

Ref: PR/752033/AFG/BATES Printed by: MYF

**From:** lee castleton [GRO] [GRO]  
**To:** Andruszewski, Luke  
 [/O=SHOOSMITHS/OU=BASINGSTOKE/CN=RECIPIENTS/CN=ANDRUSZEWSKIL];  
**Cc:** Shoosmiths  
 [/O=SHOOSMITHS/OU=BASINGSTOKE/CN=RECIPIENTS/CN=QH-LEP2];  
**Sent:** Fri 03/12/2010 10:28 **Received:** Fri 03/12/2010 10:28 **Posted:** Fri 03/12/2010 10:57  
**Subject:** Fw: Horizon Errors  
**Attached:** Horizon.jpg;

**From:** Rob & Kate Jones  
**Sent:** Monday, October 12, 2009 7:41 PM  
**To:** 'lee castleton'  
**Subject:** RE: Horizon Errors

Hi Lee

I have attached the evidence that I have.

Don't get too excited – it comprises a certificate of posting, a postage label from the same transaction and the transaction log covering the time it happened. No entry appears in the log! The interesting thing is that when I reported it to POL, instead of being surprised, they had an immediate answer ready. I was told to do the transaction again and to destroy the paperwork. This would seem to indicate that although they will not publicly admit to system errors they KNOW that they exist. Needless to say I ignored the bit about destroying the paperwork! After doing the transaction again I balanced perfectly at the end of the day. If I had not spotted it and had just taken the customer's cash I would have ended up with an overage of £9.31.

Not a huge error and it would have left me over instead of short but it is proof that the integrity of the Horizon system is compromised.

Please use it if you can (I have erased all reference to my office) and I wish you luck.

If I can help further please let me know.

I have also been contacted by BBC Wales, Computer Weekly and Alan Bates. After the Taro 9 programme a few weeks ago I also had a long conversation with David Jones MP. To date Watchdog has not got back to me.

Regards

Rob Jones

**From:** lee castleton [GRO] [GRO]  
**Sent:** 11 October 2009 15:20  
**To:** Rob & Kate Jones  
**Subject:** Re: Horizon Errors

Rob, Kate,

I cannot tell you how much I would love a copy of the information you have. I have some paperwork that shows errors in my own office but the more the merrier.

Lee

**From:** Rob & Kate Jones  
**Sent:** Sunday, October 11, 2009 11:29 AM

To: **GRO** **GRO**  
Subject: Horizon Errors

Hi Lee  
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Following the appeal in the mag I have just sent the text below as an email to the BBC Watchdog programme.  
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I understand from 'Convenience Store' magazine that you are interested in computer problems in the Post Office - specifically where subpostmasters have lost money and in some cases been penalised and/or prosecuted by POL.  
If you are interested I have a small piece of hard copy evidence that proves that the Horizon computer system is not as error-free as POL claim it is and is capable of accepting transactions and then losing all details of them resulting in discrepancies. These discrepancies are then the responsibility of the subpostmaster to make good.  
An incidence of this occurred in my PO about 6 weeks ago where the system 'lost' a transaction. I was able to spot it at the time and keep evidence of it. The interesting thing is that when I reported it to POL, instead of being surprised, they had a ready remedy to hand. This would seem to indicate that although they will not publicly admit to system errors they KNOW that they exist but are quite happy to blame the subpostmaster and hold him responsible for any financial discrepancy. The fact is that if I hadn't spotted it at the time (it would have been very easy to miss) I would have been none the wiser until the time came to balance the books.  
Luckily it was a very small financial amount but the evidence does prove the point.

Regards

Rob Jones  
Porthyrhyd Post Office

**GRO**

**GRO**

Andruszewski, Luke

---

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**Sent:** 03 December 2010 10:29  
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Regards

---

Rob Jones  
Porthyrhyd Post Office

**GRO**

**GRO**



Syddfa'r Post Cyf.  
Post Office Ltd.  
Eich Derbynnab  
Your Receipt

Post Office Stores

Cardiff

Dyddiad ac Amser: 25/08/2009 10:52  
 Date and Time:  
 Blaenrwyf Session: 1-2260183  
 Session Prefix:  
 Cychifan:  
 Dagt: UK (E.U.)  
 Nifer/Quantity: 1  
 Pysau/Weight: 3.800 Ks  
 Standard P&I 37.06  
 EBN Cws up to £250 £250.00 £2.25

Cyfanswm Cost Gwasanaethau  
 Total Cost of Services £9.31

FAB:  
 11:03 25/08/2009 TP:45 BP:03 SU: AA  
 Transaction Log Office Copy

USER	TRANSACTION REF	SU	TP	BP
DATE	TIME			
MODE	PRODUCT	QTY	LINE	VALUE
25/08/2009	10:44	1-2260176-2	AA	05 03
		SC CR CASH MFL	1	100.00
25/08/2009	10:44	1-2260176-3	AA	05 03
		SC Cash	1	100.00
25/08/2009	10:59	1-2260195-1	AA	05 03
		SC Halifax Cashwdrl	1	10.00
25/08/2009	10:59	1-2260195-2	AA	05 03
		SC Cash	1	10.00
25/08/2009	11:01	1-2260198-2	AA	05 03
		SC Post Boxes PP	1	3.20
25/08/2009	11:01	1-2260198-3	AA	05 03
		SC Cash	1	3.20
25/08/2009	11:02	1-2260205-2	AA	05 03
		SC CR RD LIMIT	1	46.40
25/08/2009	11:02	1-2260205-3	AA	05 03
		SC Cash	1	46.40

\*\*\* END OF REPORT \*\*\*

CYFEIRIAD DERBYNNAB/DESTINATION ADDRESS  
 Enw'r Adeilad Neu'r Bhiri Cws Post  
 Building Name or Number Postcode  
 Down Mail House G22 2AP  
 Dilyswyd y Llystiriad?  
 Address Validated? Y

NAG'N GWYSTI EICH BŵD YN LADW'R  
 DERBYNNAB NŴ FEL PRAWF O BOSTIEG  
 IT IS IMPORTANT THAT YOU RETAIN THIS  
 RECEIPT AS IT IS YOUR PROOF OF POSTING

GARLLENCH Y TŴSERAU AC ANODAU AN  
 WYHAN OS GWELMCH YN DDA

PLEASE REFER TO SEPARATE TERMS AND  
 CONDITIONS

I gael gwybodpeth am  
 synhyrchion a gwasanaethau:  
 Post Brenhinol, cyswlltiau  
 a di ar GRO  
 neu ewch i'r gwefan yn  
 www.postoffice.co.uk

For information regarding  
 Royal Mail  
 products and services:  
 contact us on  
 GRO  
 or visit our web site at  
 www.postoffice.co.uk

Hid derbynnab IAW yw hon  
 This is not a VAT receipt  
 Diolch yn Fawr  
 Thank You

SP

Royal Mail

POSTAGE PAID UK

Post Brenhinol

TALWYD Y POST DG

25/08/09 09.31

1-2260183



Product Time	Inventory USER	ACTION	PRODUCT OLD	VERSION	NEW	INSTALLATION TIME	NEW	INSTALLATION TIME
11-Apr-04	00:13	ORACLE_ATE_ONLINE	MANEYFILTER_COUNTER	20_2	21_1	11-Apr-04	00:13	
12-Mar-04	22:36	ORACLE_ATE_ONLINE	MANEYFILTER_COUNTER	20_2	12-Mar-04	22:36		
07-Mar-04	22:20	ORACLE_ATE_ONLINE	CNTR_EPOSS_SCHED	19_2	20_2	22:36		
03-Mar-04	04:38	SMC	INVENTORY_SUBSTITUTION	20_1	20_1	07-Mar-04	22:19	
03-Mar-04	04:38	SMC	RIP_COUNTER	20_2	02-Mar-04	22:06	08:18	03-Mar-04
03-Mar-04	04:38	SMC	RIP_SIGNED	20_2	02-Mar-04	22:06		
03-Mar-04	04:38	SMC	MINI_MAILS	20_1	02-Mar-04	22:06		
02-Mar-04	22:06	ORACLE_ATE_ONLINE	MINI_MAILS	20_1	02-Mar-04	22:06		
24-Feb-04	22:13	ORACLE_ATE_ONLINE	COUNTER_EPOSS	20_3	20_5	02-Feb-04	22:13	
23-Feb-04	08:18	SMC	COUNTER_ADMIN_CFG	20_3	20_5	02-Feb-04		
23-Feb-04	08:18	SMC	INVENTORY_SUBSTITUTION	20_1	23-Feb-04	08:18		
23-Feb-04	08:18	SMC	PINPAD_COUNTER	20_1	23-Feb-04	08:18		
23-Feb-04	08:18	SMC	PINPAD_COUNTER	20_1	23-Feb-04	08:18		
23-Feb-04	08:18	SMC	SOFT_DIST_CHT	20_2	23-Feb-04	08:08		
23-Feb-04	08:18	SMC	PINPAD_COUNTER	20_1	23-Feb-04	08:08		
22-Feb-04	22:52	ORACLE_ATE_ONLINE	CNTR_EPOSS_SCHED	20_1	19_2	18-Feb-04	22:52	
18-Feb-04	06:52	ORACLE_ATE_ONLINE	CNTR_EPOSS_SCHED	20_1	19_2	18-Feb-04	06:52	
02-Feb-04	14:10	SMC	MEMSIZE	256	02-Feb-04	14:10		
02-Feb-04	14:09	SMC	COUNTER_CURBUILD	20_1	02-Feb-04	14:09		
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02-Feb-04	14:09	SMC	CHIM_APP	17_4	17_4	23-Jan-04	14:09	
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02-Feb-04	14:09	SMC	COUNTER_INSTALL	20_3	20_3	28-Nov-03	14:09	
02-Feb-04	14:09	SMC	UpgradeSW_2.9	20_1	09-Nov-03	00:20	14:09	
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02-Feb-04	14:09	SMC	PINPAD_USP	18_1	18_1	11-May-03	14:09	
02-Feb-04	14:09	SMC	PINPAD	3013102	20-Sep-02	12:15	14:09	
02-Feb-04	14:09	SMC	MEM_WATCH	20_2	20_2	12:15	14:09	
02-Feb-04	14:09	SMC	MANEYWATCH	17_2	17_2	28-Jan-04	14:09	
02-Feb-04	14:09	SMC	LFS_COUNTER	20_1	20_1	02-Feb-03	14:09	
02-Feb-04	14:09	SMC	CM4_DELTA_PACKAGE	SUCCESS	SUCCESS	09-Nov-03	14:09	
02-Feb-04	14:09	SMC	BUILD	2.9	SUCCESS	14-Mar-02	14:09	
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02-Feb-04	14:09	SMC	INVENTORY_SUBSTITUTION	COUNTER_S50	20_3	09-Nov-03	14:09	
02-Feb-04	14:09	SMC	EPOSS_DIAG	20_1	18-Dec-03	23:08	14:09	
02-Feb-04	14:09	SMC	BridgeGateway_Only_Sentry	1	02-Feb-03	00:31	14:09	
02-Feb-04	00:22	ORACLE_ATE_ONLINE	COUNTER_INSTALL	20_3	01-Feb-04	00:22	14:09	
28-Jan-04	01:58	ORACLE_ATE_ONLINE	MEM_WATCH	20_1	20_2	09-Nov-03	01:58	

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accesslegal

FAO: Nicola Pettit  
Freeths LLP  
DX **GRO**  
Leeds Park Square

The Square  
Basing View  
Basingstoke  
Hampshire  
RG21 4EB

DX **GRO**

T: **GRO**

F: **GRO**  
rose.donoghue **GRO**

Your ref JLH/1684/2113984/1/NP  
Our ref PR/752033/RXD3/BATES/SAP  
Date 9 December 2016

Please ensure that our reference is quoted on all correspondence

**Please note that from 17th October our Basingstoke Office will be relocating to The Square, Basing View, Basingstoke, Hampshire, RG21 4EB, DX **GRO**, Basingstoke 26. Telephone and e-mail contacts remain the same.**

Dear Sir

**OUR CLIENT : MR LEE CASTLETON**

We thank you for your letter of 7 November 2016.

We enclose the papers we have in this matter as requested.

Please note that to assist us in improving our services we may record or monitor our telephone calls.

**GRO** faithfully

**ACCESS LEGAL**





SUPPLEMENTAL QUESTIONNAIRE FOR  
SUB-POSTMASTERS/MISTRESSES

Name  
Lee Castleton

Address  
GRO

Telephone/fax number  
GRO

E-mail address  
GRO GRO

Preferred method of contact

e mail

1. WHY DID YOU CONSIDER WORKING FOR THE POST OFFICE

1 Why did you decide to take this role

To spend more time with my family. I had been working as a retail stockbroker and felt as the children were growing up I wanted to spend more time with them

2 Who did you contact about working for the Post Office and what was the individuals job title?

I didn,t contact the post office I knew somebody who wanted to sell there branch

3 What did this individual advise the job would entail

4 When did this discussion take place?

5 Did the discussion take place by meeting/letter/telephone/other?

6 Please give dates/times

7 How many conversations took place etc before you entered into the contract?  
Where/when and how.

only one

8 Were you advised of any benefits you would be entitled to?

no

9 If yes, what were these benefits?

10 Were you made aware of any operating systems the Post Office used?

no

11 If yes, what were these systems and what information were you given about them?

- Were you told you would have training ? If so, on what and how and by whom.

yes but no detail

- When did you receive your contract?

after applying to the post office and being interviewed by the contracts manager and the line manager to see if I was suitable.

- Did anyone go through the contract with you?

no

- Where you advised to take advice? If so, did you and by whom?

i don,t think so but cannot be sure

- How long did the process take?

3 months

- What did you put in to the business? i.e. capital, loans etc.

300-000 pounds 215000 in the form of a business loan and the balance in cash

## 2. AFTER YOU STARTED WORKING FOR THE POST OFFICE

- Did you receive any training or ongoing support?

2 days training in leeds followed by one week here on the counter. that should have been two weeks but it was reduced to one week

- If yes, was this formal or informal?

- Please detail the type/name of training received?

- Where did you receive this training?

- How long did each training session last? Who provided the training and

how long was spent on training in total?

- Did you have access to anyone to assist if you required help with the system after you received training or any other matters?

only horizon helpdesk

- If yes, please provide details.

- Have you ever advised the Post Office that you required assistance? If so, how, when and to whom?

91 telephone calls over a twelve week period to various depts and three face to face meetings with my line manager cath oglesby

- What assistance did you receive?

none

- What did this assistance result in ?

- If software, was this replaced and if so was this by new/reconditioned software?

- If the software was replaced did you have any additional training?

- Have you requested additional training and if so was this provided?

- What was the system in place when you first started working for the Post Office?

horizon

- When was the Horizon system installed at your Post Office?

it was already there

### 3. PLEASE PROVIDE DETAILS OF THE FOLLOWING:- (If applicable)

- 1 Shop takings before Horizon was installed?

2 Shop takings after Horizon was installed?

3 The Post Office's takings before Horizon was installed?

4 The Post Office's takings after Horizon was installed

5 Your gross takings/remuneration per annum

42000 pounds

6 Do you have copies of your loss? (if so, retain and send a copy).

---

I confirm that the contents of this Questionnaire are true.

Signed...lee castleton.....

Full Name...lee castleton.....

Date.....10 jun 10.....

---

**CLIENT FILE NOTE (TELEPHONE)**

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PR/752033/TTC/BATES/MYF

TYPED ON: 29/03/2012

FILE: Mr Alan Bates

DATED: 28/03/2012

RE: Mr Lee Castleton (Alan Franks)

TIME RECORD ENTRY - CLS Client File Note (Telephone)

DATED: 29/03/2012 at 12:58

NUMBER OF UNITS: 0

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Alan asked for an update following the meeting with MPs.

I said that following the meeting James Arbuthnot had met with one of the Heads of Royal Mail Group and apparently described the meeting as productive. He said that they were due to get back to him to provide their response to his concerns about the horizon system and the way in which the Post Office are dealing with matters.

I said that I had been told that once the response is received they will then move to have a debate in the House of Commons. Alan said he thought that we would have heard by now.

Alan said that in relation to Lee's case the police had confirmed to him that they thought that the Post Office may well have committed perjury and that they were going to refer to matter first of all to their solicitors and then to the CPS.

I said that that was an interesting development and I would like to be kept informed of what happens in that case.

Alan asked whether we would now be able to reopen Lee's case.

I explained, several times, that we were out of time to make a contractual claim for Lee. I explained that we were not able to make the claims in the way in which we have been investigating others as they must be made within six years of that breach of contract.

I said that the only other way of dealing with matters would be as an appeal from his court case. I said that that would be extremely difficult given the length of time that has passed.

We went over this issue several times. TTC reminded Alan that although the matter was being investigated by the police that was for a criminal matter. The time restraints did not apply in criminal cases.

Alan said that if they are successful in the perjury case then surely it means that the finding of guilt against Lee, which was apparently only for negligence rather than stealing, would not be valid. I said I was not sure of this particular point. I said that Lee was not found guilty of anything. The dispute that he had with the post office was in the civil courts. The contract that Lee had with the Post Office says that he had to repay losses that had occurred in the Post Office. Lee tried to defend these claims on the basis that there were problems with the horizon system. He was not able to produce evidence to the court satisfaction that the losses were caused by horizon system and he should therefore not be liable for them. As a result he was ordered by the court to repay those losses as well as the Post Office's legal costs. It is not clear what the effect would be if there is proof of perjury in that particular trial as it would depend on what was said that was incorrect.



We went over this issue several times.

Alan said that he wanted to know why we had not had a barrister look at Lee's case. He said surely we must have barristers that would be able to look at it and if they did that they would see that the issue in Lee's case particularly where Lee was logged on to two nodes at one time was a particularly crucial issue. Alan said that in his view the recent letter from Paula Venals to Mike Wier which stated that that was impossible meant that this issue should be looked at again.

I explained that if a barrister is to look through the papers then Lee will need to pay for this to happen. Alan said that he thought that we had in house expert barristers that would be able to look at it. I explained that we did not have in-house barristers and it would be a case that Lee would have to pay to have a barrister review the file to see if there is anything that could be done.

Alan said he would consider what I have said further and looked forward to receiving any future updates.

4 units telephone call and dictation of note

TTC



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CLIENT FILE NOTE (TELEPHONE)

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PR/752033/TTC/BATES/MYF

TYPED ON: 27/02/2012

FILE: Mr Alan Bates

DATED: 24/02/2012

RE: Mr Lee Castleton

TIME RECORD ENTRY - CL6 Client File Note (Telephone)

DATED: 27/02/2012 at 11:36

NUMBER OF UNITS: 0

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Telephone call from Lisa Castleton.

She said that she was just responding to the email that she had from Lois earlier today.

She confirms that Lee will be attending the meeting along with Alan Franks her father.

I said that was fine.

I asked whether or not they had received the newsletter. She confirmed that she had and had read through and understood what was in there. I asked whether or not she had any questions. She confirmed that she did not. She said that obviously the issues that Lee was facing were different to the false accounting issues. She said that Lee had not falsified accounts at any stage so the setbacks would not affect them in that way.

I said I agreed that was the case, however there was clearly issues about limitation having passed in his case which was an issue in terms of bringing his claim. She confirmed she understood that was the case.

She said that Lee may well have various questions for me at the meeting. I confirmed that obviously we had a limited time available to go through things. I said there will be many sub postmasters there that will want to ask various questions so it may not be the case that we are able to get through all of the issues that various people wish to raise.

She said she understood as did Lee.

1 unit telephone call and dictation of note

TTC



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CLIENT FILE NOTE (TELEPHONE)

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PR/752033/TTC/BATES/MYF

TYPED ON: 22/02/2012

FILE: Mr Alan Bates

DATED: 21/02/2012

RE: Mr Lee Castleton

TIME RECORD ENTRY - CL8 Client File Note (Telephone)

DATED: 22/02/2012 at 14:40

NUMBER OF UNITS: 0

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Telephone call in from Alan Franks (Lee Castleton's father in law).

He asked whether or not we had an agenda for the meeting next week.

I confirmed that we are in the process of sorting an agenda. I was awaiting a draft agenda from the MPs office. I said ultimately we had a limited amount of time with the MPs and not everybody would be able to put across all the points which they are wishing to make.

I said that the general way the meeting will work is that we, as in Shoosmiths, will set out a description of what has been going on. MPs will then be invited to speak and ask questions. Following that sub postmasters will be asked to speak and put questions.

After that we will try and draw together plans and aims and next steps.

Alan said he understood.

He asked how many people we had attending. I said it looked as though we were going to have a fairly good turnout but of course it was always difficult to say as some people would drop and some people still had not confirmed whether or not they were attending.

**1 unit telephone call and dictation of note**

TTC



Pitt, Lois

From: Pitt, Lois  
Sent: 17 February 2012 16:56  
To: 'leecastleto@' **GRO**  
Subject: MP meeting 27th February

Dear Lee,

As I am sure you are aware there is an MP meeting on the 27th of February at Portcullis House.

We have received an enquiry from Shirley Rainer ( a sub postmaster from the Lincolnshire area) asking if anyone from her area would be attending the meeting and if so, would they be in a position to accompany her to the meeting as she is not overly confident about travelling alone.

We noted from our records that you and another sub postmaster are relatively local to Shirley and have indicated to us that you may be attending the meeting. Should you be willing to accompany Shirley, please contact her on either of the following telephone numbers: **GRO** or via email at **GRO** **GRO**

Kind Regards

Lois Pitt  
Legal Assistant  
Consumer Resolution Team

Access Legal from Shoosmiths

**GRO**

[www.access-legal.co.uk](http://www.access-legal.co.uk)

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17/02/2012



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**CLIENT FILE NOTE (TELEPHONE)**

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PR/752033/TTC/BATES/MYF

TYPED ON: 08/02/2012

FILE: Mr Alan Bates

DATED: 07/02/2012

RE: Mr Lee Castleton

TIME RECORD ENTRY - GL6 Client File Note (Telephone)

DATED: 08/02/2012 at 10:54

NUMBER OF UNITS: 0

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Telephone call in from Alan Franks (Lee Castleton's father in law).

He was phoning to see if there was any kind of update. I said that when I was able to give an update I would send out a newsletter.

I said I appreciated that I had said this a few times in the last few weeks but I hoped that a newsletter would be sent out very soon providing an update as to where we were with these cases.

Alan asked what was happening with the MP meeting. I confirmed that invitations had been sent out in the post yesterday and today to those who expressed an interest in attending the meeting. He asked whether or not Ed Balls would be attending. I said I did not know. I said that I was not organising the meeting as it was being chaired by James Arbuthnot MP who was organising. I said I was sending invites to those sub-postmasters who wished to attend but in terms of any other invites that was not my area.

I confirmed that, to the best of my knowledge, Lee had expressed an interest and an invite had been sent to him. I explained this should arrive in the post either today or tomorrow. I confirmed that the meeting with MPs was on 27 February at the House of Commons.

Alan asked me what I thought about the South African Post Office report. I confirmed that I had seen a copy of this and I thought it was interesting. I said ultimately however I did not think it would be relevant to our case unless we had specific evidence that the underlying systems were more or less identical. It is clear that Fujitsu will have made various changes on top of the Web Reposte System before it became Horizon on-line. Ultimately changes may have also been made by the South African Post Office. I said it is up to us to prove our case that the system is in some way flawed so we would need evidence to show that the systems, or at least the part that are causing the problems, are the same. Alan said his view was that it was very strong evidence that there were problems. He seemed to indicate that as far as he was aware the systems were very similar. He asked whether or not we were pursuing evidence along that line. I said it would be something that we would hope to look into at some point but there were many issues and concerns which we had to address at this stage.

I reiterated that when I am able to give an update a newsletter will be sent out. I explained it is not possible for me to just provide general updates whilst developments are still on-going. I said I want to be clear in any updates that I give and I also did not want to have sub-postmasters with different levels of information as to what we are up to. It is much easier for us to deal with this matter if we update everybody at one time via a newsletter rather than doing it on a piecemeal process over the phone.

**2 units telephone call and dictation of note**

TTC



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GENERAL FILE NOTE (ATTENDANCE)

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PR/752033/TTC/BATES/DXH

TYPED ON: 06/02/2012

FILE: Lee Castleton

DATED: 03/02/2012

TIME RECORD ENTRY - General File Note (Attendance)

DATED: 03/02/2012 at 10:06

NUMBER OF UNITS: 0

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TTC engaged reviewing papers from Lee Castleton.

Papers consisting of a copy of the letter sent to Mike Weir, as well as a Freedom of Information Act request that Lee Castleton had made.

He was requesting further details on the losses and gains guide. TTC has already dictated on this matter.

TTC reviewing the email dated 18 December, which contains sections of a transcript of these trials. Sections are basically examination of two employees of the Post Office.

First of all there is Andrew Wise who is a trainer on the Horizon system.

Lee discusses with him the records from Lee's Post Office. It appears to show that transactions had taken place on Lee's terminal prior to Lee being logged in.

Essentially there is what is referred to as node 1 and node 2. Node 1 is the first counter, and this is the one that has the connection essentially to the outside Horizon system. Node 2 is connected only to the Horizon system.

The records appear to show on a particular date that transactions appeared on Node 2 prior to Lee logging in on that terminal. In his examination of the witness, there is constant reference between two different documents, neither of which TTC has access to, showing the entry showing when the Horizon system was logged into on that terminal, and the time of a particular transaction.

TTC considering that it is somewhat peculiar that any transactions could take place prior to somebody having logged onto the system. Lee Castleton, in his examination, gets a response that it should not be possible to do any transactions without being logged on first.

The second examination is of Ann Chambers who Lee describes as a Horizon Computer System Specialist. She is a system specialist employed by Fujitsu. She works at a system support centre.

It's not clear from the section of transcript that we have exactly what her role is, or what qualifies her to be a Horizon Computer System Specialist. It does however appear that she is an employee of the Post Office, and does have knowledge of aspects of the Horizon system.

She is questioned on the relationship between the two nodes, counters, in Lee's Post Office. The questions are therefore about a very similar topic that was put to Andrew Wise. However the emphasise is on the disconnections of node 2, in that it appeared to continually disconnect.

It is suggested that node 2 was still operating properly in itself, but perhaps was not connected to node 1.



TTC considering that it is possible for the connection between the two systems to drop what happens to transactions that take place whilst that connection is dropped. In this situation Ann Chambers says that it looks like he's managed to carry on doing online transactions during the morning from his gateway, counter 1, which suggests that communications between the gateway and the data centre were working as they should be, and it was just counter 2 that was not operating at all.

Ultimately it's not clear whether or not transactions were taking place on node 2 at this particular point.

TTC noting that later on in evidence there is discussion of some known problems at Calendar Square Post Office in Falkirk. It is reported by Ann that these were known problems. These weren't specifically to do with the node issues, and relates to something else within the trial bundle of which TTC is not able to see.

What TTC does note however is that she reports that there was a problem that was known to Post Office Limited, and had been investigated. The investigators had very much pointed out the problem to Post Office Limited so that they could sort out the financial implications, and she believes that in this case the problem was resolved at branch levels of the Post Office system. She confirms that from the Horizon point of view they did have a system error, but they did not see any evidence of a similar error on Lee's computer.

Subsequent testimony seems to suggest that this is a very specific problem, although the details of it are a little vague, which apparently would be easy to spot if they had occurred elsewhere.

TTC thinks this is interesting that there was a known problem of this situation in Falkirk, and seems to recall somebody at some stage talking about the Falkirk problem.

Unfortunately the details of exactly what those problems are vague, although it may well be that Lee Castleton could, if asked, provide a little more information.

TTC noting that the last page of testimony has a section where there was a re-examination by the Post Office's Counsel. What is interesting about this is that Ann Chambers is asked about what the repost system is.

She responds by saying:-

"Repost is the software that forms the basis of the Horizon system, which was written by a third party supplier, not by Fujitsu, and which there is an awful lot of extra stuff that is around the edge of it, but Repost is the system at the heart of it. When the system turns itself on after a reboot or when you log out or on, it says Repost across the front of it.

TTC considering it is interesting to see a description, by somebody who's been an employee of the Post Office of the Repost relationship.

TTC re-reading the Judgement in Lee Castleton's case.

Noting that there is very little reference to Ann Chamber's testimony, save to say that the Judge concludes that although problems were shown in the Falkirk office these did not appear to be in anyway duplicated in Lee's office. He accepts that evidence. There seems to be almost no mention at all of Andrew Wise's evidence.

**Engaged 10 Units – Reviewing documents**



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GENERAL FILE NOTE (ATTENDANCE)

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PR/752033/TTC/BATES/MYF

TYPED ON: 23/01/2012

FILE: Mr Alan Bates

DATED: 20/01/2012

Lee Castleton

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TTC reviewing email from Lee Castleton in respect of his freedom of information request.

Lee asked for further details about the losses suffered in the crown offices with reference to the losses and gains guide that he has stating that it was £2m in 2008.

The response states that the document is a private and confidential document and he should destroy any copies he has of it as it is not meant for viewing by people other than post office.

The letter then states that the costs of providing a response would be over the costs threshold.

**1 unit** Reviewing email

**1 unit** Email to lee in response to his freedom of information request and saying that TTC will review the other documents in due course.

TTC



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TELEPHONE MESSAGE

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PR/752033/TTC7/BATES/LKN/MYF

MESSAGE TAKEN ON: 19/01/2012

BY: Luke Andruszewski (LKN)

AT: 16:00:11

CALLER: Client - Mr L Castleton

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MESSAGE:

Incoming call Alan Franks, telephone GRO

Mr Franks wanting to speak to TTC, who was currently in a meeting and away from his desk. Mr Franks requested when TTC would be back. LKN offering to take a message to pass on to TTC.

Mr Franks confirmed that documents have been sent before Christmas, these being documents TTC had asked for as well as documents relating to a criminal matter.

Mr Franks advised that they have now taken the matter to the police and, Mr Franks confirms, the police "think there is enough" to go against the Post Office with regard to fraud in a criminal action. Mr Franks advised that they have a crime number.

Mr Franks advised that they sent various papers over to TTC before Christmas and Mr Franks wants to know (a) have these been confirmed as received (he advised that he is aware that Lee Castleton has had some response confirming delivery but is unsure whether documents have properly been received (b) how are these documents going to be used and what are the next step?

Mr Franks would be grateful to hear from TTC with an update please and confirmed that he can email Lee Castleton as Lee will be able to pick emails up over the weekend.

LKN said only that he would pass the message on and ask TTC to deal when he can. LKN confirmed that TTC has been busy with regard to the other post office cases and will no doubt come back as soon as possible.

**2 units telephone call and discussion including preparing attendance note**

LKN



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GENERAL FILE NOTE (ATTENDANCE)

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PR/752033/TTC/BATES/DXH

TYPED ON: 20/12/2011

FILE: Mr Alan Bates

DATED: 16/12/2011

**Lee Castleton**

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TTC call out to Alan Franks.

I said I was aware he had called me twice yesterday, and once today.

He said that he wanted to check that I'd received the email from Lee in respect of the fact that the Police were investigating the Post Office.

I said that I had received the email.

I said that it did not appear as though Lee was asking me to do anything in particular in this situation.

I said of course I'd be happy to speak with DS Mike Wood if he gets in contact with me.

Alan said that he wanted to know whether or not because the Police are investigating that it would mean that we could go forward with Lee's case and investigate it further.

I said the claims that we are making are contractual claims. The claims have to be made within 6 years of that breach of contract and Lee's case is therefore outside of limitation. We are therefore not able to pursue it on a 'no win, no fee' agreement.

We would be able to act on a private paying basis to investigate as they instruct us to do so, but we would not be able to do that on a 'no win, no fee' basis as we would on the face of it have no prospects of succeeding with a claim.

I said that it may well be if a fraud allegation is proved that matters in relation to his civil case could be re-opened, and we may even have some kind of opportunity to appeal. He could theoretically as part of that appeal include some kind of claim for damages. I said this was all extremely hypothetical. I said it appears to me as though Lee's claim is out of time, and as such we would not be able to proceed with it in the way in which we are with other peoples.

Alan said that he thought that the fact that they were investigating was an important factor that means we should look into it again. I said I appreciated that the fact they were investigating was great news. I said however this investigation may come to nothing, I said I hoped it doesn't and that I hoped they are able to find something and bring somebody to account.

I said I very much looked forward to finding out what they are able to do in this situation. I said the fact that they are investigating doesn't change our situation at the moment, however clearly they may provide us with evidence that would assist perhaps with Lee's case, but certainly with other peoples.

We then went over this ground again.

Alan thanked me for my time.

**Engaged 2 Units – Telephone call**



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TELEPHONE MESSAGE

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PR/752033/TTC7/BATES/DXH

MESSAGE TAKEN ON: 15/12/2011

BY: Dianne Hughes (DXH)

AT: 15:52:38

CALLER: Other - Alan Franks - Lee Castleton's father in law

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**MESSAGE:** T in from Alan Franks (Lee Castleton's father in law) wishing to speak to TTC who was otherwise engaged. Advising that TTC was tied up with a time critical matter at the moment as he had already been advised.

Mr Franks explained that Lee had sent TTC an important document via email and had not had acknowledgement of its receipt. Mr Franks went on to explain that it was from the Police who are investigating the Post Office for fraud, and that apparently they would like to speak to TTC in this regard – which apparently this is mentioned in the email. Mr Franks said he was disappointed TTC had not responded when everyone else had. I advised again that TTC had to prioritise his workload and was dealing with an urgent matter, and that I would flag his message up to TTC.

Engaged 1 Unit



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TELEPHONE MESSAGE

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PR/752033/TTC7/BATES/MYF

MESSAGE TAKEN ON: 15/12/2011

BY: Myfanwy Huggett (MYF)

AT: 15:47:57

CALLER: Other - Alan Franks (Lee Castleton's father in law)

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MESSAGE:

Tadge,

Alan Franks telephoned. He said he needed to speak to you (but came through on Amanda's number).

I said you were unavailable at present. He asked for a return call.

Tel no: **GRO**

1 unit.

Myf.



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CLIENT FILE NOTE (TELEPHONE)

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PR/752033/TTC/BATES/DXH

TYPED ON: 12/12/2011

FILE: Mr Alan Bates

DATED: 09/12/2011

RE: Mr Alan Bates

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Call in from Alan Franks, Lee Castleton's Father-in-Law. He asked whether there was an update. I said that when I had an update I would send out a newsletter.

He asked what I thought of the Inside Out Programme of the previous week. I said that I thought it was interesting and informative. I said that I'd been in contact with Maggie Dolan who was the Producer of that programme, and that I had assisted her with a few matters in relation to it.

Alan said that he thought that something that we could do would be to email all of the sub postmasters who have got in contact with us, and get confirmation from them as to whether or not anybody from the Post Office has ever attended their office in order to test their system. He said the Post Office always seem to say that the system is thoroughly tested and as such it is robust, and has not problems.

I said that as far as I was aware the Post Office claim that their system is audited and fully tested. I said that they hadn't at any stage claimed to have sent people out to every single Post Office to test the Horizon system in those offices.

I said given the size of the operation, in that there were 14,000.00 sub postmasters, and then a couple of hundred Crown Offices it would clearly not be feasible for them to do that.

I said my understanding is that the testing most likely was in relation to reviewing transactions that took place in Post Offices, and tracing those transactions through the various processes in the Post Office itself, and then various other nodes that it goes through to the bank.

Alan said doesn't this show that they then have access to the back computers and can do the transactions. I said there is a clear difference between being able to view transactions, and being able to actually carry one out. It seemed to me that I wasn't aware of any denial that they could see a transaction, but were generally aware that they denied having remote access to do a transaction.

I said of course we had Michael Rudkin's witness statement which would suggest otherwise.

Alan Franks said that in Lee's court case they admitted that a transaction was done remotely from Bracknell. I said that I wasn't aware of this; it didn't appear in the Judgement. I said I hadn't seen a transcript of that case, and if he or Lee had one I would like to see it.

I said we had previously asked for documents in relation to Lee's case from Lee, but had not been provided with them. I said all we had was a copy of the Judgement, which is available on the internet through Court reporting websites, and a few other documents he has sent in.

We then went over the same ground again, with TTC explained that there is a clear difference between being able to access the system to see if a transaction has taken place, and being to carry one out.



TC said that it was his expectation that the Post Office will say that their system is fully audited by way of Horizon testing that goes on before it is rolled out in limited areas presumably on a trial system, and that the hardware that is used is tested before it is sent to sub post offices.

I said clearly we have to try and find out where the problems are taking place. Whether or not this is due to faulty hardware or whether it's due to the actual software being the Horizon system itself. I said that some sub postmasters say that problems occurred once they had a new bit of hardware installed, where as others say it was once they started having power cuts in their area that led to the problems.

Clearly we need to try and establish exactly what it is that's causing the problems if we are to say that the system is faulty.

Alan asked how things were going in relation to the first five cases. I said that when I was able to give an update I would do so.

**Engaged 3 Units – Telephone call and dictation of attendance note**



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TELEPHONE MESSAGE

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**GRO**

/MYF

MESSAGE TAKEN ON: 09/12/2011

BY: Myfanwy Huggett (MYF)

AT: 13:21:15

CALLER: Client -

**GRO**

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MESSAGE:

Tadge

**GRO** telephoned regarding the documents he sent to you.

Please can you give him a call.

Tel no.

**GRO**

He said he had to go out in about half an hour.

Thank you.

Myf.

1 unit.



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CLIENT FILE NOTE (TELEPHONE)

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PR/752033/TTC/BATES/MYF

TYPED ON: 10/11/2011

FILE: Mr Alan Bates

DATED: 10/11/2011

RE: Mr Lee Castleton

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Telephone call from Alan Franks, Lee Castleton's father-in-law and was asking whether there was an update.

I confirmed that we had no substantive responses and therefore there was no general update that we were able to provide to people at this stage. I said whenever we do have an update we will send out a newsletter to update everybody. Mr Franks then wanted to discuss the recent articles that had appeared in Private Eye and the lack of response to them from the Post Office. He said he would have thought that if the Post Office were so content with their system that they would presumably try and sue Private Eye for the allegations it is printing. I confirmed that that may well be the case but libel actions are very complicated as well as very costly. I said that they and the Private Eye had printed a letter from the Post Office where they said that there were no serious problems with the system. Mr Franks said that the letter, to his recollection, said that there were some small faults that had been remedied. It seems to be an admission that there are some faults in the system.

I thanked Mr Franks for his call and reiterated to him that whenever there is any further news that we are able to say then we will provide an update to everybody.

I said if we were not updating people it is because there is nothing to update them with.

**1 unit telephone call and dictating note**

TTC



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TELEPHONE MESSAGE

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PR/752033/TTC7/BATES/MYF

MESSAGE TAKEN ON: 10/11/2011

BY: Myfanwy Huggett (MYF)

AT: 13:08:45

CALLER: Client - Mr L. Castleton

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MESSAGE:

Tadge,

Alan Franks telephoned (Lee Castleton's father-in-law). I said that you were unavailable as you were on another phone call.

I asked him for his phone number and he said he would call again shortly.

1 unit.

Myf.



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CLIENT FILE NOTE (TELEPHONE)

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PR/752033/TTC/BATES/DXH

TYPED ON: 26/10/2011

FILE: Mr Alan Bates

DATED: 26/10/2011

RE: Mr Alan Bates

TIME RECORD ENTRY - CL1 Client File Note (Telephone)

DATED: 26/10/2011 at 16:35

NUMBER OF UNITS: 1

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Incoming call from Alan Franks.

Looking to speak to TTC, but LKN confirmed that TTC is unavailable due to a pressing Court engagement.

LKN offering assistance and AF asking for an update.

AF thought the other side had a fixed amount of time to respond, and is surprised that the matter is not moving along given the evidence that has been presented to them. He also wanted to know if a further claims have now been added, and claims started. He also wanted to know if Shoosmiths were going to be actually issuing Court proceedings in respect of the cases already commenced.

