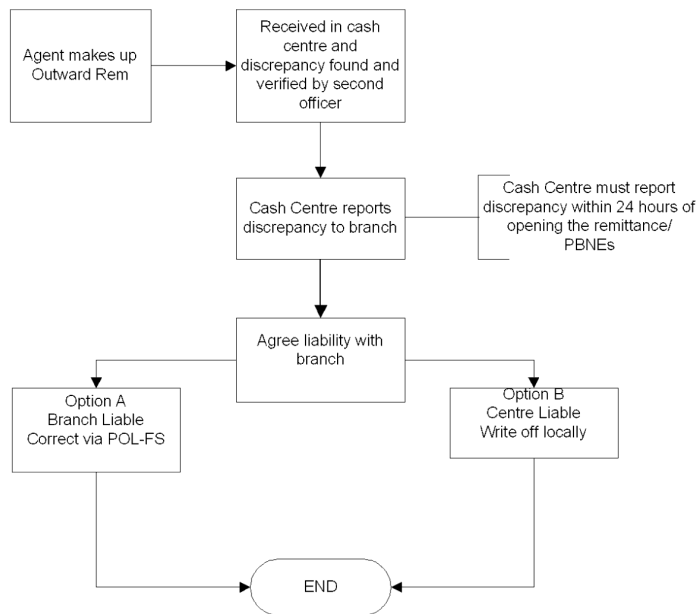


- Notes:**
- Whatever the outcome, Agent should always book value as per paperwork
  - Agent should NOT accept any pouch if integrity of the seal/pouch is broken
  - Pouch needs to be opened as directed, e.g. scissors along line indicated

**Appendix D**

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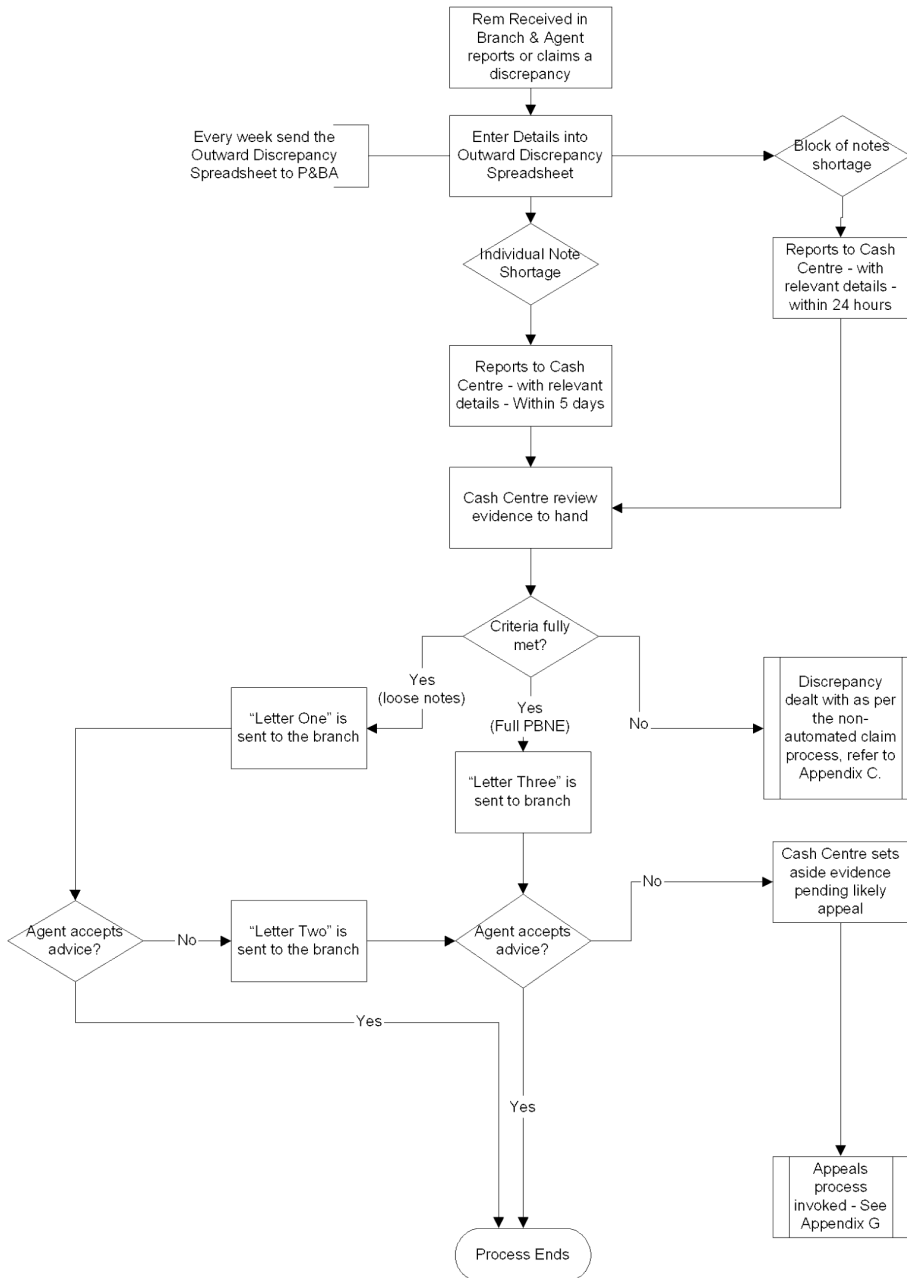
**Non-Automated Cash Centre  
- Inward Remittance Discrepancy Process**



