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Your ref: Castleton M001

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23 October 2013

FAO Mr R Warmington
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GL54 1HR

T: **GRO**
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Dear Ron,

Lee Castleton: M001

Please find enclosed a copy of the Application For Mediation on behalf of Mr Lee Castleton.

Should you have any queries or require any further information, please do not hesitate to contact me on **GRO** or eporter **GRO**

Yours sincerely

GRO

Emma Porter
Director

Enc.



Post Office Mediation Scheme

Application For Mediation

Applicant: Lee Castleton M001

Advisor: Emma Porter, Aver

October 2013

Mediation Scheme Application: Lee Casdleton: GRO

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Appendix I: Documentation Relied Upon

Mediation Scheme Application: Lee Castleton M001

I Introduction

A Instructions

- I.1 I have been asked to assist Mr Lee Castleton ("Mr Castleton"), a former Sub-postmaster, in his application for the Mediation Scheme established by the Post Office for the Sub-postmasters.
- I.2 I am instructed by Mr Castleton, in accordance with the engagement letter dated 4 October 2013 which sets out the services including phases 1 and 2 of the Scheme as set out below.
- I.3 The role of the advisor in phase 1 investigation stage is to:
1. Review the case
 2. Establish the Sub-postmaster's objectives;
 3. Assist in the presentation the case in a logical manner;
 4. Support the case with such evidence, as available;
 5. Ensure the case is accurately presented; and
 6. Assist with responding to queries.
- I.4 I have not carried out any audit procedures on any of the organisations named in this document, and no part of my work or this document is to be construed as such.
- I.5 This document as been prepared for the purposes of Mr Castleton as part of his application to be included in the Mediation Scheme and must not be used for any other purpose, copied or shown to any other person or entity not directly involved in the case without my prior written consent.

B Background

- I.6 Prior to commencing his role as Sub-postmaster, Mr Castleton was employed as a retail stockbroker in London having originally trained as an engineer and served in the RAF as an Aircraft Electrical Engineer for nine years.
- I.7 Mr Castleton commenced his role as Sub-postmaster at the South Marine Drive branch (FAD Code 2133377) on 18 July 2003.
- I.8 As a consequence of events, as set out in the detailed Chronology in Section 2 of this document, Mr Castleton was suspended from his Sub-postmaster's role on 23 March 2004 and was not re-instated. Mr Castleton was written to in May 2004 notifying him of the Post Office's decision to terminate his contract effective from 23 March 2004.
- I.9 The Post Office Limited raised an action in Scarborough County Court for the cumulative difference which had arisen of £27,115.83 plus interest on 9 June 2005¹ and served on Mr Castleton on 14 June 2005. A hearing was set for 9 February 2006 on the application of Mr Castleton to set aside the claim and to Counterclaim². I understand that the Post Office did not attend the hearing.

¹ Claim 5SZ00651 In Scarborough County Court dated 09 June 2005 against Mr Castleton
² Claim HQ05X02706 Notice of Hearing on 9 February 2006, dated 8 December 2005

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- I.10 The Post Office, subsequently re-raised the action¹ in the High Court, London in 2006 at which the judge found against Mr Castleton in January 2007.
- I.11 Mr Castleton petitioned for his own bankruptcy and was declared bankrupt, by Order dated 23 May 2007.

C The Questions and Additional Information Requested

- I.12 The Sub-postmasters have been asked to respond to ten specific questions, in addition to which Mr Castleton has been asked to provide some additional documentation and explanations by Second Sight.
- I.13 The questions, as set out below are dealt with in Section 3 and, where relevant, supported by further information and documentation set out in Appendix I:
- (i) What is the main issue or issues you wish us to consider that relate to Horizon or its associated processes?
 - (ii) When did the incidents relating to the main issue or issues occur?
 - (iii) What prior contact have you had with the Post Office in regard to the incidents/issues that you are now reporting?
 - (iv) How was the issue or issues resolved at the time they occurred?
 - (v) What is the monetary value of the issue or issues you are now reporting?
 - (vi) Were you the subject of either civil recovery action or criminal prosecution regarding the main issue or issues you are now reporting?
 - (vii) How were these actions against you (if any) resolved?
 - (viii) What is your explanation for the events forming the main issue or issues you are now reporting?
 - (ix) Did you request assistance from the Post Office regarding the issue or issues you are now reporting?
 - (x) What assistance, if any, was provided?
- I.14 In addition to these questions, further information has been requested by Second Sight, as detailed below:
- (i) The telephone calls that you made to the Post Office's helpline. Can you recall and recount the advice or help that you received?

¹ Citation Number [2007] EWHC 5 (OB), case number HQ05X02706 December 2006

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- (ii) The specific areas, products or operational processes where you assert that you were given inadequate training. If you know or suspect that you made errors as a consequence of inadequate training or poor advice, please tell us about that.
- (iii) Any suspicions you had at the time, or now have, as to where the missing funds could have gone. Were any specific products or processes particularly problematical for example.
- (iv) Whether, and if so when and how, you requested help from POL that you had insufficient funds to repay the money initially claimed from you and, if so, when that was made clear.
- (v) Whether you, or your legal advisor, made it clear to POL that you had insufficient funds to repay the money initially claimed from you, if so, when that was made clear.
- (vi) Please let us know when you signed the contract (with POL) that contained the clause that held you accountable for the shortfall (clause12).

I.15 These matters are specifically dealt with in Section 4.

D The Impact and Sub-postmaster's Objectives

I.16 As a consequence of events and issues set out in Sections 2, 3 and 4, Mr Castleton and his family have suffered both financially and non-financially.

I.17 These are set out in Section 5.