LKN confirmed he could go into confidential matters of individual Clients, but did understand that there had not been any developments over the last few days. AF himself noted that the last update letter came out around 10 days ago.

LKN confirmed that everyone is being updated via the group update letter/bulletins (TTC confirmed this for LKN), and that any information that can be passed on is being passed on to everybody, including Mr Castleton and AF etc through that channel.

LKN asked if AF had any specific information he wanted to discuss with regard to Mr Castleton's case; he did not.

LKN confirmed he would pass on a note of Mr Castleton's call to TTC (Done – TTC aware of the call), and AF did not request a return call.

**Engaged 2 Units – Telephone discussing and preparing note.**



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CLIENT FILE NOTE (TELEPHONE)

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PR/752033/TTC/BATES/MYF

TYPED ON: 18/10/2011

FILE: Mr Alan Bates

DATED: 18/10/2011

RE: Mr Lee Castleton

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Telephone call in from Lisa Castleton asking for an update. I said that I had received no further information from the Post Office and there was nothing further to report at this stage. I said that following the articles in Private Eye there had been a bit more media interest and it may well be that there are some programmes in future but I said it was not worth me providing details to everybody at this stage given that it was only potential that this might happen. I said as soon as I know that something was happening I would of course provide an update to everybody via a newsletter.

Lisa thanked me for the update.

**1 unit telephone call and dictating note**

TTC



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TELEPHONE MESSAGE

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PR/752033/TTC7/BATES/DXH

MESSAGE TAKEN ON: 14/10/2011

BY: Dianne Hughes (DXH)

AT: 16:55:00

TIME RECORD ENTRY - From Client - Mr A Bates. (Info Only)

DATED: 14/10/2011 at 16:55

NUMBER OF UNITS: 1

CALLER: Client - Mr A Bates

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MESSAGE: T in from Lisa Castleton wishing to speak to TTC. Advising that TTC is out of the office until Tuesday 18 October.



L Castleton Esq

**GRO**

Quantum House  
Basing View  
Basingstoke  
Hampshire  
RG21 4EX

DX **GRO**

T **GRO**  
F

myclaim **GRO**

Your ref  
Our ref PR/752033/TTC7/BATES/JXA  
Date 29 September 2011

Please ensure that our reference is quoted on all correspondence

Dear Mr Castleton

**ACCIDENT ON : 1 NOVEMBER 2009**

Please find enclosed, as requested, the witness statement of Michael Rudkin.

I understand that you wish to receive a copy of this as you are going to be at least to make a complaint of fraud. Please keep me updated as to the police investigation.

Please let me know if you require any further documentation from me. I confirm that if the documentation relates to any specific client I will need their authorisation before I can disclose that information to you.

If you have any questions please do not hesitate to contact me.

Please note that to assist us in improving our services we may record or monitor our telephone calls.

Yours sincerely

**TADGE CHANNER  
SOLICITOR  
SHOOSMITHS**



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TELEPHONE MESSAGE

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PR/752033/TTC7/BATES/LKN

MESSAGE TAKEN ON: 26/09/2011

BY: Luke Andruszewski (LKN)

AT: 13:49:38

CALLER: Client - Mr L Castleton

---

MESSAGE:

Two calls in from Mr Franks – while TTC was on lunch: declined to leave a message or name – and once against at 13:45 where, during transfer over to TTC, Mr Franks was cut off.

LKN debriefing TTC of the calls and so is aware of attempted calls.

[Third call in at 13:55 - connected to TTC successfully]



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GENERAL FILE NOTE (TELEPHONE)

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PR/752033/TTC/BATES/DXH

TYPED ON: 26/09/2011

FILE: Mr Alan Bates

DATED: 26/09/2011

TIME RECORD ENTRY - General File Note (Telephone)

DATED: 26/09/2011 at 15:24

NUMBER OF UNITS: 2

---

T in from Alan Franks (Lee Castleton's father-in-law).

Alan was asking whether there was any updates. I said that there were no updates and advised that I'd spoken to Lisa Castleton at the end of last week. I said there were no updates since my newsletter that I'd sent.

I explained that we were awaiting a response from the Post Office, and that ultimately we had to allow them a fair amount of time under the Civil Procedure Rules to perform their substantive response given the complexity of this matter. I said it was likely we would need to wait almost another month before we could demand a response.

I said once I had received a substantive response I would of course send a newsletter to everybody updating them as to where we were.

Alan said that Michael Rudkin had given permission for a copy of his witness statement to be sent to Lee, in order that he be able to give this to the Police in relation to their fraud complaint. I said that I was aware of this and had not yet had the opportunity to send it out as I had been caught up with various other matters. I said I would try and make sure I send this out as soon as possible.

I said I was not a criminal solicitor so did not know a great deal as to how likely it was a fraud complaint would succeed.

Alan then gave various details of various people he had spoken to over the years who had said there were clear problems, and that it was fraud.

**Engaged 1 Unit – Telephone call**

**Engaged 1 Unit – Dictation of note**



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CLIENT FILE NOTE (TELEPHONE)

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PR/752033/TTC/BATES/DXH

TYPED ON: 23/09/2011

FILE: Mr Alan Bates

DATED: 22/09/2011

RE: Mr Alan Bates

TIME RECORD ENTRY - CL1 Client File Note (Telephone)

DATED: 23/09/2011 at 15:18

NUMBER OF UNITS: 1

---

T call in from Lisa Castleton.

Lisa asked whether or not there was an update since the last newsletter.

I said that I had no further update. We had not yet received a substantive response from the Post Office.

I said that in relation to a matter like this that was rather complex we had to allow them, under the law procedural rules, a certain amount of time to respond. I said we had to wait at least another month before we are at a stage where we could demand a response, or take any further action.

I said that as soon as a response is received I would send out another newsletter detailing what is going to happen. Lisa said thank you for providing that.

Engaged 1 Unit – telephone call and dictation of note.



---

CLIENT FILE NOTE (TELEPHONE)

---

PR/752033/TTC/BATES/TTC

TYPED ON: 22/08/2011

FILE: Mr Alan Bates

DATED: 22/08/2011

RE: Mr Alan Bates

---

Call in from Lisa Castleton

Asking if letters has gone to Post office.

I said we were still doing the internal checks, but that I could confirm that one has been sent.

I said there would be an update via a newsletter once a response received.

1 Unit

TTC



---

CLIENT FILE NOTE (TELEPHONE)

---

PR/752033/TTC/BATES/MYF

TYPED ON: 15/08/2011

FILE: Mr Alan Bates

DATED: 15/08/2011

RE: Mr Alan Bates

---

Telephone call in from Lisa Castleton.

Lisa asked whether or not the letters had yet been sent out to the Post Office. I explained I had been on annual leave last week and on my return to the office it appeared to me as though the letters had not yet been sent. I said I had not yet had the opportunity to work out the precise reasons for why they had not been sent. I said however there were many things that we needed to check at this end before our letters were sent out. I explained that once the letters were sent to the Post Office the matter was, as it were, live. I said we therefore need to ensure that everything is ok at our end before we notify the Post Office.

Note: TTC explained that in this way as he did not think it was appropriate to go into the details of risk assessments and so on and to provide a general generic explanation for the processes that we were going through.

TTC said that he expected the letters would be sent out at some point later this week and of course the sub-postmasters will be updated as to once we have a response.

Lisa said that this was fine.

Lisa said that she was asking as she was aware that Micheal Rudkin had sent me a large amount of emails recently. I said I noticed I had a large amount of emails from Michael and I intended to look through these at some point this afternoon.

1 unit telephone call and dictating note

TTC



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TELEPHONE MESSAGE

---

PR/752033/TTC7/BATES/MYF

MESSAGE TAKEN ON: 08/08/2011

BY: Myfanwy Huggett (MYF)

AT: 10:29:10

CALLER: Client - Mr L Castleton

---

MESSAGE:

Incoming call Lisa Castleton, wanting to know the present position on the matter. She said she had spoken to TTC a couple of weeks ago. I explained we were a little short staffed today and I would have to ask someone to give her call back with regards to this.

Tel no: GRO

1 unit.

Myf.



---

CLIENT FILE NOTE (TELEPHONE)

---

PR/752033/TTC/BATES/TTC

TYPED ON: 27/07/2011

FILE: Mr Alan Bates

DATED: 27/07/2011

RE: Mr Alan Bates

---

Call out to Lisa Castleton – returning call

She asked for an update. I said letters had been received from Counsel and that had been sent to clients for approval. They would then be sent to Post Office.

Lisa asked whether I had been able to consider Lee's case any further. I explained that I had given some thought and was of the view that no claim could arise out of the civil trial. I said that any claim arising out of original problems was time barred.

I said that it may be possible, depending on progress of other claims, to make a claim for Lee (if POL agreed to waive limitation or if POL accepted that they have always known there problems with Horizon) but that they were unlikely to do so. I said I did not want to get their hopes up that this would happen.

Lisa thanked me for my call.

**1 Unit**

**TTC**



---

TELEPHONE MESSAGE

---

PR/752033/TTC7/BATES/MYF

MESSAGE TAKEN ON: 27/07/2011

BY: Myfanwy Huggett (MYF)

AT: 15:42:45

CALLER: Other - Lisa Castleton

---

MESSAGE:

Tadge

Lisa Castleton telephone again. I said you were unavailable at present.

She said she was on the same number she had left earlier.

**GRO**

She would like a return call.

1 unit.

Myf.



---

TELEPHONE MESSAGE

---

PR/752033/TTC7/BATES/MYF

MESSAGE TAKEN ON: 27/07/2011

BY: Myfanwy Huggett (MYF)

AT: 14:34:56

CALLER: Lisa Castleton

---

MESSAGE:

Tadge

Lisa Castleton telephoned.

She asked for a return call.

GRO

Thank you.

Myf.

1 unit.



---

**CLIENT FILE NOTE (TELEPHONE)**

---

PR/752033/TTC/BATES/MYF

TYPED ON: 14/07/2011

FILE: Mr Alan Bates

DATED: 14/07/2011

RE: Mr Lee Castleton

---

Telephone call in initially from Lisa Castleton asking whether or not there was any updates. She said she has spoken to Julian Wilson who had said that the letters from Counsel were likely to come in soon and was wondering whether or not they had and if so had they been sent out to the Post Office.

I said I had received the papers yesterday and would be sending them out to the clients shortly for their approval. I said there were a few bits of information that I would need from them however I hoped that all these letters would be sent out within a very short space of time. I said it would then be a case of waiting for a response from the Post Office.

Lisa asked whether or not a new newsletter would be sent out. I said I would send out a new newsletter once our letters had gone to the Post Office as that seemed the most appropriate point to do it. Lisa said this was fine.

Lisa said she was just wanting to get an update because she was in a very bad financial situation and was hoping that matters would progress and they would be get some kind of remedy soon. I said it was my understanding of this matter that Lee's case was unlikely to be able to proceed due to limitation issues. I said I understood that LKN had discussed this previously. Lisa said that it would be good if I could speak with Lee and passed me over to him.

Discussing the case with Lee I confirmed it was my understanding that his case was likely to be limitation barred. I said that any case he had to bring would need to be brought within six years of the wrong in question. I said the wrong in this situation would usually be some kind of breach of contract. I said this would need to have occurred prior to his termination. Lee questioned whether or not any cause of action will have occurred from the civil claim against him. I explained that although we would be including a claim for malicious prosecution this is for criminal cases only. Lee said that he was wondering whether it would be possible to pay some kind of fixed fee for a review of his matter. He said although he did not have any money at this point he might be able to get some from friends to be able to pay for some kind of review of his case to see whether or not there was any action that could be taken.

I said as it seemed to me that the only way a claim could work for him would be for it to arise from the civil case against him I would have some time to consider over the next few days as to whether or not I think any causes of action could arise from the court case. I said that if it does then I will contact him, let him know and give him a price for fixed fee review of the matter. I said I did not want to agree at this stage to go a review for a fixed fee if I thought that it was very unlikely to be successful. I said I did not want to spend his money that he could not spend in the first place. Lee said he understood and said that I had answered the questions that he had. I said that if he does have any other questions in the meantime that he should not hesitate to contact me. It was also briefly discussed whether or not the Post Office might agree to waive limitation. I said we would press them and ask them to do this, however we were not able to force them to do it. I said I did not want to raise his hopes that the Post Office would agree to suspend limitation.

2 units telephone call  
1 unit dictating note

TTC



---

CLIENT FILE NOTE (TELEPHONE)

---

PR/752033/TTC/BATES/TTC

TYPED ON: 29/06/2011

FILE: Mr Alan Bates

DATED: 29/06/2011

RE: Lee Castleton

---

Call in Lisa Castleton asking for update.

I said still awaiting letters from counsel.

I asked if she had received newsletters, she confirmed she had. I said that I would let everybody know when we have some further development.

**1 Unit**

TTC



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CLIENT FILE NOTE (ATTENDANCE)

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PR/752033/AFG/BATES/SYD

TYPED ON: 12/05/2011

FILE: Mr Alan Bates

DATED: 11/05/2011

RE: Mr Lee Castleton

---

Telephone call in from Mr Alan Franks who is the father-in-law of Lee Castleton.

Mr Franks asked for an update as to where we were as when we last spoke I had said that letters would be going out within 4 weeks.

I said that I would be sending out an update to all sub-postmasters next week, I would prefer if he would wait until then for the update. I said I did not want to give out updates in a piece meal fashion, as things can often be misunderstood or misinterpreted when the information is passed on.

I said that at any rate it was not the case that the letters would be sent to the post office within 4 weeks, it was that the final pieces of information would be sent to Counsel and he would begin preparing the letters.

We then discussed the matter in general terms, Mr Franks was agitated and believed we should be making a case for fraud against the post office and could do so based purely upon what was in Lee Castleton's case. He was adamant that two Judges had seen it was well as police officers within the Metropolitan Police force who had all said that there was clearly fraud.

I explained that any claim for fraud is an extremely difficult claim to do, there is a high standard of proof needed. I explained that we were exploring all avenues of claims that we may possibly have against the post office and would present them all. It was not a case that we would be only presenting one type of claim.

The conversation went around in circles a few times on this particular point as TTC explained the approach that we were taking.

TTC explained that it was a slow process and that he understands the frustration at the amount of time it is taking.

**3 Units telephone call**

**1 Unit dictating note**



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GENERAL FILE NOTE (ATTENDANCE)

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PR/752033/AFG/BATES/TTC

TYPED ON: 19/04/2011

FILE: Mr Alan Bates

DATED: 19/04/2011

---

When reviewing Judgement in Lee Castleton's case TTC became aware of section Clause 8 of SPM contract which states:

"The terms of the appointment of Subpostmaster do not entitle the holder to be paid sick or annual leave, pension or to compensation for loss of office."

TTC considers this must be added to instructions to counsel to be considered. It seems to TTC that this is both an onerous and unfair contract term.

**1 Unit**

TTC



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GENERAL FILE NOTE (ATTENDANCE)

---

PR/752033/AFG/BATES/TTC

TYPED ON: 19/04/2011

FILE: Mr Alan Bates

DATED: 19/04/2011

---

Discussing with AFG re email from Charles McLachlan

Agree, following meeting earlier today with Chris Hine that a face to face meeting would be very useful. TTC to contact him to arrange this.

**1 Unit**

Call out to Charles McLachlan

Not in the office, I said I would email him.

**1 Unit**

Email to Charles McLachlan  
(inc reading DKH's handwritten notes of round table meeting on 25<sup>th</sup> February 2010)

**2 Units**

Typing note

**1 Unit**

TTC



Channer, Tadge

---

**From:** michael.rudkin [GRO] [GRO]  
**Sent:** 16 April 2011 18:20  
**To:** 'lee.castleton'  
**Cc:** Channer, Tadge  
**Subject:** RE: pol

Hi Lee

I thought I was going to be reading a full electronic transcript of the trial, as it is, I only have two pages to read therefore I can offer you my comments based on the information provided;

- The court transcript clearly acknowledges there is a time scale difference between when the transaction for £1,256.88 purportedly took place on Wednesday 17<sup>th</sup> March 2004 and when it was added to the account of Marine Drive Post Office on Thursday 13<sup>th</sup> May 2004, some 10 cash accounting periods later (10 weeks).
- Who was it that logged onto the Horizon system on Thursday 13<sup>th</sup> May 2004 and transacted the £1,256.88 so as to add this to the account of Marine Drive PO, furthermore at which location was the transaction entered to the accounts of Marine Drive PO, in branch or a remote location.
- Furthermore Mr. Castleton had no access to the Horizon system during this 10 week period as he was under suspension from Marine Drive PO by Post Office Ltd. Furthermore there is no transaction log from the Horizon system in branch to substantiate the transaction having taken place on Thursday 13<sup>th</sup> May 2004.
- Clarification is required regarding; quote "the transaction was placed supposedly on 17<sup>th</sup> March" (taken from transcript). Placed where, at Marine Drive PO or with NS&I and is there any proof of a transaction log available to support the transaction.
- The prosecution asks that page 618, paragraph 18 is put before you so as to refresh your memory of the events of 17<sup>th</sup> March in relation to the transaction and a customer called Mrs. Dorothy Constable. Why?

Bullet points to one side Lee the transcript gives a quantity of support to the allegations made in my statement regarding unregulated remote access to the Horizon system by some of POL's employees.

There is a legal obligation on POL to ensure regulated access to a system and an unregulated access to a system is policed efficiently. I am now on record in a statement taken by a Solicitor, Tadge Channer that I have witnessed what I believe was unregulated access to the Horizon system by some of POL's employees whilst I was on an official visit as an NFSP EO to POL's offices in Bracknell.

Kind Regards  
Michael Rudkin

[GRO]  
Office [GRO]  
[GRO] [GRO]

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18/04/2011



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**From:** lee castleton [GRO] [GRO]  
**Sent:** 16 April 2011 12:50  
**To:** Michael Rudkin  
**Subject:** pol

Hi Mike

i have attached some of the transcripts to my case see what you think . i cannot find tadge channers email so if you think it is worth it could you send them to him.

lee



Channer, Tadge

---

**From:** lee castleton [GRO] [GRO]  
**Sent:** 16 April 2011 16:23  
**To:** Channer, Tadge  
**Attachments:** trans1.doc; trans2.doc

Hi Tadge,

I have been reading through the transcripts of my hearing. I have found this (attached) and I don't know whether it helps along with Mike Rudkins' statement about POL being able to add and remove transactions remotely. The transaction being highlighted in the transcript I believe is self explanatory but if you wish any further detail raise your questions by e- mail as I am in Scotland this week. The transaction referred to was removed from the case and it was admitted by POL that it was added by them. But how can an account stated be changed by a third party and still remain an account stated? Surely being able to change the account remotely makes the account a group owned account and responsibility to such must fall to all who have access.

Lee Castleton



A Q. Mr Castleton, in fairness to you is there anything that you want to add to in this statement or amplify? It is not a trick question, is there anything that has arisen so far that you think the court should know about?

A. Yes, I found that since the opening arguments there are some things I would like to amplify, if that's possible, my Lord?

B JUDGE HAVERY: Yes, do.

C A. With respect to the opening arguments by you yourself, my Lord, we spoke at great length on Wednesday about the contracts of the statement of accounts and I would like to draw my Lord's attention to the fact that Post Office Limited have the opportunity and have used that opportunity on occasion to actually change the accounts electronically. On 13th May 2004 Post Office Limited added to the D Account 2133377, which is Marine Drive post office branch, a transaction for a £1,256.88 National Savings & Investments transaction which was placed not by the office, it is not on any of the transaction logs and it was added to the account after E the account was closed and they sought to recoup that money from myself. In doing so they reopened the accounts themselves and it beggars belief really. Those documents are contained in Mr John Jones' statement also --

F JUDGE HAVERY: So you are looking at some documents now that are in the bundles somewhere?

A. Yes, would you like me to ...

JUDGE HAVERY: It would help if you tell me where they are, yes.

G MR MORGAN: My Lord, I can clear this up quite clearly. It is a matter that Mr Castleton already gives in evidence and it is dealt with in Mr Jones' statement. Mr Jones' statement is in Bundle 3, tab 60. The relevant passage is paragraph 8 on page 482.

H Mr Castleton --



A JUDGE HAVERY: Just a moment. Would you like to read to yourself again paragraph 8,  
page 482 just so we know what we are talking about. It will also give me a chance  
to read it.

MR MORGAN: Of course, my Lord, yes. (Pause)

B JUDGE HAVERY: So that is actually or will be in evidence Mr Jones' --

A. Yes, my Lord.

MR MORGAN: Mr Jones will be called as a witness, my Lord.

JUDGE HAVERY: Yes, so those facts --

C A. My Lord, may I also point out that according to this the transaction was placed  
supposedly on 17th March. It was actually transacted on 13th May according to  
documentation contained in the bundles, but Mr Jones states that it was reversed on  
D 20th January 2005 --

JUDGE HAVERY: You are going a bit fast for me. Actually transacted on 13th May, did  
you say?

E A. Yes, my Lord, which was some months after I had actually left (inaudible) suspension.

MR MORGAN: My Lord, I hesitate -- I do want to try to help the witness and not  
cross-examine at this stage.

JUDGE HAVERY: Yes.

F MR MORGAN: Mr Castleton, take Bundle 4 of, your witness statement, and look at page  
613, paragraph 18. Would you like to refresh your memory, Mr Castleton, about  
what you say occurred on 17th March in relation to a transaction undertaken by a  
G customer called Mrs Dorothy Constable?

A. Yes. (Pause).

Q. Does that help you at all, Mr Castleton?

H



---

CLIENT FILE NOTE (TELEPHONE)

---

PR/752033/AFG/BATES/TTC

TYPED ON: 15/04/2011

FILE: Mr Alan Bates

DATED: 15/04/2011

RE: Mr Alan Bates

---

Returning call from Mr Franks, Lee Castleton's father

He wanted to know if letters sent to Post Office.

I said instructions going to counsel next week, he will draft letters.

I said I didn't know how long it would take. I hoped letters would go within a month, but it could be longer, it could be less. I said even once letters sent it will be a long process.

I said I was meeting Chris Hine who provided the report for Lee. I would be discussing the type of review he would need etc...

Discussing Lee's case in brief – he said that solicitor who had helped them was really surprised they lost. He said Post office took them to 3 different courts. I said it was fairly normal procedure for cases to be transferred. I said that given amount at stake and complexity a transfer to High Court was normal. In the effect however can be that you feel they are trying to scare you off.

I said when letters go out to post office there will a newsletter update.

**2 Units**

Typing note

**1 Unit**

TTC



---

CLIENT FILE NOTE (TELEPHONE)

---

PR/752033/AFG/BATES/MYF

TYPED ON: 15/04/2011

FILE: Mr Alan Bates

DATED: 15/04/2011

RE: Mr Lee Castleton

---

Incoming call Alan Franks, Lee Castleton's father-in-law requesting an update. I suggested he speak to TTC as he would know the latest position. I advised TTC was currently unavailable but I would ask him to return Mr Frank's call.

**GRO**

He thanked me for my help.

1 unit

Myf.



---

CLIENT FILE NOTE (TELEPHONE)

---

PR/752033/AFG/BATES/MYF

TYPED ON: 29/03/2011

FILE: Mr Alan Bates

DATED: 29/03/2011

RE: Mr Alan Bates

---

17.07.

Incoming call Mr Franks (coming in on LKN's number). He is Lee Castleton's father in law.

He was expecting a call from TTC and wondered if this would be today. I explained that TTC was in a meeting and that I would pass on his request for a return call this might not be today as it was now after 5.00.

I looked TTC's diary and said that TTC was out of the office in the morning but I would ask him to call him back as soon as he was back in the office and which number was best to call him on tomorrow.

He gave the same number as earlier for today.

Tel:- **GRO**

He said he would be on his alternative number for tomorrow as previously given.

1 unit.

Myf.



---

GENERAL FILE NOTE (TELEPHONE)

---

PR/752033/AFG/BATES/DXH

TYPED ON: 29/03/2011

FILE: Mr Alan Bates

DATED: 29/03/2011

---

T in from Alan Franks (Lee Castleton's father-in-law). Initially wishing to speak to AFG. He would like to know what the present position is, as he has heard via Alan Bates?Michael Rudkin/Mark Baker etc that nothing is happening.

I advised that yes of course we were moving forward but that I would pass on his comments to Tadge Channer who was overseeing the matter.

Mr Franks would like a call back to update.

Tel:- **GRO**

1 Unit



---

FILE NOTE

---

PR/752033/AFG/BATES/MYF

TYPED ON: 09/03/2011

FILE: Mr Alan Bates

DATED: 09/03/2011

RE: Mr Lee Castleton

---

Preparing and checking papers to send to client

1 unit

LKN



L. Castleton Esq

**GRO**

Your ref  
Our ref PR/752033/AFG7/BATES/MYF  
Date 9 March 2011

Quantum House  
Basing View  
Basingstoke  
Hampshire  
RG21 4EX

DX **GRO**

T **GRO**  
F

myclaim **GRO**

Please ensure that our reference is quoted on all correspondence

Dear Mr Castleton

**POTENTIAL CLAIM AGAINST THE POST OFFICE**

Further to our discussion earlier today, I enclose copies of the paperwork you originally provided to us at your meeting with Amanda Glover.

I look forward to hearing from you further with an indication as to how you wish to proceed in this matter.

Yours sincerely

**LUKE ANDRUSZEWSKI  
LEGAL EXECUTIVE**

Enc (s)

Please note that to assist us in improving our services we may record or monitor our telephone calls.



---

FILE NOTE

---

FILE: PR/752033/AFG7/BATES/LKN

TYPED ON: 09/03/2011

DATED: 09/03/2011

---

1) ACTIVITY CODE: Click to Select

UNITS:

RE LEE CASTLETON

---

2) ACTIVITY CODE: 63 - Preparation

UNITS: 1

LKN noting the telephone message from Mr Castleton requesting the return of his papers. He makes reference to having met Amanda some time ago and noting that there have been a number of phone calls in the past couple of weeks in relation to various matters. LKN noting that he has not yet heard from Mr Castleton further to his emails 10 February 2011 further to the more substantive email sent 13 January 2011, namely does Mr Castleton want us to review his papers for him.

LKN to contact the client to determine the present position and to ascertain exactly what papers he is looking to have returned.

---

3) ACTIVITY CODE: 55 - Client Telephone

UNITS: 2

Spoke to Mr Castleton.

He confirmed that the reason he has referred to Amanda is that he is looking for those papers that he provided us with when he very first met us/Amanda. There are a few sheets that were given and he needs these as he is discussing matters with his accountant, as per our recent discussions.

---

4) ACTIVITY CODE: Click to Select

UNITS:

---

5) ACTIVITY CODE: Click to Select

UNITS:



---

TELEPHONE MESSAGE

---

PR/752033/AFG7/BATES/MYF

MESSAGE TAKEN ON: 08/03/2011

BY: Myfanwy Huggett (MYF)

AT: 09:37:53

CALLER: Client - Mr L. Castleton

---

MESSAGE:

Incoming call from Lee Castleton. He said he had met Amanda sometime ago and had now mislaid a copy of his paperwork. He asked if we could send him a copy.

I said I would ask DXH to call him back. He was happy with this.

**GRO**

Myf.

1 unit.



---

CLIENT FILE NOTE (TELEPHONE)

---

PR/752033/AFG/BATES/MYF

TYPED ON: 24/02/2011

FILE: Mr Alan Bates

DATED: 18/02/2011

RE: Mr Lee Castleton

---

Incoming call Lee Castleton.

He is going back to his accountants who previously reviewed his accounts. He believes that the commencements in date and other dates in relation to those accounts may have been incorrect and they have offered to re-review matters for free.

LC wanting to check that this was in order.

LKN stating he can see no concern why LC's actions would prejudice the other cases relating to the Post Office and so LKN looks forward to receiving an update in due course as to any other evidence he is obtaining that might be of assistance.

**2 units discussion**

LKN



UNRECORDED

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GENERAL FILE NOTE (TELEPHONE)

---

PR/752033/AFG/BATES/DXH

TYPED ON: 17/02/2011

FILE: Mr Alan Bates

DATED: 17/02/2011

*Castleton*

---

T in from Lisa Castleton advising that Lee has been approached by a local newspaper and that Convenience Weekly has done an article mentioning Lee's name, stating that he was included in the first cases being brought against the Post Office.

I advised that if Lee is approached to just tell them his own story and not to speculate on anything else.

1 Unit



---

CLIENT FILE NOTE (TELEPHONE)

---

PR/752033/AFG/BATES/MYF

TYPED ON: 17/02/2011

FILE: Mr Alan Bates

DATED: 17/02/2011

RE: Mr Lee Castleton

---

Incoming call Lisa Castleton asking to speak to DXH. She said she had been out but was now in.

I said I had passed on her earlier message but was not sure if DXH had had a chance to speak to Amanda.

She thanked me for my help.

1 unit.



---

TELEPHONE MESSAGE

---

PR/752033/AFG7/BATES/MYF

MESSAGE TAKEN ON: 17/02/2011

BY: Myfanwy Huggett (MYF)

AT: 14:49:00

CALLER: Other - Lisa Castleton

---

MESSAGE:

Incoming call Lisa Castleton, asking to speak to DXH.

She said that Lee Castleton wanted to make an appointment to speak to Amanda as he had some information he wanted to discuss.

She was suggesting between 11.00 and 12.00 tomorrow as he was on nights.

She requested a call back on **GRO**

1 unit

MYF.



---

CLIENT FILE NOTE (TELEPHONE)

---

PR/752033/AFG/BATES/MYF

TYPED ON: 17/02/2011

FILE: Mr Alan Bates

DATED: 17/02/2011

RE: Mr Lee Castleton

---

Incoming call Lisa Castleton asking to speak to DXH. She said she had been out but was now in.

I said I had passed on her earlier message but was not sure if DXH had had a chance to speak to Amanda.

She thanked me for my help.

1 unit.



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TELEPHONE MESSAGE

---

PR/752033/AFG7/BATES/MYF

MESSAGE TAKEN ON: 17/02/2011

BY: Myfanwy Huggett (MYF)

AT: 14:49:00

CALLER: Other - Lisa Castleton

---

MESSAGE:

Incoming call Lisa Castleton, asking to speak to DXH.

She said that Lee Castleton wanted to make an appointment to speak to Amanda as he had some information he wanted to discuss.

She was suggesting between 11.00 and 12.00 tomorrow as he was on nights.

She requested a call back on **GRO**

1 unit

MYF.



---

GENERAL FILE NOTE (TELEPHONE)

---

PR/752033/AFG/BATES/DXH

TYPED ON: 17/02/2011

FILE: Mr Alan Bates

DATED: 17/02/2011

---

T in from Lisa Castleton advising that Lee has been approached by a local newspaper and that Convenience Weekly has done an article mentioning Lee's name, stating that he was included in the first cases being brought against the Post Office.

I advised that if Lee is approached to just tell them his own story and not to speculate on anything else.

1 Unit



Andruszewski, Luke

---

**From:** Andruszewski, Luke  
**Sent:** 10 February 2011 16:31  
**To:** 'lcastleton.castleton@postoffice.co.uk' **GRO**  
**Subject:** Breach of Contract - Post Office

Dear Mr Castleton

I further to your recent request as to whether it would be advantageous for you to receive a formal advice as to limitation in your potential claim against the Post Office.

There are a few of points I would ask you to consider.

Firstly, it would not be possible for me to say whether it would be advantageous until I have reviewed your papers.

Secondly, I have already provided you with detailed advice on the issue of limitation in your case in our telephone consultations, albeit generally. A detailed review of your papers is needed to advise with more certainty.

Finally, I cannot guarantee that a review of the papers will enable me to provide advice different to that already given and it may be necessary for further investigations to take place (at additional cost) before a more certain advice can be given.

If you would like me to review you papers, my hourly rate is £170.00 per hour plus VAT. It is likely that, once you have sent me your full file/s of papers, depending on the volume of you papers, I may be able to agree to limit my fees to a fixed amount to provide you with some certainty in relation to costs.

Such a fixed fee would cover a review of your papers, a written advice on the issues surrounding limitation in your case, the likely limitation date (and whether it has passed) and/or what further investigations, if any, are needed to address the question of limitation, the likely costs of and my fees in advising on those investigations.

I look forward to hearing from you to confirm your instructions.

Yours sincerely

Luke Andruszewski  
Legal Executive

Access Legal from Shoosmiths

**GRO**

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10/02/2011



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GENERAL FILE NOTE (ATTENDANCE)

---

PR/752033/AFG/BATES/LKN

TYPED ON: 18/02/2011

FILE: Mr Alan Bates

DATED: 10/02/2011

FILE: Mr L Castleton

---

LKN recapping on file and noting client's recent e-mail. Review with regard to AFG 1-2-1 and in relation to LKN's reviews having regard to client's request as to whether it would be advantageous for him to receive an advice on limitation.

**3 units preparation and perusal.**

**2 units preparing response to client by e-mail.**

LKN



Andruszewski, Luke

---

**From:** lee castleton [GRO] [GRO]  
**Sent:** 16 January 2011 08:15  
**To:** Shoosmiths  
**Cc:** Andruszewski, Luke  
**Subject:** Re: Re:  
**Attachments:** termination.docx; appeal.docx; appeal 2.docx; appeal 3.docx; suspension.docx; suspension 2.docx

Firstly, sorry for not laying out the last email properly I have been on nights and did not think. 1, I was suspended on the 23-03-2004 but terminated on the 17/05/04. The termination was back dated to the 23 03 04.

2. I appealed the termination decision by return and was told the process would take no more than 6 weeks. John Jones was appointed my appeals manager and I have enclosed his letters. We met in Darlington main Post Office on the 1st July 2004 and his decision letter followed on the 9th July 2004

Lee Castleton

**From:** Shoosmiths  
**Sent:** Thursday, January 13, 2011 10:52 AM  
**To:** lcastleton.castletor [GRO]  
**Subject:** Re:

Dear Mr Castleton,

In order that I can come back to you with an indication regarding your request for an advice on the issue of limitation, please would you confirm for me the following information?

You have stated in your original questionnaire that your contract came to an end on 23 March 2004, but you have stated this was both the date of suspicion *and* termination. I am unclear how a period of suspension could commence if at the same time the contact had come to an end.

In the Court Judgment the Judge refers to a termination "following [your] suspension" (paragraph 38).

(1) Please would you confirm the actual date it was confirmed to you that contact was being terminated and provide me with any document you have that might prove that (a letter from the Post Office, for example).

(2) Please confirm whether there followed, after that date, any appeal process and, if so, please confirm details, the result and the date that process came to an end (again with evidence if you have it).

On receipt of you answers to these points, I advise you on what basis I may be able to offer you legal services for the requested advice.

Yours sincerely

Luke Andruszewski  
Legal Executive

Access Legal from Shoosmiths

09/03/2011

**GRO**

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-----Original Message-----

From: lee castleon [mailto:lee.castleon@gro] (GRO)  
To: Andruszewski, Luke  
</O=SHOOSMITHS/OU=BASINGSTOKE/CN=RECIPIENTS/CN=ANDRUSZEWSKIL>  
Cc: Shoosmiths </O=SHOOSMITHS/OU=BASINGSTOKE/CN=RECIPIENTS/CN=QH-LEP2>  
Sent: 11:01 Saturday 18 December 2010  
Subject:  
Attachments: let 002.tif

I hope you might get a better quality copy of this from the M.P. Lee

**About shoosmiths**

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**Please consider the environment - do you really need to print this?**

LKN review notes  
(Baird's file)  
27/11

11. Siobhan Sayer

- Got questionnaires (second not signed). No documentation.
- LKN has reviewed.
- \* may be an issue here in that the reason the contract was terminated related apparently to the client no longer owning the site on which the Post Offices was operating from. Unclear on what basis then we will be pursuing the breach of contract in line with the issues regarding the accounting system.
- There was a proceeds of crime action, although no proceeds of crime were actually awarded. Client update 10/09/10 confirmed that £18,000 was an issue but she was ordered to pay £4,800 as "compensation for wages", being the wages PO paid her but would not have had she earlier admitted false accounting.
- Issue for the client is whether BP are going to be instructed on behalf of PO to pursue the rest of debt. No update from client to indicate that is the case so far.
- If CFA then we would be looking for recovery of money paid in crime case, but LKN unclear where the prospects would be here given the client did admit to false accounting.
- *Need to see contract and review and look to issues as to why the contract was terminated in order to properly risk assess and decide how we can take the case forward.*
- *With regards to the above points LKN needs to make contact with the client to discuss the present position.*
- *Need to discuss with AFG as to whether this is a suitable claim for CFA, (without, at least, various papers from the client being reviewed).*

12. Pauline Thompson

- Two questionnaires have been returned.
- *LKN to review questionnaires.*
- *LKN to make contact with client.*

13. Ian Warren

- Review on 12/07/10.
- Detailed risk assessment also completed 26/07/10.
- Got the two questionnaires and also a client case summary.
- *LKN to re-review and make client contact with regard to the present position ready for the settlement of CFA as appropriate.*
- LKN has identified this case would be suitable for taking forward on a CFA.

14. Kym Wyllie

- Has returned two questionnaires.
- *LKN to review questionnaires.*
- *LKN to make initial client contact.*

15. Lee Castleton

- \* not going to go on CFA as likely that limitation has passed. LKN is in communication with client direct with regard to possible instruction for the review of the client's papers for a fee.
- LKN/AFG discussion notes 13/01/11.
- *Email received from client. LKN to action.*



Ref: PR/752033/AFG/BATES Printed by: LKN

From: Legis Case Management System [myclaim] GRO  
To: lee castleton GRO GRO  
Posted: Fri 14/01/2011 12:53 Sent: Fri 14/01/2011 13:01  
Subject: Re: Re:

Dear Mr Castleton

Thank you for your email.

I note that you have attached a variety of documents, but not confirmed in your own words what these has been supplied or what they will indicate to me. It would greatly assist me if you would ensure that this is done when emailing in relation to this matter and if you could do so in this instance also. May I also please ask that this is done going forward when emailing?

Further, please would you confirm for me the answer to my two questions for ease of reference.

I look forward to hearing from you.

Yours sincerely

**Luke Andruszewski**  
Lergal Executive

### Access Legal from Shoosmiths

GRO direct dial  
fax

Employment law advice      Medical Negligence  
Motoring law      Wills, family & wealth

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-----Original Message-----

From: lee castleton GRO GRO  
To: Shoosmiths </O=SHOOSMITHS/OU=BASINGSTOKE/CN=RECIPIENTS/CN=QH-LEP2>  
Cc: Andruszewski, Luke </O=SHOOSMITHS/OU=BASINGSTOKE/CN=RECIPIENTS/CN=ANDRUSZEWSKIL>  
Sent: 11:54 Friday 14 January 2011  
Subject: Re: Re:  
Attachments: appeal.docx, appeal 2.docx, appeal 3.docx, suspension.docx, suspension 2.docx  
    termination.docx, Doc1.docx, Doc2.docx, Doc3.docx, Doc4.docx  
    Doc5.docx, Doc6.docx

From: Shoosmiths  
Sent: Thursday, January 13, 2011 10:52 AM  
To: lcastleton.castleton GRO  
Subject: Re:

Dear Mr Castleton,

In order that I can come back to you with an indication regarding your request for an advice on the issue of limitation, please would you confirm for me the following information?

You have stated in your original questionnaire that your contract came to an end on 23 March 2004, but you have stated this was both the date of suspicion and termination. I am unclear how a period of suspension could commence if at the same time the contact had come to an end.

In the Court Judgment the Judge refers to a termination "following [your] suspension" (paragraph 38).

(1) Please would you confirm the actual date it was confirmed to you that contact was being terminated and provide me with any document you have that might prove that (a letter from the Post Office, for example).