**Appendix E**

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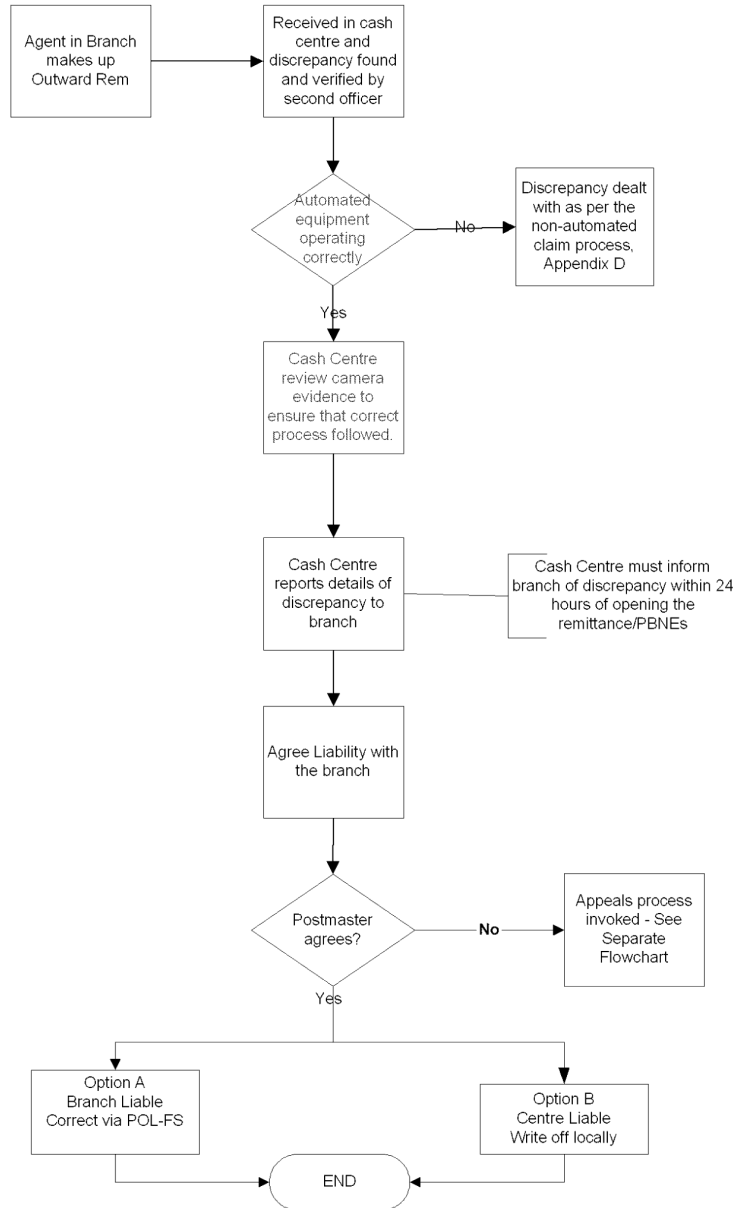
**Automated Cash Centre  
- Outward Remittance Discrepancy Process**