Mediation Scheme Application: Lee Castleton: GRO**2 Chronology****A Introduction**

- 2.1 Set out below is a chronology of events based on the documentation supplied by Mr Castleton.
- 2.2 The chronology does not detail every call and event individually but where multiple calls occurred within a week, these are summarised. The source documents from which the chronology is derived are included at Appendix I.

B Period 18 July 2003 to 23 March 2004

- 2.3 This period relates to the period in which Mr Castleton held the post of Sub-postmaster at the South Marine Drive branch.

Dates	Event
14 th - 17 th July 2003	Mr Castleton undergoes training on Horizon in Leeds
18 th July 2003	Mr Castleton becomes sub-post master.
8 - 14 January 2004	Shortage of £1,103.60 was made good by Mr Castleton
15 - 21 st January 2004 (Week 43)	First week in which Mr Castleton records shortage - £4,230.97.
Week 43	Calls to the help desks commenced. Three calls relate to queries on procedural matters. One call on 21 January relating to discrepancies and reporting the shortage.
22 - 28 th January 2004 (Week 44)	Shortage of £2,523.12 bringing total to £6,754.09
Week 44	Three calls to the help desk on 22 January regarding the discrepancies and requesting assistance.
29 January 2004 - 4 th February 2004 (Week 45)	Excess of £24.08 bringing total shortage to £6,730.01
Week 45	One call on 27 January regarding the Sub-postmaster's meeting. One call on 28 January regarding a system query and another on a procedural matter. Calls to the help desk on 29 January 2004 re "rem" issues, a request for the Horizon transactional logs to be reviewed to establish if there is a system fault and to report the shortage. A further call on 2 February which relates to the installation of the new base station. On 3 February a query regarding the recording of pre-pay mobile vouchers as well as requests for switchboard numbers.
5 - 11 th February 2004 (Week 46)	Shortage of £1,513.09 bringing overall shortage to £8,243.10
Week 46	Further calls during the week covering procedural matters on which forms to use for certain transactions and how to rem out coin.
12 - 18 th February 2004 (Week 47)	Shortage of £8,243.10 transferred to suspense account.
Week 47	Called on 12 February to transfer the difference into suspense and also a procedural query. A hardship request was made on 12 February. Two calls on 13 February re rem issues and also doubling of cash declarations and requesting assistance. A further procedural query was raised. In addition a call was made on 13 February about a system check.

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Dates	Event
	Two calls on 16 February relating to a frozen screen and a balance check and the Horizon system. In addition, two calls on the same day regarding processing matters.
19 – 25 th February 2004 (Week 48)	Shortage of £3,509.18 plus suspense account shortage.
Week 48	Call between the help desk and the regional line manager as to whether the issues are software related. Four calls on 25 February to the help desk regarding balancing issues and systems checks.
26 February – 3 rd March 2004 (Week 49)	Shortage of £3,509.68 transferred to suspense to give £11,752.28 in suspense, but further shortage of £3,512.26.
Week 49	Call 26 February requesting a call from service support and a further call on the processing of smartpost transactions.
4 - 10 th March 2004 (Week 50)	Shortage rose by £7,140.85 to £10,653.11 plus the suspense account.
Week 50	Two calls on 4 March to help desk by the regional line manager re the discrepancies – the call log notes the query was in relation to “45 Discrepancy Problems”. Call on 8 March querying the cash declarations and also further procedural queries. Procedural calls on 9 and 10 March.
11 - 18 th March 2004 (Week 51)	The shortage rose by £557.45 to £11,210.56 plus the £11,752.28 already in suspense.
Week 51	Procedural calls on 15 and 18 March.
19 – 24 March 2004 (Week 52)	A shortage of £2,795.91 in the week brought the total to £14,006.47 plus £11,752.28 in suspense giving a total of £25,758.75. Post Office audit confirms shortage now totals £25,758.75. Auditor made two calls to the help desk on 23 March.
23 rd March 2004 (Week 52)	Mr Castleton was suspended. Per Post Office, lottery transactions in main shop of £100.20 not accounted for.

2.4 The issues and events highlighted above, where relevant, are set out in more detail in the sections below.

C Period 24 March 2004 onwards

2.5 This period relates to the matters after Mr Castleton was suspended and the key issues arising thereafter.

Dates	Event
24 March – 20 April 2004	Ruth Simpson acted as temp.
21 April 2004	Greg Booth acted as temp for four weeks before the role was taken over by Dorothy Day.
26 April 2004	Mr Castleton notified of Post Office considering termination and offered an interview.
10 May 2004	Mr Castleton was interviewed by Cath Oglesby and Lesley Joyce.
17 May 2004	Cath Oglesby writes to Mr Castleton to notify him of his termination. Mr Castleton subsequently appealed.
28 June 2004	John Jones, appeals manager visits the premises at Marine Drive.
1 July 2004	Appeal hearing.
9 July 2004	Appeal dismissed by John Jones and Mr Castleton notified.
18 August 2004	Demand for payment made.
11 February 2005	A statement of sums outstanding shows £25,858.95 due.
9 June 2005	Claim Form Issued
15 August 2005	Defense and Counterclaim

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Dates	Event
5 December 2006	High Court Trial commenced
22 January 2007	Draft Judgement Issued against Mr Castleton
23 May 2007	Bankruptcy Order issued for Mr Castleton by Scarborough Country Court
2007-date	Both Mr and Mrs Castleton have suffered with illnesses brought on by the stress of the legal cases and the position they found themselves in. In addition Mr Castleton has struggled to obtain work on certain contracts, due to the bankruptcy, limiting his ability to earn a living.
Current	Mr Castleton's house is now being repossessed.

- 2.6 The issues and events highlighted above, where relevant, are set out in more detail in the sections below.