(2) Please confirm whether there followed, after that date, any appeal process and, if so, please confirm details, the result and the date that process came to an end (again with evidence if you have it).

On receipt of you answers to these points, I advise you on what basis I may be able to offer you legal services for the requested advice.

Yours sincerely

Luke Andruszewski  
Legal Executive

Access Legal from Shoosmiths

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-----Original Message-----

From: lee castleton

To: Andruszewski, Luke

Cc: Shoosmiths

Sent: 11:01 Saturday 18 December 2010

Subject:

Attachments: let 002.tif

I hope you might get a better quality copy of this from the M.P. Lee  
About shoosmiths

Ref: PR/752033/AFG/BATES Printed by: LKN

From: Legis Case Management System [myclaim] GRO  
To: lee castleton GRO GRO  
Posted: Thu 13/01/2011 10:42 Sent: Thu 13/01/2011 10:52  
Subject: Re:

Dear Mr Castleton,

In order that I can come back to you with an indication regarding your request for an advice on the issue of limitation, please would you confirm for me the following information?

You have stated in your original questionnaire that your contract came to an end on 23 March 2004, but you have stated this was both the date of suspicion *and* termination. I am unclear how a period of suspension could commence if at the same time the contact had come to an end.

In the Court Judgment the Judge refers to a termination "following [your] suspension" (paragraph 38).

(1) Please would you confirm the actual date it was confirmed to you that contact was being terminated and provide me with any document you have that might prove that (a letter from the Post Office, for example).

(2) Please confirm whether there followed, after that date, any appeal process and, if so, please confirm details, the result and the date that process came to an end (again with evidence if you have it).

On receipt of you answers to these points, I advise you on what basis I may be able to offer you legal services for the requested advice.

Yours sincerely

Luke Andruszewski  
Legal Executive

Access Legal from Shoosmiths

GRO

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-----Original Message-----

From: lee castleton GRO GRO  
To: Andruszewski, Luke  
</O=SHOOSMITHS/OU=BASINGSTOKE/CN=RECIPIENTS/CN=ANDRUSZEWSKIL>  
Cc: Shoosmiths </O=SHOOSMITHS/OU=BASINGSTOKE/CN=RECIPIENTS/CN=QH-LEP2>  
Sent: 11:01 Saturday 18 December 2010

Subject:  
Attachments: let 002.tif

I hope you might get a better quality copy of this from the M.P.  
Lee

---

GENERAL FILE NOTE (ATTENDANCE)

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PR/752033/AFG/BATES/LKN/MYF

TYPED ON: 14/01/2011

FILE: Mr Alan Bates

DATED: 13/01/2011

RE: Mr Lee Castleton

---

Discussion between LKN and AFG further to LKN's review yesterday and the client request as to whether it would be advantageous for any advice in relation to limitation.

The key question here, particularly with regard to Counsel's advice and reviews carried out on other Post Office matters, is establishing not only when the effective date of termination was, but for the client to confirm whether there was any other appeal process and the key dates of any such process.

With regard to whether it would be advantageous to carry out a review, we cannot confirm this until we have carried out the review of the papers and confirmed our advice.

If the client wants us to provide an advice, then he would need to send all of his paperwork to us and, based on the time it is likely to take to review those papers and provide an advice, client will need to privately fund.

LKN should inform the client that his usual hourly rate is £170 per hour plus VAT, but then based on the volume of papers and the time it is likely to take, LKN will look to try and agree a fixed fee for the sake of certainty and for what the client will hopefully consider a competitive amount.

We discussed the possibility that Counsel might need to be involved in providing any advice, but we could look to incorporate this within the fixed sum being claimed if that is necessary/appropriate in due course.

**2 UNITS DISCUSSION**

LKN

2/12



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GENERAL FILE NOTE (ATTENDANCE)

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PR/752033/AFG/BATES/MYF

TYPED ON: 13/01/2011

FILE: Mr Alan Bates

DATED: 12/01/2011

RE: Lee Castleton

---

LKN carrying out review on this matter following client's recent instructions in which he has asked LKN to confirm how much it would cost to review the file in relation to limitation and whether this would be advantageous.

Recent documents

- Email between client and Mark Baker Post Office Union and others (cc'd to LKN) talking about changing tactics and "getting the solicitors" to "put ball in PO court" re unaudited transactions and "tampering with systems behind the scenes".
- **Procedures document 09/2008.** There is an email between the client and John Voltars and others. Original document came from Bates it appears. It said in the email that this to be in place "for losses on horizon", according to the client.

Noting at page 5 it does say "surprise and mistakes (over £30) checks. Must ensure that horizon report is signed, dated and retained for two years. Also identifies that "trainees" will likely make more mistakes. *Client has not explained precisely the purpose of this report in the context of the case and advice he wants or it is supposed to show.*

- Client letter from MP from December 2005. *Again client has not clarified exactly what this is supposed to show.* In any event the copy is of extremely poor quality and LKN cannot decipher its contents.
- Email 03/12/10. Client email from Mr and Mrs Jones to the client from 2009. *Again no client explanation or context.* Show no entry on log compared to the accounts certificate from the system.

Noting file history and advice given to client to date.

- LKN noting a long discussion and advice 03/12/10 with the client (6 units). LKN has already advised with regard to limitation and confirmed that he would not recommend private funding on that point. LKN had advised that it may be that something might arise out of the bulk of cases that we are pursuing that may give him a second bite of the cherry, but limitation in terms of the breach of contract appears to have passed.
- Noting LKN general review 12/07. Noting contract terminated 23/03/04.



- There was a court Judgement 22/01/07. Client said he has got some 20 lever arch files in relation to this case. Noting crucially that client lost previous civil case brought by the Post Office, found liable for false accounting. Client failed to meet his burden in proving that there was something wrong with accounts. No flaw in the system was identified by the court.
- \*Crucially the client's counterclaim for damages in the grounds of wrong determination of his contract by the Post Office following suspension failed (paragraphs 39-41 of the Judgment.

LKN curious as to whether in fact then there has already been a court judgment in relation to the issue of breach of contract.

LKN discussing the matter with DXH in relation to whom we had dealt with historically (Mr Franks etc).

*LKN to discuss with AFG how we proceed in terms of providing client a quote and whether we can go forward with this advice given that LKN has already essentially advised the client on the position of this matter.*

6 units preparation and perusal  
2 units preparing note and discussion with DXH

LKN



Andruszewski, Luke

---

**From:** lee castleton [GRO] [GRO]  
**Sent:** 05 January 2011 12:39  
**To:** Andruszewski, Luke  
**Subject:** Re: post office ltd

Hi Luke,  
No problem I look forward to hearing from you.  
Lee

**From:** Andruszewski, Luke  
**Sent:** Wednesday, January 05, 2011 9:41 AM  
**To:** lee castleton  
**Subject:** RE: post office ltd

Dear Mr Castleton

Thank you for your email.

Please allow me some time to consider you request and discuss with my principle as to how we can assist with your request and, if so, what the appropriate fees would be.

I have just returned from annual leave. Would it be in order to contact you to discuss further next week?

Yours sincerely

**Luke Andruszewski**  
Legal Executive

Access Legal from Shoosmiths

**GRO**

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---

**From:** lee castleton [GRO] [GRO]  
**Sent:** 04 January 2011 13:31  
**To:** Andruszewski, Luke  
**Subject:** post office ltd

Happy New Year Luke,

I am writing to ask you how much it will cost for you to take a view of my case with respect to the time (over six years).  
I think I might be able to raise a small amount of money to pay for the view to be taken and if you feel it would be an advantage to do so I would like to.

05/01/2011



**A Andruszewski, Luke**

---

**From:** Andruszewski, Luke  
**Sent:** 05 January 2011 09:41  
**To:** 'lee castleton'  
**Subject:** RE: post office ltd

Dear Mr Castleton

Thank you for your email.

Please allow me some time to consider you request and discuss with my principle as to how we can assist with your request and, if so, what the appropriate fees would be.

I have just returned from annual leave. Would it be in order to contact you to discuss further next week?

Yours sincerely

**Luke Andruszewski**  
Legal Executive

Access Legal from Shoosmiths

**GRO**

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---

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Lee



Andruszewski, Luke

---

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To: Andruszewski, Luke  
Subject: post office ltd

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I think I might be able to raise a small amount of money to pay for the view to be taken and if you feel it would be an advantage to do so I would like to.

Lee



Andruszewski, Luke

**From:** Val Athwal [GRO] [GRO]  
**Sent:** 29 December 2010 12:55  
**To:** lcastleton.castleton [GRO]; contact [GRO]; jossday [GRO];  
 Andruszewski, Luke; rebeccamthomson [GRO]; Rebecca Computer Age  
**Cc:** Mark Baker PO Union  
**Subject:** RE: crown office losses

Hi Lee

Mate you are absolutely right this is corporate fraud it's a numbers game un-audited transactions not traceable by you, me or PO, so what is stopping them logging into our systems which they can do and make all 11000 offices, £10/£20 short a day. Are you really going to bother with that small amount after a hard days work. NO, you not and will just make good, well multiply that by the 11000 on a daily basis, bingo crown office losses are sorted.

I think we should talk to solicitors and change tactics, lets put the ball in their court regarding un-audited transactions and them tampering with the system behind the scenes, surely, in court a set of circumstances could be put to them and they would have to explain the position.

Give them the benefit of the doubt that their systems are robust, how do they then explain the un-audited transactional procedures' bought in by them, this would surely mean that they are vicariously responsible for the losses.

All the best for the New Year Guys lets hope the solicitors can get results this coming year for us otherwise we may need to look at bringing some "American Barristers" over from the States!!!

Regards

Val

---

**From:** lcastleton.castleton [GRO]  
**To:** contact [GRO]; jossday [GRO]; luke.andruszewski [GRO];  
 rebeccamthomson [GRO]; Rebecca.Thomson [GRO]; simplita [GRO]  
**Subject:** Fw: crown office losses  
**Date:** Wed, 29 Dec 2010 12:30:42 +0000

**From:** lee castleton  
**Sent:** Monday, December 27, 2010 9:20 AM  
**To:** +Intelligence Unit ; Paul.Burchetti [GRO]; Peter.Francis [GRO]  
 Tim  
**Subject:** Fw: crown office losses

**From:** lee castleton  
**Sent:** Monday, December 27, 2010 9:17 AM  
**To:** Jon Valters  
**Subject:** Fw: crown office losses

Jon I have enclosed a copy of a post office procedures document from 07/08. you will see that post office in their own crown offices have this in place for losses on horizon. but they told the court in this very year that they have no horizon losses. I do not understand how they can say internally that they have 2.2 million losses yet to everyone else they have

05/01/2011

no problems. this is covering losses at only 400 crown offices so god help the other 11000 private offices. i honestly believe this is fraud on a grand scale  
lee

**From:** Alan Bates  
**Sent:** Tuesday, September 14, 2010 7:27 PM  
**To:** 'Lee Castleton'  
**Subject:** crown office losses

Lee, copy of document as promised

Alan

Andruszewski, Luke

---

**From:** lee castleton [GRO] [GRO]  
**Sent:** 29 December 2010 12:31  
**To:** Andrew; dorothy day; Andruszewski, Luke; Rebecca Thomson;  
Rebecca.Thomson [GRO]  
**Subject:** Fw: crown office losses  
**Attachments:** loss\_and\_gains\_quick\_guide.pdf

**From:** lee castleton  
**Sent:** Monday, December 27, 2010 9:20 AM  
**To:** +Intelligence Unit ; Paul.Burchetti [GRO]  
Peter.Francis [GRO]; Tim  
**Subject:** Fw: crown office losses

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**To:** Jon Valters  
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lee

**From:** Alan Bates  
**Sent:** Tuesday, September 14, 2010 7:27 PM  
**To:** 'Lee Castleton'  
**Subject:** crown office losses

Lee, copy of document as promised

Alan



Ref: PR/752033/AFG/BATES Printed by: LKN

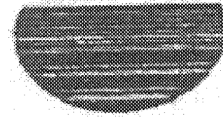
From: lee castleon [GRO] [GRO]  
To: Andruszewski, Luke  
[O=SHOOSMITHS/OU=BASINGSTOKE/CN=RECIPIENTS/CN=ANDRUSZE  
WSKIL];  
Cc: Shoosmiths  
[O=SHOOSMITHS/OU=BASINGSTOKE/CN=RECIPIENTS/CN=QH-LEP2];  
Sent: Sat 18/12/2010 11:01 Received: Sat 18/12/2010 11:01 Posted: Sat  
18/12/2010 11:02  
Subject:  
Attached: let 002.tif;

---

I hope you might get a better quality copy of this from the M.P.  
Lee



Mr Burns MP  
Member of Parliament for West Chelmsford  
House of Commons  
London  
W1A 0AA



www.postoffice.co.uk

12 December 2005

Dear Mr Burns

Thank you for your recent letter addressed to David Mills, Chief Executive Post Office Ltd, on behalf of your constituent Mr V Bajaj, Subpostmaster Torquay Road Post Office branch. Your letter has been forwarded to me for enquiry and reply on Mr Mills' behalf.

I apologise for the delay in replying to your letter, my enquiries have taken longer than anticipated.

As part of implementing the automated systems, Horizon, into the Post Office branch network extensive trials and performance testing were carried out and fully evaluated. Post Office Ltd recognises that Horizon systems do have some occasional failures which can be reported in a number of ways. Our support processes seek to identify the cause and take appropriate action to repair the system in a timely and effective manner.

I can advise you that we have contacted our systems supplier, Fujitsu Services, to investigate Mr Bajaj's complaints thoroughly, with a view to resolving the issues as soon as possible.

**GRO**

Kia MacQueen  
Case Liaison Team Manager

Post Office Ltd  
Research, Planning and Development

Telephone: **GRO**

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**Andruszewski, Luke**

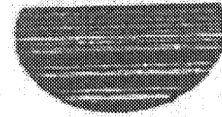
---

**From:** lee castleton [GRO] [GRO]  
**Sent:** 18 December 2010 11:02  
**To:** Andruszewski, Luke  
**Cc:** Shoosmiths  
**Attachments:** let 002.tif

I hope you might get a better quality copy of this from the M.P.  
Lee



David Mills MP  
Member of Parliament for West Chelmsford  
House of Commons  
London  
W1A 0AA



www.postoffice.co.uk

15 December 2005

Dear Mr Mills

Thank you for your recent letter addressed to David Mills, Chief Executive Post Office Ltd, on behalf of your constituent Mr V Bajaj, Subpostmaster Torquay Road Post Office branch. Your letter has been forwarded to me for enquiry and reply on Mr Mills' behalf.

I apologise for the delay in replying to your letter, my enquiries have taken longer than anticipated.

Following the implementation of the automated systems, Horizon, into the Post Office branch network extensive trials and performance reviews were carried out and fully evaluated. Post Office Ltd understands the Horizon system to be both accurate and reliable, although we do accept that occasional breaches (they happen) are very occasional failures. Where such failures are reported, the support processes seek to identify the cause and take appropriate action to repair the system in a timely and effective manner.

I can advise you that we have contacted our systems supplier, Fujitsu Services, to investigate Mr Bajaj's complaints thoroughly, with a view to resolving the issues as soon as possible.

**GRO**

Ria MacQueen  
Case Liaison Team Manager

Post Office Ltd  
Research, Planning and Development

Telephone: **GRO**

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GENERAL FILE NOTE (ATTENDANCE)

---

PR/752033/AFG/BATES/LKN/MYF

TYPED ON: 10/12/2010

FILE: L Castleton

DATED: 07/12/2010

---

LKN reviewing email received from the client, Mr Castleton further to LKN's recent discussion (03/12).

Noting the evidence and that there should be a correlation between the print out of the day's transactions and the receipt of a transaction, that receipt in this evidence being missing.

LKN discussing with AFG and we concurred that this is not necessarily a 'smoking gun', but is certainly good evidence and something that will need to be collated in due course into the pot of evidence that we are building.

*LKN to bring this evidence to our team meeting to discuss generally with the team.*

1 unit preparation and perusal.

1 unit discussion

LKN

.....



.....



---

CLIENT FILE NOTE (TELEPHONE)

---

PR/752033/AFG/BATES/LKN//MYF

TYPED ON: 03/12/2010

FILE: Mr Alan Bates

DATED: 03/12/2010

RE: Mr Lee Castleton

0945 hours

---

Long discussion with Lee Castleton (LC) in which LKN advised with regard to the reason for the prioritising of the various post office cases, taking into account the issues of limitation and then taking into account points of legal interest that may enable us in one case to gather evidence or information that will assist in other cases.

Explained the concept of limitation to the client and that it was very likely that a claim for breach of contract would be statute barred now, but we are unable to say with any certainty as to whether this will be the case and LC acknowledge that our instructions are not to advise on limitation, but to investigate as to whether we are able to take on a CFA.

In any event, LKN advised that he would not recommend the client pay privately for us to advise on the issue of limitation, as it may well be that as the other post office cases get under way information comes up that allows to make a more straight forward assessment as to whether his case can be pursued.

We discussed his case in which he was prosecuted in the civil courts for the debt. He believes that there is further information that might entitle appeal of this matter although LKN stated he cannot advise specifically at this time on whether an appeal is necessary or not. LKN gave some generic advice.

Client is going to send over an email to LKN for LKN to consider in relation to this case and other cases as he believes it proves that the post office knew of problems with horizon prior to their prosecuting the client. LKN advised his email and the "myclaim" email.

LKN advising that even if we do not pursue his case forward, he is more than happy to assist and to allow his information and evidence to be used to assist other cases.

LKN advising that he will let the client know as soon as possible if we should run into a problem in not being able to pursue his case due to limitation and likewise as and when we are in a position to take his case forward.

The client was grateful for LKN's detailed advice and update in relation to the matter today.

1 UNIT PREP FOR CL MEETING  
5 UNITS DISCUSSION  
1 PREP NOTE  
LKN



---

TELEPHONE MESSAGE

---

PR/752033/AFG7/BATES/MYF

MESSAGE TAKEN ON: 03/12/2010

BY: Myfanwy Huggett (MYF)

AT: 09:44:31

CALLER: Mr Alan Franks

---

MESSAGE:

Incoming call Mr Franks (Lee Castleton's farther in law).

He asked if Luke could call Lee Castleton. I explained Luke had been a little late due to the snow. He would call as soon as he could.

He asked if Luke could call the Lee on

**GRO**

He thanked me for my help.

1 unit.

Myf.



---

GENERAL FILE NOTE (TELEPHONE)

---

PR/752033/AFG/BATES/DXH

TYPED ON: 01/12/2010

FILE: Mr Alan Bates

DATED: 01/12/2010

---

T out to Alan Franks – Lee Castleton's father in law to arrange a time for him to speak to LKN.  
Appointment booked for 9am on Friday 3 December 2010.



---

CLIENT FILE NOTE (TELEPHONE)

---

PR/752033/AFG/BATES/MYF

TYPED ON: 02/12/2010

FILE: Mr Alan Bates

DATED: 01/12/2010

RE: Lee Castleton

---

Discussion with DXH in relation to noting client is chasing telephone call.

Agreed that DXH would (and has) put a client meeting in for Friday 3 December in the morning for LKN to go through matters with the client.

**2 units discussions.**

LKN



---

TELEPHONE MESSAGE

---

PR/752033/AFG7/BATES/MYF

MESSAGE TAKEN ON: 01/12/2010

BY: Myfanwy Huggett (MYF)

AT: 13:54:37

CALLER: Other - Alan Franks

---

MESSAGE:

Incoming call from Alan Franks, Lee Castleton's father in law asking to speak to LKN.

I said LKN was unavailable at present.

He left his phone number.

**GRO**

He asked for a return call.

1 unit

Myf.



---

GENERAL FILE NOTE (ATTENDANCE)

---

PR/752033/AFG/BATES/LKN

TYPED ON: 29/11/2010

FILE: Mr Alan Bates

DATED: 29/11/2010

RE: Lee Castleton

---

Discussion LKN/DXH re call in pnm behalf of Lee Castleton ("LC")

We noted that DXH has given advice to the equal extent that LKN would be able to apprise LXC of the present position, approach being taken to order of cases etc and if further assurances were needed/able to be given to LC, AFG advices would be needed.

DXH will follow up with AFG before she, AFG or LKN then returns to LC.

LKN noting pp re LC case.

Issue is that there may be a limitation issue, although we are not in a position to advise on whether limitation has certainly passed until, possibly, Counsel opinion on prospects has been received in some cases.

In any event, LC case is not likely to be, and is not to date, one of the initial cases being taken forward, on the basis of the following:

- (a) limitation has passed and therefore the case can only be pursued later having regard to matters that might arise or become known once other cases are underway/counsel input received;

OR

- (b) limitation turns out not to be an issue, meaning that the case is not limitation-sensitive (ie either it has passed, as above, or it has not passed but not therefore imminent) therefore the case is not considered a priority unless there is another factor in it for earlier action/prosecution.

***Further review and consideration is needed and, at this stage, the approach being taken by the team is to identify those cases of urgency re limitation or with issues relating particularly favourable prospects and put those cases forward. We are not doing things the other way around and putting back those without prospects, notwithstanding the limitation concerns above.***

*AFG and DXH emailed note for consideration.*

1 UNIT PREPARATION  
2 UNITS DISCUSSION  
1 UNIT PREPARING NOTE



---

GENERAL FILE NOTE (TELEPHONE)

---

PR/752033/AFG/BATES/DXH

TYPED ON: 29/11/2010

FILE: Mr Alan Bates

DATED: 29/11/2010

---

T in from Mr Alan Franks, Lee Castleton's father-in-law. Advising that he was unhappy that Lee was not of cases selected initially. Mr Franks wanted an explanation and said he was prepared to pay if they could be given more information. Mr Franks thought as Lee's case was one of the first prosecutions that they should have been a lead case. I explained that we had to assess the cases with regard to limitation and evidence and choose our strongest cases. Mr Franks would still like an a telephone call from either the person allocated to his matter or from AFG to advise when we are looking to go ahead with his son-in-laws case. I said that I would relay this information to AFG and that someone would call him back in this regard.

DXH



---

GENERAL FILE NOTE (TELEPHONE)

---

PR/752033/AFG/BATES/DXH

TYPED ON: 29/11/2010

FILE: Mr Alan Bates

DATED: 29/11/2010

---

T in from Mr Alan Franks, Lee Castleton's father-in-law. Advising that he was unhappy that Lee was not of cases selected initially. Mr Franks wanted an explanation and said he was prepared to pay if they could be given more information. Mr Franks thought as Lee's case was one of the first prosecutions that they should have been a lead case. I explained that we had to assess the cases with regard to limitation and evidence and choose our strongest cases. Mr Franks would still like an a telephone call from either the person allocated to his matter or from AFG to advise when we are looking to go ahead with his son-in-laws case. I said that I would relay this information to AFG and that someone would call him back in this regard.

DXH



---

TELEPHONE MESSAGE

---

PR/752033/AFG7/BATES/MYF

MESSAGE TAKEN ON: 26/11/2010

BY: Myfanwy Huggett (MYF)

AT: 13:21:49

CALLER: Other - Lisa Castleton

---

MESSAGE:

Incoming call from Lisa Castleton wanting to know the present position and asking for DXH. I said that DXH was not in the office today and I would have to check with Amanda as DXH has been handling the updates.

GRO

She would appreciate a return call.

1 unit.

Myf.



---

TELEPHONE MESSAGE

---

PR/752033/AFG7/BATES/MYF

MESSAGE TAKEN ON: 04/11/2010

BY: Myfanwy Huggett (MYF)

AT: 14:55:56

CALLER: Other - Lisa Castleton

---

MESSAGE:

Incoming call Lisa Castleton asking to speak to DXH.

She asked for a call back with an update as to the present position.

**GRO**

1 unit.

Myf.



---

TELEPHONE MESSAGE

---

PR/752033/AFG7/BATES/MYF

MESSAGE TAKEN ON: 02/11/2010

BY: Myfanwy Huggett (MYF)

AT: 09:55:43

CALLER: Other - Lisa Castleton

---

MESSAGE:

Incoming call Lisa Castleton asking to speak to DXH. I said that unfortunately DXH was not available at present. She asked for a return call on GRO

1 unit

Myf.

.....



---

TELEPHONE MESSAGE

---

PR/752033/AFG7/BATES/MYF

MESSAGE TAKEN ON: 02/11/2010

BY: Myfanwy Huggett (MYF)

AT: 09:20:47

CALLER: Other - Lisa Castleton

---

MESSAGE:

Incoming call Lisa Castleton asking to speak to DXH. I said that DXH was not available at present. Lisa said she was going out shortly but would call again later on this morning, probably in about an hour. She thanked me for my help.

1 unit.

Myf.



---

TELEPHONE MESSAGE

---

PR/752033/AFG7/BATES/MYF

MESSAGE TAKEN ON: 02/11/2010

BY: Myfanwy Huggett (MYF)

AT: 11:58:46

CALLER: Other - Lisa Castleton

---

MESSAGE:

Dee

Lisa Castleton telephoned again. She said she was expecting a call back. I said that you were away from your desk at present and could I help? She said she would await a return call.

1 unit.

Myf.



---

TELEPHONE MESSAGE

---

PR/752033/AFG7/BATES/MYF

MESSAGE TAKEN ON: 02/11/2010

BY: Myfanwy Huggett (MYF)

AT: 09:55:43

CALLER: Other - Lisa Castleton

---

MESSAGE:

Incoming call Lisa Castleton asking to speak to DXH. I said that unfortunately DXH was not available at present. She asked for a return call on GRO

1 unit

Myf.



---

GENERAL FILE NOTE (TELEPHONE)

---

PR/752033/AFG/BATES/MYF

TYPED ON: 29/10/2010

FILE: Mr Alan Bates

DATED: 29/10/2010

---

Tel call to Mr Franks on behalf of AFG. I said I had managed to speak to AFG and she had asked me to give him a call to say that correspondence would be coming out next week. He understood.

1 unit.

MYF.



---

TELEPHONE MESSAGE

---

PR/752033/AFG7/BATES/MYF

MESSAGE TAKEN ON: 29/10/2010

BY: Myfanwy Huggett (MYF)

AT: 15:16:45

CALLER: Other - Mr Franks, Lee Castleton's father-in-law

---

MESSAGE:

Incoming call Mr Franks. He said that he had spoken at length to Amanda but had lost connection. Amanda had said she would call again.

**GRO**

Speaking to AFG. She said she had nothing further to say and could I call him back to say we would be updating with correspondence next week.

Attempting to call back on mobile but no reply.

1 unit.

MYF.



---

GENERAL FILE NOTE (TELEPHONE)

---

PR/752033/AFG/BATES/MYF

TYPED ON: 29/10/2010

FILE: Mr Alan Bates

DATED: 29/10/2010

---

Tel call to Mr Franks on behalf of AFG. I said I had managed to speak to AFG and she had asked me to give him a call to say that correspondence would be coming out next week. He understood.

1 unit.

MYF.



---

TELEPHONE MESSAGE

---

PR/752033/AFG7/BATES/MYF

MESSAGE TAKEN ON: 22/10/2010

BY: Myfanwy Huggett (MYF)

AT: 09:36:53

CALLER: Other - Lisa Castleton

---

MESSAGE:

Incoming call Lisa Castleton, wanting to know if we had any developments. I said I would check what the current position was. She thanked me for my help.

**GRO**

1 unit.

Myf.



---

TELEPHONE MESSAGE

---

PR/752033/AFG7/BATES/MYF

MESSAGE TAKEN ON: 15/09/2010

BY: Myfanwy Huggett (MYF)

AT: 11:33:16

CALLER: Other - Lisa Castleton

---

MESSAGE:

Dee,

Lisa Castleton telephoned for an updated as to the present position.

She asked for a return call.

**GRO**

Thank you.

Myf

1 unit.

*3pm call -*



---

GENERAL FILE NOTE (TELEPHONE)

---

PR/752033/AFG/BATES/DXH

TYPED ON: 15/09/2010

FILE: Mr Alan Bates

DATED: 15/09/2010

---

T in from Lisa Castleton requesting an update. I apologised for not coming back to her sooner but that as yet there was no news, but that I promised to advise her as soon as there was some new news.

DXH



---

TELEPHONE MESSAGE

---

PR/752033/AFG7/BATES/MYF

MESSAGE TAKEN ON: 24/08/2010

BY: Myfanwy Huggett (MYF)

AT: 13:15:31

CALLER: Other - Lisa Castleton

---

MESSAGE:

Dee

Lisa Castleton telephoned wanting to know the latest position with regard to the post office matter and whether we had any developments. I said that Amanda was out of the office today. She asked if you could call her back.

**GRO**

Thank you.

Myf.

1 unit.



Hughes, Dianne

---

From: lee castleton [GRO] [GRO]  
Sent: 14 August 2010 19:22  
To: alan.bates [GRO]  
Cc: Hughes, Dianne  
Subject: Fw: post office

---

From: <jennyodell [GRO]>  
Sent: Thursday, August 12, 2010 3:40 PM  
To: <lcastleton.castleton [GRO]>  
Subject: post office

> Hi Lee  
> I am another Subpostmistress that has been fighting POL since January  
> 2010, but it all started June 2009 for Mays branch trading period and  
> then every month.  
> What happened to you and how many others are you aware of?  
> Regards  
> Jenny O'Dell

>  
>  
> This email has been scanned by Netintelligence  
> <http://www.netintelligence.com/email>  
>



---

TELEPHONE MESSAGE

---

PR/752033/AFG7/BATES/MYF

MESSAGE TAKEN ON: 13/08/2010

BY: Myfanwy Huggett (MYF)

AT: 14:42:19

CALLER: Other - Alan Franks, Lee Castleton's Father-in-law

---

MESSAGE:

Dee

Alan Franks, Lee Castleton's father-in-law in law telephoned.

I explained that Amanda was not in the office this afternoon. He wanted to know the latest position.

He also said that there were a number of accountancy/retailer magazines published this week and last week which had articles on the horizon system and the problems with it.

**GRO**

He would appreciate a call back.

1 unit.

Myf.



---

GENERAL FILE NOTE (TELEPHONE)

---

PR/752033/AFG/BATES/MYF

TYPED ON: 30/07/2010

FILE: Mr Alan Bates

DATED: 30/07/2010

---

Incoming call Mr Franks (Lisa Castleton's father in-law – Lee Castleton is client).

I spoke to Amanda. We had no news of what cases were being served on the post office. Unfortunately AFG had been in a meeting most of the afternoon. We would ask DXH to call on Monday with the latest news. We understood they were concerned and would update as soon as we knew anything.

He said he would get Lisa to call early next week.

2 units

MYF.



---

GENERAL FILE NOTE (TELEPHONE)

---

PR/752033/AFG/BATES/MYF

TYPED ON: 28/07/2010

FILE: Mr Alan Bates

DATED: 28/07/2010

---

Telephone call out to Mrs Castleton returning her call from yesterday. I said I had spoken to AFG and that we were waiting for final decisions to be made. AFG wanted to know if Lee could confirm we could send parts of the Judgement to channel 4 news. She said that Lee was at work but this was fine. She would let Alan Bates know and she asked me to confirm this was fine to AFG.

1 unit

MYF.



TELEPHONE MESSAGE

PR/752033/AFG7/BATES/MYF

MESSAGE TAKEN ON: 27/07/2010

BY: Myfanwy Huggett (MYF)

AT: 15:41:48

CALLER: Other - Lisa Castleton

MESSAGE:

Amanda

Lisa Castleton telephoned. She wanted to know if we had any more developments. I said I would check with you.

**GRO**

Thank you.

Myf.

1 unit.

Myf,

Can you let her know we'll be in touch asap but am waiting for final decisions to be made. Please speak to me if you are unclear,

**Amanda**

Lee  
Can you I might ask how to get ~~some~~ <sup>some</sup> documents if we may send parts of the court judgment to Crown Prosecutors?



---

GENERAL FILE NOTE (TELEPHONE)

---

PR/752033/AFG/BATES/MYF

TYPED ON: 19/07/2010

FILE: Mr Alan Bates

DATED: 19/07/2010

---

Telephone call to Lisa Castleton (returning her earlier call). I said we had no specific update at present as the files were with RXD. The channel 4 interviews were likely to go out on Wednesday evening. If we had any further updates on this we would let her know. She was happy with this.

1 unit

MYF.



---

TELEPHONE MESSAGE

---

PR/752033/AFG7/BATES/MYF

MESSAGE TAKEN ON: 19/07/2010

BY: Myfanwy Huggett (MYF)

AT: 09:32:38

CALLER: Other - Lisa Castleton

---

MESSAGE:

Amanda

Lisa Castleton telephoned. She said she understood from DXH that there was a meeting on Friday, she wanted to know how it went. She has been speaking to Alan Bates and wanted to know when the Channel 4 interviews etc were going on TV. I said I would need to check with you what information was going out and when. She understood.

**GRO**

She would like a return call.

1 unit.

MYF.



---

GENERAL FILE NOTE (ATTENDANCE)

---

PR/752033/AFG/BATES/MYF

TYPED ON: 8 & 12/07/2010

FILE: Mr Alan Bates

DATED: 12/07/2010

---

Following Team Meeting and LKN reviewing and bringing himself up to speed with Counsel's Advice and historical file and issues in the case, LKN reviewing cases on which we have evidence and/or further questionnaires in order that to make an assessment as to which cases we might like to, in the first instance, have risk assessed by RXD for the purpose of running the first batch of cases against the Post Office.

Lee Castleton

- Noting he has paid £100 into the pot.
- 08/07/10 spreadsheet says that he returned a second questionnaire, but there is no scanned or hard copy on Lon's paper file.
- He has previously lost a high court case where the Post Office were seeking to recover their losses and says he has some 20 lever arch file of papers. A small selection of those papers is in hard copy file, namely draft Judgement from the case.
- He applied for bankruptcy following £25,000 of losses seeking to be recovered.

*Limitation issue? His contract was suspended/terminated 23/03/2004 therefore we are likely to be out of time in relation to this breach of contract claim.*

*Noting the Judgment however is 22/01/07. Potentially another bite of the cherry, but the Judge's comments are rather damning of the case and without having further evidence at this time, it is unlikely that we would have any basis to Set Aside that Judgement or base a case for losses upon it.*

LKN considers it questionable as to the prospects of success in this case based on the information we have at present.

...

Doreen Ann McQuilliam

- Has not paid £100 into the funding pot.
- Original questionnaire was received. £46,000.00 said to be missing, nil having been repaid.
- 29/01/09 contract was terminated for mismanagement. NB client had worked for 30 years for the Post Office.
- Seems to training issues regarding the horizon system and ATM. She says in her original questionnaire that she only had one day's training and ten minutes training respectively, compared with the three weeks in-house training she received some 30 years ago when she first started working.
- She says she complained to help-line "constantly" but no help given.
- Both her daughter and her are under investigation (appears client may have run more than one Post Office as she says her daughter helped with one post office).
- Client telephone call to us 14/06/2010 mentioned possible other issues with the Post Office wanting to get rid of post offices and that this might be a motivation for them dismissing postmasters (LKN unsure that there is a relation here to the claim).

*cont. =  
not relevant*



---

GENERAL FILE NOTE (ATTENDANCE)

---

PR/752033/AFG/BATES/LKN/MYF

TYPED ON: 13/07/2010

FILE: Mr L Castleton

DATED: 12/07/2010

---

Incoming call Mrs Castleton. Looking for an update as she understands that we had a meeting on Friday.

AFG unavailable at present and LKN advising he will look into matters and call to discuss further as to whether there is an update.

...

Following speaking to AFG LKN advising Mrs Castleton that we should be reverting to Mr Castleton if not by the end of this week (today being Monday) or early next week to advise what the position is as we are in the process of assessing the strength of the various cases to decide which ones to take forward.

Either a general email will come out or specific emails.

**2 units telephone call and discussion**  
**1 unit discussion with AFG.**

LKN



---

TELEPHONE MESSAGE

---

PR/752033/AFG7/BATES/MYF

MESSAGE TAKEN ON: 18/06/2010

BY: Myfanwy Huggett (MYF)

AT: 09:06:12

CALLER: Other - Lisa Castleton

---

MESSAGE:

Dee

Lisa Castleton telephoned.

She wanted a return call. I explained that unfortunately Amanda was in a meeting.

**GRO**

Thank you.

Myf.

1 unit.



---

GENERAL FILE NOTE (TELEPHONE)

---

PR/752033/AFG/BATES/DXH

TYPED ON:16/06/2010

FILE: Mr Alan Bates

DATED: 16/06/2010

---

T in from Nirmala Fatania advising that the criminal charges against her had been dropped. Ms Fatania wished to know if she could pursue them for compensation. I advised that I would find out and return to her.

Mob. GRO

DXH



---

TELEPHONE MESSAGE

---

PR/752033/AFG7/BATES/MYF

MESSAGE TAKEN ON: 21/05/2010

BY: Myfanwy Huggett (MYF)

AT: 11:20:32

CALLER: Other - Lisa Castleton (Lee Castleton's wife)

---

MESSAGE:

Dee

Lisa Castleton (Lee Castleton's wife) telephoned.

She said she had left a message yesterday.

**GRO**

She asked for a return call today if at all possible.

Thank you.

Myf.

1 unit.



---

GENERAL FILE NOTE (TELEPHONE)

---

PR/752033/AFG/BATES/MYF

TYPED ON: 07/04/2010

FILE: Mr Alan Bates

DATED: 07/04/2010

---

Telephone call in from Mr Franks, Lee Castleton's father in law. He said that he had spoken to DXH but wanted to know if we had spoken to Mr Rudkin. Mr Rudkin had vital information that might help us in the Post Office case and Mr Franks was particularly concerned that with the election coming up that time was short.

Mr Franks wanted a return call just so he knows what is going on. Mr Rudkin had been suspended from his job.

Mr Frank's phone number is GRO

I said I would pass this to DXH for Amanda's attention.

1 unit.

MYF.



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GENERAL FILE NOTE (TELEPHONE)

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PR/752033/AFG/BATES/DXH

TYPED ON: 06/04/2010

FILE: Mr Alan Bates

DATED: 06/04/2010

---

T in from Mr Franks Lee Castleton's father to advise that Michael Rudkin had not received a call from AFG. I advised that we were only back in the office today after the Easter break but that I would bring this to AFG's attention.

Mr Franks said that Mr Rudkin could not call us and that we needed to call him and that he had vital insider knowledge that Mr Franks thought would be imperative to any case. He also said that Mr Rudkin would like to speak to Counsel directly to relay this information.

DXH



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GENERAL FILE NOTE (TELEPHONE)

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PR/752033/AFG/BATES/DXH

TYPED ON: 06/04/2010

FILE: Mr Alan Bates

DATED: 06/04/2010

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T in from Steve Darlington to advise that he would like to speak directly with AFG to discuss the email he has previously sent to AFG. He said there were certain issues within the email that he thought it was important that AFG grasped. I advised that I would bring this to AFG's attention.

DXH



TELEPHONE MESSAGE

PR/752033/AFG7/BATES/MYF

MESSAGE TAKEN ON: 30/03/2010

BY: Myfanwy Huggett (MYF)

AT: 14:25:10

CALLER: Other - Alan Franks, Lee Castleton's Father in Law

MESSAGE:

Amanda

Alan Franks, Lee Castleton's Father in law telephoned.

He said he had the names of some people who were now prepared to help with the matter and might be able to give useful information.

GRO

Please call.

Thank you.

Myf.

1 unit.

JP!

Had PO.

Been suspended.

Was on the Cllr.

He went to Rijts u,

Saw 1st hand how they can change the Rijts.

Cllr member

e

Brann → paper from index if have it.

~~Atto~~ Michael  
Atto Rudken

GRO

↳ wants we'll contact.