# Appendix F

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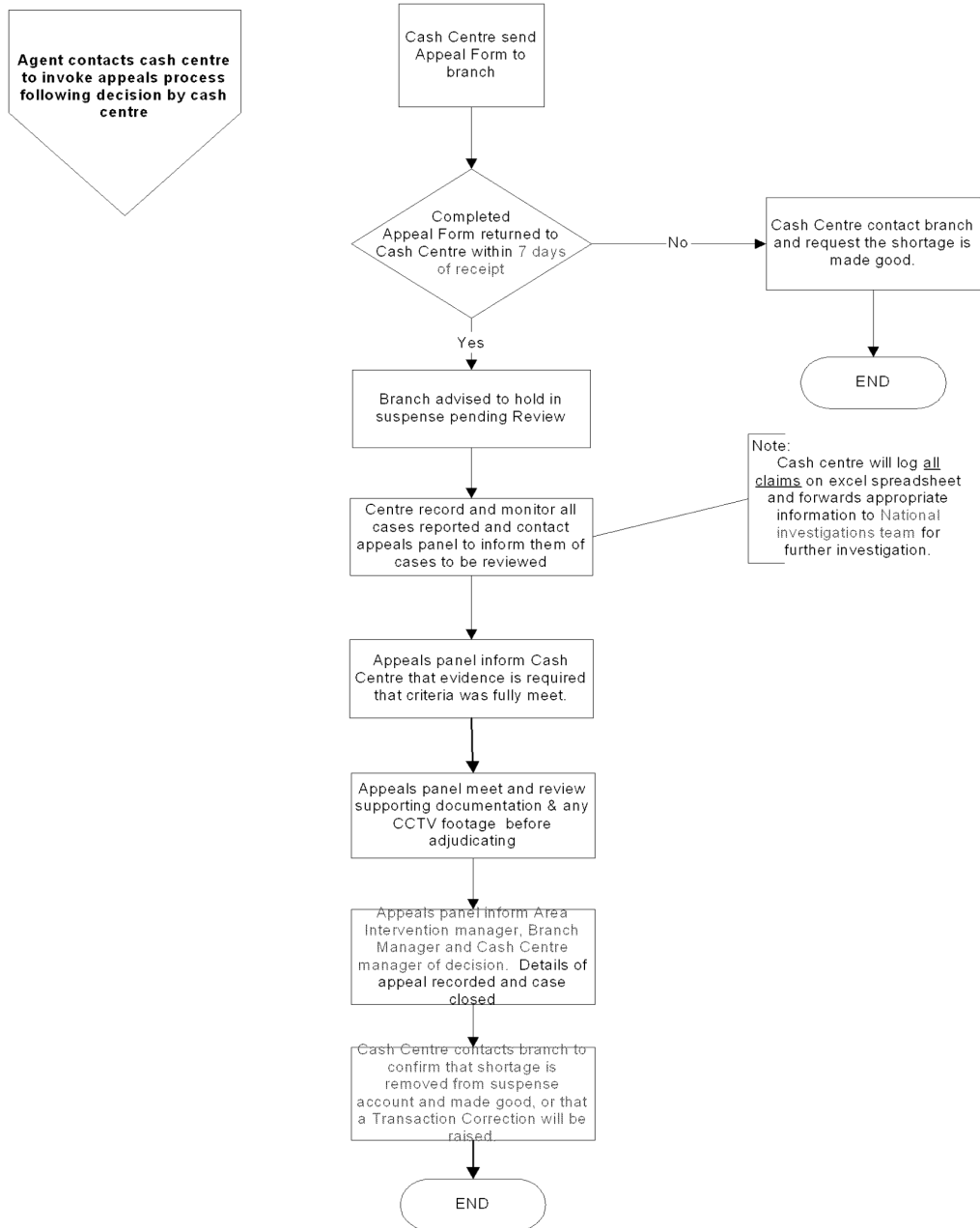
## Automated Cash Centre - Inward Remittance Discrepancy Process



Appendix G

Appeals Process for Automated Cash Centres

April 04



# Appeals Process for Automated Cash Centres

April 04