3 The Ten Questions

A Introduction

- 3.1 The "case questionnaire and guidance notes" document sets out the ten core questions to be responded to in the Sub-postmaster's mediation application.
- 3.2 It is noted that there is a substantial cross over of matters between these questions creating an element of repetition. Whilst attempts have been made to minimise this, some repetition is inevitable.

I What is the main issue or issues you wish us to consider that relate to Horizon or its associated processes?

- 3.3 The issues highlighted by Mr Castleton have been reviewed against the thematic issues set out by Second Sight and analysed out below.

Training and Support including the Helpline and Audit

- 3.4 From the review of the helpdesk calls, it appears that Mr Castleton had a number relating to procedural and "how to" matters. However, the issue raised by Mr Castleton is the training and support of the Helpline staff, and his direct Post Office supervisor.

- 3.5 In particular, Mr Castleton highlights:

- (i) Lack of knowledge by these staff of Horizon, who used "crib sheets" to deal with the queries which Mr Castleton raised, and appear to have misinterpreted these "crib sheets" which created confusion to the queries raised.
- (ii) When a member of the Helpline could not answer a query it was passed on to another member of the Helpline, but with no guarantee that the query would be dealt with satisfactorily.
- (iii) Occasions when it was hard to speak to the Helpline as the phone lines were busy or if contact was made and a query passed on for consideration and a possible solution, that there was no return call.
- (iv) An apparent lack of knowledge of Horizon and its accounting function by his supervisor, who simply passed his queries on to whoever was considered the appropriate person by the supervisor.

- 3.6 A review of the telephone logs, summarised in the chronology and included in Appendix I, support these comments. For example, on 28 and 29 January and 25 February 2004 call queries were transferred to other helpdesks for resolution. Also where calls were passed to or logged with other departments, such as the "suspense account team" on 21, 22, 29 January, 26 February 2004.

Limitations in the Transaction Audit Trail available to Sub-postmasters

- 3.7 There was no facility available whereby Mr Castleton could access the audit trail of transaction data in order to investigate how discrepancies had taken place. It

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is clear from the documentation available that Mr Castleton was having to request assistance with the differences arising as he was unable to see the transactions.

- 3.8 There was no facility available for Mr Castleton to establish when data entered on the terminal reached the server.
- 3.9 The phone log⁴ shows a number of requests to the helpdesk to review the transaction audit trail to attempt to identify why the differences were arising but there is no indication that Mr Castleton was provided with direct access or hard copies of the audit trail thereby limiting the reviews that he could undertake and his ability to trace the source or reasons for the differences.
- 3.10 The issue is also compounded by the retention policy on hard copies of documentation which was only for six months increasing a Sub-postmaster's difficulty in reviewing historical data.
- 3.11 Mr Castleton has also noted that when transaction information was released it came in the form of spreadsheets rather than the raw data, thereby giving the Sub-postmaster no mechanism for ensuring its completeness or accuracy in the extraction process.

Process Issues at the end of each Trading Period

- 3.12 At the end of a period when Mr Castleton had a misbalance, he found it difficult to contact the Helpline because it was always very busy.
- 3.13 When he was able to make contact, the Helpline used the "crib sheets" to try and deal with the query, but if that was unsuccessful Mr Castleton notes that they did not seem to want to make suggestions in order to establish the cause of any difference, and instead simply requested sufficient funds to cover the amount of the imbalance.
- 3.14 Where Mr Castleton was either unwilling or unable to do so he was offered a hardship loan⁵.
- 3.15 At that point he would be told that the matter would be investigated by another individual (which he referred to as 2nd line) but frequently it could take up to four days for the return call. When this came, the "crib sheets" were used again with promises to call back, which he states did not happen.
- 3.16 The telephone logs available make reference to the differences being transferred as an "unauthorised" suspense transaction to allow a Trading Period to be closed.

The contract between the Post Office and Sub-postmasters

- 3.17 Mr Castleton indicated that he did not see or sign a full Sub-postmaster's contract and that what he signed was an "Acknowledgement of Appointment"

⁴ Telephone Logs

⁵ The telephone logs refer to the hardship loan and also the assistance in its completion

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and an "Acceptance as Subpostmaster at Marine Drive Post Office". This document was signed on 18 July 2003⁶.

- 3.18 He states that he did not see a copy of the Contract until the legal action with the Post Office, when he received a copy under discovery.
- 3.19 From the copy examined, there is no signature on any of the following schedules⁷:
- (i) Appendix 2 covering Official Secrets Act and Data Protection Act (P11)
 - (ii) Appendix 3 Official Secrets Act when ceasing to be a Sub-postmaster(P14)
 - (iii) Second Appendix 2 covering duty to the Post Office and Non-Disclosure of Official Information.(P82)
 - (iv) Second Appendix 3 Official Secrets Act when ceasing to be a Sub-postmaster(P84)
- 3.20 Based on the lack of signature, the disclosure process as part of the civil action against him and the information supplied by Mr Castleton, he had no knowledge of the potential liabilities that the contract exposed him to.

Transaction(s) not entered by the Sub-postmaster or his staff

- 3.21 A bank giro transaction of £1,256.88 on 17 March 2004 has been supplied by way of example. The transaction was processed by Mr Castleton but it failed and could not be seen on the transaction reports, however Girobank had received sufficient information to perform the transaction. This was amended by the Post Office some two months later on 13 May 2004. It is unclear whether this was taken into account and on what basis and by whom the amendment was made.
- 3.22 The documentation in relation to the giro transaction has already been supplied to Second Sight and forms part of the Spot Reviews⁸ undertaken.
- 3.23 Mr Castleton also notes that further transactions were shown on the system when neither Mr Castleton nor his member of staff was logged onto the system, representing Pension and Allowances transactions.
- 3.24 The documentation in relation to Pension and Allowances transactions has already been supplied to Second Sight and forms part of the Spot Reviews⁹ undertaken.
- 3.25 It is noted that further records for these are not available but should be held by the Post Office. As the system requires the identification of the individual making the transaction via log-in, further records will show when and who the system considered made these transactions.