---

TELEPHONE MESSAGE

---

PR/752033/AFG7/BATES/MYF

MESSAGE TAKEN ON: 04/03/2010

BY: Myfanwy Huggett (MYF)

AT: 09:13:25

CALLER: Other - Mrs Castleton - Lee Castleton's wife

---

MESSAGE:

Dee,

Mrs Castleton telephoned again. She said that she was expecting a return call yesterday.

Please can you call her today if at all possible.

**GRO**

Thank you.

Myf.



---

TELEPHONE MESSAGE

---

PR/752033/AFG7/BATES/MYF

MESSAGE TAKEN ON: 03/03/2010

BY: Myfanwy Huggett (MYF)

AT: 09:27:50

CALLER: Client – Mrs Castleton

---

MESSAGE:

Dee

Mrs Castleton telephoned (Lee Castleton's wife)

She wanted to know if there was any more paperwork or anything they needed to do following the meeting?

She is out until 12.00. She would appreciate a return call.

**GRO**

Thank you.

Myf.

1 unit.



Hughes, Dianne

---


**From:** Hughes, Dianne  
**Sent:** 25 February 2010 16:32  
**To:** 'lee castleton'  
**Subject:** Re: Post Office Update

Dear Mr and Mrs Castleton

**Re: Post Office Update**

Further to our telephone conversation of this morning I have been advised by Mrs Glover that the meeting with Counsel yesterday was positive and that Counsel believes he has a way in. However we will need to look at the matter on an individual basis and take further detailed statements. The team will be meeting collectively on Monday to discuss our approach and we will update you accordingly.

Kind regards

 **Dianne Hughes**  
PA to Amanda Glover - Department Head

Access Legal from Shoosmiths

**GRO**

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25/02/2010



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TELEPHONE MESSAGE

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PR/752033/AFG7/BATES/MYF

MESSAGE TAKEN ON: 25/02/2010

BY: Myfanwy Huggett (MYF)

AT: 13:49:15

CALLER: Other - Lee Castleton's wife

---

MESSAGE:

Dee

Lee Castleton's wife telephoned. She said she had spoken to you earlier. She wanted to know how it had gone from the Northampton meeting last week 'was it good or bad?'. I said that I would pass her message on as you would have spoken to Amanda from earlier. She was happy with this.

**GRO**

1 unit.

Myf.



Hughes, Dianne

---

From: scott Darlington [GRO] [GRO]  
Sent: 24 February 2010 14:11  
To: Hughes, Dianne  
Subject: Re: The Post Office

Hi Diane

I have been found guilty in the courts... but the judge said there were major doubts about the I.T. system and said the public should know about it

[http://www.macclesfield-express.co.uk/news/s/1193634\\_postmaster\\_fixed\\_the\\_books\\_to\\_cover\\_glitch](http://www.macclesfield-express.co.uk/news/s/1193634_postmaster_fixed_the_books_to_cover_glitch)

i will be sending in some stuff for you to show the nightmare of using Horizon very soon..

i truly hope your action goes forward... the post office have made me offer so much

kindest regards

Scott

Alderley post office



Andruszewski, Luke

---

**From:** Andruszewski, Luke

**Sent:** 23 March 2010 10:58

**To:** 'lcastleton.castleton'; **GRO**

**Subject:** Sub-postmasters dispute

Dear Mr Castleton

I would like to update you on the progress we have made since the meeting with you at The Lakes in Northampton in February.

We have had preliminary discussions with Counsel regarding the evidence we have gathered so far, to consider whether there is any basis for a civil claim against the Post Office and to ascertain what further steps would have to be taken before we could present a claim to the Court.

Counsel was of the view that the type of claim most likely to succeed would be for breach of contract. However, the question of whether the Post Office has actually breached its contract is not an easy one to answer and it is clear that we are going to have to obtain a significant amount of additional information before we can say for certain that there has been a breach.

Our internal discussions about the future handling of the claims etc. are ongoing and we need to ensure that we have structure in place before we commit to further action.

I hope to be able to report back to you again shortly with a further update on our progress and, hopefully, an agreed plan of action.

Yours sincerely

**Luke Andruszewski**  
Legal Executive

Access Legal from Shoosmiths

**GRO**

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23/03/2010



lee castleton

REF P.R - 752033 - T.T.C.

From: "lee castleton" [GRO] [GRO]  
 Date: 18 December 2011 13:19

Hi Tadge,

I have enclosed the transcripts of evidence given in my case by Andrew Wise and Anne Chambers.

Andrew Wise is a Post Office Horizon Trainer. He has had various years of experience in teaching people to use Horizon.

You will see that he states that it is Absolutely Impossible to transact business without you first logging on to Horizon.

This is because in order to reach the sales screen you have various secure checks to go through to prove the person using the system is,

a, The person they say they are, by giving your user code and then a password only known to that person to gain entry.

b, So the Horizon system can allow only access to the area's that are cleared to that person.

In the paperwork in my file held previously by Amanda Glover you will see the documents that the questions and answers are drawn from.

You will see that £1300 worth is transacted on node one whilst I was not logged on to the system. But as Andrew quite clearly states this is impossible.

Even though Post Office claim they have no access to the system themselves these transactions cannot have been transacted by me at that time. Therefore there is either back office access or the system itself has lost the transactions and then re-found them at a later date. Or the transactions are not from my office at all.

Anne Chambers is a Horizon computer system specialist. You will see in her answers that when asked about the contact of nodes in my office she explains that she needs to read up on the system to answer a question on nodes and there contact. You will see in the paperwork again left with Amanda Glover that the nodes are show as firstly losing contact and then clearly stating contact has been regained. Nothing unusual in that. But whilst Anne was quite happy to explain how and why contact is lost when I asked her why further down in the paperwork the document again clearly states contact to node 1 is lost but then as it had done before stating contact with node 1 regained was not printed. The document goes on to show contact with node 1 lost and a further contact with node 1 lost but again without contact with node 1 being regained. Anne Chambers then could not answer. She explains to the Judge that if she had known I was going to ask that question she would have read about that in the system.

For me I have asked various computer people. Can a system show loss of contact and then the resumption of contact in the first instance and then from then on just show repeated loss of contact without any reference to the regaining of contact as in the first case. The answer is always the same. NO.

A system when working correctly. Will always show the same reaction to the same instance. It is not organic and therefore has no choices to make.

Lee Castleton



ANDREW WISE .

- A
- Q. So it would be quite a process to actually move through the numerous, is it three, screens?
- A. The navigation of the screens is quite quick. It may take a minute to log on to the system but once you're logged on the navigation is quite quick.
- Q. But the initial log-on itself, how long would it take, depending on how --
- A. It depends on how experienced the sub-Postmaster is. It can be a relatively quick process. The less experienced ones might have to sit and think about it before they begin to search for information.
- B
- Q. Obviously you have done this on numerous occasions and you teach people to do that in your job?
- A. Yes.
- C
- Q. Over that period of teaching, is it possible at any time to actually transact business without being logged on to this computer?
- A. You cannot enter anything on the system. Whether the sub-Postmaster chooses to serve a customer while not being logged on then that's --
- D
- Q. No, I mean on your -- sorry, I apologise. Let me understand what you are alluding to there. You would mean under somebody else's code?
- A. No. You can still physically serve a customer without being logged on.
- E
- Q. The computer itself would not see that, would it?
- A. You have to tell the computer what you're doing.
- Q. So you could not tell the computer that you are serving a customer if you are not logged on to that system?
- A. That's right.
- F
- Q. It is absolutely impossible?
- A. Yes.
- G
- Q. Could you take out book 11B, please.
- JUDGE HAVERY: How much longer are you going to be with this witness, Mr Castleton? I do not really want to make him stay (several inaudible words) if it can be avoided. I am not hurrying you at all; I just want to know.
- H
- MR CASTLETON: It would depend, my Lord (I am sorry for not being specific) on how far we can get through the questions.



JUDGE HAVERY: How many questions do you have, do you think, depending on getting a quick answer to each question?

A MR CASTLETON: Probably 16(?), my Lord.

JUDGE HAVERY: I think we will go on.

MR CASTLETON: If you could turn to book 11B, tab 103, page 3705. Have you ever seen one of those before?

B A. I've seen one once or twice. Is it (inaudible) transaction? I've never looked at on in depth to understand what information is on there.

Q. But you can see generally what that is?

C A. Yes.

Q. So we can actually look across and see in this 3705, this is actually a status report from my belief, and this would tell you who is logged on and who is not logged on. Is that correct?

D A. It tells you the user and what activity they've performed and the stock unit that they were attached to, along with the time and date.

JUDGE HAVERY: By the user, you mean which terminal, do you?

A. The RSP001, that relates to an individual. Each individual has a user name.

JUDGE HAVERY: I see. I expect LC is you, is it, Mr Castleton?

E A. My Lord.

JUDGE HAVERY: RSP, who is that?

A. It's Ruth Stammer(?).

F JUDGE HAVERY: Yes, I see.

MR CASTLETON: If we now just look back in that same book to 3703, 2 February. we can follow through here from what the actual computer (several inaudible words). Is that correct?

G A. Yes.

Q. And we can see who is logged on and who is not logged. Is that true?

A. Yes.

H



A Q. If we continue back towards actually where we were in the original, so we can flick through looking down and see whether (inaudible) are connected or various other things, but one of the things that we can actually see is, at 14.24 --

JUDGE HAVERY: What page?

MR CASTLETON: Sorry, my Lord, 3705, at 14.24.56.

JUDGE HAVERY: I see. Do you see that, Mr Wise, six lines from the bottom?

B A. I do, yes.

MR CASTLETON: That is myself, LCA001, logged on to node 2, is that correct, Mr Wise?

C A. Yes.

Q. Then if we go back over to 11A, page 3501, under tab 101, in the other book. Do you know what that document is?

A. I've never seen that one before.

D Q. Okay. If you look in the first column, there is ID and it is either a 1 or a 2. Do you know what that number pertains to?

A. I would guess that's the number of the terminal. If there were two Horizon terminals, it's either node 1 or node 2.

E Q. Is that a guess though?

A. That's a guess. I don't know that for sure.

Q. So you would not know anything that goes across this line? If we were to take the top line where it says "ID1, LCA001, stock unit 88" would you know anything from there?

F A. From experience I can pick out what the information is referring to is the stock unit, the date, the time. The session ID probably relates to the transaction that was performed. I'm not sure about the next column. The mode is the type of transaction (several inaudible words). The product, each product is assigned a product number so that would relate to the product but I don't know what product that is. The quantity is the number of products. And the sale value would be the sale of that particular transaction.

G Q. So, basically, you can transpose every column.

A. The last five there I'm not quite sure what they would have been: the entry method, state, IOOP, results and the last one there.

H



Q. (several inaudible words) I could tell you what those are but to be honest, for the purposes of the court, it is of no relevance to how things are inputted.

A JUDGE HAVERY: Let us not worry about things that are not relevant.

MR CASTLETON: Could you tell me, in 3705, on the other book again, 11A, if you look down to the time that I log on, LCA001 logged on.

JUDGE HAVERY: It is (inaudible) 41.15. Is that it?

B MR CASTLETON: That is actually into node 1, my Lord. If you look further down, I actually move across into node 2 which is at 14.24.56.

JUDGE HAVERY: I see. Do you see that?

C A. Yes.

MR CASTLETON: If you then look across into the other book, my Lord, and you look across the seventh column down, you can see I appear there as LCA001 in node 2.

JUDGE HAVERY: Can you just repeat the numbers of the two documents we are comparing?

D MR CASTLETON: Certainly, my Lord. It is bundle 11B, tab 103, page 3705, and bundle 11A, tab 101, document number 3501.

JUDGE HAVERY: I have those two, thank you.

E MR CASTLETON: If you mark on 3705 on 2 February at 14.24.56, you will see that is the time that I personally logged on to the system. If you then look across to the other book, you will see the seventh transaction down from the top on 3501 was placed at 14.21.12, some three minutes prior to me logging on.

JUDGE HAVERY: I see. No one was logged on at all before then, is that right?

F MR CASTLETON: I was logged on to node 1, the other computer.

JUDGE HAVERY: No one was logged on to 2, is that right?

MR CASTLETON: That is right, my Lord.

JUDGE HAVERY: I see. It looks like it. There is not on 3703 and 3704.

G MR CASTLETON: No, my Lord. They are all 1s all the way through to the start of play, I am afraid.

H JUDGE HAVERY: I think the question is fairly apparent now. How is it that page 3501, Mr Wise, shows apparently Mr Castleton making some entry at terminal 2 at 2.21.12, whereas he only logs on, according to the other one at page 3705, at 2.24.56?



A. I can't explain that.

A  
\*

JUDGE HAVERY: I assume it is precisely the same clock that is operating in both cases?

A. I don't deal at all with the technical side of the system. I wouldn't know, I'm sorry.

JUDGE HAVERY: Right. You are asking the wrong witness. There must be someone else to ask on this.

B

MR CASTLETON: You did say prior to this, I believe, that it is impossible to transact business without being logged on.

A. I did, yes.

C

Q. That is fine.

MR CASTLETON: I think that is fine, my Lord.

JUDGE HAVERY: I just have one or two questions for you, Mr Wise. If you could go back to your own statement, volume 3, behind tab 48. Would you look at paragraph 9 at page 302. Something I do not quite understand, it may even be a typing error, but when you are describing what the Postmaster does, you say: "They then complete a batch control voucher BCV in heavy type." Do you see that, about halfway down in paragraph 9?

D

A. Yes.

E

JUDGE HAVERY: "Paperclip", which I assume means something that is attached to an email, is that right?

A. No. So, the sub-Postmaster will complete the batch control voucher. We call it a BCV. We always abbreviate things in the Post Office. And you paperclip that batch control voucher, together with non-bar-coded and bar-coded TV licence forms. So for a TV licence transaction, they would have a physical slip that they've got in the office and they would paperclip that behind the batch control voucher and they're despatched to Chesterfield.

F

JUDGE HAVERY: Thank you. And the other one, would you turn to page 305, paragraph 22. Towards the bottom of the paragraph you say, "For example ...". Do you see that at line second from the bottom of the paragraph:

G

"For example, if the clerk records an item incorrectly on the system they should pick this up on their daily or weekly report. However, if they fail to do so this will be picked up at the processing centre."

We are now back to Chesterfield, are we, or possibly Northern Ireland?

H



A. If it's a Girobank transaction it could be Girobank in Bootle; it could be National Savings in Glasgow; it could be Chesterfield; it could be Northern Ireland. So it would depend on the transaction type.

JUDGE HAVERY: I see, yes. Then you say here: "If an item has been wrongly recorded, an error notice would be generated." How does that happen? That must be something that is done on the Horizon system, I assume?

A. Yes.

JUDGE HAVERY: So how does the Horizon system itself know that there is an error?

A. What happens, the transactions are input on to the Horizon system and the office would have the documentation that should agree with that figure. If they've missed something off (so for example they missed off a deposit and they've not put that through the system) when Girobank receive the dockets they check that figure against what's recorded on Horizon for that day and if it shows a discrepancy they would generate that error notice.

JUDGE HAVERY: Does the Horizon system check that or does it take the word of the recipient, Girobank or whoever it may be?

A. Horizon just relies on what the sub-Postmasters input on there and then Girobank check the physical work against what the sub-Postmasters put on the system.

JUDGE HAVERY: The Postmaster regularly sends off the documents in a bag or something?

A. Yes. They're despatched at the end of the day or week to different departments.

JUDGE HAVERY: So if there is an error, is it that what is in the bag is incorrect and your recipient finds that or what?

A. That's right. What is physically there in documents is what has got to be correct and if that disagrees with Horizon — so it could be a sub-Postmaster has not recorded a document on Horizon, so the client would say, "Your system says you've done this number for this value but you've sent me documents for this value". So they would say there's a discrepancy of £100 here and that would generate the error notice.

JUDGE HAVERY: I see. Is the ultimate recipient checked by this at all or is just assumed that the ultimate recipient is right?

A. If an error notice comes through, the sub-Postmaster can challenge it and they can request for paperwork to be sent showing what the discrepancy is. So they would send copies of all the relevant paperwork and a copy of what was entered on Horizon. So a sub-Postmaster can challenge it and ask for evidence to be set through.

JUDGE HAVERY: I see, thank you. Any other questions?



ANN CHAMBERS

A: Yes.

Q: Then moving down to 13.30, and even after, there is no notice of node 2 being disconnected. Is that correct?

A: Node 2 was not doing anything at all (inaudible) until -- the first thing you have for node 2 is a log on at 14.24.

Q: Yes.

A: So node 2 did not do anything at all prior to that which was included on this particular report.

Q: But it must have been disconnected, we have established --

A: It could not say it was disconnected if it was not working.

Q: Then would it not say that it had reconnected?

A: No, because it was not ever disconnected, it was just completely -- if a node is not operational it is not disconnected, it is just not operational at all.

Q: On reconnection surely it would say it was reconnected.

A: No, because it had not ever been disconnected. You do not get that event logged. Disconnected means that it is working as it should be except it is not communicating with the other nodes. In this case it just was not working so it was not a loss of connection and reconnection, it was just completely down and then, yes, now it is working.

Q: So on this log if at any point node 2 had become disconnected it would show on the log.

A: If node 2 had been operational at the time and that had been disconnected it would have said so, yes. Yes, I believe it would have said so.

Q: So being not working but connected it would not show a disconnection.

A: No, because it cannot log anything because it is not working.

Q: When you reboot the machine to put it back online should it not show that node 2 had reconnected? Because surely it knows that it is disconnected when it is powered down and taken away.

A: This is not what this check is doing and it would only report reconnection if it had already flagged internally that it had had a disconnection and it would not flag that if it was just turned off.

Q: If we turn to page 3705, at 12.41.51, midway through the page --

A: Yes.



Q: -- is that node 1 disconnected?

A: That appears to be node 1 disconnected.

Q: Then further down the page at 14.03.42.

A: Node 1 has regained its connection.

Q: So that is how it would be depicted.

A: Yes, but that would only be if your counter was operating normally but the network between the two counters was not working properly. If that was the case you would see disconnected and regained connection messages.

Q: So that would be the disconnection between the counters or between yourselves and the counter itself?

A: I am not 100 per cent sure of this and it is something if I had known I was going to be asked about it I would have made sure I did know.

Q: Just with it being part of your --

A: This is not part of my evidence. There is nothing to do with this in my witness statement.

Q: I apologise. My next question was going to be, if you would turn back to 3703, midway down the page at 09.20.29 there is a further node 1 disconnection.

A: Yes.

Q: If you follow that through it never actually says that node 1 reconnects until it disconnects again at 12.41.51.

A: I cannot tell just from this why that would be.

Q: Right. To have it depicted in one way between where we see the reconnection further down the page at 14.05.53, I can appreciate obviously that, as you have told me, this is not your area, it was obviously a question that I was going to raise to yourself with respect to how it has not reconnected and how the system does not seem to know whether node 2 has been taken away and replaced or not.

A: If node 2 was not working all morning then I am not surprised that node 1 had become completely disconnected.

Q: But it does not show the reconnection before disconnection again, does it?

A: Whether it was because the engineer was briefly plugging things in and then unplugging them again --



Q: It does actually occur in other areas.

A: -- I really cannot explain that, not from this information. If I looked at it in conjunction with other things --

HIS HONOUR JUDGE HAVERY: What are these other entries after the entry of 09.20.29 saying node 1 is completely disconnected? The next entry is three minutes later and it says "ID1". That is node 1, is it?

A: Yes, node 1 was operational.

HIS HONOUR JUDGE HAVERY: If you have this entry for 09.23.23 saying: "Report APS receipt" and the report printed and all that, can that happen if node 1 is disconnected or what?

A: Yes, because node 1 was disconnected in that, I assume, it realised it could no longer talk to node 2, but it was still operating properly in itself.

HIS HONOUR JUDGE HAVERY: It was still operating as a computer on its own?

A: Yes.

HIS HONOUR JUDGE HAVERY: I see.

THE DEFENDANT: So the disconnections of node 1 to node 2 is the only thing that is depicted in there, it is not the connection to the network?

A: I am not 100 per cent sure whether it is also taking into account the connection to the data centre.

Q: So it could well be that node 1 and node 2 at different points were disconnected from the system completely?

A: Except you appear to have been doing (inaudible).

Q: That is what I cannot understand.

HIS HONOUR JUDGE HAVERY: You are interrupting the answer, that is the problem.

THE DEFENDANT: Sorry, my Lord, I apologise.

HIS HONOUR JUDGE HAVERY: Would you mind finishing the answer, Mrs Chambers?

A: Yes, I believe it looks like you have managed to carry on doing online transactions during the morning from your gateway, your counter 1, which suggests that the communications between the gateway and the data centre were working as they should be and it was just counter 2 that was not operating at all.



THE DEFENDANT: Then would it not say that counter 2 has disconnected from the network?

A

A: No, because it is counter 2 itself that would report that and counter 2 was not working so it could not report it.

Q: So why would it report node 1 was disconnected?

B

A: Because node 1 realised it could not see counter 2. It should be able always to talk to counter 2 as well as to the data centre. If counter 2 has been turned off, or whatever, then node 1 will say it has been disconnected from the network. We are talking about the network within the branch.

Q: Yes, the local network.

C

A: Certainly that. I am not sure if we are also talking about the network to the data centre, but certainly within the branch node 1 was up and running and you were using it but it could not talk to node 2 because node 2 was down and not working.

Q: I am just going to turn back to your own statement now. It is under tab 51, page 58.

D

A: Yes.

Q: Are you happy with what it says?

A: Yes.

Q: Could you just explain to me the fifth line down? What does that mean?

E

A: What, no transaction date and time?

Q: Yes.

A: That is just something one of our other call logging systems shoves in to responses which have then been cut and pasted --

F

Q: So this is a cut and paste?

A: Yes, it is completely irrelevant.

Q: But it has been cut and pasted from another document then?

G

A: That information in there, yes. That was the response that I gave to the call that I had investigated, which we will be able to see somewhere in these calls that were attached to my evidence. It would have been call D0402251077, which appears to be tab 106, page 4141. If you look in there you will see that that precise same text is in there.

H

Q: Why would it appear as another transaction date and time was provided for this action using current date and time?



it is likely, and I would be happier if I could have some more information on the background --

Q: No, I appreciate that.

A: -- but it seems highly likely that it was a problem which has occurred very intermittently over the years to date where for some reason when they are doing their balance process on one counter, one counter is not communicating properly with the rest, you do not get a disconnected node message but it would do its balancing based on a static point and it will not see later changes that are being made on other counters. This is a known problem. It does get picked up centrally because it is raising events every few seconds and so I would expect for any of these sites that there would be a call raised. It is also very obvious if we have to look at anything to do with one of these. For this specific branch, if it was Calendar Square, which I know we did have problems with this sort of problem with, then yes, we knew there were system problems.

Q: (Inaudible) Calendar Square, that is not in Scotland, is it?

A: Yes, it is.

Q: Is it?

A: Yes, Falkirk.

Q: (Inaudible).

A: Yes, I believe this might be Calendar Square, but I cannot remember the fad code off the top of my head. Yes, I can, it is 160848, I believe, but I am not quite certain. Yes, if we are talking about this branch, they for some reason had this problem several weeks in a row. As I said, it does happen intermittently but it is very rare for it to happen repeatedly. The first week it gave a number of receipts and payments mismatched because they did a transferring twice. You can only do transfers, you may not be aware of this because I believe you are (inaudible) a single stock unit --

Q: That is true, yes.

A: -- but this transfer problem only happens if you have more than one stock unit and you transferred stuff from one to the other. The second counter did not realise, did not recognise, that it had been done and allowed it to be done a second time, which should not be possible.

Q: (Inaudible).

A: That gave them both a loss and a receipt and payments mismatched. That was picked up because we monitored for receipts and payments mismatches. It was also picked up because there was a flood of events from this site which we recognised. They had the same thing the following week, although that week it did not cause them any loss or gain because they did not



A do the transferring twice. It happened a third week and at that point I got a call about it which I passed on to our development team. And also we passed the information about the problem on to Post Office Limited so that they could sort out the financial implications and I believe in this case the problem was that (inaudible) information then did get sorted out at branch level of Post Office Limited. But from the Horizon point of view, yes, they had a system error which we were very well aware of and I saw no evidence of a similar system error at your branch. And I would have seen it had it been there.

B Q: You would have seen that?

A: Yes.

Q: What evidence would that have produced?

C A: In your system event log, which we do not have here, there would have been hundreds, if not thousands, of the events, saying every few seconds that (inaudible) is held. So that would have shown that. It also would have shown in the message store because it would have potentially only included transactions up to an earlier point than where you had actually gone to. But because when you do a balancing it does draw a line under the transactions which it has processed, the following week it would have included in here what it would have missed in the first week. So in fact overall, as long as you do not have this extra transfer problem, which you could not have had, it would give you some very confusing results as you balance, but it would then sort it out subsequently. But I really do not think you had that problem. That is one of the things I was looking for.

D E Q: Throughout the process we have heard various evidence as to what (inaudible) occurred and what has not occurred.

A: Yes.

F Q: My question has always been: why when we produce snapshots on Sundays we were way over in cash and other days we were under? It is not the type of --

A: This is more a business issue, but the balance snapshot does not recalculate your discrepancy.

G Q: No, I appreciate that. What I am looking at is this system produces obviously (inaudible) from the transactions that are placed. Is that correct?

A: Yes, but I do not think I am going to be able to talk sensibly about the snapshots because that is more of a business process than a system process and I do not think I can talk off the cuff (inaudible).

H Q: That is fine. I was saying my question was raised because of being, as you say, over, under.

*A look now*



A: But the cash figure which is used is your last cash declaration that you made the last time you balanced.

Q: Absolutely, yes.

A: Adjusted by what you have recorded on the system since the event. It does not then work out what the discrepancy is.

Q: No, but obviously by checking the cash and cheque --

A: Yes, but I cannot see that because that is not --

THE DEFENDANT: No, I appreciate that, but those calls were made. I appreciate that you do not see that because that evidence is not (inaudible). That is fine, I am happy with that. Thank you.

RE-EXAMINATION BY MR MORGAN

MR MORGAN: Miss Chambers, three questions. The first is something that I am not clear on and it is, I think, technical language. What is a Riposte system?

A: Riposte is the software that forms the basis of the Horizon system which was written by a third party supplier, not by Fujitsu, and which there is an awful lot of extra stuff that has been put around the edge of it, but Riposte is the system at the heart of it. When the system turns itself on after a reboot, or whatever, or when you log out (inaudible) it says "Riposte" across the front of it.

Q: We looked at the document at page 2557AO and you thought it might be Calendar Square and you said that the particular discrepancy or difficulty that arose there only happened if there were multiple stock units and did not happen with single stock units.

A: Yes.

Q: How do you know that?

A: Because you cannot do a transfer -- a transfer is movement from one stock unit to another stock unit. That is what that function does.

Q: How do you know that the error only occurs in those circumstances?

A: The error does not, but the error that gave you a loss (inaudible), I cannot be 100 per cent sure, but I am just about certain that all the cases I have seen over a number of years where this has happened, it has only been in that particular situation where they were able to do a transfer in twice, which should not have been allowed, that actually resulted in both the receipts and payments mismatch and a (inaudible).

Q: You talked about how it would be reflected in the events log.



Hughes, Dianne

**From:** lee castleton [GRO] [GRO]  
**Sent:** 23 April 2010 15:42  
**To:** Bryn Jones; Hughes, Dianne; emily.hughes [GRO]; Jac Roper;  
Paul Burchett [GRO]; Peter Bridgeman;  
Rebecca.Thomson [GRO]; Tim; Andrew  
**Subject:** Fw: further to my query last week  
**Attachments:** Subspace0002.pdf; Subspace0001.pdf; POMemo.jpg

Hi I thought you would like to read the articles above  
Lee

**From:** Alan Bates  
**Sent:** Tuesday, April 20, 2010 11:36 AM  
**To:** 'lee castleton'; 'Jo Hamilton'; graham [GRO]  
**Subject:** further to my query last week

Managed to get hold of a copy of subspace and have attached the article that led to the posting by Mark Baker. I have also attached another article you may find of interest and a copy of a counter memo received at an office recently.

Just wondering whether or not to enter the subspace holiday snap contest -- shame we didn't have some photos protesting outside a court.

Alan



Sub Postmaster Meeting with Members of Parliament Response Sheet

I, Lee Castleton of

**GRO**

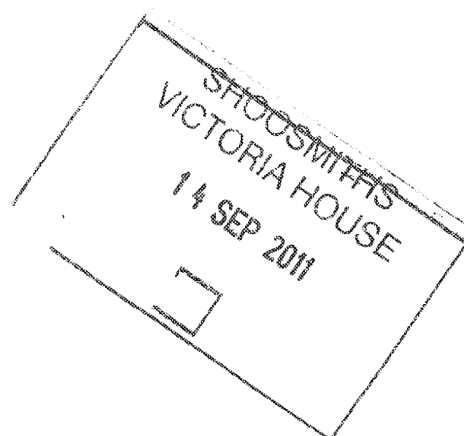
- do want to attend a meeting with MP's and wish my MP to be contacted and asked to attend
- do want to attend a meeting with MP's but do not wish my MP to be contacted
- do not want to attend a meeting with MP's but do wish my MP to be contacted in order that they may attend

I consent to Access Legal from Shoosmiths releasing my name and address to David Jones MP, or any other MP, for the purposes of organising the meeting and contacting my MP.

**GRO**

Signed

Date 11-09-11



Ref: PR/752033/TTC/POSTOFFICE



Hughes, Dianne

From: Jac Roper [GRO] [GRO]  
 Sent: 23 April 2010 20:55  
 To: lee castleton  
 Cc: Bryn Jones; Hughes, Dianne; emily.hughes [GRO]  
 Paul.Burchett [GRO] Peter Bridgeman; Rebecca.Thomson [GRO]  
 Tim; Andrew  
 Subject: Horizon coverage

Hi Lee,

Thanks for the info. Here (below) is what I have written for the next issue of Convenience Store. The anon retailer is Peter Magurn and his tel no is [GRO] Perhaps you could pass on his contact details to whatever lawyers you are in contact with. Best of luck, Jac

A glitch in real time

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Over the last six months or so, solicitors, judges, IT specialists and journalists with the national press, radio and TV have all been looking for one common factor in the claims by subpostmasters that their accounting system Horizon has glitches. The momentum has been steadily growing but they need living proof from existing postmasters and mostly all they have are retailers of previous good character found guilty, bankrupted and imprisoned by the steamrolling legal resources available to the post office itself.

There certainly is proof but the postmasters need anonymity to keep their positions. I've had various forwarded emails including complaints from retailers still experiencing problems and now the howls grow louder about glitches in the trials of the new, supposedly improved Horizon online system. I've also been contacted directly. The following incident involved only a couple of hundred quid but the couple could have missed it so easily and not been able to prove it.

He told me: "A customer put his PO account number in to get £200 and the system authorised it and printed the receipt but when he then put his wife's card in, the system crashed. When my wife balanced at 5.30pm we were £200 down. We have a transaction log and it did not show up.

"The gentleman later brought his receipt in so I could pinpoint the time though it wasn't on the transaction log. The PO is now wondering whether that money has actually come out of the customer's account or is floating around in cyber space. Make no mistake, if we hadn't had proof, we would have been held liable."

He described the helpline that he notified as being operated by "a bunch of numpties reading from a script. And we were 13 minutes on again today for a minor glitch."

He credits his wife's good housekeeping for finding the error. "One penny out and she gets upset. That evening we were scrabbling around in the bins."

As there is parking outside their village PO it gets very busy with ebay parcels. "Sometimes you get 10 or 20 parcels and the screen will spit up an error message, then it clears back. You have to print up another transaction log to see if it had gone through. I rang the [GRO] and they said they are aware of it."

He also points out that customers get tired of queues and will tend to blame the postmaster. "It takes a long time to build a reputation and you can lose it in a second."

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ends

<!--[if !supportEmptyParas]--> <!--[endif]-->

<!--[endif]-->

<!--[if !supportEmptyParas]--> <!--[endif]-->

On 23/04/2010 15:42, lee castleton wrote:

Hi I thought you would like to read the articles above  
Lee

**From:** Alan Bates

**Sent:** Tuesday, April 20, 2010 11:36 AM

**To:** 'lee.castleton'; 'Jo Hamilton'; graham; **GRO**

**Subject:** further to my query last week

Managed to get hold of a copy of subspace and have attached the article that led to the posting by Mark Baker. I have also attached another article you may find of interest and a copy of a counter memo received at an office recently.

Just wondering whether or not to enter the subspace holiday snap contest – shame we didn't have some photos protesting outside a court.

Alan

Channer, Tadge

From: leecastleton [GRO]  
 Sent: 12 January 2012 21:07  
 To: Jac Roper; matt prodger; Nick Wallis; Richard Brooks; Channer, Tadge; Tim  
 Subject: Fw: Requests for information; Ref: AJME-8PJHPU, AJME-8PJHGS, AJME-8PLLHZ

-----  
 From: <fo [GRO]>  
 Sent: Thursday, January 12, 2012 6:10 PM  
 To: <leecastleton [GRO]>  
 Subject: Requests for information; Ref: AJME-8PJHPU, AJME-8PJHGS, AJME-8PLLHZ

> Dear Mr Castleton  
 >  
 > Ref: AJME-8PJHPU, AJME-8PJHGS, AJME-8PLLHZ  
 >  
 > I am writing in response to your emails received by Post Office  
 > Limited on 12th, 13th and 14th December 2011, which I am dealing with  
 > under the terms of the Freedom of Information Act 2000. For  
 > clarification, your three requests all relate to the same class of  
 > information and therefore I have aggregated your requests, as described under  
 > section 12 (4)(a) of the Act.  
 >  
 > You have requested the following information;  
 >  
 > "I recently read an article in a national publication. The said article  
 > reported, 'Losses and Gains in Post Office Crown Offices were  
 > (2007/2008) £2.2 million pounds net just from the Crown office part of  
 > the business.  
 >  
 > I would therefore like to ask for the Losses as a total please, and  
 > the Gains as a total please for the accounting years 2004/2005, 2006/  
 > 2007 and 2009/2010 for the Crown Office part of the business."  
 >  
 > Please note that the document which you refer to was circulated to  
 > Post Office® Crown Office staff only, and is clearly confidential.  
 > Post Office Limited has not consented to any disclosure of this  
 > document to, or any use by, any third parties such as yourself. If  
 > you are currently in possession of a copy of this document please  
 > destroy it and do not refer to its contents in any communications with  
 > third parties.  
 >  
 > Turning to your requests for information; Post Office Limited does  
 > hold information in relation to Crown performance. however your  
 > requests date back a number of years and relate to information  
 > concerning branches that no longer form part of our Crown network.  
 > Therefore, in my investigation into your request, I estimate that, in  
 > order for Post Office Limited to determine whether we hold all of the  
 > information requested, it would significantly exceed the cost limit  
 > set out under section 12(1) of the Act.  
 >  
 > The appropriate limit for Post Office Limited is set at £450. This  
 > represents the estimated cost of one person spending 18 hours in  
 > determining whether we hold the information, and in locating,  
 > retrieving and extracting the information. To search through our  
 > records in order to identify all of the information falling within the  
 > scope of your requests would take significantly longer than 18 hours.  
 > Consequently, Post Office Limited is not obliged by the Freedom of  
 > Information Act to respond to the request.  
 >  
 > You may wish to narrow the scope of your request, for example; by  
 > reducing the areas you would like information for, the level of detail  
 > you require or the length of time your request covers. I will treat a  
 > fresh request as a new request for information and exemptions may apply.  
 >

> I am sorry that I cannot provide you with the information you have  
> requested on this occasion. If I can be of further help or you have  
> any queries about this response please contact me via the email  
> address fo[REDACTED]GRO

>  
> If you are dissatisfied with the handling of this response, you do  
> have a right to request an internal review. Internal review requests  
> should be submitted to:

>  
> Head of Information Compliance  
> Royal Mail Group  
> Company Secretary's Office  
> 100 Victoria Embankment  
> LONDON  
> EC4Y 0HQ  
> fo[REDACTED]GRO

>  
> If, having requested an internal review by Royal Mail, you are still  
> not satisfied with our response you also have a right of appeal to the  
> Information Commissioner at:

>  
> Information Commissioner's Office  
> Wycliffe House  
> Water Lane  
> Wilmslow  
> Cheshire  
> SK9 5AF  
> Telephone: [REDACTED]GRO

> [www.informationcommissioner.gov.uk](http://www.informationcommissioner.gov.uk)

>  
> Yours sincerely

>  
> Peter Johnson  
> Information Manager

>  
> \*\*\*\*\*  
> \* Royal Mail Group Limited registered in England and Wales registered  
> number  
> 4138203 registered office 3rd Floor, 100 Victoria Embankment, London,  
> EC4Y 0HQ

>  
> This email and any attachments are confidential and intended for the  
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> delete this email from your system.

> \*\*\*\*\*

Channer, Tadge

---

**From:** lee castleton [GRO] [GRO]  
**Sent:** 26 December 2011 07:29  
**To:** Channer, Tadge  
**Subject:** post office  
**Attachments:** Mike Weir MP PQ 19 12 11 (2) pdf

Hi Tadge,

Just wanted to point out that on page two of the enclosed document clearly states that Horizon logs user and transaction details for all transaction. Page two para 3

All the best,

Lee



Post Office Limited v Lee Castleton

Case No: HQ05X02706

High Court of Justice Queen's Bench Division

22 January 2007

[2007] EWHC 5 (QB)

2007 WL 919482

Before : His Honour Judge Richard Havery Q.C.

22 January 2007, Hearing dates: 6th, 8th, 11th, 12th, 13th December 2006; 11th January 2007

**Representation**

Mr. Richard Morgan (instructed by Bond Pearce ) for the Claimant.  
The Defendant in person.

**Judgment**

His Honour Judge Richard Havery Q.C.

1 This is a claim by Post Office Limited on an account stated by one of its former subpostmasters, the defendant Mr. Castleton. Mr. Castleton admits that he was an accounting party. The statement of the account, though not its validity, is admitted. Accordingly, the burden of proof lies on Mr. Castleton to show that the account is wrong. On that point the law is clear. In *Shaw v. Picton* (1825) 4 B. & C. 715 , 729, Bayley J. said

It is quite clear, that if an agent (employed to receive money, and bound by his duty to his principal from time to time to communicate to him whether the money is received or not,) renders an account from time to time which contains a statement that the money is received, he is bound by that account unless he can shew that that statement was made unintentionally and by mistake. If he cannot shew that, he is not at liberty afterwards to say that the money had not been received, and never will be received, and to claim reimbursement in respect of those sums for which he had previously given credit.

And in *Camillo Tank Steamship Company Limited v. Alexandria Engineering Works* (1921) 38 T.L.R. 134 , 143 Viscount Cave, in the course of a dissenting speech, made the following remarks, which I believe to be uncontroversial:

The expression "account stated" ... has more than one meaning. It sometimes means a claim to payment made by one party and admitted by the other to be correct. An account stated in this sense is no more than an admission of a debt out of court; and whilst it is no doubt cogent evidence against the admitting party, and throws upon him the burden of proving that the debt is not due, it may, like any other admission, be shown to have been made in error.

2 The accounts in this case are weekly accounts entitled Cash Account (Final), signed by Mr. Castleton as correct, of a post office at 14, South Marine Drive, Bridlington, Yorkshire, of which he was appointed subpostmaster in June 2003. In accordance with the rules and practice of the Post Office, accounts of the transactions at the post office (which has been called "Marine Drive") were prepared weekly for the periods from Thursday to the following Wednesday. The accounts in

question were accounts for weeks 42 to 51 of the year 2003/2004, which relate to the weeks ending Wednesday 14th January 2004 to Wednesday 17th March 2004. The accounts built up substantial apparent discrepancies. The Cash Account (Final) for week 51 shows a shortage of £22,963.34. In consequence Marine Drive was closed all day on 23rd March 2004 for the purpose of an audit. That audit showed a shortage of £25,758.75. Mr. Castleton was suspended from his duties on that day. An additional sum of £100.20 is claimed in relation to National Lottery moneys. The total claim is for the sum of those two amounts, viz. £25,858.95. The burden of proof on Mr. Castleton can relate only to the figure of £22,963.34. In the event, as will appear, the identity of the party on whom lies the burden of proof is not important in this case.

3 The first significant discrepancy appeared in the accounts relied on by the claimant in week 43. Thereafter significant further discrepancies appeared in weeks 44, 46, 48, 49, 50 and 51. Mr. Castleton gave evidence that the first discrepancy, of approximately £1100, appeared by week 42, but that he made it good out of his own pocket. I am satisfied on the evidence of Mrs. Catherine Oglesby, his then line manager, that he told her shortly before New Year 2004 that a shortfall of about £1100 had occurred on week 39 (the week ending 23rd December 2003). Nevertheless, for some reason that has not been intelligibly explained, the first and only explicit mention of the figure in the accounts is a reference in the print-out of the Final Balance (see below) for week 42 of a "Discrepancy over" of £1103.00 and a "Discrepancy short" of £1103.60. The Payments column of the Final Balance shows a nett discrepancy of £0.60. Mr. Morgan did not accept that Mr. Castleton had paid in £1100. I shall return to that point. It goes only to credit, since none of the Final Balances or the Cash Accounts (Final) from week 39 onwards show a nett discrepancy of that sum. Mr. Castleton promptly reported shortfalls in weeks 43, 44, 46 and 48. Mr. Morgan disclaimed any dishonesty on the part of Mr. Castleton.

4 Mr. Castleton admits that on 23rd March 2004 there was an apparent shortfall in the account of Marine Drive in the sum of £25,758.75. He admits that he produced weekly Balance Lists (the documents in question are headed "Final Balance") and personally produced, signed off and submitted to the claimant Cash Accounts (Final) up to week 51. His case was that the losses apparently shown by the Balance Lists and Cash Accounts (Final) were illusory not real. It was entirely the product of problems with the Horizon computer and accounting system used by the claimant. The apparent shortfalls were nothing more than accounting errors arising from the operation of the Horizon system.

5 There were two computer terminals at Marine Drive. Each computer terminal included a processor, a touch-sensitive screen, a keyboard, a barcode scanner and a printer. The laid down practice, in outline, was and is as follows. The clerk records on the computer all transactions that he makes. Transactions other than on-line banking are recorded not only on the computer but also by a document, such as a television licence counterfoil, savings bank deposit or withdrawal slip or a cheque. Some transactions are known as APS (automated payment system) transactions. Those are transactions where a customer either uses a card containing a magnetic strip to pay a bill or pays a bill that is barcoded. There are corresponding APS slips recording APS transactions. The subpostmaster is responsible for checking daily the computer records of the transactions of the day against the documentation. He prints out the computer records of the transactions, and when satisfied that they tally with the documentation he sends the documentation in sealed bags or envelopes by the last collection of the day to the relevant centres. He receives cash, stamps and other cash-type items from time to time in sealed bags and has to record daily the amount of cash held by reference to the denominations of notes and coins. The subpostmaster is also responsible for producing a weekly balance. There are in the papers before me print-outs of weekly Final

Balances for Marine Drive for the relevant weeks and of Cash Accounts (Final) signed by Mr. Castleton.

6 Every week, after close of business at 5.30 p.m. on Wednesday and before opening at 9 a.m. on Thursday, Mr. Castleton checked the stock at Marine Drive, as required by Post Office procedures.

7 It is obvious that the week's accounts of a post office balance if the difference represented by the receipts minus the payments equals the difference represented by the value of the stock at the end of the week minus the value of the stock at the end of the previous week. If those two differences are not equal, there is a discrepancy. If the former difference is greater than the latter, there is a loss, which is treated as a positive discrepancy. If the former is less than the latter, there is a gain. That is treated as a negative discrepancy. If

$A_n$  = the stock at the end of week  $n$ ;  
 $R_n$  = the receipts during week  $n$ ;  
 $P_n$  = the payments during week  $n$ ;  
 $D_n$  = the discrepancy for week  $n$  (positive for a loss, negative for a gain);  
 $S_n$  = the algebraic sum (i.e. the sum taking into account the sign, positive or negative) of the discrepancies for all relevant weeks up to and including week  $n$ ;

$$R_n - P_n - (A_n - A_{n-1}) = D_n = S_n - S_{n-1}. \text{ i.e. } R_n + A_{n-1} + S_{n-1} = P_n + A_n + S_n.$$

8 The weekly final balances produced by the Horizon system show both volume and value. I am concerned here only with value. The balances are set out in the following way. First, there is a list of the stock, described as "Stock & MOP" (cash, stamps, phone cards, postal orders and so on), giving the value of each item and a total ( $A_n$ ). There follows a list headed Receipts which begins with an item "Balance brought forward". The balance brought forward is the sum of the previous week's Stock and MOP and the accumulated discrepancies as of the previous week, i.e.  $A_{n-1} + S_{n-1}$ . The rest of the Receipts column is a list of the receipts ( $R_n$ ) for the week in question. A total, which thus represents  $R_n + A_{n-1} + S_{n-1}$ , appears at the bottom of the column. That is designated "Total receipts". There follows a column headed Payments. That includes a list of payments out to customers at the Post Office and remittances to central offices of the Post Office. Those payments out and remittances are what I have designated  $P_n$ . In the same column are included also the "Total Stock and MOP" ( $A_n$ ) and "Nett discrepancies" ( $S_n$ ). Those figures are totalled to give a "Total payments" figure which is  $P_n + A_n + S_n$ . The nett discrepancies are calculated so as to give rise to the same total in the Payments column as appears under the Receipts column. There is then a figure of "Balance carried forward" which is the algebraic sum of the Stock and MOP figure and the Discrepancies figure (i.e.  $A_n + S_n$ ). The logic of the system thus requires that  $R_n + A_{n-1} + S_{n-1} = P_n + A_n + S_n$ , as it should. The entries (but not the balances and discrepancies calculated by the system) were entered by Mr. Castleton or his assistant in all cases at Marine Drive while Mr. Castleton was subpostmaster. He accepts, and indeed asserts, that they are correct. The correctness of the arithmetic is not in issue.

9 Mr. Castleton, being alarmed by the growing discrepancies, was allowed by the claimant to put two accumulated discrepancies (deficits) into a suspense account. That was done by entering the relevant accumulated discrepancy as a fictitious expense in the Payments column of the Final Balance document. On each occasion the accumulated discrepancy was reset at zero.

10 The figures in the weekly Final Balances were reflected in the weekly documents entitled "Cash Account (Final)" all of which were signed by Mr. Castleton as correct. The Cash Accounts (Final) showed the accumulated discrepancies appearing in the Final Balance print-outs. They also showed the suspense account figures in a table headed "Authorised Cash Shortages". The signed Cash Accounts (Final), unlike the Final Balance documents, included the authorized cash shortages in the Stock and MOP figures and in the figures carried forward (entitled "balance due to Post Office" in

the Cash Accounts (Final)). The underlying logic of the two sets of documents was otherwise the same, and cannot be faulted.

11 Mr. Castleton cross-examined Mr. John Jones, who had heard Mr. Castleton's appeal against a decision of the claimant to dismiss him, on some figures that Mr. Jones had produced for the purposes of the appeal. Those figures had been extracted from the Cash Accounts (Final). The point put by Mr. Castleton was that Mr. Jones's figures showed that the receipts for weeks 42 to 51 inclusive totalled an amount less by £9240 than the payments, yet during the same period Mr. Jones's figures showed that the cash on hand (part of the Stock and MOP figures) had fallen by only £4700. Thus Mr. Jones's figures, far from showing a positive discrepancy (loss), showed a negative discrepancy (gain). Mr. Jones said that the figures were only an extract to show trends relating to cash. He did not rely on those figures in order to show that the shortage was a shortage of cash. However, in view of that line of cross-examination I have myself extracted from the Final Balances the relevant figures of Rn, Pn, An, An-1 and Sn. They appear in the table below.

Week	Sn (£)	An: Stock & MOP (£)	Rn (£)	Pn (£)
41	0.47	54,170.02		
42			122,120.66	83,915.81
43			89,237.88	109,950.20
44			76,450.26	79,158.56
45			86,575.89	82,704.43
46			66,959.03	90,580.12
47			125,739.13	87,064.04
48			64,477.79	101,368.22
49			113,583.93	79,312.39
50			64,186.39	79,984.08
51	11,210.56	47,084.67	63,689.54	74,857.91
<b>Total</b>			<b>873,020.50</b>	<b>868,895.76</b>
<b>Difference</b>	11,210.09	7,085.35		4,124.74

The last figure in the above table is the difference between the totals in the Rn and Pn columns, representing an excess of receipts over payments. It will be seen that that, plus the diminution in Stock & MOP, equals the increase in the accumulated discrepancy. Thus no flaw can be found on this account in the Horizon system. The payments figure in week 47 includes an authorized fictitious payment of £8,243.10. The payments figure in week 49 includes an authorized fictitious payment of £3,509.68. Those two payments, totalling £11,752.78, were debited to the suspense account, and they appear as authorized cash shortages in the relevant Cash Accounts (Final). The total of the discrepancies at the end of week 51, namely £11,210.56, plus the amount in the suspense account is £22,963.34. Thus the accounts show that sum to be due from Mr. Castleton to the claimants. Since Mr. Castleton accepts the accuracy of his entries in the accounts and the correctness of the arithmetic, and since the logic of the system is correct, the conclusion is inescapable that the Horizon system was working properly in all material respects, and that the shortfall of £22,963.34 is real, not illusory.

12 I shall nevertheless consider the points made by Mr. Castleton in relation to the reliability of the Horizon system.

13 Mr. Castleton submitted that there were anomalies in the operation of the Horizon system, thereby implying that the system was defective. The first anomaly was a discrepancy between a computer print-out of all inputs to the computer and a figure produced by the computer. The former showed that at 17:41:30 on 7th January 2004 Mr. Castleton (personally identified by his code) had declared (entered into the computer) a stamp total of zero. There were no subsequent relevant entries before 07:11 on 8th January. Yet the Final Balance printed out on 8th January at 07:11 showed a figure of £1183.22 for the stock of postage stamps (part of "Other postage items") and £1249.07 (total of "Other postage items") for week 41. There was no suggestion that the latter figures were incorrect. Mr. Castleton said that it was the former print-out stating "Declare stamp total £0.00" that was incorrect. (There was, however, an entry on the former print-out showing "Declare stamp total £1183.22" at 17:06:59 on 7th January). Mr. Castleton said that the figure of £1249.07 would show up as a loss on the next week's cash account. He said that the figure of £1249.07 was correct, but the zero entry would cause the computer to show a loss. As I understand his argument, the computer would do that because it would calculate the balance on the basis that the value of the stock of stamps had been diminished by £1247.09. Mr. Castleton submitted that the above matter led to the entry of "Discrepancy short" in the box at the top of the Final Balance for week 42. I reject that argument for the following reasons. First, it is abundantly clear that the computer did not calculate the balance on the basis that the value of the stock had been diminished by £1247.09. The figures printed out for week 42 were respectively £1041.96 (postage stamps) and £1094.82 (total of "Other postage items") which are consistent with the figures mentioned above for the previous week, allowing for the sale of some of the items. Second, the figure of discrepancy shown for the week was only 60p. In a box at the top of the Final Balance for week 42 that figure is shown as the difference between £1103 which Mr. Castleton said he paid in and £1103.60 which is described as "Discrepancy short". The production of the box, which does not enter into the calculation of the final balance, is unexplained. Third, the figure of about £1100 was the shortfall that Mr. Castleton had told Mrs. Oglesby had occurred before the previous Christmas. Thus, whilst the entry "Declare stamp total £0.00" is not explained, I am satisfied that Mr. Castleton's argument is misconceived.

14 The second anomaly on which Mr. Castleton relied was a difference between two figures of amounts of cheques. At 17:35 on 3rd March 2004 a sales report printed out by Mr. Castleton showed receipts of cheques to the value of £3533.30. At 07:37 on 4th March 2004 in the Final Balance there was an entry in the Payments column "Rem out Data Cen £3519.43". It was not in dispute that "Rem out Data Cen" means remitted out to Data Central, a department of the claimant which dealt with cheques, and that the entry could only refer to cheques. Between those two times twelve entries were, according to the record, made in to the computer, but it is not suggested that any of them are relevant to the present point. This apparent anomaly was put to Mr. Jones, who simply replied that the sales report had no input into the final balance, which is obviously correct. But Mr. Castleton's submission was that the discrepancy showed an anomaly in the operation of the computer. I do not accept that that is so. The computer totals the receipts of cheques as they have been entered into it. There is evidence that clerks sometimes erroneously enter cash as cheques. But in any case, the figure does not appear in the Final Balance or Cash Account (Final). The error in the figure of £3533.30, if error it be, is not significant evidence that the Horizon system was not working properly.

15 Mr. Castleton put forward a third anomaly. The print-out of inputs into the computer shows that on 14th January 2004 at 17:41:58 and again at 18:10:42 cash total £0.00 was declared. Mr. Castleton submitted that that could not have happened. The same print-out has the following further entries, among others: 14th January 2004, 18:27:54 "Declare cash total £81899.32"; on the same day at 18:43:14 "Report trial balance — Office copy"; on 15th January at 07:30:20 "Declare cash total £82997.32"; and on the same day at 07:33:17 "Declare cash total £83328.32". The last-mentioned figure appears in the Final Balance and in the signed Cash Account (Final). Mr. Castleton said that the figure of £81899.32 was correct and would have been entered into the computer by himself or by one of his assistants. He said that no-one would have entered a figure of £0.00: "It would be impossible for the computer to produce a report on it and not have it inputted on the other side", he said. By "the other side", I take it that he was referring to the Payments column in the Final Balance, which includes an amount for "Stock & MOP", which itself includes a sum for cash. The Final Balance and the Cash Account (Final) for the week in question (week 42) are based on the declared cash total of £83328.32. The point Mr. Castleton was making, I think, was that the record of inputs must be wrong in showing "Declare cash total £0.00". I have heard no expert evidence about the print-out of inputs into the computer. The fact that there appear entries "Declare cash £0.00" which have no apparent effect on the accounts is exiguous evidence that the Horizon system was flawed.

16 Another point arises here. A print-out of declared cash made at 07:33 on 15th January 2004 shows a total of £83328.32. The individual amounts represented by coins and notes of specified face values are set out in the print-out in a list, and the total comes to £83328.32. A manuscript page of the stocktaking of cash also shows the amounts represented by coins and notes of specified face values. Those figures are the same as those in the printed list, with a single exception. The manuscript note shows a total of £161 in 50-pence pieces. The print-out shows a total of £1590.00 in 50-pence pieces. If the figure of £161 were substituted for £1590, the total would come to £81899.32, the figure originally entered at 18:27:54 the previous night.

17 Mr. Morgan submitted that the figures shown in print-outs of stock of 20p. and 50p. coins for 15th January 2004 were implausible. There is a print-out of declared cash as of 07:33 on 15th January 2004. That is shown as week 42, being before opening time on the first day of week 43. There is also a print-out of cash on hand as of 17:32 on the same day. Cash on hand was counted and recorded daily in terms of the total value of the items of each denomination. There is a manuscript note of the count of cash on hand which was the basis of the print-out. Taking the figures in chronological order, we have 07:33; MS note; 17:32. I set out the figures in the table below, together with the numbers of coins, which are not in the original data.

Occasion	20p.		50p.	
	Value(£)	Number	Value(£)	Number
07:33	277.60	1388	1590.00	3180
MS	254.60	1273	161	322
17:32	2654.60	13273	84.50	169

18 It was said that week 42 had shown a loss of about £1100. The evidence is somewhat equivocal. Mr. Castleton wrote in his witness statement :

Until Wednesday 14th January 2004 we balanced £1103.15 short we could see no reason for this at the time.

Mrs. Christine Train was an experienced counter clerk who worked at Marine Drive at the material time. Mrs. Train wrote in her witness statement:

When in week 42 we carried out the balance and the system shows [sic] a loss of around £1100 it was a surprise but we thought we must have missed a bundle of notes and a bag of coins. The cash was recounted but we arrived at exactly the same figure again ... We were unable to identify the source of the problem on the following morning. Ultimately, Mr. Castleton had to make good the £1100 loss or so in cash from his own pocket to allow the system to balance and so enable us to roll over for the following week.

19 The difference between the cash declared at 18:27:54 on 14th January and the cash declared at 07:33:17 on 15th January is equal to the difference between £1590 and £161. Mr. Morgan submitted that it was implausible that Mr. Castleton should have paid in that sum, £1429, in 50p. pieces. He told me that they would weigh over 20 kilograms and, if placed in a pile, would reach a height of 5 metres. Moreover, I would add that all of them and more had apparently been used up by the end of the day. At 17:32 on the same day, 15th January, the value of the stock of 50p. coins was shown as £84.50; at 17:34 on 16th January it was shown as £78.50. Mr. Castleton told me (though not by way of his evidence on oath) that he had an ample supply of 50p. pieces.

20 Mr. Morgan also submitted that it was implausible that the stock of 20p. coins should have increased by 11,885 over the day. He gave me even larger figures of weight and height. I accept that, especially given that the print-out of the cash on hand at 17:34 on the following day, 16th January, shows the stock of 20p.coins as having the value of £262.40. I am satisfied that the intermediate figure of £2654.60 cannot be right. It may be a mistyping of the entry into the computer. The error (and I am satisfied that the figure of £2654.60 must be wrong, whatever the reason) does not affect the weekly accounts. Nor has it been put forward as evidence of a fault in the Horizon system.

21 Mrs. Train was cross-examined about her recollection of the payment in of £1100, specifically whether it involved a large number of coins. She was clearly embarrassed by the questions and gave no definite answer. I am not satisfied that the sum was paid in.

22 During the hearing, Mr. Castleton sought to adduce evidence of other complaints from subpostmasters of other post offices about the Horizon system. I admitted in evidence the fact that there were a few such complaints, but I refused to admit evidence of the facts underlying such complaints, since that would have involved a trial within a trial. I heard evidence from Dorothy Day, who was currently the temporary subpostmaster at Marine Drive. She had found intermittent problems with the system. The most worrying and inconvenient problem was that debit and credit cards would intermittently fail to register when swiped through the gateway keyboard to pay for customers' transactions. She found a way round the problem, though it took some time before it was solved. Mrs. Day said that she had now been at Marine Drive post office for about 2½ years and she was convinced that the problem was with the Horizon system. She recalled that in her previous post office, a small village post office, she experienced two anomalies that she could not explain. On one occasion she was several hundred pounds in surplus "which never turned up". The same thing happened again, inexplicably. Surely, she said, if she had missed inputting a Gyro

payment or a National Savings and Investment payment someone would have missed it sooner or later?

23 I heard evidence from Anne Chambers, a system specialist employed by Fujitsu, the company that provides the Horizon service. She has a working knowledge of the Horizon computer system used by the claimant. She said that calls from postmasters relating to potential system problems are initially taken and logged by the Horizon system Helpdesk. I accept evidence of Mr. Castleton that he contacted the Helpdesk over problems with discrepancies in balancing accounts at Marine Drive on a number of occasions. If the helpdesks are unable to resolve the problem, calls may be passed to the System Support Centre, where Mrs. Chambers works. In this case, her first involvement with Marine Drive was on 26th February 2004. Mrs. Chambers examined the questions raised and concluded that there was no evidence whatsoever of any problem with the system. She was unable to identify any basis upon which the Horizon system could have caused the losses. Mr. Castleton cross-examined her about complaints from another branch, which he did not identify. She immediately recognized the branch with confidence as being a branch at Callender Square in Falkirk. The problem at Callender Square had, she said, arisen from an error in the Horizon system, but there was no evidence of such a thing at Mr. Castleton's branch. I found Mrs. Chambers to be a clear, knowledgeable and reliable witness, and I accept her evidence.

24 Successors to Mr. Castleton as subpostmasters at Marine Drive gave evidence before me. They were Ruth Simpson, Gregory Booth and Mrs. Day. Mrs. Simpson took over Marine Drive as temporary subpostmistress on Tuesday 23rd March 2004 and remained in that position until Wednesday 21st April 2004. Mr. Booth acted as temporary subpostmaster from 21st April 2004 until 28th May 2004. Mrs. Day, to whose evidence I have referred above, became temporary subpostmistress from about 29th May 2004. Mrs. Simpson said that she had had no problems with the computers other than the usual trivial problems that one tends to experience with computers on occasions. In particular, when the touch-sensitive computer screen was dirty, it would not accept commands, and information had to be entered via the keyboard. The screen did not freeze, nor was there any failure of communication between the two terminals. She once had to re-boot the computer because the screen went blank. She did not remember any of the equipment being changed. There were no large discrepancies during her term of office. The maximum discrepancy was £101.95. She thought it might have been due to a pension having been paid out twice. The next largest discrepancy was £19.38. Mr. Booth experienced no significant discrepancies other than two which were deliberately induced to check the operation of the Horizon system having regard to Mr. Castleton's allegations. Mrs. Day did not give evidence of having experienced any discrepancies at Marine Drive.

25 Mr. Andrew Wise, of the Network Directorate of the claimant, had worked for the Post Office since 1991 and had a working knowledge of the Horizon computer system. He wrote in his witness statement that he thought that every transaction (apart from online banking such as withdrawing or depositing cash at the counter) recorded by the clerk on to their computer has a corresponding physical document, such as TV licence counterfoil, savings bank deposit [or] withdrawal slip or cheque. After explaining the matter in some detail, he wrote this:

Accordingly, it can be seen that if the clerk or subpostmaster makes a mistake when imputing [sic: inputting?] transaction details into their computer, there are a number of points at which this can be picked up, because there are daily and weekly reports that the subpostmaster[s] have to produce at which stage they have to check and satisfy themselves that the physical documents evidencing transactions (for example, cheques, giros, pensions and allowances) match what they have entered on the system. In addition

to that, there are various teams responsible for different sorts of paperwork produced by the branch, including a giro bank team, cheques team and pension team. For example, if the clerk records an item incorrectly on the system, they should pick this up on either their daily or weekly report. However, if they fail to do so, this will be picked up at the Processing Centre. If an item has been wrongly recorded, an error notice would be generated, although this can easily take up to 12 weeks or so. This will mean that if a transaction has been over or under stated there will be either a claim error or a charge error respectively.

That evidence was not challenged, and I accept it.

26 Only three error notices relating to the operations of Marine Drive during the period in question, apart from those mentioned below relating to lottery moneys, were in evidence. One error notice was reversed and does not form part of the claim. The others are charge notices totalling £292. They are not separately claimed: I assume that they are included in the audited figure. The paucity of their number is consistent with the proper working of the Horizon system. An error due to a fault in the Horizon system could conceivably be ignored by the ultimate interested party and thus not relayed to the branch as an error notice, but there is no reason to suppose on that account that such a fault exists.

27 Helen Rose was at the material time an auditor employed by the claimant. On 23rd March 2004, she carried out an audit at Marine Drive. That involved counting the cash and stock and checking the paperwork such as Giro deposits and withdrawal receipts, Pensions and Allowances Reports. She found that the branch was short of cash in the sum of £25,758.75. I accept the accuracy of her audit. Moreover, it confirms that the shortfall at the end of the previous accounts week was real. It has not been suggested that Mr. Castleton did not start with a clean sheet.

28 There is a claim for £100.20 as the net receipts in Mr. Castleton's shop at Marine Drive of moneys placed in the National Lottery after close of post office business at 5.30 p.m. on 22nd March and during 23rd March 2004 when the post office was closed and the audit was carried out there. The till was in the shop, which was open at the material time. The claimant alleges that £176 was received at those times for lottery tickets, and that £75.80 was given out to customers by way of prize money. The normal practice was for those moneys to be taken into the post office accounts. That did not happen on this occasion since the post office was closed. The claimant claims by paragraph 11 of the particulars of claim a further adjustment to the account in the sum of £100.20. Before considering the merits of this claim, I shall describe the system.

29 I read evidence of Mr. Michael Johnson, whom Mr. Castleton did not require to be called as a witness. He was employed by the claimant in the Lottery Exceptions Team. The following description of the lottery system is derived largely from his evidence. At the lottery terminal in the shop the customer pays the shop clerk for a lottery ticket, which is printed by the terminal. Details of the transaction are almost instantaneously downloaded to Camelot, which runs the National Lottery. The subpostmaster uses the shop till receipts to input the details of the lottery transactions into the Horizon computer terminal. Prizes up to a certain amount are paid out by the clerk on presentation of a winning ticket (not necessarily purchased in the shop). Those details are also entered into the Horizon system. Camelot electronically sends to the claimant's data centre details of the transactions for every relevant retailer. The information is automatically compared to the information received on the Horizon system from each branch. If there is a discrepancy, an error notice will be issued unless (not this case) the matter is dealt with directly with the branch. Mr. Johnson exhibited extracts from a spreadsheet taken from the claimant's Issued Errors Database for the Marine Drive branch. They showed a lottery charge error that occurred on 23rd March 2004 for

£176, an amount by which lottery online sales had been understated in the receipts section. The money represented money that was received by the branch in relation to the National Lottery but not entered by the branch into the Horizon computer. In addition, a claim error notice was issued for £75.80. That represented Lottery prize payments that were understated by the Marine Drive Branch in the payments section. It represents a credit in favour of the branch.

30 The Cash Account (Final) for Mrs. Simpson's first week as postmistress, week 52, shows that £2218.50 had been entered as the amount of the lottery ticket receipts for that week. The figures from Camelot of lottery transactions at the shop for that week totalled £2394.50, a discrepancy of £176. Those figures were broken down into daily amounts. The amount for 23rd March was £176. I am satisfied that that error arose because Mrs. Simpson did not enter the amounts shown on the relevant till receipts into the Horizon system. Similarly, the figure entered in the Cash Account (Final) as National Lottery prizes for that week was £5792.80. According to Camelot, the figure should have been £5868.60, a discrepancy of £75.80. Mr. Johnson said, without explaining the mechanism, that the figure of £75.80 represented National Lottery prize payments that were understated by the Marine Drive branch.

31 The defence pleaded by Mr. Castleton's then counsel to the claim for £100.20 was

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No admissions are made as to the facts in paragraph 11, being matters that occurred after the defendant's suspension, and the claimant is put to proof of them but the defendant's liability is denied. Having been suspended as set out in paragraph 2 above, the defendant had no way of transacting those matters and/or the claimant's temporary subpostmaster had already assumed responsibility for the branch and/or the claimant's audit staff had balanced the accounts prior to her doing so.

In his skeleton opening argument, Mr. Castleton said that the lottery moneys and terminal receipts were given to Mrs. Simpson on the morning of 24th March. Although he wrote about Mrs. Simpson at some length in his witness statement, he made no mention there of any payment made to her or of the handing over of any documents to her. Mr. Castleton was cross-examined about the lottery moneys:

Q. Moving on to consider the National Lottery, am I right in thinking that you now accept that you received £176 on 23rd March 2004 in respect to National Lottery sales and paid out prizes of £75.80?

A. That has never been in question.

Q. Is that a yes then?

A. Yes. It was never a question of receiving the moneys. The fact that repaid ... [inaudible].

I assume that it is payment to Mrs. Simpson that he was referring to in the above partly inaudible answer. He did not say that he himself had paid the moneys to Mrs. Simpson. Mrs. Simpson gave evidence about the subject of lottery moneys generally in her witness statement. The relevant paragraph, paragraph 11, reads as follows:

There were two things at the Marine Drive branch that struck me as being strange at the time. One related to the National Lottery cash. The National Lottery terminal at the Marine Drive branch is in the shop rather than behind the post office counter. As the shop stayed open later than the post office counter, it would continue to sell lottery tickets, and this meant that before the opening of the post office business the next day, I would use the

shop till receipts to input details of the lottery transactions into the Horizon computer terminal. When I came into the branch each morning, I would find the lottery cash that the shop had received overnight left in a bag just under the post office counter screen together with the lottery till receipt. I was therefore concerned that the lottery cash was being left unattended, because it was not secure and a customer could have taken it. On one occasion (I cannot recall precisely when), the lottery print-out (showing about £50 worth of sales) was there but there was no lottery cash. I therefore asked Mr. Castleton to make this amount good from the shop, which he did. I also asked for the lottery cash to be handed to me personally.

I accept that evidence of Mrs. Simpson.

32 Although the post office at Marine Drive was closed all day on 23rd March, the shop was open. The sum of £176 must have been paid in by customers, and the prize money paid out to customers, between 5.30 p.m. on 22nd March, when the post office closed, and 7.30 p.m., when the shop closed, and during the opening hours of the shop on 23rd March. Mr. Castleton did not put to Mrs. Simpson that he had paid her the lottery money. The nearest that he came to it was this. The discrepancy shown in the Cash Account (Final) for week 52, Mrs. Simpson's first week at Marine Drive, was £2.14 (Representing a loss of £2.14). Mr. Castleton put to her that she should have been £98 up. She gave a conditional answer that was inconclusive.

33 In her witness statement, Mrs. Train wrote that she went through Mrs. Simpson's paperwork and found the lottery tickets loose in an envelope that had not been entered

"which created the error notices. There is also a summary on which she wrote the amount of cash received from the shop on her first [day] in post. Not having a lottery terminal herself, she had made a mistake and did not account for the prize money already paid out. This should've been given back to Mr. Castleton or at least shown in the balance as being a gain but it was not".

I have added the word "day" which seems to be required by the sense of the passage.

34 The lottery receipts in question were not in evidence. Mr. Castleton, when cross-examined as to their whereabouts, said that they were in the post office. They were disclosed by neither party to the proceedings. During the course of the cross-examination of Mrs. Simpson by Mr. Castleton, the following exchange took place:

A. So have you got the actual lottery receipts?

Q. They are not in evidence, I'm afraid.

A. Right. Well I would want to see those before I made that (inaudible).

When Mrs. Simpson was recalled for other reasons after the end of the evidence and submissions, Mr. Castleton indicated that he was in possession of the lottery receipts and wanted to put them to Mrs. Simpson in further cross-examination. On Mr. Morgan's objection, I refused to allow him to do so.

35 Mrs. Oglesby invited Mrs. Simpson to run Marine Drive on a temporary basis to take the place of Mr. Castleton. She described Mrs. Simpson as a very experienced postmaster. I accept that she was, and I found her to be a reliable witness. If Mrs. Simpson had had the lottery vouchers at the material time and entered them into the Horizon system, the error notices would not have been

generated. I am satisfied that the reason why she did not enter them into the Horizon system is that she did not have them. Moreover, if she had received the moneys, then given that she did not enter the transactions into the computer, the system ought to have shown a corresponding gain of £100.20. It did not. It showed a loss of £2.14. However, that evidence is by no means conclusive since there could have been other errors.

36 Mr. Castleton was suspended from his postmastership on 23rd March. His duty to account to the claimant for the lottery moneys received on 23rd and 24th March in my judgement arises from his admitted receipt of the moneys. That point is not pleaded: but nor is the defendant's allegation that the moneys have been accounted for by way of payment to Mrs. Simpson. I am satisfied that the claimant is entitled to restitution of those moneys.

37 There will thus be judgment on the claim against the defendant for £25,858.95. I shall hear counsel and Mr. Castleton on the question of interest.

38 There is a counterclaim for damages in the sum of £11,250 on the ground that the claimant wrongfully determined the defendant's contract as a subpostmaster following his suspension.

39 The defendant's contract with the claimant was a contract for services dated 18th July 2003. The contract provides, by section 1, clause 5, that the subpostmaster is required to accept full responsibility for the proper running of his sub-office. Retention of his appointment is dependent on the sub-office being well managed and the work performed properly to the satisfaction of the claimant. Clause 8 provides that the terms of the appointment of the subpostmaster do not entitle the holder to be paid compensation for loss of office. Clause 10 provides for summary determination of the contract by the claimant in case of breach of condition by the subpostmaster or non-performance of his obligation; otherwise it may be determined by the claimant on not less than three months' notice. Section 12 clause 5 provides that the subpostmaster is held strictly responsible for the safe custody of cash, stock of all kinds and other property, papers and documents of the claimant, whether held by himself or by his assistants. Clause 12 provides that the subpostmaster is responsible for all losses caused through his own negligence, carelessness or error, and also for all losses of all kinds caused by his assistants. Deficiencies due to such losses must be made good without delay. Clause 13 provides that the financial responsibility of the subpostmaster does not cease when he relinquishes his appointment and he will be required to make good any losses incurred during his term of office which may subsequently come to light. Clause 15 provides that if a theft or burglary is committed or attempted at a sub-office ... the facts must be reported at once to the police and to the regional general manager. Clause 16 provides that if a sub-postmaster considers that any stock items have been accidentally lost or stolen he should make a report as quickly as possible to the Regional General Manager. There is no evidence of any such reports, and it is no part of the defendant's case that stock was lost whether by theft or accidentally. Section 15, clause 2, provides that a subpostmaster will be required to make good any deficiency of cash or stock which may result from his assistants' actions. Section 22 clause 3 provides that the subpostmaster will be responsible for ensuring that transactions will be carried out accurately ... and that all documentation is properly completed and despatched at the due time.

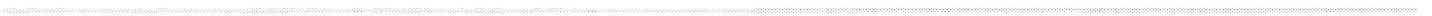
40 I am satisfied that the substantial unexplained deficiencies incurred in weeks 42 to 51 and in week 52 up to the close of business on 22nd March 2004 are real deficiencies and as such are irrefutable evidence that Marine Drive was not properly managed at the material time. I conclude that the claimant was entitled under clause 10 of section 1 to determine Mr. Castleton's contract summarily for non-performance of his obligation under clause 5 of that section. Moreover, the losses must have been caused by his own error or that of his assistants.

41 The counterclaim is dismissed.

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This is a judgment to which the new Practice Direction (Reserve Judgments (which supplements Part 40 with effect from 1st October 2008)) will be handed down on Monday, 22<sup>nd</sup> January at 10.30 a.m. in Court No 6. This judgment is confidential to Counsel and Solicitors and to the defendant, but a copy may be shown, in court or to the parties provided that neither the Judgment nor its substance is disclosed to any other person (other than internally) in response to the Judgment being made public domain, and no action is taken (other than internally) in response to the Judgment being made public domain. Any breach of this obligation of confidentiality may be treated as a contempt of court. The official version of the judgment will be available from the Courts Recording and Transcription Unit of the Royal Courts of Justice once it has been approved by the judge.

The court is likely to wish to hand down its judgment in an approved final form. Counsel should therefore submit any list of typing corrections and other obvious errors in writing (Nil returns are required) to the clerk to Judge Havery, by fax to [redacted] or via email at [redacted], by noon on Thursday, 25<sup>th</sup> January 2007, so that changes can be incorporated, if the judge accepts them, in the handed down judgment.

Neutral Citation Number: [2007] EWHC 5 (QB)

Case No: HQ05X02706

**IN THE HIGH COURT OF JUSTICE  
QUEEN'S BENCH DIVISION**

Royal Courts of Justice  
Strand, London, WC2A 2LL

Date: 22<sup>nd</sup> of 2007

Before :

Double-click to add the Judges name

Between :

Post Office Limited  
- and -  
Lee Castleton

Mr. Richard Morgan (instructed by Bond Pearce) for the Claimant  
The Defendant in person

Hearing dates: 6<sup>th</sup>, 11<sup>th</sup>, 12<sup>th</sup>, 13<sup>th</sup> December 2006; 11<sup>th</sup> January 2007.

**DRAFT JUDGMENT**

If this draft Judgment has been emailed to you it is to be treated as 'read-only'.  
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\* **AUSTIN NOT SIGNED FOR.** \*



High Court Unapproved Judgment:  
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His Honour Judge Richard Havery Q.C.

1. This is a claim by Post Office Limited on an account stated by one of its former subpostmasters, the defendant Mr. Castleton. Mr. Castleton admits that he was an accounting party. The statement of the account, though not its validity, is admitted. Accordingly, the burden of proof lies on Mr. Castleton to show that the account is wrong. On that point the law is clear. In *Shaw v. Piston* (1825) 4 B. & C. 715, 729, Bayley J. said

*130* *CAS* \* It is quite clear, that if an agent (employed to receive money, and bound by his duty to his principal from time to time to communicate to him whether the money is received or not,) renders an account from time to time which contains a statement that the money is received, he is bound by that account unless he can shew that that statement was made unintentionally and by mistake: If he cannot shew that, he is not at liberty afterwards to say that the money had not been received, and never will be received, and to claim reimbursement in respect of those sums for which he had previously given credit.

And in *Camillo Tank Steamship Company Limited v. Alexandria Engineering Works* (1921) 38 T.L.R. 134, 143 Viscount Cave, in the course of a dissenting speech, made the following remarks, which I believe to be uncontroversial:

The expression "account stated"....has more than one meaning. It sometimes means a claim to payment made by one party and admitted by the other to be correct. An account stated in this sense is no more than an admission of a debt out of court; and whilst it is no doubt cogent evidence against the admitting party, and throws upon him the burden of proving that the debt is not due, it may, like any other admission, be shown to have been made in error.

2. The accounts in this case are weekly accounts entitled Cash Account (Final), signed by Mr. Castleton as correct, of a post office at 14, South Marine Drive, Bridlington, Yorkshire, of which he was appointed subpostmaster in June 2003. In accordance with the rules and practice of the Post Office, accounts of the transactions at the post office (which has been called "Marine Drive") were prepared weekly for the periods from Thursday to the following Wednesday. The accounts in question were accounts for weeks 42 to 51 of the year 2003/2004, which relate to the weeks ending Wednesday 14<sup>th</sup> January 2004 to Wednesday 17<sup>th</sup> March 2004. The accounts built up substantial apparent discrepancies. The Cash Account (Final) for week 51 shows a shortage of £22,963.34. In consequence Marine Drive was closed all day on 23<sup>rd</sup> March 2004 for the purpose of an audit. That audit showed a shortage of £25,758.75. Mr. Castleton was suspended from his duties on that day. An additional sum of £100.20 is claimed in relation to National Lottery moneys. The total claim is for the sum of those two amounts, viz. £25,858.95. The burden of proof on Mr. Castleton can relate only to the figure of £22,963.34. In the event, as will appear, the identity of the party on whom lies the burden of proof is not important in this case.
3. The first significant discrepancy appeared in the accounts relied on by the claimant in week 43. Thereafter significant further discrepancies appeared in weeks 44, 46, 48, 49, 50



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and 51. Mr. Castleton gave evidence that the first discrepancy, of approximately £1100, appeared by week 42, but that he made it good out of his own pocket. I am satisfied on the evidence of Mrs. Catherine Oglesby, his then line manager, that he told her shortly before New Year 2004 that a shortfall of about £1100 had occurred on week 39 (the week ending 23<sup>rd</sup> December 2003). Nevertheless, for some reason that has not been intelligibly explained, the first and only explicit mention of the figure in the accounts is a reference in the print-out of the Final Balance (see below) for week 42 of a "Discrepancy over" of £1103.00 and a "Discrepancy short" of £1103.60. The Payments column of the

\* Final Balance shows a nett discrepancy of £0.60. Mr. Morgan did not accept that Mr. Castleton had paid in £1100. I shall return to that point. It goes only to credit, since none of the Final Balances or the Cash Accounts (Final) from week 39 onwards show a nett discrepancy of that sum. Mr. Castleton promptly reported shortfalls in weeks 43, 44, 46 and 48. Mr. Morgan disclaimed any dishonesty on the part of Mr. Castleton.