⁶ Copy of document signed by Mr Castleton on 18 July 2003

⁷ Contract supplied to Mr Castleton as part of the disclosure process of the Civil Action against him

⁸ Spot Reviews sr017, sr018 and sr019 undertaken by Second Sight

⁹ Spot Reviews sr017, sr018 and sr019 undertaken by Second Sight

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- 3.26 It would be useful if the investigations undertaken by the Post Office were made available.
- 3.27 Where third party access is possible on a system, a contractual liability for any errors on that system raises concerns, particularly when the person with the contractual liability does not have any mechanism for review if any transactions have been processed remotely and what impact that may have on the Sub-postmaster's data and accounts.

Transaction anomalies following telecommunications or power failures

- 3.28 On 2 February 2004 a base unit was changed¹⁰ in the office, and this was after a period when differences arose. Further the telephone logs show that the installation process was not initially successful.
- 3.29 Mr Castleton requested systems checks after these events as he continued to be concerned about the unexplained differences arising.
- 3.30 On 16 February 2004 Mr Castleton suffered a frozen screen on the Horizon system and a reboot was undertaken.
- 3.31 During February the level of shortfall continued to increase, however, insufficient information is available to establish what transactions occurred during these failures.
- 3.32 Mr Castleton requested Tony Skyes¹¹ to review transactions documentation available for two periods of time. In both instances reviewed there was a mismatch between documentation showing that Mr Castleton was logged off the system whilst transactions were occurring and therefore a contradiction in the documentation.
- 3.33 As suggested in the note, such transaction and log anomalies should be compared to the discrepancies in the balancing process. It is unclear whether the Post Office have undertaken such investigations. If so, it would assist if the results from such investigations could be provided.
- 3.34 Mr Castleton has an engineer's job sheet to show that the ADSL system¹² was not connected correctly and this caused it to malfunction on 26 April 2004. It is understood that spot reviews demonstrate that transactions took place at this time when no one was logged onto the system. The documentation in relation to ADSL system has already been supplied to Second Sight and forms part of the Spot Reviews¹³ undertaken.
- 3.35 **Transaction anomalies associated with scratch cards**
- 3.36 Scratch cards are sold through the shop and transactions logged onto the Horizon system creating a time lag.
- 3.37 Mr Castleton was held responsible for after hours trading on a Wednesday that was not recorded correctly when he had already been suspended.

¹⁰ Telephone logs

¹¹ Note to Lee Castleton from Tony Sykes

¹² Engineers sheet re the ADSL failure

¹³ Spot Reviews sr017, sr018 and sr019 undertaken by Second Sight

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2 When did the incidents relating to the main issue or issues occur?

3.38 As set out in the chronology in Section 2 of this document the discrepancies arose between 14 January 2004 and 24 March 2004 (as the Post Office included a difference in the lottery which arose on 24 March 2004 after Mr Castleton had been suspended).

3.39 The shortages/over, as set out in the chronology are summarised below:

- (i) 14 Jan short £1,103.68 (paid by Mr Castleton)
- (ii) 21 Jan short £4,230.97
- (iii) 28 Jan short £2,523.12
- (iv) 04 Feb over £24.08
- (v) 11 Feb short £1,513.09
- (vi) 18 Feb balance £0.00
- (vii) 25 Feb short £3,509.18
- (viii) 03 Mar short £3,512.26
- (ix) 10 Mar short £7,140.85
- (x) 17 Mar short £557.45
- (xi) 23 Mar short £2,795.91

3.40 From the telephone logs Mr Castleton repeatedly requested these discrepancies to be investigated and assistance in identifying why they were arising. The results of any investigations by the Post Office are not apparent and it would assist if the results from such investigations could be provided.

3.41 It is noted that the level of discrepancies appear worse after the base station was replaced. No documentation or results from investigations are available to assess this further.

Training and Support including the Helpline and Audit

3.42 The training and support issues apply to the total period from July 2003 onwards.

Limitations in the Transaction Audit Trail available to Sub-postmasters

3.43 The limitation in the availability of the audit trail transactions issues apply to the total period from July 2003 onwards.

Process Issues at the end of each Trading Period

3.44 At the end of a period when Mr Castleton had a misbalance, he found it difficult to contact the Helpline because it was always very busy. From the logs, he does not appear to have been given the assistance requested to discover the actual

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reason behind each difference rather the differences were transferred as an "unauthorised" suspense transaction to allow a Trading Period to be closed.

The contract between the Post Office and Sub-postmasters

3.45 The contract issues apply to the total period from July 2003 onwards.

Transaction(s) not entered by the Sub-postmaster or his staff

3.46 A bank giro transaction of £1,256.88 on 17 March 2004 was amended by the Post Office some two months later on 13 May 2004. It is unclear whether this was taken into account and on what basis and by whom the amendment was made.

3.47 It is not clear when further transactions were shown on the system when neither Mr Castleton nor his member of staff was logged onto the system, including pension payments.

3.48 However, as it does not appear that any of the differences occurring were investigated with the result of any reason being established.

Transaction anomalies following telecommunications or power failures

3.49 On 2 February 2004 a base unit was changed¹⁴ in the office, and this was after a period when differences arose. Further the telephone logs show that the installation process was not initially successful.

3.50 Mr Castleton requested systems checks after these events as he continued to be concerned about the unexplained differences arising.

3.51 On 16 February 2004 Mr Castleton suffered a frozen screen on the Horizon system and a reboot was undertaken.

3.52 During February the level of shortfall continued to increase, however, insufficient information is available to establish what transactions occurred during these failures.