4. Mr. Castleton admits that on 23<sup>rd</sup> March 2004 there was an apparent shortfall in the account of Marine Drive in the sum of £25,758.75. He admits that he produced weekly Balance Lists (the documents in question are headed "Final Balance") and personally produced, signed off and submitted to the claimant Cash Accounts (Final) up to week 51. His case was that the losses apparently shown by the Balance Lists and Cash Accounts (Final) were illusory not real. It was entirely the product of problems with the Horizon computer and accounting system used by the claimant. The apparent shortfalls were nothing more than accounting errors arising from the operation of the Horizon system.

5. There were two computer terminals at Marine Drive. Each computer terminal included a processor, a touch-sensitive screen, a keyboard, a barcode scanner and a printer. The laid down practice, in outline, was and is as follows. The clerk records on the computer all transactions that he makes. Transactions other than on-line banking are recorded not only on the computer but also by a document, such as a television licence counterfoil, savings bank deposit or withdrawal slip or a cheque. Some transactions are known as APS (automated payment system) transactions. Those are transactions where a customer either uses a card containing a magnetic strip to pay a bill or pays a bill that is barcoded. There are corresponding APS slips recording APS transactions. The subpostmaster is responsible for checking daily the computer records of the transactions of the day against the documentation. He prints out the computer records of the transactions, and when satisfied that they tally with the documentation he sends the documentation in sealed bags or envelopes by the last collection of the day to the relevant centres. He also gives cash, stamps and other cash-type items from time to time in sealed bags and has to record daily the amount of cash held by reference to the denominations of notes and coins. The subpostmaster is also responsible for producing a weekly balance. There are in the papers before me print-outs of weekly Final Balances for Marine Drive for the relevant weeks and of Cash Accounts (Final) signed by Mr. Castleton. *IF NOT SIGNED EACH WEEK WOULD NOT BE ABLE TO CARRY ON TRADING.*

6. Every week, after close of business at 5.30 p.m. on Wednesday and before opening at 9 a.m. on Thursday, Mr. Castleton checked the stock at Marine Drive, as required by Post Office procedures.

7. It is obvious that the week's accounts of a post office balance if the difference represented by the receipts minus the payments equals the difference represented by the value of the stock at the end of the week minus the value of the stock at the end of the previous week. If those two differences are not equal, there is a discrepancy. If the former difference is greater than the latter, there is a loss, which is treated as a positive



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discrepancy. If the former is less than the latter, there is a gain. That is treated as a negative discrepancy. If

$A_n$  = the stock at the end of week  $n$ ;  
 $R_n$  = the receipts during week  $n$ ;  
 $P_n$  = the payments during week  $n$ ;  
 $D_n$  = the discrepancy for week  $n$  (positive for a loss, negative for a gain);  
 $S_n$  = the algebraic sum (i.e. the sum taking into account the sign, positive or negative) of the discrepancies for all relevant weeks up to and including week  $n$ ;

then

$$R_n - P_n - (A_n - A_{n-1}) = D_n = S_n - S_{n-1}.$$

i.e.

$$R_n + A_{n-1} + S_{n-1} = P_n + A_n + S_n.$$

The weekly final balances produced by the Horizon system show both volume and value. I am concerned here only with value. The balances are set out in the following way. First, there is a list of the stock, described as "Stock & MOP" (cash, stamps, phone cards, postal orders and so on), giving the value of each item and a total ( $A_n$ ). There follows a list headed Receipts which begins with an item "Balance brought forward". The balance brought forward is the sum of the previous week's Stock and MOP and the accumulated discrepancies as of the previous week, i.e.  $A_{n-1} + S_{n-1}$ . The rest of the Receipts column is a list of the receipts ( $R_n$ ) for the week in question. A total, which thus represents  $R_n + A_{n-1} + S_{n-1}$ , appears at the bottom of the column. That is designated "Total receipts". There follows a column headed Payments. That includes a list of payments out to customers at the Post Office and remittances to central offices of the Post Office. Those payments out and remittances are what I have designated  $P_n$ . In the same column are included also the "Total Stock and MOP" ( $A_n$ ) and "Nett discrepancies" ( $S_n$ ). Those figures are totalled to give a "Total payments" figure which is  $P_n + A_n + S_n$ . The nett discrepancies are calculated so as to give rise to the same total in the Payments column as appears under the Receipts column. There is then a figure of "Balance carried forward" which is the algebraic sum of the Stock and MOP figure and the Discrepancies figure (i.e.  $A_n + S_n$ ). The logic of the system thus requires that

$$R_n + A_{n-1} + S_{n-1} = P_n + A_n + S_n,$$

as it should. The entries (but not the balances and discrepancies calculated by the system) were entered by Mr. Castleton or his assistant in all cases at Marine Drive while Mr. Castleton was subpostmaster. He accepts, and indeed asserts, that they are correct. The correctness of the arithmetic is not in issue.

9. Mr. Castleton, being alarmed by the growing discrepancies, was allowed by the claimant to put two accumulated discrepancies (deficits) into a suspense account. That was done by entering the relevant accumulated discrepancy as a fictitious expense in the Payments column of the Final Balance document. On each occasion the accumulated discrepancy was reset at zero. **TO BE ABLE TO TRADE**

10. The figures in the weekly Final Balances were reflected in the weekly documents entitled "Cash Account (Final)" all of which were signed by Mr. Castleton as correct. The Cash Accounts (Final) showed the accumulated discrepancies appearing in the Final Balances



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print-outs. They also showed the suspense account figures in a table headed "Authorised Cash Shortages". The signed Cash Accounts (Final), unlike the Final Balance documents, included the authorized cash shortages in the Stock and MOP figures and in the figures carried forward (entitled "balance due to Post Office" in the Cash Accounts (Final)). The underlying logic of the two sets of documents was otherwise the same, and cannot be faulted.

11. Mr. Castleton cross-examined Mr. John Jones, who had heard Mr. Castleton's appeal against a decision of the claimant to dismiss him, on some figures that Mr. Jones had produced for the purposes of the appeal. Those figures had been extracted from the Cash Accounts (Final). The point put by Mr. Castleton was that Mr. Jones's figures showed that the receipts for weeks 42 to 51 inclusive totalled an amount less by £9240 than the payments, yet during the same period Mr. Jones's figures showed that the cash on hand (part of the Stock and MOP figures) had fallen by only £4700. Thus Mr. Jones's figures, far from showing a positive discrepancy (loss), showed a negative discrepancy (gain). Mr. Jones said that the figures were only an extract to show trends relating to cash. He did not rely on those figures in order to show that the shortage was a shortage of cash. However, in view of that line of cross-examination I have myself extracted from the Final Balances the relevant figures of  $R_n$ ,  $P_n$ ,  $A_n$ ,  $A_{n-1}$  and  $S_n$ . They appear in the table below.

Week	$S_n$ (£)	$A_n$ : Stock & MOP (£)	$R_n$ (£)	$P_n$ (£)
41	0.47	54,170.02		
42			122,120.66	83,915.81
43			89,237.88	109,950.20
44			76,450.26	79,158.56
45			86,575.89	82,704.43
46			66,959.03	90,580.12
47			125,739.13	87,064.04
48			64,477.79	101,368.22
49			113,583.93	79,312.39
50			64,186.39	79,984.08
51	11,210.56	47,084.67	63,689.54	74,857.91
Total			873,020.50	868,895.76
Difference	11,210.09	7,085.35		4,124.74

The last figure in the above table is the difference between the totals in the  $R_n$  and  $P_n$  columns, representing an excess of receipts over payments. It will be seen that that, plus the diminution in Stock & MOP, equals the increase in the accumulated discrepancy. Thus no flaw can be found on this account in the Horizon system. The payments figure in week 47 includes an authorized fictitious payment of £8,243.10. The payments figure in week 49 includes an authorized fictitious payment of £3,509.68. Those two payments, totalling £11,752.78, were debited to the suspense account, and they appear as authorized cash shortages in the relevant Cash Accounts (Final). The total of the discrepancies at the end of week 51, namely £11,210.56, plus the amount in the suspense account is £22,963.34. Thus the accounts show that sum to be due from Mr. Castleton to the claimants. Since Mr. Castleton accepts the accuracy of his entries in the accounts and the correctness of the arithmetic, and since the logic of the system is correct, the conclusion



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is inescapable that the Horizon system was working properly in all material respects, and that the shortfall of £22,963.34 is real, not illusory.

12. I shall nevertheless consider the points made by Mr. Castleton in relation to the reliability of the Horizon system.
13. Mr. Castleton submitted that there were anomalies in the operation of the Horizon system, thereby implying that the system was defective. The first anomaly was a discrepancy between a computer print-out of all inputs to the computer and a figure produced by the computer. The former showed that at 17:41:30 on 7<sup>th</sup> January 2004 Mr. Castleton (personally identified by his code) had declared (entered into the computer) a stamp total of zero. There were no subsequent relevant entries before 07:11 on 8<sup>th</sup> January. Yet the Final Balance printed out on 8<sup>th</sup> January at 07:11 showed a figure of £1183.22 for the stock of postage stamps (part of "Other postage items") and £1249.07 (total of "Other postage items") for week 41. There was no suggestion that the latter figures were incorrect. Mr. Castleton said that it was the former print-out stating "Declare stamp total £0.00" that was incorrect. (There was, however, an entry on the former print-out showing "Declare stamp total £1183.22" at 17:06:59 on 7<sup>th</sup> January). Mr. Castleton said that the figure of £1249.07 would show up as a loss on the next week's cash account. He said that the figure of £1249.07 was correct, but the zero entry would cause the computer to show a loss. As I understand his argument, the computer would do that because it would calculate the balance on the basis that the value of the stock of stamps had been diminished by £1247.09. Mr. Castleton submitted that the above matter led to the entry of "Discrepancy short" in the box at the top of the Final Balance for week 42. I reject that argument for the following reasons. First, it is abundantly clear that the computer did not calculate the balance on the basis that the value of the stock had been diminished by £1247.09. The figures printed out for week 42 were respectively £1041.96 (postage stamps) and £1094.82 (total of "Other postage items") which are consistent with the figures mentioned above for the previous week, allowing for the sale of some of the items. Second, the figure of discrepancy shown for the week was only 60p. In a box at the top of the Final Balance for week 42 that figure is shown as the difference between £1103 which Mr. Castleton said he paid in and £1103.60 which is described as "Discrepancy short". The production of the box, which does not enter into the calculation of the final balance, is unexplained. Third, the figure of about £1100 was the shortfall that Mr. Castleton had told Mrs. Oglesby had occurred before the previous Christmas. Thus, whilst the entry "Declare stamp total £0.00" is not explained, I am satisfied that Mr. Castleton's argument is misconceived.
14. The second anomaly on which Mr. Castleton relied was a difference between two figures of amounts of cheques. At 17:35 on 3<sup>rd</sup> March 2004 a sales report printed out by Mr. Castleton showed receipts of cheques to the value of £3533.30. At 07:37 on 4<sup>th</sup> March 2004 in the Final Balance there was an entry in the Payments column "Rem out Data Cen £3519.43". It was not in dispute that "Rem out Data Cen" means remitted out to Data Central, a department of the claimant which dealt with cheques, and that the entry could only refer to cheques. Between those two times twelve entries were, according to the record, made in to the computer, but it is not suggested that any of them are relevant to the present point. This apparent anomaly was put to Mr. Jones, who simply replied that the sales report had no input into the final balance, which is obviously correct. But Mr. Castleton's submission was that the discrepancy showed an anomaly in the operation of the computer. I do not accept that that is so. The computer totals the receipts of cheques as they have been entered into it. There is evidence that checks were entered



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erroneously enter cash as cheques. But in any case, the figure does not appear in the Final Balance or Cash Account (Final). The error in the figure of £3553.30, if error it be, is not significant evidence that the Horizon system was not working properly.

15. Mr. Castleton put forward a third anomaly. The print-out of inputs into the computer shows that on 14<sup>th</sup> January 2004 at 17:41:58 and again at 18:10:42 cash total £0.00 was declared. Mr. Castleton submitted that that could not have happened. The same print-out has the following further entries, among others: 14<sup>th</sup> January 2004, 18:27:54 "Declare cash total £81899.32"; on the same day at 18:43:14 "Report trial balance - Office copy"; on 15<sup>th</sup> January at 07:30:20 "Declare cash total £82997.32"; and on the same day at 07:33:17 "Declare cash total £83328.32". The last-mentioned figure appears in the Final Balance and in the signed Cash Account (Final). Mr. Castleton said that the figure of £81899.32 was correct and would have been entered into the computer by himself or by one of his assistants. He said that no-one would have entered a figure of £0.00: "It would be impossible for the computer to produce a report on it and not have it inputted on the other side", he said. By "the other side", I take it that he was referring to the Payments column in the Final Balance, which includes an amount for "Stock & MOP", which itself includes a sum for cash. The Final Balance and the Cash Account (Final) for the week in question (week 42) are based on the declared cash total of £83328.32. The point Mr. Castleton was making, I think, was that the record of inputs must be wrong in showing "Declare cash total £0.00". I have heard no expert evidence about the print-out of inputs into the computer. The fact that there appear entries "Declare cash £0.00" which have no apparent effect on the accounts is exiguous evidence that the Horizon system was flawed.

16. Another point arises here. A print-out of declared cash made at 07:33 on 15<sup>th</sup> January 2004 shows a total of £83328.32. The individual amounts represented by coins and notes of specified face values are set out in the print-out in a list, and the total comes to £83328.32. A manuscript page of the stocktaking of cash also shows the amounts represented by coins and notes of specified face values. Those figures are the same as those in the printed list, with a single exception. The manuscript note shows a total of £161 in 50-pence pieces. The print-out shows a total of £1590.00 in 50-pence pieces. If the figure of £161 were substituted for £1590, the total would come to £81899.32, the figure originally entered at 18:27:54 the previous night.

17. Mr. Morgan submitted that the figures shown in print-outs of stock of 20p. and 50p. coins for 15<sup>th</sup> January 2004 were implausible. There is a print-out of declared cash as of 07:33 on 15<sup>th</sup> January 2004. That is shown as week 42, being before opening time on the first day of week 43. There is also a print-out of cash on hand as of 17:32 on the same day. Cash on hand was counted and recorded daily in terms of the total value of the items of each denomination. There is a manuscript note of the count of cash on hand which was the basis of the print-out. Taking the figures in chronological order, we have 07:33; MS note; 17:32. I set out the figures in the table below, together with the numbers of coins, which are not in the original data.

Occasion	20p.		50p.	
	Value(£)	Number	Value(£)	Number
07:33	277.60	1388	1590.00	3180
MS	254.60	1273	161	322
17:32	2654.60	13273	84.50	169

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18. It was said that week 42 had shown a loss of about £1100. The evidence is somewhat equivocal. Mr. Castleton wrote in his witness statement:

Until Wednesday 14<sup>th</sup> January 2004 we balanced £1103.15 short we ~~could see~~ NO reason for this at the time

Mrs. Christine Train was an experienced counter clerk who worked at Marine Drive at the material time. Mrs. Train wrote in her witness statement:

When in week 42 we carried out the balance and the system shows [sic] a loss of around £1100 it was a surprise but we thought we must have missed a bundle of notes and a bag of coins. The cash was recounted but we arrived at exactly the same figure again..... We were unable to identify the source of the problem on the following morning. Ultimately, Mr. Castleton had to make good the £1100 loss or so in cash from his own pocket to allow the system to balance and so enable us to roll over for the following week.

19. The difference between the cash declared at 18:27:54 on 14<sup>th</sup> January and the cash declared at 07:33:17 on 15<sup>th</sup> January is equal to the difference between £1590 and £161. Mr. Morgan submitted that it was implausible that Mr. Castleton should have paid in that sum, £1429, in 50p. pieces. He told me that they would weigh over 20 kilograms and, if placed in a pile, would reach a height of 5 metres. Moreover, I would add that all of them and more had apparently been used up by the end of the day. At 17:32 on the same day, 15<sup>th</sup> January, the value of the stock of 50p. coins was shown as £84.50; at 17:34 on 16<sup>th</sup> January it was shown as £78.50. Mr. Castleton told me (though not by way of his evidence on oath) that he had an ample supply of 50p. pieces.
20. Mr. Morgan also submitted that it was implausible that the stock of 20p. coins should have increased by 11,885 over the day. He gave me even larger figures of weight and height ~~which I have not noted~~. I accept that, especially given that the print-out of the cash on hand at 17:34 on the following day, 16<sup>th</sup> January, shows the stock of 20p. coins as having the value of £262.40. I am satisfied that the intermediate figure of £2654.60 cannot be right. It may be a mistyping of the entry into the computer. The error (and I am satisfied that the figure of £2654.60 must be wrong, whatever the reason) does not affect the weekly accounts. Nor has it been put forward as evidence of a fault in the Horizon system.
21. Mrs. Train ~~was~~ <sup>is</sup> cross-examined about her recollection of the payment in of £1100, specifically whether it involved a large number of coins. She was clearly embarrassed by the questions and gave no definite answer. I am not satisfied that the sum was paid in.
22. During the hearing, Mr. Castleton sought to adduce evidence of other complaints from ~~subpostmasters~~ <sup>subpostmasters</sup> about the Horizon system. I admitted in evidence the fact that there were a few such complaints, but I refused to admit evidence of the facts underlying such complaints, since that would have involved a trial within a trial. I heard evidence from Dorothy Day, who was currently the temporary subpostmaster at Marine Drive. She had found intermittent problems with the system. The most worrying and inconvenient problem was that debit and credit cards would intermittently fail to register when swiped through the gateway keyboard to pay for customers' transactions. She found a way round the problem, though it took some time before it was solved. Mrs. Day said that she had now been at Marine Drive post office for about 2½ years and she was convinced that the

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problem was with the Horizon system. She recalled that in her previous post office, a small village post office, she experienced two anomalies that she could not explain. On one occasion she was several hundred pounds in surplus "which never turned up". The same thing happened again, inexplicably. Surely, she said, if she had missed inputting a Gyro payment or a National Savings and Investment payment someone would have missed it sooner or later?

23. I heard evidence from Anne Chambers, a system specialist employed by Fujitsu, the company that provides the Horizon service. She has a working knowledge of the Horizon computer system used by the claimant. She said that calls from postmasters relating to potential system problems are initially taken and logged by the Horizon system Helpdesk. I accept evidence of Mr. Castleton that he contacted the Helpdesk over problems with discrepancies in balancing accounts at Marine Drive on a number of occasions. If the helpdesks are unable to resolve the problem, calls may be passed to the System Support Centre, where Mrs. Chambers works. In this case, her first involvement with Marine Drive was on 26<sup>th</sup> February 2004. Mrs. Chambers examined the questions raised and concluded that there was no evidence whatsoever of any problem with the system. She was unable to identify any basis upon which the Horizon system could have caused the losses. Mr. Castleton cross-examined her about complaints from other branches, which he did not identify. She immediately recognized the branch of confidence as being a branch at Callender Square in Falkirk. The problem at Callender Square had, she said, arisen from an error in the Horizon system, but there was no evidence of such a thing at Mr. Castleton's branch. I found Mrs. Chambers to be a clear, knowledgeable and reliable witness, and I accept her evidence.

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1 WEEKS

NO MENTION  
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BEING CHANGED  
DURING TIME  
DID NOT  
PRODUCE  
A BROWN  
STATEMENT

24. Successors to Mr. Castleton as subpostmasters at Marine Drive gave evidence before me. They were Ruth Simpson, Gregory Booth and Mrs. Day. Mrs. Simpson took over Marine Drive as temporary subpostmistress on Tuesday 23<sup>rd</sup> March 2004 and remained in that position until Wednesday 21<sup>st</sup> April 2004. Mr. Booth acted as temporary subpostmaster from 21<sup>st</sup> April 2004 until 28<sup>th</sup> May 2004. Mrs. Day, to whose evidence I have referred above, became temporary subpostmistress from about 2<sup>nd</sup> May 2004. Mrs. Simpson said that she had no problems with the computers other than the usual trivial problems that one tends to experience with computers on occasions. In particular, when the touch-sensitive computer screen was dirty, it would not accept commands, and information had to be entered via the keyboard. The screen did not freeze, nor was there any failure of communication between the two terminals. She once had to re-boot the computer because the screen went blank. She did not remember any of the equipment being changed. There were no large discrepancies during her term of office. The maximum discrepancy was £101.95. She thought it might have been due to a pension having been paid out twice. The next largest discrepancy was £19.38. Mr. Booth experienced no significant discrepancies other than two which were deliberately induced to check the operation of the Horizon system having regard to Mr. Castleton's allegations. Mrs. Day did not give evidence of having experienced any discrepancies at Marine Drive.

25. Mr. Andrew Wise, of the Network Directorate of the claimant, had worked for the Post Office since 1991 and had a working knowledge of the Horizon computer system. He wrote in his witness statement that he thought that every transaction (apart from online banking such as withdrawing or depositing cash at the counter) recorded by the clerk on to their computer has a corresponding physical document, such as TV licence counterfoil, savings bank deposit [or] withdrawal slip or cheque. After explaining the matter in some detail, he wrote this:



No Error  
NOTICE 1256 -18

Post Office Castle  
P/O OFFICE WOULD FOLD  
FROM WEDS  
218 DAY  
MONTHS

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NOT CHALLENGED

Accordingly, it can be seen that if the clerk or subpostmaster makes a mistake when inputting [sic: inputting?] transaction details into their computer, there are a number of points at which this can be picked up. Because there are daily and weekly reports that the subpostmaster[s] have to produce at which stage they have to check and satisfy themselves that the physical documents evidencing transactions (for example, cheques, giro, pensions and allowances) match what they have entered on the system. In addition to that, there are various teams responsible for different sorts of paperwork produced by the branch, including a giro bank team, cheques team and pension team. For, example, if the clerk records an item incorrectly on the system, they should pick this up on either their daily or weekly report. However, if they fail to do so, this will be picked up at the Processing Centre. If an item has been wrongly recorded, an error notice would be generated, although this can easily take up to 12 weeks or so. This will mean that if a transaction has been over or under stated there will be either a claim error or a charge error respectively.



1350

That evidence was not challenged, and I accept it.

(ANDREW WISE)

\*26. Only three error notices relating to the operations of Marine Drive during the period in question, apart from those mentioned below relating to lottery moneys, were in evidence. One error notice was reversed and does not form part of the claim. The others are charge notices totalling £292. They are not separately claimed: I assume that they are included in the audited figure. The paucity of their number is consistent with the proper working of the Horizon system. An error due to a fault in the Horizon system could conceivably be ignored by the ultimate interested party and thus not relayed to the branch as an error notice, but there is no reason to suppose on that account that such a fault exists.

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\*27. Helen Rose was at the material time an auditor employed by the claimant. On 23<sup>rd</sup> March 2004, she carried out an audit at Marine Drive. That involved counting the cash and stock and checking the paperwork such as Giro deposits and withdrawal receipts, Pensions and Allowances Reports. She found that the branch was short of cash in the sum of £25,758.75 (I accept the accuracy of her audit.) Moreover, it confirms that the shortfall at the end of the previous accounts week was real. It has not been suggested that Mr. Castleton did not start with a clean sheet.

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\*28. There is a claim for £100.20 as the net receipts in Mr. Castleton's shop at Marine Drive of moneys placed in the National Lottery after close of post office business at 5.30 p.m. on 22<sup>nd</sup> March and during 23<sup>rd</sup> March 2004 when the post office was closed and the audit was carried out there. The till was in the shop, which was open at the material time. The claimant alleges that £176 was received at those times for lottery tickets, and that £75.80 was given out to customers by way of prize money. The normal practice was for those moneys to be taken into the post office accounts. That did not happen on this occasion since the post office was closed. The claimant claims by paragraph 11 of the particulars of claim a further adjustment to the account in the sum of £100.20. Before considering the merits of this claim, I shall describe the system.

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THE  
TIME

\*29. I read evidence of Mr. Michael Johnson, whom Mr. Castleton did not require to be called as a witness. He was employed by the claimant in the Lottery Exceptions Team. The following description of the lottery system is derived largely from his evidence. At the



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lottery terminal in the shop the customer pays the shop clerk for a lottery ticket, which is printed by the terminal. Details of the transaction are almost instantaneously downloaded to Camelot, which runs the National Lottery. The subpostmaster uses the shop till receipts to input the details of the lottery transactions into the Horizon computer terminal. Prizes up to a certain amount are paid out by the clerk on presentation of a winning ticket (not necessarily purchased in the shop). Those details are also entered into the Horizon system. Camelot electronically sends to the claimant's data centre details of the transactions for every relevant retailer. The information is automatically compared to the information received on the Horizon system from each branch. If there is a discrepancy, an error notice will be issued unless (not this case) the matter is dealt with directly with the branch. Mr. Johnson exhibited extracts from a spreadsheet taken from the claimant's Issued Errors Database for the Marine Drive branch. They showed a lottery charge error that occurred on 23<sup>rd</sup> March 2004 for £176, an amount by which lottery online sales had been understated in the receipts section. The money represented money that was received by the branch in relation to the National Lottery but not entered by the branch into the Horizon computer. In addition, a claim error notice was issued for £75.80. That represented Lottery prize payments that were understated by the Marine Drive Branch in the payments section. It represents a credit in favour of the branch.

30. The Cash Account (Final) for Mrs. Simpson's first week as postmistress, week 52, shows that £2218.50 had been entered as the amount of the lottery ticket receipts for that week. The figures from Camelot of lottery transactions at the shop for that week totalled £2394.50, a discrepancy of £176. Those figures were broken down into daily amounts. The amount for 23<sup>rd</sup> March was £176. I am satisfied that that error arose because Mrs. Simpson did not enter the amounts shown on the relevant till receipts into the Horizon system. Similarly, the figure entered in the Cash Account (Final) as National Lottery prizes for that week was £5792.80. According to Camelot, the figure should have been £5868.60, a discrepancy of £75.80. Mr. Johnson said, without explaining the mechanism, that the figure of £75.80 represented National Lottery prize payments that were understated by the Marine Drive branch.

\* 31. The defence pleaded by Mr. Castleton's then counsel to the claim for £100.20 was

No admissions are made as to the facts in paragraph 11, being matters that occurred after the defendant's suspension, and the claimant is put to proof of them but the defendant's liability is denied. Having been suspended as set out in paragraph 2 above, the defendant had no way of transacting those matters and/or the claimant's temporary subpostmaster had already assumed responsibility for the branch and/or the claimant's audit staff had balanced the accounts prior to her doing so.

\* In his skeleton opening argument, Mr. Castleton said that the lottery moneys and terminal receipts were given to Mrs. Simpson on the morning of 24<sup>th</sup> March. Although he wrote about Mrs. Simpson at some length in his witness statement, he made no mention there of any payment made to her or of the handing over of any documents to her. Mr. Castleton was cross-examined about the lottery moneys:

Q. Moving on to consider the National Lottery, am I right in thinking that you now accept that you received £176 on 23<sup>rd</sup> March 2004 in respect to National Lottery sales and paid out prizes of £75.80?



ST/14 Pg: 14/15

16-01-07 11:48

CASE ADMIN UNIT

GRO

sent by

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A. That has never been in question.

Q. Is that a yes then?

A. Yes. It was never a question of receiving the moneys. The fact that repaid  
...[inaudible].

CHECK  
TRANSCRIPT \*

OUTBURST BY MRS SIMPSON \*

I assume that it is payment to Mrs. Simpson that he was referring to in the above partly  
inaudible answer. He did not say that he himself had paid the moneys to Mrs. Simpson.  
Mrs. Simpson gave evidence about the subject of lottery moneys generally in her witness  
statement. The relevant paragraph, paragraph 11, reads as follows:

There were two things at the Marine Drive branch that struck me as being  
strange at the time. One related to the National Lottery cash. The National  
Lottery terminal at the Marine Drive branch is in the shop rather than behind the  
post office counter. As the shop stayed open later than the post office counter, it  
would continue to sell lottery tickets, and this meant that before the opening of  
the post office business the next day, I would use the shop till receipts to input  
details of the lottery transactions into the Horizon computer terminal. When I  
came into the branch each morning, I would find the lottery cash that the shop  
had received overnight left in a bag just under the post office counter screen  
together with the lottery till receipt. I was therefore concerned that the lottery  
cash was being left unattended, because it was not secure and a customer could  
have taken it. On one occasion (I cannot recall precisely when), the lottery print-  
out (showing about £50 worth of sales) was there but there was no lottery cash. I  
therefore asked Mr. Castleton to make this amount good from the shop, which  
he did. I also asked for the lottery cash to be handed to me personally.

I accept that evidence of Mrs. Simpson.

WHY WOULD?  
LOTTERY SHEETS BE  
THE SHOP. IF SHE HAD  
BEEN GIVEN?

32. Although the post office at Marine Drive was closed all day on 23<sup>rd</sup> March, the shop was  
open. The sum of £176 must have been paid in by customers, and the prize money paid  
out to customers, between 5.30 p.m. on 22<sup>nd</sup> March, when the post office closed, and  
7.30 p.m., when the shop closed, and during the opening hours of the shop on 23<sup>rd</sup>  
March. Mr. Castleton did not put to Mrs. Simpson that he had paid her the lottery  
money. The nearest that he came to it was this. The discrepancy shown in the Cash  
Account (Final) for week 52, Mrs. Simpson's first week at Marine Drive, was £2.14  
(Representing a loss of £2.14). Mr. Castleton put to her that she should have been £98  
up. She gave a conditional answer that was inconclusive.

33. In her witness statement, Mrs. Train wrote that she went through Mrs. Simpson's  
paperwork and found the lottery tickets loose in an envelope that had not been entered

"which created the error notices. There is also a summary on which she wrote the  
amount of cash received from the shop on her first [day] in post. Not having a  
lottery terminal herself, she had made a mistake and did not account for the prize  
money already paid out. This should've been given back to Mr. Castleton or at least  
shown in the balance as being a gain but it was not".

I have added the word "day" which seems to be required by the sense of the passage.



GRO

HANDED TO JUDGE  
DAY AFTER MRS SIMPSON  
WAS ON STAND

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34. The lottery receipts in question were not in evidence. Mr. Castleton, when cross-examined as to their whereabouts, said that they were in the post office. They were disclosed by neither party to the proceedings. During the course of the cross-examination of Mrs. Simpson by Mr. Castleton, the following exchange took place:

A. So have you got the actual lottery receipts?

Q. They are not in evidence, I'm afraid.

A. Right. Well I would want to see those before I made that (inaudible).

When Mrs. Simpson was recalled for other reasons, Mr. Castleton indicated that he was in possession of the lottery receipts and wanted to put them to Mrs. Simpson in further cross-examination. On Mr. Morgan's objection, I refused to allow him to do so.

after the conclusion  
of the evidence I  
said, etc.

35. Mrs. Oglesby invited Mrs. Simpson to run Matine Drive on a temporary basis to take the place of Mr. Castleton. She described Mrs. Simpson as a very experienced postmaster. I accept that she was, and I found her to be a reliable witness. If Mrs. Simpson had had the lottery vouchers at the material time and entered them into the Horizon system, the error notices would not have been generated. I am satisfied that the reason why she did not enter them into the Horizon system is that she did not have them. Moreover, if she had received the moneys, then given that she did not enter the transactions into the computer, the system ought to have shown a corresponding gain of £100.20. It did not. It showed a loss of £2.14. However, that evidence is by no means conclusive since there could have been other errors.

WHY WOULD  
THE LOTTERY  
TICKET BE  
IN THE P/O

36. Mr. Castleton was suspended from his postmastership on 23<sup>rd</sup> March. His duty to account to the claimant for the lottery moneys received on 23<sup>rd</sup> and 24<sup>th</sup> March in my judgement arises from his admitted receipt of the moneys. That point is not pleaded; but nor is the defendant's allegation that the moneys have been accounted for by way of payment to Mrs. Simpson. I am satisfied that the claimant is entitled to restitution of those moneys.

37. There will thus be judgment on the claim against the defendant for £25,858.95. I shall hear counsel and Mr. Castleton on the question of interest.

38. There is a counterclaim for damages in the sum of £11,250 on the ground that the claimant wrongfully determined the defendant's contract as a subpostmaster following his suspension.

39. The defendant's contract with the claimant was a contract for services dated 18<sup>th</sup> July 2003. The contract provides, by section 1, clause 5, that the subpostmaster is required to accept full responsibility for the proper running of his sub-office. Retention of his appointment is dependent on the sub-office being well managed and the work performed properly to the satisfaction of the claimant. Clause 8 provides that the terms of the appointment of the subpostmaster do not entitle the holder to be paid compensation for loss of office. Clause 10 provides for summary determination of the contract by the claimant in case of breach of condition by the subpostmaster or non-performance of his obligation; otherwise it may be determined by the claimant on not less than three months' notice. Section 12 clause 5 provides that the subpostmaster is held strictly responsible for



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the safe custody of cash, stock of all kinds and other property, papers and documents of the claimant, whether held by himself or by his assistants. Clause 12 provides that the subpostmaster is responsible for all losses caused through his own negligence, carelessness or error, and also for all losses of all kinds caused by his assistants. Deficiencies due to such losses must be made good without delay. Clause 13 provides that the financial responsibility of the subpostmaster does not cease when he relinquishes his appointment and he will be required to make good any losses incurred during his term of office which may subsequently come to light. Clause 15 provides that if a theft or burglary is committed or attempted at a sub-office....the facts must be reported at once to the police and to the regional general manager. Clause 16 provides that if a sub-postmaster considers that any stock items have been accidentally lost or stolen he should make a report as quickly as possible to the Regional General Manager. There is no evidence of any such reports, and it is no part of the defendant's case that stock was lost whether by theft or accidentally. Section 15, clause 2, provides that a subpostmaster will be required to make good any deficiency of cash or stock which may result from his assistants' actions. Section 22 clause 3 provides that the subpostmaster will be responsible for ensuring that transactions will be carried out accurately....and that all documentation is properly completed and despatched at the due time.

\*  
32  
REFRASE  
CALCS

40. I am satisfied that the substantial unexplained deficiencies incurred in weeks 42 to 51 and in week 52 up to the close of business on 22<sup>nd</sup> March 2004 are real deficiencies and as such are irrefutable evidence that Marine Drive was not properly managed at the material time. I conclude that the claimant was entitled under clause 10 of section 1 to determine Mr. Castleton's contract summarily for non-performance of his obligation under clause 5 of that section. Moreover, the losses must have been caused by his own error or that of his assistants.

41. The counterclaim is dismissed.



12-01-06 09:09 FROM: MARINE+DRIVE+PO

GRO

From:  
Sent:  
To:  
Subject:

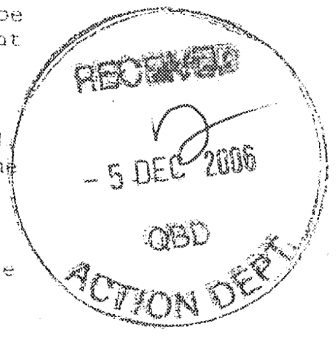
SPMRs GRO on behalf of alabro20  
04 January 2006 22:34  
SPMRs GRO  
[SPMRs] BEWARE HORIZON IS INFALLIBLE, OFFICIAL

TO: 2 GRO  
GRO GRO

Follow Up Flag: Follow up  
Flag Status: Flagged

Claim No  
HQ 05X  
02706

You may remember that sometime ago I posted a message that Horizon had created a £6500 loss and that it was through no fault of mine. Today I finally got a response from Chesterfield to remove the amount still in error from emergency suspense and that they would be writing it off, in other words they have accepted that Horizon is at fault, but they do not know how to correct it. Great news, until balancing this evening and guess what all individual stock units balance near enough, go to balance the final stock unit which is shared, I have one screen that says I have a £4 gain and the screen next to it says I have a £13000 loss on the same stock unit. Printed 2 balance snapshots for the stock unit from the different nodes at the same time. One snapshot says that total value of cash and MOP is £10501 and the other £53787. Total Receipts £122746 and the other £120457. Stock is also different on both reports. Yet again there is a communication error within the local area network and one node has stopped communicating with the rest. Again Horizon have not picked this up, no alarms have been ringing. This could be happening at every office in the country with more than one terminal. You could be having losses through no fault of your own and could be making them good. This could be costing sub postmasters throughout the country a fortune and all because the computer systems occasionally do not work.



Regards  
Alan B

I certify that this is a true & factual  
Statements of events

Alan Brown

3/12/06.

from court and includes an amount by way of costs

This summons was issued on the application of the claimant (defendant) or the claimant's (defendant's) solicitor whose name, address and reference number is:

Mr. L. Castleton GRO

This Witness Summons is issued by special Order of High Court of England And Wales pursuant to section 36(2) Supreme Court Act 1981.

**Do not ignore this summons**  
If you were offered money for travel expenses and compensation for loss of time, at the time it was served on you, you must --  
• attend court on the date and time shown and/or produce documents as required by the summons; and  
• take an oath or affirm as required for the purposes of answering questions about your evidence or the documents you have been asked to produce.  
If you do not comply with this summons you will be liable, in county court proceedings, to a fine. In the High Court, disobedience of a witness summons is a contempt of court and you may be fined or imprisoned for contempt. You may also be liable to pay any wasted costs that arise because of your non-compliance.  
If you wish to set aside or vary this witness summons, you may make an application to the court that issued it.