Transaction anomalies associated with scratch cards

3.53 Scratch cards are sold through the shop and transactions logged onto the Horizon system creating a time lag. This created a difference every week due to shop opening hours being different to those of the Post Office counter.

3 What prior contact have you had with the Post Office in regard to the incidents/issues you are now reporting?

3.54 Mr Castleton has provided the telephone logs and also has correspondence and Court documents from the civil case (approximately 10 lever-arch files).

3.55 The telephone logs demonstrate the Mr Castleton consistently communicated with the Post Office throughout the period when the differences were arising seeking assistance to establish the reason behind such differences.

¹⁴ Telephone logs

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3.56 It appears that the Post Office did some investigation but no supporting documentation or reports were supplied to Mr Castleton to allow him to undertake his review to identify when and why the differences were arising.

4 How was the issue or issues resolved at the time they occurred?

3.57 As noted above, none of the issues were ever resolved and after a very short period of time the Post Office dismissed Mr Castleton and proceeded to legal proceedings to recover the monetary value of the differences.

5 What is the monetary value of the issue or issues you are now reporting?

3.58 The movements in the shortfalls/overs are set out in the chronology in Section 2 and also in paragraph 3.39 above.

3.59 The net position on 23 March 2004 amounted to £25,758.75 onto which the Post Office added a difference on lottery funds of £100.20 and the costs of the legal action brought against Mr Castleton of £321,000.00.

6 Were you subject of either civil recovery action or criminal prosecution regarding the main issue or issues you are now reporting?

3.60 As set out in the Chronology in Section 2 of this document, the Post Office pursued Mr Castleton for the funds, and indeed spent what appears to be a completely disproportional £321,000 in attempt to recover £25,000 resulting in Mr Castleton's bankruptcy and no recovery.

3.61 The legal process commenced in June 2005 when The Post Office Limited raised an action in Scarborough County Court for the £27,115.83 plus interest, on 9 June 2005¹⁵ and served on Mr Castleton on 14 June 2005.

3.62 A hearing was set for 9 February 2006 on the application of Mr Castleton to set aside the claim and to Counterclaim¹⁶. I understand that the Post Office did not attend the hearing resulting in the claim being dismissed and the counter claim awarded.

3.63 The Post Office, subsequently sought to have the judgement set aside and re-raised the action¹⁷ in the High Court, London in 2006 at which the judge found against Mr Castleton in January 2007 and costs awarded of £321,000.

3.64 It is noted that the legal protection insurance held by Mr Castleton was capped at £50,000. Due to the proceedings covering different courts and over a long period of time this funding was utilised prior to the hearings in the High Court commencing in December 2006 resulting in Mr Castleton having to defend the action himself against the Post Office's legal team and counsel.

7 How were these actions against you (if any) resolved?

3.65 As noted above, the Post Office took the proceedings to the High Court at which Mr Castleton lost and resulted in Mr Castleton having no option but to

¹⁵ Claim 5SZ00651 in Scarborough County Court dated 09 June 2005 against Mr Castleton

¹⁶ Claim HQ05X02706 Notice of Hearing on 9 February 2006, dated 8 December 2005

¹⁷ Citation Number [2007] EWHC 5 (OB), case number HQ05X02706 December 2006

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declare himself bankrupt, by Order of Scarborough County Court dated 23 May 2007.

- 3.66 Mr Castleton, throughout the process from March 2004 to May 2007 requested that if funds were due, which Mr Castleton has consistently stated is not the case, he could pay them by instalments.

8 What is your explanation for the events forming the main issue or issues you are now reporting?

- 3.67 Mr Castleton contends that the Horizon system contains errors, which creates anomalies causing differences in the cash reconciliations and Trading Period closures.
- 3.68 Mr Sykes' note¹⁸ supports the contention that anomalies on the system were occurring.
- 3.69 There is also concern regarding whether the ADSL failure in April 2004 was creating or contributing to the issues prior to this.
- 3.70 Mr Castleton, through another Sub-postmaster, was provided with an example from their system of a transaction taking place but not being shown on the transaction listing. This was only in relation to a postage transaction of £9.31 on 25 August 2009 (I-2260183) which is not included on the transaction log¹⁹. Mr Castleton considers it likely that anomalies such as this were also occurring on the Marine Drive branch system.
- 3.71 Due to the limitations on the extent to which Mr Castleton could review the audit trail and compare the data to the records combined with Mr Castleton's repeated requests for assistance to identify the reasons for the differences which appear unsuccessful, Mr Castleton does not know what may have created the differences beyond those explanations noted above.
- 3.72 Mr Castleton still wishes to know what were the underlying causes.
- 3.73 Results from the Post Office investigations would be of assistance in this matter.

9 Did you request assistance from the Post Office regarding the issue or issues you are now reporting?

- 3.74 The telephone logs²⁰ demonstrate that Mr Castleton repeatedly requested assistance. The logs for each of the helpdesk have been reviewed for examples of the request for assistance by Mr Castleton and the results of the review summarised below.
- 3.75 The Horizon helpdesk was contacted by Mr Castleton, per the telephone logs examples of which are highlighted below:

Dates	Call Matter	Call Closure
28/01/2004	Phonecall from Mr Castleton re	The closure shows it was

¹⁸ Note to Lee Castleton from Tony Sykes

¹⁹ Transaction documentation relating to missing postage from the log on 25 August 2009, as supplied to Mr Castleton in October 2009

²⁰ Telephone logs

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Dates	Call Matter	Call Closure
	discrepancies on the system for the last three weeks.	transferred for investigation but there is no indication as to the outcome of the investigation – further information on this would be appreciated.
29/01/2004	Phonecall from Mr Castleton related to rems – every time he rems it produces discrepancies on the system. He had been to the other helpdesk and now back to this helpdesk and wants his system investigating.	The closure shows he was transferred back to the business helpdesk for further assistance It is unclear if anything was done – further information on this would be appreciated
13/02/2004	Phonecall from Mr Castleton related to rems	The closure shows he was directed back to the business helpdesk
13/02/2004	Phonecall from Mr Castleton related to doubling up of cash declarations and cheques reappearing the following day	The closure shows he was asked to call back if it kept happening
16/02/2004	Two referrals from the business helpdesk notifying Mr Castleton's comment re re-boot and also a request for an OBSC check	The closure shows the re-boot was "OK" and that results were given in relation to the OBSC check – further information on this would be appreciated
25/02/2004	Calls regarding balancing problems on the system Call back regarding balancing problems	The closure notes issued considered to relate to stock and request to call back if further assistance required. It is unclear how the call was closed – further information on this would be appreciated
25/02/2004	Phonecall from Mr Castleton re discrepancies on the system for the last few weeks	The closure notes issued spoken to Mr Castleton and explained there was no software issue and passed comments elsewhere – further information on what was done to establish no software issue would be appreciated
04/03/2004	Two calls from Mr Castleton regarding large discrepancies and requesting why this was occurring	The closure refers him back to the business helpdesk and states these are not caused by software/hardware issues - further information on this would be appreciated

3.76 The business helpdesk was contacted by Mr Castleton, per the telephone logs examples of which are highlighted below:

Dates	Call Matter	Resolution
21/01/2004	Phonecall from Mr Castleton re discrepancies on the cash account of £4,294.67	Notes – Sub-postmaster still has loss and has logged call with suspense - further

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Dates	Call Matter	Resolution
		information on this would be appreciated
22/01/2004	Phonecall from Mr Castleton re discrepancy of £4000 and cannot find anything	Notes – went through all balance checks re remms, cash stock etc and cannot find anything – referred to suspense
22/01/2004	Notes £4,230.97 loss unauthorised – unknown error	Notes – unknown error - further information on what was done to assist would be appreciated
28/01/2004	Mr Castleton noted that since broadband was installed when stock is remmed in the system is showing £2,500 short and seeking clarification is this is an accounting or system issue	Notes – suggested that if he thinks it is technical he should contact the Horizon helpdesk. Talked through process and suggested he balance to get the correct figure, to call the other helpdesk and if “no joy” to contact “TP”(?) to see log - further information on what was done to assist would be appreciated
29/01/2004	Mr Castleton noted a loss for the third week running of £2,523.12	Notes – Checked figures using transaction log, looked at remms declaration and cash flow – no trace of discrepancy so created a call for suspense account team - further information on what was done to assist would be appreciated
29/01/2004	Week 44 £6,754.09 loss unauthorised unidentified	Unauthorised loss - further information on what was done to assist would be appreciated
30/01/2004	Mr Castleton states that the loss is £6,754.09 which he cannot identify and cannot afford to make good – request to contact office to resolve and reply with action taken	Notes – hardship has been applied for and awaiting return of the income and expenditure form - further information on what was done to assist would be appreciated
12/02/2004	Week 46 loss is £8,243.10 unauthorised and accumulated over last 4 weeks – notes hardship applied for	Notes amount entered into suspense - further information on what was done to assist would be appreciated
13/02/2004	Notes Cath Oglesby was visiting Mr Castleton to assist in completing the form also notes that phone to chase on 25 March but “PM suspended?!”	Notes spoken to Cath Oglesby 25/03 and confirmed Mr Castleton had been suspended on loss transferred to late account
13/02/2004	Mr Castleton would like the system checked due to faults	Referred to the technical helpdesk
25/02/2004	Note “PM has been having terrible problems with the system and there balance for about 6 weeks now – she has been onto Horizon who	Notes - Horizon team now looking at it and had been in touch – given ref to call back if any further problems -

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Dates	Call Matter	Resolution
	promised they would do a system check – PM wanted to know whether they had done it or started it but Horizon doesn't seem to be see log"	further information on what was done to assist would be appreciated
26/02/2004	Mr Castleton had requested a call from support re earlier call and a £3,509.68 shortage and would like to use suspense account	Notes include that Horizon are still investigating - further information on what was done to assist would be appreciated
26/02/2004	Notes loss above re week 48 unauthorised and added into suspense pending hardship process	Notes pending suspense pending hardship
04/03/2004	Notes "RLM Kath Oglesby has called HSH as the office are constantly showing losses every week and thinks this may be down to software as the amount is getting worse each week, HSH has put her straight through here without checking any incidents, see log"	Notes looked at weeks 41,42,43 and could find nothing but timing difference on lottery – suggested Mr Castleton should work manually along side Horizon and to call if anything shows - further information results of manual work would be appreciated
08/03/2004	Mr Castleton has called re a further cash difference of £7,579 – call passed to Sarah Pennington	Mr Castleton requested for snapshots - further information on what was done to assist would be appreciated

10 What assistance, if any, was provided?

3.77 As is very clear from the logs above, Mr Castleton was consistently requesting assistance. However:

- (i) It is unclear whether Horizon ever completed the investigations referred to on 25 and 26 February and what the outcome was.
- (ii) Many calls appear to be closed without any resolution.
- (iii) Cath Oglesby appears to be concerned that this could be a system problem. It is unclear as to what actions were taken as a result of this concern.
- (iv) It was suggested at the beginning of March that the system should be operated manually along side Horizon. It is unclear as to whether this ever happened and what the outcome was.
- (v) There is no information on the call logs to clarify if a team ever went on site to test the system.