(4)

Id	User	SU	Date	Time	Seasonid	TxnId	Mode	ProductNo	Qty	SaleValue	EntryMethod	State	IOP Ident	Result	ForeignIndicator
1	LCA001	AA	02-Feb-04	14:20:12	44-213337-1-899846-1	44-213337-1-899846-5	SC	2867	2	0.4					
1	LCA001	AA	02-Feb-04	14:20:13	44-213337-1-899846-1	44-213337-1-899846-6	SC	2867	1	3.75					
1	LCA001	AA	02-Feb-04	14:20:15	44-213337-1-899846-1	44-213337-1-899846-7	SC	2867	6	1.2					
1	LCA001	AA	02-Feb-04	14:20:16	44-213337-1-899846-1	44-213337-1-899846-8	SC	21	1	7.54					
1	LCA001	AA	02-Feb-04	14:20:17	44-213337-1-899846-1	44-213337-1-899846-9	SC	21	1	9.91					
1	LCA001	AA	02-Feb-04	14:20:20	44-213337-1-899846-1	44-213337-1-899846-10	SC	1	-1	-21.46					
2	LCA001	AA	02-Feb-04	14:21:12	44-213337-1-899855-1	44-213337-1-899855-2	SC	184	-1	-43.15					
2	LCA001	AA	02-Feb-04	14:21:15	44-213337-1-899855-1	44-213337-1-899855-3	SC	184	-1	-70.57					
2	LCA001	AA	02-Feb-04	14:21:21	44-213337-1-899855-1	44-213337-1-899855-4	SC	184	-1	-73.58					
2	LCA001	AA	02-Feb-04	14:21:24	44-213337-1-899855-1	44-213337-1-899855-5	SC	184	-1	-77.45					
2	LCA001	AA	02-Feb-04	14:21:27	44-213337-1-899855-1	44-213337-1-899855-6	SC	184	-1	-77.84					
2	LCA001	AA	02-Feb-04	14:21:32	44-213337-1-899855-1	44-213337-1-899855-7	SC	184	-1	-78.81					
2	LCA001	AA	02-Feb-04	14:21:32	44-213337-1-899855-1	44-213337-1-899855-8	SC	184	-2	-158.52					
2	LCA001	AA	02-Feb-04	14:21:36	44-213337-1-899855-1	44-213337-1-899855-9	SC	184	-1	-80.72					
2	LCA001	AA	02-Feb-04	14:21:46	44-213337-1-899855-1	44-213337-1-899855-10	SC	184	-1	-83.80					
2	LCA001	AA	02-Feb-04	14:21:51	44-213337-1-899855-1	44-213337-1-899855-11	SC	184	-1	-85.49					
2	LCA001	AA	02-Feb-04	14:21:57	44-213337-1-899855-1	44-213337-1-899855-12	SC	184	-1	-86.53					
2	LCA001	AA	02-Feb-04	14:22:00	44-213337-1-899855-1	44-213337-1-899855-13	SC	184	-3	-256.59					
2	LCA001	AA	02-Feb-04	14:22:03	44-213337-1-899855-1	44-213337-1-899855-14	SC	184	-1	-88.97					
2	LCA001	AA	02-Feb-04	14:22:11	44-213337-1-899855-1	44-213337-1-899855-15	SC	184	-1	-89.7					
2	LCA001	AA	02-Feb-04	14:22:34	44-213337-1-899867-2	44-213337-1-899867-1	SC	4342	1	1.2					
1	LCA001	AA	02-Feb-04	14:23:34	44-213337-1-899867-2	44-213337-1-899867-2	SC	1	-1	-1.2					
1	LCA001	AA	02-Feb-04	14:23:48	44-213337-1-899868-1	44-213337-1-899868-2	SC	184	-1	-135.19					
1	LCA001	AA	02-Feb-04	14:23:48	44-213337-1-899868-1	44-213337-1-899868-3	SC	1	1	135.19					
1	LCA001	AA	02-Feb-04	14:24:43	44-213337-1-899868-1	44-213337-1-899868-2	SC	184	-1	-43.15					
1	CTR002	AA	02-Feb-04	14:25:20	44-213337-1-899868-1	44-213337-1-899868-3	SC	1	1	43.15					
1	CTR002	AA	02-Feb-04	14:25:35	44-213337-1-899868-1	44-213337-1-899868-2	SC	184	-1	-80.36					
1	CTR002	AA	02-Feb-04	14:25:52	44-213337-1-899868-1	44-213337-1-899868-1	SC	185	-1	-155.9					
1	LCA001	AA	02-Feb-04	14:26:11	44-213337-2-1183921-1	44-213337-2-1183921-2	SC	5501	1	19					
1	CTR002	AA	02-Feb-04	14:26:36	44-213337-1-899901-1	44-213337-1-899901-2	SC	1	1	70.36					
1	CTR002	AA	02-Feb-04	14:27:05	44-213337-1-899901-1	44-213337-1-899901-2	SC	398	1	7					
1	CTR002	AA	02-Feb-04	14:27:15	44-213337-1-899910-1	44-213337-1-899910-2	SC	1	1	153.9					
2	LCA001	AA	02-Feb-04	14:27:35	44-213337-2-1183921-1	44-213337-1-899915-1	SC	2867	1	0.2					
1	CTR002	AA	02-Feb-04	14:28:13	44-213337-1-899910-1	44-213337-1-899915-2	SC	1	-1	-7.2					
1	CTR002	AA	02-Feb-04	14:28:16	44-213337-1-899910-1	44-213337-2-1183928-1	SC	1	1	1350.75					
2	LCA001	AA	02-Feb-04	14:28:17	44-213337-1-899855-1	44-213337-1-899918-2	SC	184	-1	-121.96					
1	CTR002	AA	02-Feb-04	14:28:22	44-213337-1-899918-1	44-213337-1-899918-3	SC	1	1	121.96					
1	CTR002	AA	02-Feb-04	14:28:03	44-213337-1-899918-1	44-213337-2-1183969-2	SC	2275	1	46.58					
2	CTR001	AA	02-Feb-04	14:28:40	44-213337-2-1183969-1	44-213337-2-1183974-1	SC	1	-1	-46.58					
2	CTR001	AA	02-Feb-04	14:28:50	44-213337-2-1183969-1	44-213337-1-899920-2	SC	121	1	1.45					
1	CTR002	AA	02-Feb-04	14:31:26	44-213337-1-899920-1	44-213337-1-899920-2	SC	260	1	52					
1	CTR002	AA	02-Feb-04	14:31:26	44-213337-1-899920-1	44-213337-1-899920-3	SC	260	1	98					
1	CTR002	AA	02-Feb-04	14:31:45	44-213337-1-899920-1	44-213337-1-899920-3	SC	121	1	1.45					
1	CTR002	AA	02-Feb-04	14:31:45	44-213337-1-899920-1	44-213337-1-899920-4	SC	184	-1	-43.15					
1	CTR002	AA	02-Feb-04	14:31:58	44-213337-1-899920-1	44-213337-2-1183976-2	SC	164	-1	-100					
2	CTR001	AA	02-Feb-04	14:32:54	44-213337-2-1183976-1	44-213337-1-899923-1	SC	412	1	7					
1	CTR002	AA	02-Feb-04	14:33:03	44-213337-1-899923-1	44-213337-2-1183976-3	SC	107	1	100					
2	CTR001	AA	02-Feb-04	14:33:08	44-213337-2-1183976-1	44-213337-1-899930-1	SC	2870	1	25					
1	CTR002	AA	02-Feb-04	14:33:18	44-213337-1-899920-1	44-213337-1-899936-1	SC	1	-1	-141.75					
1	CTR002	AA	02-Feb-04	14:34:20	44-213337-1-899943-2	44-213337-1-899947-1	SC	4341	1	0.91					
1	CTR002	AA	02-Feb-04	14:35:06	44-213337-2-1183978-1	44-213337-2-1183978-2	SC	3985	1	3.36					
2	CTR001	AA	02-Feb-04	14:35:07	44-213337-2-1183978-1	44-213337-2-1183978-3	SC	3686	1	2.4					
2	CTR001	AA	02-Feb-04	14:35:25	44-213337-1-899943-2	44-213337-1-899951-1	SC	4341	1	0.91					
1	CTR002	AA	02-Feb-04	14:35:25	44-213337-2-1183978-1	44-213337-2-1183978-4	SC	1	-1	-5.76					
2	CTR001	AA	02-Feb-04	14:36:17	44-213337-2-1183985-1	44-213337-2-1183985-2	SC	4927	1	-83.39					
2	CTR001	AA	02-Feb-04	14:36:44	44-213337-2-1183985-1	44-213337-2-1183985-3	SC	1	1	83.39					
2	CTR001	AA	02-Feb-04	14:36:54	44-213337-2-1183987-1	44-213337-2-1183987-2	SC	184	-1	-48.13					
2	CTR001	AA	02-Feb-04	14:37:24	44-213337-2-1183987-1	44-213337-2-1183987-3	SC	1	1	48.13					
1	CTR002	AA	02-Feb-04	14:37:31	44-213337-1-899943-2	44-213337-1-899951-2	SC	1	-1	-1.62					
1	CTR002	AA	02-Feb-04	14:37:42	44-213337-1-899960-2	44-213337-1-899966-1	SC	4339	1	0.42					
1	CTR002	AA	02-Feb-04	14:38:01	44-213337-2-1183994-1	44-213337-2-1183994-2	SC	4925	-1	-70					
2	CTR001	AA	02-Feb-04	14:38:16	44-213337-2-1183994-1	44-213337-2-1183994-3	SC	1	1	70					
2	CTR001	AA	02-Feb-04	14:38:47	44-213337-2-1183999-1	44-213337-2-1183999-2	SC	704	1	11					
2	CTR001	AA	02-Feb-04	14:38:56	44-213337-2-1183999-1	44-213337-2-1184006-1	SC	2287	1	10					
2	CTR001	AA	02-Feb-04	14:39:10	44-213337-2-1183999-1	44-213337-2-1184013-1	SC	134	1	7					
2	CTR001	AA	02-Feb-04	14:39:20	44-213337-2-1183999-1	44-213337-2-1184020-1	SC	412	1	7					
2	CTR001	AA	02-Feb-04	14:39:32	44-213337-2-1183999-1	44-213337-2-1184027-1	SC	368	1	5					
2	CTR001	AA	02-Feb-04	14:39:40	44-213337-1-899960-2	44-213337-1-899966-2	SC	1	-1	-0.42					
1	CTR002	AA	02-Feb-04	14:39:53	44-213337-2-1183999-1	44-213337-2-1184032-1	SC	1	-1	-43					
2	CTR001	AA	02-Feb-04	14:39:54	44-213337-1-899971-1	44-213337-1-899977-2	SC	19	1	0.28					

Refer to

2nd Feb Status Report.

GRO

GRO



3

Groupid	Id	Date	Time	User	SU	EPOSSTransaction_T	EPOSSTransaction_Ti
213337	1	02-Feb-04	11:52:44	RSP001	AA	Report APS Receipt	Report Printed
213337	1	02-Feb-04	11:52:57	RSP001	AA	Report Debit Card Signature Receipt	Report Printed
213337	1	02-Feb-04	11:53:03	RSP001	AA	Report Customer Debit Card Receipt	Report Printed
213337	1	02-Feb-04	11:55:29	RSP001	AA	Report NB Balance Enquiry Cust Receipt	Report Printed
213337	1	02-Feb-04	11:56:11	RSP001	AA	Report NB Customer Receipt	Report Printed
213337	1	02-Feb-04	12:01:33	RSP001	AA	Report APS Receipt	Report Printed
213337	1	02-Feb-04	12:01:38	RSP001	AA	Report APS Receipt	Report Printed
213337	1	02-Feb-04	12:01:47	RSP001	AA	Report APS Receipt	Report Printed
213337	1	02-Feb-04	12:01:52	RSP001	AA	Report APS Receipt	Report Printed
213337	1	02-Feb-04	12:03:31	RSP001	AA	Report EPOSS Session Receipt	Report Printed
213337	1	02-Feb-04	12:03:58	RSP001	AA	Report E-Top Up Receipts	Report Printed
213337	1	02-Feb-04	12:06:37	RSP001	AA	Report EPOSS Session Receipt	Report Printed
213337	1	02-Feb-04	12:10:17	RSP001	AA	Report APS Receipt	Report Printed
213337	1	02-Feb-04	12:10:23	RSP001	AA	Report APS Receipt	Report Printed
213337	1	02-Feb-04	12:12:51	RSP001	AA	Report E-Top Up Receipts	Report Printed
213337	1	02-Feb-04	12:13:02	RSP001	AA	Report E-Top Up Receipts	Report Printed
213337	1	02-Feb-04	12:13:54	RSP001	AA	Report NB Customer Receipt	Report Printed
213337	1	02-Feb-04	12:14:16	RSP001	AA	Report APS Receipt	Report Printed
213337	1	02-Feb-04	12:14:21	RSP001	AA	Report APS Receipt	Report Printed
213337	1	02-Feb-04	12:14:34	RSP001	AA	Report APS Receipt	Report Printed
213337	1	02-Feb-04	12:14:43	RSP001	AA	Report APS Receipt	Report Printed
213337	1	02-Feb-04	12:19:12	RSP001	AA	Report EPOSS Session Receipt	Report Printed
213337	1	02-Feb-04	12:26:01	RSP001	AA	Report EPOSS Session Receipt	Report Printed
213337	1	02-Feb-04	12:26:54	RSP001	AA	Report EPOSS Session Receipt	Report Printed
213337	1	02-Feb-04	12:27:10	RSP001	AA	Report APS Receipt	Report Printed
213337	1	02-Feb-04	12:27:15	RSP001	AA	Report APS Receipt	Report Printed
213337	1	02-Feb-04	12:28:26	RSP001	AA	Report NB Balance Enquiry Cust Receipt	Report Printed
213337	1	02-Feb-04	12:34:39	RSP001	AA	Report APS Receipt	Report Printed
213337	1	02-Feb-04	12:34:47	RSP001	AA	Report APS Receipt	Report Printed
213337	1	02-Feb-04	12:38:03	RSP001	AA	Report EPOSS Session Receipt	Report Printed
213337	1	02-Feb-04	12:41:15	RSP001	AA	Report EPOSS Session Receipt	Report Printed
213337	1	02-Feb-04	12:41:22	RSP001	AA	User RSP001 logged off	Logout Completed
213337	1	02-Feb-04	12:41:22	RSP001	AA	User LCA001 logged on	Login Completed
213337	1	02-Feb-04	12:41:50	LCA001	AA	Node 1 has become completely disconnected from the network	Node Disconnection
213337	1	02-Feb-04	12:41:51	LCA001	AA	Report NB Customer Receipt	Report Printed
213337	1	02-Feb-04	13:14:32	LCA001	AA	Report Debit Card Signature Receipt	Report Printed
213337	1	02-Feb-04	13:24:12	LCA001	AA	Report Customer Debit Card Receipt	Report Printed
213337	1	02-Feb-04	13:24:39	LCA001	AA	Report EPOSS Session Receipt	Report Printed
213337	1	02-Feb-04	13:24:59	LCA001	AA	Report NB Customer Receipt	Report Printed
213337	1	02-Feb-04	13:26:53	LCA001	AA	Report APS Receipt	Report Printed
213337	1	02-Feb-04	13:32:36	LCA001	AA	Report APS Receipt	Report Printed
213337	1	02-Feb-04	13:32:53	LCA001	AA	Report APS Receipt	Report Printed
213337	1	02-Feb-04	13:35:17	LCA001	AA	Report APS Receipt	Report Printed
213337	1	02-Feb-04	13:35:32	LCA001	AA	Report APS Receipt	Report Printed
213337	1	02-Feb-04	13:37:22	LCA001	AA	Report APS Receipt	Report Printed
213337	1	02-Feb-04	13:37:37	LCA001	AA	Report EPOSS Session Receipt	Report Printed
213337	1	02-Feb-04	13:45:08	LCA001	AA	Report APS Receipt	Report Printed
213337	1	02-Feb-04	13:46:06	LCA001	AA	Report APS Receipt	Report Printed
213337	1	02-Feb-04	13:46:12	LCA001	AA	Report APS Receipt	Report Printed
213337	1	02-Feb-04	13:46:20	LCA001	AA	Report APS Receipt	Report Printed
213337	1	02-Feb-04	13:46:27	LCA001	AA	Report APS Receipt	Report Printed
213337	1	02-Feb-04	13:47:13	LCA001	AA	Report APS Receipt	Report Printed
213337	1	02-Feb-04	13:47:24	LCA001	AA	Report APS Receipt	Report Printed
213337	1	02-Feb-04	13:50:14	LCA001	AA	Report EPOSS Session Receipt	Report Printed
213337	1	02-Feb-04	13:51:26	LCA001	AA	Report NB Balance Enquiry Cust Receipt	Report Printed
213337	1	02-Feb-04	13:56:24	LCA001	AA	Report NB Balance Enquiry Cust Receipt	Report Printed
213337	1	02-Feb-04	14:03:15	LCA001	AA	Report APS Receipt	Report Printed
213337	1	02-Feb-04	14:03:21	LCA001	AA	Report APS Receipt	Report Printed
213337	1	02-Feb-04	14:03:42	LCA001	AA	Node 1 has regained its connection to the network	Node Re-connection
213337	1	02-Feb-04	14:05:53	LCA001	AA	Report APS Receipt	Report Printed
213337	1	02-Feb-04	14:05:59	LCA001	AA	Report APS Receipt	Report Printed
213337	1	02-Feb-04	14:08:11	LCA001	AA	Report APS Receipt	Report Printed
213337	1	02-Feb-04	14:08:17	LCA001	AA	Report APS Receipt	Report Printed
213337	1	02-Feb-04	14:08:28	LCA001	AA	Report APS Receipt	Report Printed
213337	1	02-Feb-04	14:08:33	LCA001	AA	Report APS Receipt	Report Printed
213337	2	02-Feb-04	14:24:56	LCA001	AA	User LCA001 logged on	Login Completed
213337	1	02-Feb-04	14:25:15	CTR002	AA	User CTR002 logged on	Login Completed
213337	1	02-Feb-04	14:26:44	CTR002	AA	Report E-Top Up Receipts	Report Printed
213337	1	02-Feb-04	14:27:19	CTR002	AA	Report APS Receipt	Report Printed
213337	1	02-Feb-04	14:27:47	CTR002	AA	Report APS Receipt	Report Printed
213337	1	02-Feb-04	14:28:27	LCA001	AA	Report EPOSS Session Receipt	Report Printed

→ \* LOGGED ON NODE 1

→ \* LOGGED ON NODE 2



Office code: 2133377 Week No: 41 Week Ending: 07/01/2004

Date: 08/01/2004 Time: 07:50

EPTS (Cont)

TABLE 12 PARCEL TRAFFIC

02		£ p	90 Numbers	90	£ p			
	00		86	11	87	60.46	Inland Stamped	
	01		88	0	89	0.00	Inland Meter Posted	
	02		92	0	93	0.00	Internat Stamped	
	03		94	0	95	0.00	Internat Meter Posted	
	04		OFR					
	05		OFR					
	06		TABLE 6 REMITTANCES FROM ADC					
	07			60		£ p		
	08			14			Cash	
	09			15			Cheques	
	10			16			Fgn Curr Sterl Equiv	
	11			01				
	12			19				
	13			31				
	14			32				
	15		OFR					
	16		TABLE 6(a) STOCK RECEIPTS FROM ADC					
	17			61		£ p	Postage	
	18			08	1,120.00		1st Class Slips	
	19			09	404.80		2nd Class Slips	
				23	235.85		Other Postage Items	
				48			Stamp Books Vending	
				22	774.00		Stamp Books Other	
				10			Self Ad Slips 1st Class	
				11	600.00		Self Ad Slips 2nd Class	
				50				
				51				
				52				
				53				
				54				
							Postal Order Fees	
				37			Band 1	
				38	10.00		Band 2	
				77	32.00		Band 3	
				07	40.00		Band 4	
				05	11.00		Band 5	
				06	36.00		Band 6	
				55			Comm Band 7	
			OFR					
			TABLE 5(b) STOCK IN HAND BREAKDOWN					
				50		£ p	Postage	
				11	1,317.40		1st Class Slips	
				12	1,010.40		2nd Class Slips	
				01	1,249.07		Other Postage Items	
				02			Stp Bks Vending	
				10	798.24		Stp Bks Other	
				13	420.00		Self Ad Slips 1st Class	
				15	540.00		Self Ad Slips 2nd Class	
				90				
				91				
				92				
				93				
				94				
							Postal Order Fees	
				03	4.75		Band 1	
				04	20.50		Band 2	
				14	37.60		Band 3	
				16	50.00		Band 4	
				19	20.90		Band 5	
				21	33.60		Band 6	
				95			Comm Band 7	
			OFR					
				61				
				70				
				71				
				72				
				73				
			RECEIPTS TOTAL					
		136,116.65						

OFR OFR







Office Code: 2133377 Week No: 41 Week Ending: 07/01/2004

Date: 08/01/2004 Time: 07:50

TABLE 8 STOCK RETURNS TO ADC/CHESTERFIELD (Cont)

TABLE 10(f) GIROBANK TRANSACTION BREAKDOWN

1	1
5	2 Business Deps GTE £60
3	3
2	4 PSB Purchased
2	7 B Gas/Utility Tcash
7	18 Bar Coded Tcash
8	19
9	20
0	21
1	22 Transcash Giro
4	23 Bus Dep LT £60
5	24 Local Rent/Council Tax
6	25 A&L Personal Cash Dep
3	5 Personal Chq Dep
1	6 Bns Chq Only Dep
3	8 Cncl Tax Cds/Vchr
7	9 Rent Vouchers
8	10 Rent Cards
2	17
10	30
8	11
38	12 LINKSAVE
9	13 Bns Cash Wdis
10	14 A&L Personal Wdi
45	35 Bus Wdi LTE £1000
11	15
15	16 Change Giving

70	E P
83	MTV2Go £4.99 Content Cards
82	MTV2Go £9.99 Content Cards
80	
53	Littlewoods S/C
01	
66	£20 T-Mobile Prepay
67	£10 T-Mobile Prepay
61	£15 Orange Prepay
62	£5 Orange Prepay
35	£10 Orange Prepay
39	£5 Vodafone Prepay
31	£15 Vodafone Prepay
43	£25 Vodafone Prepay
44	£10 Vodafone Prepay
45	£5 Virgin Prepay
46	£10 Virgin Prepay
49	£20 Virgin Prepay
50	£5 PO Calling Card
26	£10 PO Calling Card
27	£20 PO Calling Card
29	£10 PO Calling Card Intrnl
02	£10 O2 Prepay
11	£20 O2 Prepay
14	
64	
65	
56	
57	
68	
69	
91	
71	
72	
92	
75	
76	
77	
21	
85	
23	
24	
30	
86	
87	
51	
54	
58	
59	
89	
94	
78	
79	
81	
95	
93	
84	
63	Nat Lott Instant Win

OFR

TABLE 8 STOCK RETURNS TO ADC/CHESTERFIELD

70	E P
36	Game Licences
03	Philatelic Items
15	1st Class Slps
16	2nd Class Slps
07	Other Postage Items
08	Stamp Bks Vending
09	Stamp Bks Other
32	Self Ad Slps 1st Class
33	Self Ad Slps 2nd Class
52	Disc Whske Slps
47	
55	Comm PO Fee Band 7
05	
06	Home Help /Care Slps
28	MoneyGram/PO Phonecard
22	PO Face Value
04	PO Fee Band 1
19	PO Fee Band 2
20	PO Fee Band 3
18	PO Fee Band 4
40	PO Fee Band 5
41	PO Fee Band 6
42	London Boroughs Scheme
74	Coronation Crown
37	Queen Mother £5 Crown
60	
34	
70	Vehicle Lic Slps
10	TV Lic Svg Slps
12	Water Authy Slps
13	
17	
73	B Gas Svg Slps
48	SEEBoard Svg Slps
25	IOBOX Vouchers
90	
38	

70	E P
91	
71	
72	
92	
75	
76	
77	
21	
85	
23	
24	
30	
86	
87	
51	
54	
58	
59	
89	
94	
78	
79	
81	
95	
93	
84	
63	Nat Lott Instant Win

TABLE 9 REMITTANCES TO ADC

80	E P
01	Cash
02	Cheques/Other
43	Fgn Curr Sterl Equiv
20	
21	
22	
23	

Cont...



Page: 1 Office code: 2133377 Week No: 41 Week Ending: 07/01/2004

Date: 08/01/2004 Time: 07:50

OFFICE NAME: Marine Drive

2003/2004  
HORIZON

Week No 41

ADDRESS:

**GRO**

Cash Account (Final)

TELEPHONE:

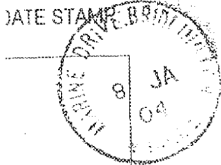
GRO

Week Ended: 07/01/2004

OFFICE CODE:

213 337 7

30



TO BE SIGNED BEFORE DESPATCH OF CASH ACCOUNT

SUBPOSTMASTER/FRANCHISEE/BRANCH MANAGER

**GRO**

EXAMINED IN TP: \_\_\_\_\_

TABLE 2 UNCLAIMED PAYMENTS

TABLE 10(g) NUMBER OF TRANSACTIONS

50	£ p	Date	91		
26		Unpaid Cheques A	72	..... 1	E111 Certificates
27		Unpaid Cheques B	79		OB Chqs
28		Unpaid Cheques C	78		NS ISA Cash Cross Warr
29		Vouchers	82		Citibank M Order
30		Shortages In REMS etc	81		Parcelforce by 9 & 10
31		Burglary etc Losses	73		Parcelforce 24/48
32		POL Chq pension homes	65		Internal Datapost
33			66		Low Cover
34		Migration	71		Medium Cover
35			83		High Cover
36			75		Contract Parcels Inland
37			80		Contract Parcels Internal
38			67		Special Delivery Items
TABLE 2(a) AUTHORISED CASH SHORTAGES			76	..... 14	UKPA Contingency
			88		Airsure
			74		International signed for
			87		Swifair
			85		
			89		
50			94		Parcelforce by noon
46		Cash Shortages A	90		
47		Cash Shortages B	84		Disc Whise Packs
48		Cash Shortages C	77		Postmans Pouches
49		Cash Shortages D	91	..... 14	SORN
TABLE 3 UNCHARGED RECEIPTS			68		B/Gas Recon/Discon
			69		Camelot Vouchers
			92		TVL U75 Pre-Application
			93		
			70		Pre-order Buy Back
50			63		
			64		Home Shop Returns
			57	..... 8	
60			58		Standard Life SHP Apps
61			59		PCI Smartcard Applications
62			60		MVL Postal Applications
63		Pre-purchase	61		
64		Cash Surplus A	62		
65		Cash Surplus B	86		
66		Surpluses in Rems etc	95		
67			10		
68		Migration	15		SWEB/EB
71			20		
72			25		
DISCREPANCIES TABLE			30	..... 2	LINK Balance Enquiries
			35	..... 7	Card Account balance enquiries
			40		A & I Balance Enquiries
			45		Special Delivery by 9.00am
07			50		
			55		
01		Surplus	26		
02	..... 0.47	Shortage	27		
			28		
			29		

Cont...







**Andruszewski, Luke**

---

**From:** lee castleton [GRO] [GRO]  
**Sent:** 16 January 2011 08:15  
**To:** Shoosmiths  
**Cc:** Andruszewski, Luke  
**Subject:** Re: Re:  
**Attachments:** termination.docx; appeal.docx; appeal 2.docx; appeal 3.docx; suspension.docx; suspension 2.docx

Firstly, sorry for not laying out the last email properly I have been on nights and did not think. 1, I was suspended on the 23-03-2004 but terminated on the 17/05/04. The termination was back dated to the 23 03 04.

2. I appealed the termination decision by return and was told the process would take no more than 6 weeks. John Jones was appointed my appeals manager and I have enclosed his letters. We met in Darlington main Post Office on the 1st July 2004 and his decision letter followed on the 9th July 2004

Lee Castleton

**From:** Shoosmiths  
**Sent:** Thursday, January 13, 2011 10:52 AM  
**To:** lcastleton.castleton [GRO]  
**Subject:** Re:

Dear Mr Castleton,

In order that I can come back to you with an indication regarding your request for an advice on the issue of limitation, please would you confirm for me the following information?

You have stated in your original questionnaire that your contract came to an end on 23 March 2004, but you have stated this was both the date of suspicion *and* termination. I am unclear how a period of suspension could commence if at the same time the contact had come to an end.

In the Court Judgment the Judge refers to a termination "following [your] suspension" (paragraph 38).

(1) Please would you confirm the actual date it was confirmed to you that contact was being terminated and provide me with any document you have that might prove that (a letter from the Post Office, for example).

(2) Please confirm whether there followed, after that date, any appeal process and, if so, please confirm details, the result and the date that process came to an end (again with evidence if you have it).

On receipt of you answers to these points, I advise you on what basis I may be able to offer you legal services for the requested advice.

Yours sincerely

**Luke Andruszewski**  
Legal Executive

**Access Legal from Shoosmiths**

**GRO**

Conveyancing | Employment law advice | Legal disputes | Medical Negligence  
Motoring law | Personal injury | Wills, family & wealth

Access Legal from Shoosmiths is part of UK National law firm Shoosmiths.

-----Original Message-----

From: lee castleton [GRO] [GRO]  
To: Andruszewski, Luke  
</O=SHOOSMITHS/OU=BASINGSTOKE/CN=RECIPIENTS/CN=ANDRUSZEWSKIL>  
Cc: Shoosmiths </O=SHOOSMITHS/OU=BASINGSTOKE/CN=RECIPIENTS/CN=QH-LEP2>  
Sent: 11:01 Saturday 18 December 2010  
Subject:  
Attachments: let 002.tif

I hope you might get a better quality copy of this from the M.P. Lee

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Please consider the environment - do you really need to print this?

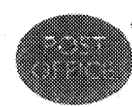
*termination doc*

PERSONAL AND IN CONFIDENCE  
Mr Lee Castleton

**GRO**

17.05.04

Dear Lee



I am writing following our meeting on Monday 10 May 2004, in which you put forward reasons why your contract for services should not be summarily terminated.

I have reviewed the papers relating to this case very carefully and have taken into account the points you have put forward.

After consideration I have decided to summarily terminate your contract for services as Subpostmaster of Post Office® Marine Drive branch from the date of your suspension, 23 March 2004, on the grounds that you have had several large unexplained losses at your office totalling £25,758.75. You were unable to make the losses good, which is in breach of your Contract For Services. There are a number of obligations set out within the Subpostmasters contract for services, one of which is that the branch is well managed and the work performed to the satisfaction of Post Office Ltd. I do not feel that you have achieved your obligations.

Please refer to your contract for services section 1, paragraphs 5 and 10 and section 12, paragraph 12.

You may, if you wish, appeal against my decision. If it is your intention to appeal, you should notify me, in writing by 31 May 2004. The format of the appeal can either be a personal interview or written submission. Should you wish to progress this avenue, I will arrange for the appeal to be heard by a member of Post Office Ltd Appeals Authority.

Post Office Ltd  
Darlington Area Office  
Crown Street  
Darlington  
DL1 1AN

**GRO**

Post Office Ltd  
Registered in England and Wales number. 2154540  
Registered Office: 80-86 Old Street  
London EC1V 9NN

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appeal doc

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Personal – In Strictest Confidence

Mr Lee Castleton

**GRO**

21<sup>st</sup> June 2004



Dear Mr Castleton

I have been advised by the Contracts Manager (North East) that you wish to appeal against the decision to summarily terminate your contract for service as a Sub Postmaster, on the grounds of failing to run your Post Office @ branch in accordance with your contract for services (Section 1 part 5 and Section 12 Para 12).

I will be hearing your appeal as a member of the National Appeals Panel.

I am writing to advise you that I propose to hold the appeal with you on Thursday July 1<sup>st</sup> at the Area Office, Crown Street Darlington DL1 1AN.

I have scheduled the appeal hearing for 11.00am on the 1<sup>st</sup> July 2004.

During the interview, you may be accompanied by a friend who must be a Subpostmaster/Subpostmistress, Sub-office Assistant, or Post Office employee and who may be a representative of the National Federation of Subpostmasters. Any such representation should be arranged by yourself. The friend must not be involved in, or implicated by, the case.

Post Office Ltd  
Registered in England Number: 2154540  
Registered Office 80-86 Old Street  
London EC1V 9NN  
Registered in England and Wales number: 2154540  
Registered Office: 80-86 Old Street  
London EC1V 9NN  
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Registered trade marks of Post Office Ltd in the  
UK and other countries

Would you please confirm that the date and time are convenient for you to attend.

If you are to be accompanied, I will need to know who will be attending with you. This can be done by telephoning the National Business Support Centre on  and leaving a message for myself, or by letter, using the enclosed addressed envelope.

Yours sincerely,

**GRO**

John Jones  
Appeals Manager  
Calthorpe House  
15-20 Phoenix Place  
LONDON  
WC1X 0DG



appeal 2 doc

Personal – In Strictest Confidence

Mr Lee Castleton

**GRO**

9<sup>th</sup> July 2004

Dear Mr Castleton

I am writing to advise you of my decision following your appeal hearing on Thursday 1<sup>st</sup> July 2004.

I have carefully considered of all the facts relevant to the case and the representations made by yourself and those on your behalf before arriving at my decision.

Decision: Appeal dismissed.

Yours sincerely

John Jones  
Appeals Manager

**GRO**



*Suspension doc*

PERSONAL AND IN CONFIDENCE  
Mr Lee Castleton

**GRO**

26.04.04

Dear Mr Castleton  
Re: SUSPENSION OF CONTRACT FOR SERVICES

I wrote to you on 23 March 2004 confirming the suspension of your contract for services as subpostmaster of Post Office® Marine Drive Branch.

I am now considering the summary termination of your contract for services on the grounds that the audit at your office on 23 March 2004 resulted in a total shortage of £25,758.75. You had reported to me large, unexplained losses over the preceding period of 12 weeks. You were unable to make good the losses and therefore the decision was made to suspend you from your contract for services due to the obvious risk to Post Office Ltd funds. There are a number of obligations set out within the Subpostmasters contract for services, one of which being retention of the appointment is dependant on the branch being well managed and the work performed properly to the satisfaction of Post Office Ltd, the Subpostmasters contract section 1, paragraph 5 and section 12, paragraph 12 refers. This is in accordance with Section 1, paragraph 10, of your Contract For Services, which provides that the Agreement may be determined at any time in case of breach of conditions by you, or non-performance of your obligations or non-provision of Post Office services.

I would now like to give you the opportunity to put forward any reasons why I should not pursue this course of action. You can do this by requesting a personal interview or submitting a response to the charge(s). In either case you should inform me of your intentions, in writing by 5 May 2004.

Page 1 of 3



*Suspension 2 Dec*

Page 2 of 3  
Re: SUSPENSION OF CONTRACT FOR SERVICES

I have provisionally set aside the morning of Monday 10 May 2004, at the Area Managers Office in Darlington, should you choose a personal interview. If this date is inconvenient we will of course re-arrange.

Should you choose a personal interview, you may be accompanied at the interview by a friend, who must be a fellow subpostmaster, or a registered Sub Office Assistant or a Consignia employee or an official/ representative of the National Federation of Subpostmasters. You also have the right to request and receive all information relating to the aforementioned charge.

Yours sincerely

Cath Oglesby  
Retail Line Manager

Post Office Ltd  
Operations  
Darlington Area Office  
Crown Street  
Darlington DL1 1AN

*ASKED FOR TAKE RECORDING*

To: Cath Oglesby  
Retail Line Manager

- \*I wish to attend for interview
- \*I wish to submit written representation
- \* Delete as appropriate

Signed: \_\_\_\_\_

Date: \_\_\_\_\_



Ref: PR/752033/AFG/BATES Printed by: LKN

From: lee castleton [GRO] [GRO]  
To: Andruszewski, Luke  
 [/O=SHOOSMITHS/OU=BASINGSTOKE/CN=RECIPIENTS/CN=ANDRUSZE  
 WSKIL];  
Cc: Shoosmiths  
 [/O=SHOOSMITHS/OU=BASINGSTOKE/CN=RECIPIENTS/CN=QH-LEP2];  
Sent: Fri 03/12/2010 10:28 Received: Fri 03/12/2010 10:28 Posted: Fri  
 03/12/2010 10:57  
Subject: Fw: Horizon Errors  
Attached: Horizon.jpg;

From: Rob & Kate Jones  
Sent: Monday, October 12, 2009 7:41 PM  
To: 'lee castleton'  
Subject: RE: Horizon Errors

Hi Lee

I have attached the evidence that I have.

Don't get too excited – it comprises a certificate of posting, a postage label from the same transaction and the transaction log covering the time it happened. No entry appears in the log! The interesting thing is that when I reported it to POL, instead of being surprised, they had an immediate answer ready. I was told to do the transaction again and to destroy the paperwork. This would seem to indicate that although they will not publicly admit to system errors they KNOW that they exist. Needless to say I ignored the bit about destroying the paperwork! After doing the transaction again I balanced perfectly at the end of the day. If I had not spotted it and had just taken the customer's cash I would have ended up with an overage of £9.31.

Not a huge error and it would have left me over instead of short but it is proof that the integrity of the Horizon system is compromised.

Please use it if you can (I have erased all reference to my office) and I wish you luck.

If I can help further please let me know.

I have also been contacted by BBC Wales, Computer Weekly and Alan Bates. After the Taro 9 programme a few weeks ago I also had a long conversation with David Jones MP. To date Watchdog has not got back to me.

Regards

Rob Jones

From: lee castleton [GRO] [GRO]  
Sent: 11 October 2009 15:20  
To: Rob & Kate Jones  
Subject: Re: Horizon Errors

Rob, Kate,

I cannot tell you how much I would love a copy of the information you have. I have some paperwork that shows errors in my own office but the more the merrier.

Lee

From: Rob & Kate Jones  
Sent: Sunday, October 11, 2009 11:29 AM

To: lcastleton.castleton@... GRO  
Subject: Horizon Errors

Hi Lee  
I read in 'Convenience Store' magazine of your fight to clear your name following Horizon problems.  
Following the appeal in the mag I have just sent the text below as an email to the BBC Watchdog programme.  
I thought you might be interested and if I can be of any help please let me know.  
Regards  
Rob Jones

---

I understand from 'Convenience Store' magazine that you are interested in computer problems in the Post Office - specifically where subpostmasters have lost money and in some cases been penalised and/or prosecuted by POL.  
If you are interested I have a small piece of hard copy evidence that proves that the Horizon computer system is not as error-free as POL claim it is and is capable of accepting transactions and then losing all details of them resulting in discrepancies. These discrepancies are then the responsibility of the subpostmaster to make good.  
An incidence of this occurred in my PO about 6 weeks ago where the system 'lost' a transaction. I was able to spot it at the time and keep evidence of it. The interesting thing is that when I reported it to POL, instead of being surprised, they had a ready remedy to hand. This would seem to indicate that although they will not publicly admit to system errors they KNOW that they exist but are quite happy to blame the subpostmaster and hold him responsible for any financial discrepancy. The fact is that if I hadn't spotted it at the time (it would have been very easy to miss) I would have been none the wiser until the time came to balance the books.  
Luckily it was a very small financial amount but the evidence does prove the point.

Regards  
Rob Jones  
Porthyrhyd Post Office

GRO

GRO



Swyddfa'r Post Cyf.  
Post Office Ltd.  
Eitch Derbynnheb  
Your Receipt

Post Office & Stores

Corwerthenshire

Dyddiad ac Noswr: 25/08/2009 10:52  
 Date and Time:  
 Blaenrif session: 1-2260183  
 Session Prefix:  
 Cychfen:  
 Dest: UK (E.U.)  
 Nifer/Quantity: 1  
 Pysau/Weight: 3.800 kg  
 Standard Pcl £7.00  
 Cwch Cap up to £250 £250.00 £2.25

Cyfanswm Cost Gwasanaethau  
 Total Cost of Services £9.31

FAD:  
 11:05 25/08/2009 TP:05 BP:03 SU: AA  
 Transaction Log - Office Copy

USER	TRANSACTION REF	SU	TP	BP
DATE	TIME			
MODE	PRODUCT	VOLUME		VALUE
25/08/2009	10:44	1-2260176-2	AA	05 03
		SC CR CASH NDL	1	100.00
25/08/2009	10:44	1-2260176-3	AA	05 03
		SC Cash	1-	100.00
25/08/2009	10:59	1-2260196-1	AA	05 03
		SC Halifax Cashwdrl	1	10.00
25/08/2009	10:59	1-2260196-2	AA	05 03
		SC Cash	1-	10.00
25/08/2009	11:01	1-2260198-2	AA	05 03
		SC Post Boxes PP	1-	3.20
25/08/2009	11:01	1-2260198-3	AA	05 03
		SC Cash	1	3.20
25/08/2009	11:02	1-2260205-2	AA	05 03
		SC CR WD LIMIT	1	46.40
25/08/2009	11:02	1-2260205-3	AA	05 03
		SC Cash	1-	46.40

\*\*\* END OF REPORT \*\*\*

CYFEIRIAD DEBYNNHYDD/DESTINATION ADDRESS  
 Enw'r Adeilad Neu'r Bhir Cod Post  
 Building Name or Number Postcode  
 Down Hall House CA22 6AP  
 Dilyswyd y Dyfeiriad?  
 Address Validated? Y

MAE'N GWYSTG EICH BOD YN CADW'R  
 DERBYNNEB HON FEL PROFF O BOSTIO  
 IT IS IMPORTANT THAT YOU RETAIN THIS  
 RECEIPT AS IT IS YOUR PROOF OF POSTING

DARLLENWCH Y TELERAU AC AMODAU AR  
 WAHAN OS GWELWCH YN DDA

PLEASE REFER TO SEPARATE TERMS AND  
 CONDITIONS

I gael gwybodaeth am  
 cynhyrchion a gwasanaethau'r  
 Post Brenhinol Llysoylltuch  
 a ni ar GRO  
 neu ewch i'n gwefan yn  
 www.postoffice.co.uk

For information regarding  
 Royal Mail  
 products and services  
 contact us on  
 GRO  
 or visit our web site at  
 www.postoffice.co.uk

Nid derbynneb IAW yw hon  
 This is not a VAT receipt  
 Ddiolch yn fawr  
 Thank You

SP

Royal Mail  
 POSTAGE PAID UK  
 Post Brenhinol  
 TALWYD Y POST DG  
 25/08/09 £9.31

1-2260196-1







# Losses & Gains Quick Guide for Crown Managers



Version 1 (Sep 2008)



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## CONTENTS

- Section 1 Introduction and Purpose
- Section 2 Supervisory Checks (misbalance checks & surprise checks)
- Section 3 Transaction Corrections
- Section 4 Counter Losses & Gains Reporting
- Section 5 Monitoring Records
- Section 6 Loss Escalation Process

## APPENDICES (For reference)

- Appendix A Annual Certificate of Compliance (ACC) – *This workbook has been issued directly to Crown Offices*
- Appendix B Supervisory / Balance Checks  
*(Loss and Gains Policy Action Workbook)*
- Appendix C Local Record of Stock Users
- Appendix D Report from Crown Office Managers for losses over £250
- Appendix E Action Matrix Flowcharts  
(a – Multi User Stock / b – Individual User Stock)
- Appendix F Record of interview / actions agreed
- Appendix G Escalation Interview Action Plans  
*(Loss and Gains Policy Action Workbook)*
- Appendix H Branch Enquiry Form

## Policy Monitoring Tool - Loss Management System (LMS)

1. Data Capture Workbook
2. Data Analysis Workbook
3. Loss and Gains Action Workbook



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### Section 1 – Introduction to Policy and its Purpose

The impact of losses in the Crown Office Estate is having a serious effect on our ability to deliver the three2eleven plan to bring us back into profitability by 2011. Our actual Crown Office losses in 2007/08 amounted to £2.2M.