3.78 The logs also show that Mr Castleton appears to have been passed around at times, particularly by the Horizon team.

3.79 It is also noted from Mr Castleton that the logs do not include all the calls and requests for assistance.

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- 3.80 Further information and clarifications relating to the investigations undertaken by the Post Office are required to establish what attempts were being made by the Post Office/Horizon to deal with Mr Castleton's issues.
- 3.81 Mr Castleton has confirmed that no on-site investigations were undertaken.

4 Additional Information

A Introduction

4.1 As a consequence of Mr Castleton's initial application, Second Sight have requested a focus on some additional information. For the purposes of completeness. The additional information requested is detailed below as provided where available.

B Information

4.2 The information requested was:

- (i) The telephone calls that you made to the Post Office's helpline. Can you recall and recount the advice or help that you received?
- (ii) The specific areas, products or operational processes where you assert that you were given inadequate training. If you know or suspect that you made errors as a consequence of inadequate training or poor advice, please tell us about that.
- (iii) Any suspicions you had at the time, or now have, as to where the missing funds could have gone. Were any specific products or processes particularly problematical for example.
- (iv) Whether, and if so when and how, you requested help from POL that you had insufficient funds to repay the money initially claimed from you and, if so, when that was made clear.
- (v) Whether you, or your legal advisor, made it clear to POL that you had insufficient funds to repay the money initially claimed from you, if so, when that was made clear.
- (vi) Please let us know when you signed the contract (with POL) that contained the clause that held you accountable for the shortfall (clause 12).

The telephone calls that you made to the Post Office's helpline. Can you recall and recount the advice or help that you received?

4.3 The telephone logs are included in Appendix I and referred to where relevant.

4.4 Mr Castleton notes that he did have contemporaneous records of his telephone calls with the help desk including the names of the individuals who instructed the transactions to be transferred to suspense and how this should be done. These notes were provided to Ms Oglesby but Mr Castleton states these were not returned or included in any documentation or paperwork seen since.

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The specific areas, products or operational processes where you assert that you were given inadequate training. If you know or suspect that you made errors as a consequence of inadequate training or poor advice, please tell us about that.

- 4.5 The main focus of Mr Castleton's comments in this regard is that the helpdesks and his line manager lacked the ability to assist him and therefore must have lacked the necessary training.
- 4.6 The transcript exact from the December 2006 civil action of Mrs Oglesby's evidence shows that Mrs Oglesby's knowledge of all of the documentation, and what everything meant, was poor. Further, it appears that the assistance she was providing Mr Castleton was unstructured, unsupported by any process or training and based on some practical experience and the some "guesswork".
- 4.7 As previously noted, the calls to the helpdesk and Mr Castleton's concerns and requests for assistance demonstrate that there was an overall lack of training.

Any suspicions you had at the time, or now have, as to where the missing funds could have gone. Were any specific products or processes particularly problematical for example

- 4.8 The information available shows that Mr Castleton was concerned about the operation of the suspense account on the Horizon system as well as the ability of the Post Office to remotely make "corrections".
- 4.9 Mrs Castleton considers that the Horizon system was not operating correctly in the Marine Drive branch. The telephone logs show that Mr Castleton was regularly requesting that the system be investigated.
- 4.10 Mrs Oglesby's witness statement says that she asked the Investigations team to undertake an investigation but they refused. Horizon helpdesk logs suggest that some things were looked at, however there is no supporting documentation or information to clarify what was looked at, how they were able to check the system remotely and what they checked the system against.
- 4.11 In light of all of this, Mr Castleton did not have the access or assistance to identify the reasons for the differences.

Whether, and if so when and how, you requested help from POL that you had insufficient funds to repay the money initially claimed from you and, if so, when that was made clear.

- 4.12 The telephone logs show that Mr Castleton stated from 30 January 2004 that he was unable to pay the sums being claimed from him.
- 4.13 On or around 12 February 2004 Mr Castleton was provided with hardship loan papers to complete.

Whether you, or your legal advisor, made it clear to POL that you had insufficient funds to repay the money initially claimed from you, if so, when that was made clear.

- 4.14 Please see comments above.

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4.15 Mr Castleton made it clear from January 2004 that he was not able to pay the funds being requested by the Post Office.

4.16 Mr Castleton was made bankrupt in May 2007.

Please let us know when you signed the contract (with POL) that contained the clause that held you accountable for the shortfall (clause12).

4.17 As noted above, Mr Castleton did not see or sign a full Sub-postmaster's contract and that what he signed was an "Acknowledgement of Appointment" and an "Acceptance as Subpostmaster at Marine Drive Post Office". This document was signed on 18 July 2003²¹.

4.18 He states that he did not see a copy of the Contract²² until the legal action with the Post Office, when he received a copy under discovery.

C Other

4.19 Additional information has supplied by Mr Castleton to support this application is included in Appendix I.

²¹ Copy of document signed by Mr Castleton on 18 July 2003

²² Contract supplied to Mr Castleton as part of the disclosure process of the Civil Action against him

5 The Impact and Sub-postmaster's Objectives

A Introduction

- 5.1 As part of the mediation process the applicant is invited to set out their objectives in relation to the mediation. Set out below are the objectives of the mediation put forward by Mr Castleton.
- 5.2 Mr Castleton has also set out the overall impact on him and his family.

Overall Impact

- 5.3 The statement of Mr Castleton is as follows:

see Castleton.

I was unable to return to my previous work as a Retail Stockbroker. I had trained as an electrician in the 1980's and served as an Aircraft electrical Engineer for nine years in the RAF. But because of the Bankruptcy I could not work on Aircraft or even at an Airport as I could not apply for an Air side pass.

I paid for retraining as a Installation electrician and obtained my 16th Edition and 2391 Certificates. I managed to get work on a short contract basis since October 2007 I was regularly out of work and now only earn around £12.00 per hour. I could receive up to £24.00 per hour on major projects such as Power stations but I still cannot pass a Security check. I have been refused work on these grounds on many occasions and the last time

Mediation Scheme Application: Lee Castleton **GRO**

Was after an application to Sodexo at Saltend in Hull. I was lucky to go through three interview stages and got to the last two. But failed my CRB check and again was not able to be employed.

Throughout the period 2004 to 2013 I have been verbally abused in the street because locally I am perceived as a thief. My family have been abused in the street, on buses and at school. This is another part of the problem. When my contract was terminated both of my children had to leave their school and friends. It has caused a great many problems. Both of my children are **GRO** They had 4 hours per week of extra help at their school. But when they moved this was no longer

(3) available. They had to move from a school of less than 100 pupils that both had attended from the age of three. My daughter being older really suffered. She found other children locally would target her "posh" accent. They would spit at her and bully her. This is documented at school. My daughter **GRO** has had to see a councillor throughout and continues to need help to this day. Her results suffered. But most of all her confidence has suffered. This has been going on for more than half of her life! She struggles to make friends and is very guarded when around new people. She has suffered terribly.

My son **GRO** again had to leave a school he had attended since being ~~the~~ three years old. He is a keen sportsman and adapted to his new school better.

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④ But his results at GCSE really suffered and he would have benefited from the extra ~~text~~ help with his **GRO**

My wife Lisa-Marie has also suffered. Lisa **GRO**

GRO
GRO In 2008 Lisa started to suffer night time seizures which led to daytime seizures. Eventually diagnosed as Epilepsy. Lisa had underlying Epilepsy but it has been triggered by extreme stress. She is now medicated but can no longer drive. Her confidence is so low I believe she will never drive again.

GRO

5.4 I have also been provided with a statement by Mr Franks, Mr Castleton's father in law:

① MY WIFE **GRO** DEVELOPED
GRO IN 2011 WE FEEL THAT THIS WAS BROUGHT ON BY THE STRESS THAT OUR DAUGHTER AND HER FAMILY WERE SUFFERING FROM THE POST OFFICE MAKING THEM BANKRUPT AND NOT ABLE TO GET ON WITH THEIR LIVES

② OUR DAUGHTER DEVELOPED **GRO**
SHE HAS NEVER BEEN ANY SUCH PROBLEMS IN OUR FAMILY.
SHE HAS A LICENCE TAKEN FROM HER, NOT BEEN ABLE TO DRIVE AGAIN. HAS MADE IT DIFFICULT FOR US A FAMILY. **GRO**

③ MY SON IN LAW IS NOT THE PERSON WAS 9 YEARS AGO, NOT BEEN ABLE TO GET HE WANTED WITH HIS QUALIFICATIONS BECAUSE OF THE BANKRUPTCY.
MY DAUGHTER IS NOT MY REAL DAUGHTER I LOST HER WHEN ALL THESE PROBLEMS STARTED AND MY GRANDCHILDREN HAVE NOT BEEN THE SAME SINCE THEY HAD TO BE TAKEN OUT OF PRIVATE EDUCATION.

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- 5.5 Both Mr and Mrs Castleton have provided letters of authority²³ to allow access to their medical records to substantiate the information in the statements above.

Financial Impact

- 5.6 Mr Castleton has provided a note of the financial impact that the actions by the Post Office have had.

- 5.7 This is summarised in the table below:

Area Impacted	£	£
Post Office Salary Loss		
Payslip September 2003	£3,378.43	
Annualised	£40,541.16 pa	
Years to retirement	33	
Average Inflation Applied	2.62%	
Loss		£2,131,943.15
Private Education Lost by the Children		
Cost of School Fees for Millie	112,285.00	
Cost of School Fees for Cameron	128,575.00	
Loss		£240,860.00
Court Case		
Legal Costs	32,760.00	
Subsistence and Travel Costs	4,600.00	
Loss		37,360.00
Mortgage		
Due	260,000.00	
Arrears	36,000.00	
Loss		296,000.00
Shop Closure as a consequence of the Post Office closure		
Lost shop salary for Mr Castleton	693,000	
Rental Lost	396,000	
Lost profits for Mrs Castleton	297,000	
Goodwill lost	75,000	
Loss		1,461,000.00
Post Office Purchase/Sale		
Lost acquisition funds	101,000.00	
Lost opportunity for sale	237,500.00	
Loss		338,500.00
Loan from Father in Law		80,000.00
Bankruptcy Annulment (est)		350,000.00
Compensation for personal impact		250,000.00
TOTAL LOSS CLAIM		5,185,663.15

²³ Letters of authority

Mediation Scheme Application: Lee Castleton M001

B Conclusion

5.8 Mr Castleton wishes the following to take place as part of the mediation process:

- (i) The Post Office to issue an apology to Mr Castleton and his family.
- (ii) The Post Office to assist Mr Castleton in the annulment of his bankruptcy.
- (iii) The Post Office to make financial settlement to the Castleton's of £5.2m.

Mediation Scheme Application: Lee Castleton **GRO**

Appendix I. Documentation Relied Upon

The following is a listing of all documents referred to in this application.

Document	Tab
Claim 5SZ00651 in Scarborough County Court dated 09 June 2005 against Mr Castleton	1
Claim HQ05X02706 Notice of Hearing on 9 February 2006, dated 8 December 2005	2
Citation Number [2007] EWHC 5 (OB), case number HQ05X02706 December 2006	3
Telephone Logs	4
Copy of document signed by Mr Castleton on 18 July 2003	5
Contract supplied to Mr Castleton as part of the disclosure process of the Civil Action against him	6
Note to Lee Castleton from Tony Sykes	7
Engineers sheet re the ADSL failure	8
Transaction documentation relating to missing postage from the log on 25 August 2009, as supplied to Mr Castleton in October 2009	9
Letters of authority for Mr and Mrs Castleton	10