The Policy has been redesigned to provide clear and consistent guidance to Crown Office Managers and their Assistants as to their responsibilities for the recording, maintenance & monitoring of losses and gains.

The main Policy, the quick guide, and Loss Management System, will provide Crown Office Managers with the tools to be able to effectively manage losses and gains and to take appropriate measures to reduce losses.



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**Section 2 – Supervisory Surprise Checks & Misbalance Checks**

Supervisory controls are designed to assist Crown Office Managers in effectively minimising the risk to the business assets at their offices and to protect individuals. As part of these supervisory controls, the office management team are responsible for performing random, **surprise checks** on all stock units (either individual or multi-user) on a regular basis.

There is also a requirement for **misbalance checks** to be performed on all stocks, both 'multi user' and 'individual', which misbalance by £30 and over. However, these checks are over and above the need for supervisory surprise checks and can be performed by both managers and experienced colleagues.

To meet the minimum standard, a programme of supervisory surprise checks must:

- ◆ be performed by the Crown Management Team who will check that colleagues complete a cash declaration towards the end of each working day;
- ◆ include monitoring, by Managers, of the levels of cash being held by all colleagues;
- ◆ include every stock unit (e.g. Main Cash, ATM, SVM, Postshop cash and value stock, Giro, Bureau De Change and Lottery etc.); Main Cash Stocks held by a Crown Office Manager should be checked by a Crown Area Manager or representative.
- ◆ be treated **separately to misbalance checks**;
- ◆ check all cash, stock and vouchers to hand and reconcile to the last declared balance; Print and check for 'outstanding docketts'.
- ◆ ensure each stock unit is checked at least once in a three month period, where the stock is rotated, or once in an eight week period where the stock is held by a single colleague. i.e. **Individual stocks** and when a **multi user stock** has been balanced by the same colleague every week due to the way duties have been written (these multi user stocks should be treated the same as individual stocks **for supervisory check purposes only**).
- ◆ be supported by a record of stock checks with records of surprise checks being clearly distinguished from misbalance checks and retained for two years; The checker should clearly identify themselves on the local records. **(Appendix B – Loss and Gains Action Workbook)**
- ◆ include a variation on the days of the week used for surprise checks, so as to avoid any pattern that will become known to individuals
- ◆ ensure a Manager's signature is recorded onto the final balance record of a checked stock and ensure the stockholder or an independent witness is present at the time of the check. A record of the check, the witness and balance result 'pre' and 'post' check should be entered into the Loss & Gain Action Workbook.



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There is a requirement for Crown Office Managers to complete :-

For all Stock losses and gains of £5 or more

Using the L&G Data Capture Workbook, enter -

- ◆ Financial Year
- ◆ Week number
- ◆ Stock Unit ID
- ◆ Value of Loss / Gain
- ◆ Name of individual or all individuals who have served from that stock unit during the balancing period
- ◆ Details of associated Transaction Corrections – values, linked to the original trading period and relevant stock unit

For all surprise & misbalance (over £30) checks

Using the L&G Action Workbook, enter -

- ◆ Financial Year
- ◆ Week Number
- ◆ Stock unit
- ◆ Name of Stock User
- ◆ Original Loss / Gain result
- ◆ Type of check (surprise or misbalance)
- ◆ Result of Loss / Gain, post check
- ◆ Discrepancy comment, if required
- ◆ Name of Crown manager or substitute performing the check
- ◆ Position or grade of checker
- ◆ Ensure Horizon Weekly Balance Report is signed & dated and retain documentation relating to check for 2 years



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**Section 3 – Transaction Corrections**

Branch Trading should be undertaken in accordance with the latest Branch Trading booklets, which include details of balancing stock units, production of the Branch Trading Statement, production of reports and despatch of documents

If a Transaction Correction is required,

- Crown Office Manager should contact branchcontrol **GRO** by email using the discrepancy form (See Appendix H). NOTE if the error is a Stock error, please identify the product.
- Branch Control contacts relevant product team within Product & Branch Accounting
- Product & Branch Accounting investigates and issues the associated TC immediately if appropriate
- Office accepts the Transaction Correction *on receipt* by following the instructions as detailed on the Transaction Corrections
- Office completes Branch Trading, posting only true losses and gains

Note - The value in Local Suspense at Branch Trading should be resolved by selecting the Write-Off to P & L option to prevent losses/gains rolling into the next period

**USEFUL CONTACTS**

- Any query in respect of Transaction Corrections, please email branchcontrol **GRO**
- Contact Cathy Macdonald on **GRO**  
**GRO** **GRO**



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**Section 4 – Counter Loss & Gains Management Reporting**

**4.1 – Losses/Gains between £5.00 and £249.99**

Crown Office Managers must undertake to perform the following in respect of Losses/Gains:

- To report immediately, via telephone, any loss, irrespective of value, where dishonesty is suspected, whether declared or discovered on a supervisory/balancing check, to the NBSC Helpline on: GRO
- Records of losses and gains do not need to be sent from the office, unless requested by your Crown Area Manager, Investigation or Compliance / Audit Managers. These records must be made available to any of those mentioned at the time of a visit.
- Where a stock unit incurs a loss or gain over £30.00, the Crown Office Manager must perform a balance check of the cash/stock and vouchers on hand. If the relevant colleague cannot be present at the balance check, an alternative witness must be present.
- If the resultant balance check reveals a further loss which raises it above the £250 threshold, the Manager must call the NBSC as per the process in Section 6.2.

**4.2 – Losses over £250.00 (Appendix D)**

Crown Office Managers must undertake to perform the following in respect of losses over £250.00. (NOTE – Crown Office Manager, if on duty, should take responsibility for ensuring the following action is taken)

- Crown Office Manager to complete the report for losses over £250.00 (Appendix D) and e-mail this form to "Fraud Team Post Office Ltd" e-mail address as soon as possible after the discovery of the loss. This form should be completed even if the loss is "known".
- Ensure all colleagues who had access to the stock, complete the Investigation Team's "Counter Loss over £250 – Individual Report" and these should be retained along with the required event and transaction logs until requested, pending any future investigation.
- In the event that a transaction correction (TC) is received for a loss previously reported over £250, the "Fraud Team Post Office Ltd" must be e-mailed giving details of the amount, stock unit, date and Branch Trading Period it relates to. It is important this is done as soon as the TC is received to avoid any unnecessary extra work being undertaken by the Investigation Team on a reported loss.
- Crown Area Manager to receive a copy of the loss report form and to ensure that appropriate local action taken by Crown Office Manager, including support requested from Compliance and OE Teams if required.
- Finance Team to receive a copy of the report form as pre-warning of loss performance.



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#### 4.3 – Losses over £2000 (Appendix D)

- As above for losses over £250.00, but additionally a call must be made to the NBSC Helpline on 0845 6011022 by the close of play on the day of discovery of the loss.
- Crown Area Manager to receive a copy of the loss report form and to ensure that appropriate local action taken by the Crown Office Manager, including support requested from Compliance and OE Teams if required.
- Copy of loss form should be circulated to both your Regional Manager and your Finance Analyst

### Section 5 – Monitoring Records

#### Stockholder records (Appendix C and Appendix B)

Crown Office Managers must ensure the following actions are undertaken:

- An accurate record must be kept of all stock unit holders, whether individual or 'multi user' on the workbook provided. This workbook needs to be completed on a weekly basis and must be kept up to date.
- The stockholder record allows Crown Office Managers to record details of Surprise Checks, which are to be conducted on all stock units at least twice a year.
- The stockholder record also allows Crown Office Managers to record details of Balance Checks, which need to be conducted on all losses and gains over £30.00.
- Stock units must be rotated on a regular basis. This simple task will prevent build up of losses in a till and provide a deterrent to anyone who considers falsifying their balance. The maximum period for an individual holding and balancing the same stock is 8 weeks. This would also apply to multi user stocks where the same individual balances every week due to the way the duties are scheduled. All other rotating stocks should be checked once in three months as a minimum.



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**Section 6 – Loss Escalation Process & Trigger Points**

<b>MULTI USER STOCKS</b>		
<b>Escalation</b>	<b>Performance</b>	<b>Action</b>
Stage 1	3 losses of £30 or more over a period of 3 months (13 weeks)	Informal Interview – Crown Office Manager - with colleagues, identified as having access to the stocks that have incurred losses, to raise awareness of their performance and to reiterate the Loss Escalation Process. Action Plan should be agreed and notes taken and signed. Consideration given to a switch to individual balancing if appropriate at this stage.
Stage 2	Further 3 losses of £30 or more over the period of 3 months following the Stage 1 interview.	2 <sup>nd</sup> Informal Interview – Crown Office Manager - to review performance and agree the level of support required. Action Plan agreed and notes taken and signed. Notice given to colleagues that they will switch to individual balancing by stage 3 if improvement is not forthcoming and switch is not appropriate at this stage 2.
Stage 3	Further 3 losses of £30 or more over the period of 3 months following the Stage 2 interview.	3 <sup>rd</sup> Informal Interview – Crown Office Manager - Colleagues moved onto individual stocks. Action Plan agreed and notes taken and signed.



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INDIVIDUAL STOCKS		
Escalation	Performance	Action
Stage 1	3 losses of £30 or more over a period of 3 months (13 weeks).	Informal interview – Crown Office Manager - to raise awareness of loss performance, agree the level of support required and to reiterate the Loss Escalation Process. Action plan with notes signed
Stage 2	Further 3 losses of £30 or more, over the period of 3 months following the Stage 1 interview.	Informal interview – Crown Office Manager to review performance and agree the level of support required and to reiterate the Loss Escalation Process. Action plan with notes signed
Stage 3	Further 3 losses of £30 or more, over the period of 3 months following the Stage 2 interview.	Formal interview – Crown Office Manager to review performance and agree the level of support required and to reiterate the Loss Escalation Process. Notification that all future losses of £5 or more will be taken into account. Action plan with notes signed
Stage 4	Further 4 losses of £5 or more, over the period of 6 months following the Stage 3 interview.	Formal Interview – Crown Office Manager to review performance, and agree the level of support required and to reiterate the Loss Escalation Process. Reiterate the possible consequences of reaching L&G Escalation Stage 5.
Stage 5	Further 3 losses of £5 or more, over the period of 6 months following the Stage 4 interview	Formal Interview with appropriate management level from outside of immediate crown office, to review performance and consider disciplinary action under the Conduct Code.



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### Additional Notes

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

It is essential that a Crown Office Manager interviews colleagues as soon as possible following escalation and prior to the following weeks balance, otherwise allowances will need to be made in the escalation process e.g. cannot issue Stage 2 interview until Stage 1 interview undertaken.

There may be occasions when a loss will need to be recorded against an individual within a multi user stock rather than the whole team. e.g. Payment not taken by colleague for MVL transaction resulting in shortage for that colleague alone and clearly identified.

For all interviews, including Multi User Stock Escalation Interviews, it would make good practice to encourage an individual to be accompanied by a friend or CWU rep if they so wished, although not mandatory. However, remember that all interviews should take place prior to the following week's balance and should not be delayed.

At any time action taken by line managers may be to either uphold the decision to progress through the escalation process or to reduce standing to a lower 'stage' once any mitigating circumstances or Transaction Corrections are fully understood. All decisions must be clearly documented within the action plans agreed.

### Trainees / new recruits and individual stocks

New Entrant Trainees should be given their own stock during their probationary period in order to assess their suitability for counter work from the results of their balancing record. A decision to confirm the 'trainees' appointment should only be made by the Crown Office Manager if their level of losses meets the Business standard at the six or twelve month stage. A decision would then be made whether to extend the trial period further. Although individual losses should be recorded in the Loss Management System, 'Trainees' will not progress through the Loss & Gains Escalation Process, however, performance will be monitored and discussed as part of the Trial Report procedure.

It is likely that more mistakes will be made by trainees and the trial report process should be used to ensure that the appropriate level of support is provided to an individual who would have triggered loss 'escalation'. Discussion should take place in respect of action required and the individual made aware of what action would have been taken under normal circumstances. Poor loss performance may result in a trial extension or not passing trial but all mitigating circumstances should be carefully explored, supported and documented. Discussion should also take place with the Crown Area Manager in respect of additional training opportunities being explored.



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**Criteria for converting Multi User Tills to Individual Stocks**

At any time that the office loss level rises to an unacceptable level, action may be taken to convert the whole office approach to stock control from 'multi user' to 'individual' till ownership. Discussion should take place between Crown Area Managers, Crown Office Managers and possibly Investigation, Audit/ Compliance and Operational Efficiency Team Managers as appropriate.

On the job support and training should be offered to individuals to help them prepare for this conversion and on site facilities should be sufficient to ensure an effective level of security is provided to enable individual stock control.

It is clear that, in some cases, the introduction of 'individual stocks' will require an investment of additional time and may reduce flexibility at the Counter. It is therefore essential that the cost of converting multi user to individual stocks is calculated through a review of current duties, performed by the Operational Efficiency Team, and a decision taken of whether it is appropriate to convert the whole office approach or just part of it, i.e. a mix of multi user and individual stocks. This will depend on the individual circumstances and risk to each Crown Office

A recovery plan should be developed that supports the monitoring of performance over an agreed timescale with the intention of returning to 'multi user' stocks as quickly as possible.

**Trigger point for action**

When the value of losses over a period of time (reviewed quarterly) reaches an unacceptable level, action should be taken. eg. The monthly trend of loss and gain performance is above the budget set for the office or the office may be one of the worst 10%. At this level, losses are likely to be having a detrimental effect on contribution and profit and loss, outweighing the benefits of flexibility encouraged through a multi user till approach.

If an acceptable level is exceeded then a request should be made to the Operational Efficiency Team to review duties and a decision then made to either introduce individual stock balancing for the whole office or just for individuals. The agreed plan should also include a timescale.

Support from the Investigation Team must be requested by the Manager, should there be a degree of suspicion or possible theft.





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**Crown Office Counter Loss > £250**

Email this form to 'Fraud Team Post Office Ltd' address (fraud\_team@postoffice.co.uk)

- As soon as possible after the discovery of the loss. This form should be completed even if the loss is "known"
- Crown Area Manager to receive a copy of the loss report form and to ensure that appropriate local action taken by BM, including support requested from Compliance and OE Teams if required
- Finance Team to receive a copy of report form as pre-warning of net loss performance

(You do not need to submit any paperwork until a member of the Investigation Team contacts you)

**Crown Office Counter Loss > £2000**

- As above for losses over £250.00, but additionally a call must be made to the NBSC Helpline on 0845 601 1022 by the close of play on the day of discovery of the loss.
- Report the loss to your Crown Area Manager by email
- This form should also be emailed to your Regional Manager and Finance Analyst

(You do not need to submit any paperwork until a member of the Investigation Team contacts you)

Please read this form carefully and answer all of the following questions

- a) It is essential to supply the following information for ALL Counter, Bureau, Postshop, SVM, ATM, and Error Notice losses of £250 and over, as soon as the CIA is completed.
- b) Please obtain a separate report from each of the clerk/s who dealt with the stock and hold these reports locally, pending any future investigation.
- c) You should abstract the event and transaction logs for the whole week of the loss detailing every activity within the stock (i.e. all sessions, all transactions, Normal and Reversals)

Office Name	
Branch Code	
Postcode	
Telephone Number	
TP & CAP	
Week Ending	
Amount	
Date Loss Identified	
Date of Last Clear Cash Declaration	
List Users of Till (include full names)	



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Type of Stock i.e. BM Main safe, Counter stock unit (include Indicator) / Bureau De Change / Postshop (state whichever applies)	
Have all Cash, Stock & Vouchers been checked? Yes/No	
Have all fittings (pedestals, safe, inserts etc) and waste bins been searched? Yes/No	
Any other comments: (i.e. is there any explanation for the loss, error/notice expected)	
Were there any losses/gains of a similar amount during this week or last week?	
If yes, give details:	
What was the date of the last spot check & result?	
Are losses by the Officer(s) involved giving cause for concern?	
If yes, give details:	
Are losses in the office giving cause for concern?	
If yes, give details:	
Is there anything known which may provide the Officer(s) with a motive for dishonesty?	
If yes, please include a separate report (For losses over £250 only circulate to Investigation Team).	
Is there any reason to doubt the honesty of any other Officer(s)? If yes please include a separate report (For losses over £250 only circulate to Investigation Team).	
Reported By: (insert full name & job title)	Date:

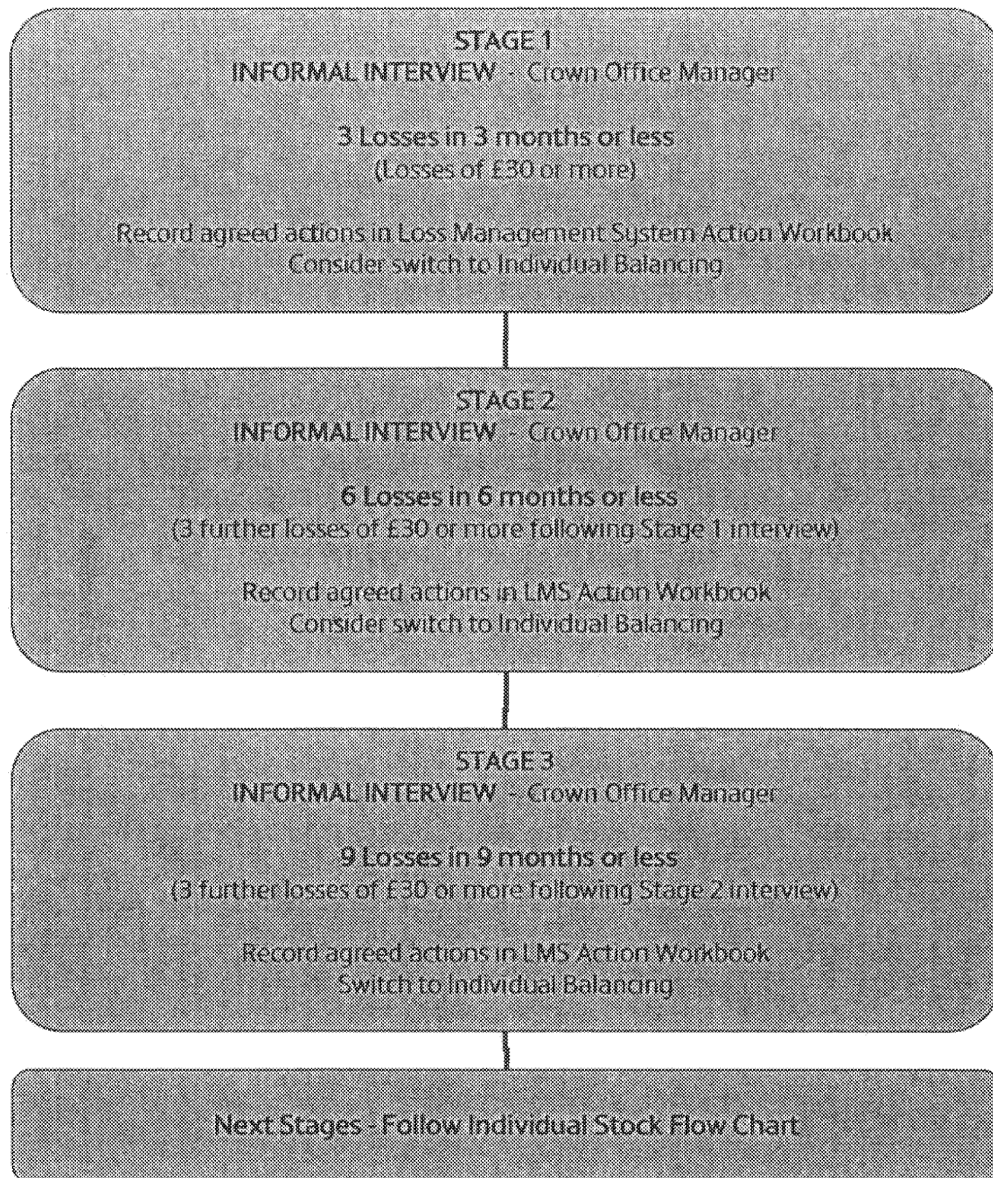
E Mail a copy of this form to Fraud Team Post Office Ltd. For those offices without access to e mail, please forward a copy of this form to:

Post Office Ltd Fraud Team  
PO Box 1  
Croydon  
CR9 1WN

This report should be retained securely within the branch for 2 years and made available upon request to Senior Management, Fraud and Compliance Managers

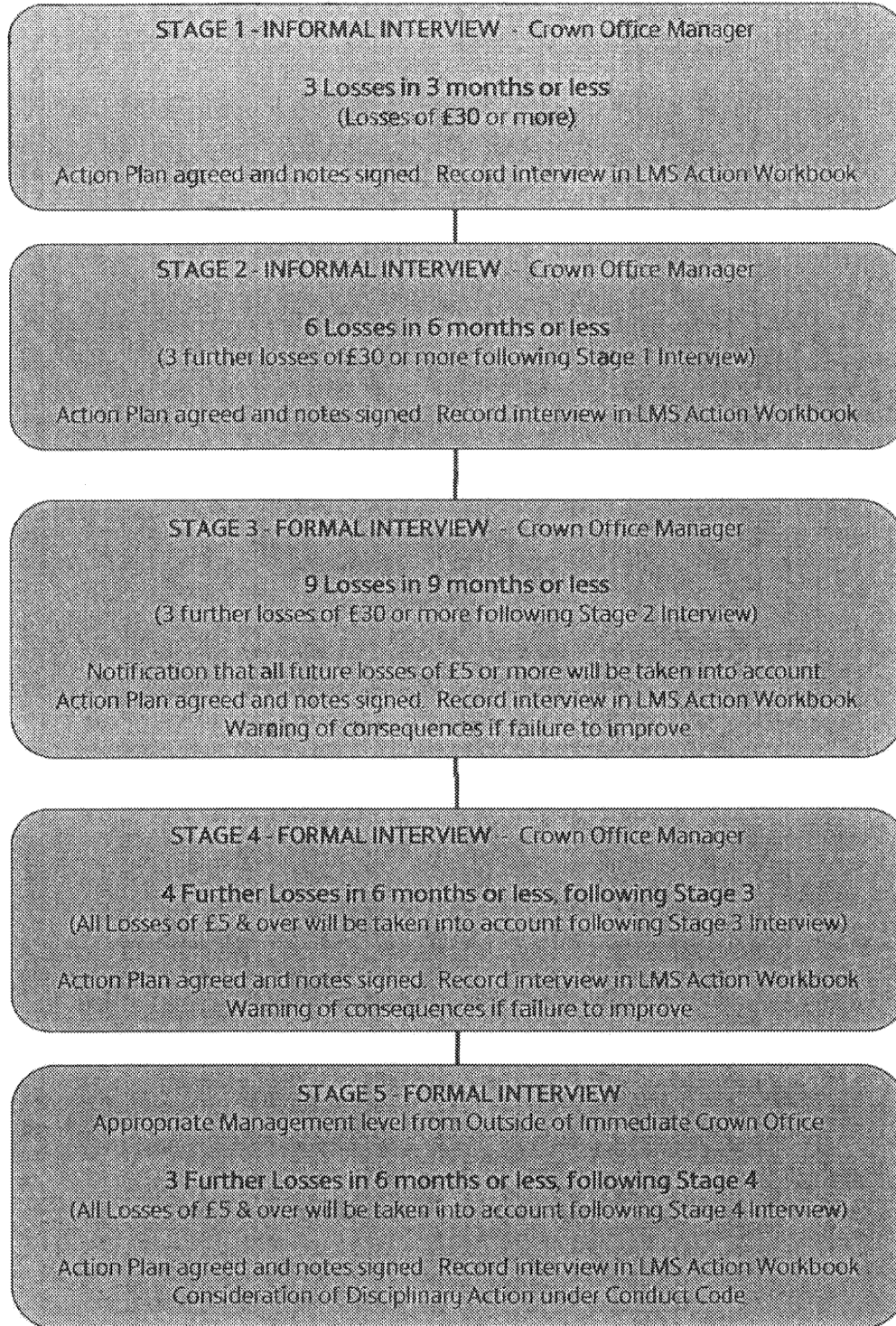


## Crown Office Network Loss & Gains Policy Flow Chart (a) Multi User Stocks





## Crown Office Network Loss & Gains Policy Flow Chart (b) Individual Stocks





Loss & Gains Policy in Crown Office Network  
Appendix F

Record of Interview

Employee Name \_\_\_\_\_  
Branch Name \_\_\_\_\_  
FAD Code \_\_\_\_\_

ESCALATION STAGE (please circle)

Multi User	1 (Informal)	2 (Informal)	3 (Informal)	
Individual	1 (Informal)	2 (Formal)	3 (Formal)	4 (Formal)

Notes of the interview and agreed action(s) and dates must be recorded on this form which must be filed at the branch office.

If the clerk knows of any reason(s) which may have caused the discrepancies or any improved methods of working which could help to reduce losses in the future, then these should be discussed with the Branch Manager.

The Branch Manager should also discuss procedures for dealing with transactions, vouchers etc.

This discussion may identify that additional support and / or training is required. Actions should be noted below.

Date of interview: \_\_\_\_\_

Notes of interview:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Action agreed:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Signed:

\_\_\_\_\_  
Customer Service Consultant

\_\_\_\_\_  
Branch Manager

\_\_\_\_\_  
Witness (Friend or CWU Rep)

This report should be retained securely within the branch for 2 years and made available, upon request, to the Area Manager or Investigation Team. Above details should be entered onto the Loss Management System Workbook



Ref: PR/752033/AFG/BATES Printed by: MYF

From: lee castleton [GRO] [GRO]  
To: Shoosmiths  
[/O=SHOOSMITHS/OU=BASINGSTOKE/CN=RECIPIENTS/CN=QH-LEP2];  
Cc: Andruszewski, Luke  
[/O=SHOOSMITHS/OU=BASINGSTOKE/CN=RECIPIENTS/CN=ANDRUSZE  
WSKIL];  
Sent: Fri 14/01/2011 11:54 Received: Fri 14/01/2011 11:54 Posted: Fri  
14/01/2011 11:54  
Subject: Re: Re:  
Attached: appeal.docx; appeal 2.docx; appeal 3.docx; suspension.docx;  
suspension 2.docx; termination.docx; Doc1.docx; Doc2.docx; Doc3.docx;  
Doc4.docx; Doc5.docx; Doc6.docx;

---

From: Shoosmiths  
Sent: Thursday, January 13, 2011 10:52 AM  
To: [castleton.castleton] [GRO]  
Subject: Re:

Dear Mr Castleton,

In order that I can come back to you with an indication regarding your request for an advice on the issue of limitation, please would you confirm for me the following information?

You have stated in your original questionnaire that your contract came to an end on 23 March 2004, but you have stated this was both the date of suspicion *and* termination. I am unclear how a period of suspension could commence if at the same time the contact had come to an end.

In the Court Judgment the Judge refers to a termination "following [your] suspension" (paragraph 38).

(1) Please would you confirm the actual date it was confirmed to you that contact was being terminated and provide me with any document you have that might prove that (a letter from the Post Office, for example).

(2) Please confirm whether there followed, after that date, any appeal process and, if so, please confirm details, the result and the date that process came to an end (again with evidence if you have it).

On receipt of you answers to these points, I advise you on what basis I may be able to offer you legal services for the requested advice.

Yours sincerely

Luke Andruszewski  
Legal Executive

## Access Legal from Shoosmiths

**GRO**

Employment law advice      Medical Negligence  
Motoring law      Wills, family & wealth

Access Legal from Shoosmiths is part of UK National law firm Shoosmiths.

-----Original Message-----

From: lee castleton: **GRO** **GRO**  
To: Andruszewski, Luke  
</O=SHOOSMITHS/OU=BASINGSTOKE/CN=RECIPIENTS/CN=ANDRUSZEWSKIL>  
Cc: Shoosmiths </O=SHOOSMITHS/OU=BASINGSTOKE/CN=RECIPIENTS/CN=QH-LEP2>  
Sent: 11:01 Saturday 18 December 2010  
Subject:  
Attachments: let 002.tif

I hope you might get a better quality copy of this from the M.P. Lee

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Please consider the environment - do you really need to print this?

37

Personal – In Strictest Confidence

Mr Lee Castleton

**GRO**

21<sup>st</sup> June 2004



Dear Mr Castleton

I have been advised by the Contracts Manager (North East) that you wish to appeal against the decision to summarily terminate your contract for service as a Sub Postmaster, on the grounds of failing to run your Post Office ® branch in accordance with your contract for services (Section 1 part 5 and Section 12 Para 12).

I will be hearing your appeal as a member of the National Appeals Panel.

I am writing to advise you that I propose to hold the appeal with you on Thursday July 1<sup>st</sup> at the Area Office, Crown Street Darlington DL1 1AN.

I have scheduled the appeal hearing for 11.00am on the 1<sup>st</sup> July 2004.

During the interview, you may be accompanied by a friend who must be a Subpostmaster/Subpostmistress, Sub-office Assistant, or Post Office employee and who may be a representative of the National Federation of Subpostmasters. Any such representation should be arranged by yourself. The friend must not be involved in, or implicated by, the case.

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Would you please confirm that the date and time are convenient for you to attend.

If you are to be accompanied, I will need to know who will be attending with you. This can be done by telephoning the National Business Support Centre on **GRO** and leaving a message for myself, or by letter, using the enclosed addressed envelope.

Yours sincerely

**GRO**

John Jones  
Appeals Manager

**GRO**



Personal – In Strictest Confidence

Mr Lee Castleton

**GRO**

9<sup>th</sup> July 2004

Dear Mr Castleton

I am writing to advise you of my decision following your appeal hearing on Thursday 1<sup>st</sup> July 2004.

I have carefully considered of all the facts relevant to the case and the representations made by yourself and those on your behalf before arriving at my decision.

Decision: Appeal dismissed.

Yours sincerely

John Jones  
Appeals Manager

**GRO**



Page 2 of 3

Re: SUSPENSION OF CONTRACT FOR SERVICES

I have provisionally set aside the morning of Monday 10 May 2004, at the Area Managers Office in Darlington, should you choose a personal interview. If this date is inconvenient we will of course re-arrange.

Should you choose a personal interview, you may be accompanied at the interview by a friend, who must be a fellow subpostmaster, or a registered Sub Office Assistant or a Consignia employee or an official/ representative of the National Federation of Subpostmasters. You also have the right to request and receive all information relating to the aforementioned charge.

Yours sincerely

Cath Oglesby  
Retail Line Manager

Post Office Ltd  
Operations  
Darlington Area Office  
Crown Street  
Darlington DL1 1AN

*ASKED FOR THE REASONING*

To: Cath Oglesby  
Retail Line Manager

- \*I wish to attend for interview
- \*I wish to submit written representation
- \* Delete as appropriate

Signed: \_\_\_\_\_

Date: \_\_\_\_\_



PERSONAL AND IN CONFIDENCE

Mr Lee Castleton

**GRO**

26.04.04

Dear Mr Castleton

**Re: SUSPENSION OF CONTRACT FOR SERVICES**

I wrote to you on 23 March 2004 confirming the suspension of your contract for services as subpostmaster of Post Office® Marine Drive Branch.

I am now considering the summary termination of your contract for services on the grounds that the audit at your office on 23 March 2004 resulted in a total shortage of £25,758.75. You had reported to me large, unexplained losses over the preceding period of 12 weeks. You were unable to make good the losses and therefore the decision was made to suspend you from your contract for services due to the obvious risk to Post Office Ltd funds. There are a number of obligations set out within the Subpostmasters contract for services, one of which being retention of the appointment is dependant on the branch being well managed and the work performed properly to the satisfaction of Post Office Ltd, the Subpostmasters contract section 1, paragraph 5 and section 12, paragraph 12 refers. This is in accordance with Section 1, paragraph 10, of your Contract For Services, which provides that the Agreement may be determined at any time in case of breach of conditions by you, or non-performance of your obligations or non-provision of Post Office services.

I would now like to give you the opportunity to put forward any reasons why I should not pursue this course of action. You can do this by requesting a personal interview or submitting a response to the charge(s). In either case you should inform me of your intentions, in writing by 5 May 2004.

Page 1 of 3



PERSONAL AND IN CONFIDENCE  
Mr Lee Castleton

**GRO**

17.05.04

Dear Lee

I am writing following our meeting on Monday 10 May 2004, in which you put forward reasons why your contract for services should not be summarily terminated.

I have reviewed the papers relating to this case very carefully and have taken into account the points you have put forward.

After consideration I have decided to summarily terminate your contract for services as Subpostmaster of Post Office® Marine Drive branch from the date of your suspension, 23 March 2004, on the grounds that you have had several large unexplained losses at your office totalling £25,758.75. You were unable to make the losses good, which is in breach of your Contract For Services. There are a number of obligations set out within the Subpostmasters contract for services, one of which is that the branch is well managed and the work performed to the satisfaction of Post Office Ltd. I do not feel that you have achieved your obligations.

Please refer to your contract for services section 1, paragraphs 5 and 10 and section 12, paragraph 12.

You may, if you wish, appeal against my decision. If it is your intention to appeal, you should notify me, in writing by 31 May 2004. The format of the appeal can either be a personal interview or written submission. Should you wish to progress this avenue, I will arrange for the appeal to be heard by a member of Post Office Ltd Appeals Authority.

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Crown Street  
Darlington  
DL1 1AN

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Mr L Castleton

**GRO**

23<sup>rd</sup> May 2004.

Dear Cath,

I would like to appeal against your decision to terminate my contract dated from 23<sup>rd</sup> March 2004. Please could you organise for a hearing to take place.

I would also like to refer to my letter dated 28-04-04 in which I asked for ten pieces of information relating to this computer fault. Could you please forward this information to me as soon as possible.

**L Castleton**

Mr L Castleton

**GRO**

1<sup>st</sup> June 2004.

Dear Mr Mellars-facer,

I am writing to you following my telephone conversation with your PA. Paula today. I am sorry you have nothing to say to me. I am sorry you would not take my call.

I have written to you previously. That letter remains unanswered. Your message to me through Paula stated you wished me to ring Cath Oglesby to obtain any further information. I rang Cath today and she told me that obtaining the information I have repeatedly asked both of you for is outside her capability. Could you please tell me who I need to talk to? This information should be easily and readily obtainable. I can see no reason for you to withhold any of this information yet you seem intent on doing so. Please could you furnish me with the information I require.

yours faithfully

**Lee Castleton**

In Strictest Confidence  
Mr L. Castleton

**GRO**

02.06.04

Dear Lee

I am in receipt of your letter dated 24<sup>th</sup> May 2004 and the fax you sent yesterday. I was not avoiding talking to you, I just had nothing to add to our previous conversation.

Also, I was attempting to draw together information to reply to your letter.

I am aware that the majority of your points were discussed prior to, or at interview. I will reply to your requests in the order that you put them in.

1. There have been numerous downloads to all branches since January 2004. The details of these are not available from the Horizon helpdesk.
2. You have already been given a copy of the call logs.
3. This information is not available because of Data Protection regulations.
4. This information is not available because of Data Protection regulations.
5. The Retail Line Manager has to protect Post Office Ltd assets. The decision to suspend a Subpostmaster as a precautionary measure is taken after advice on the issue in question has been given.
6. Horizon's remit is primarily as a helpdesk and source of information. They are not there to visit if a branch misbalances. Balances since your suspension have been within acceptable limits.
7. You mentioned 'clear desktop' at interview, but did not elaborate on what you meant. I am unclear on its relevance.
8. Horizon will not provide this information.
9. You will need to get this information yourself from BT.
10. You were given this information at interview.

I am told that you have been sent a copy of the notes of the interview. All information we are able to give you, you now have. You have appealed against the decision to terminate your contract. This appeal will now be arranged as soon as possible.

Yours sincerely

David Mellows-Facer  
Head of Area

Post Office Ltd  
Darlington Area Office  
Crown Street  
Darlington  
DL1 1AN

Tel: **GRO**  
Fax:

cc: Cath Oglesby, Retail Line Manager  
Lesley Joyce, Contracts Manager

PERSONAL AND IN CONFIDENCE  
Mr Lee Castleton

**GRO**

17.05.04

Dear Lee



I am writing following our meeting on Monday 10 May 2004, in which you put forward reasons why your contract for services should not be summarily terminated.

I have reviewed the papers relating to this case very carefully and have taken into account the points you have put forward.

After consideration I have decided to summarily terminate your contract for services as Subpostmaster of Post Office® Marine Drive branch from the date of your suspension, 23 March 2004, on the grounds that you have had several large unexplained losses at your office totalling £25,758.75. You were unable to make the losses good, which is in breach of your Contract For Services. There are a number of obligations set out within the Subpostmasters contract for services, one of which is that the branch is well managed and the work performed to the satisfaction of Post Office Ltd. I do not feel that you have achieved your obligations.

Please refer to your contract for services section 1, paragraphs 5 and 10 and section 12, paragraph 12.

You may, if you wish, appeal against my decision. If it is your intention to appeal, you should notify me, in writing by 31 May 2004. The format of the appeal can either be a personal interview or written submission. Should you wish to progress this avenue, I will arrange for the appeal to be heard by a member of Post Office Ltd Appeals Authority.

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**GRO**

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Please sign and return one copy of this letter immediately in the envelope provided. A second copy is enclosed for your retention.

Yours sincerely

**GRO**

Cath Oglesby **GRO**  
Retail Line Manager



To: Cath Oglesby  
Retail Line Manager

I have noted the content of this letter.

If I decide to appeal against your decision, I will let you know separately.

Signed: \_\_\_\_\_

Date: \_\_\_\_\_

lee.castleton

From: "Rob & Kate Jones" [GRO] [GRO]  
Date: 12 October 2009 19:41  
To: "lee.castleton" [GRO] [GRO]  
Attach: Horizon.jpg  
Subject: RE: Horizon Errors

Hi Lee  
I have attached the evidence that I have.  
Don't get too excited -- it comprises a certificate of posting, a postage label from the same transaction and the transaction log covering the time it happened. No entry appears in the log!  
The interesting thing is that when I reported it to POL, instead of being surprised, they had an immediate answer ready. I was told to do the transaction again and to destroy the paperwork. This would seem to indicate that although they will not publicly admit to system errors they KNOW that they exist. Needless to say I ignored the bit about destroying the paperwork!  
After doing the transaction again I balanced perfectly at the end of the day  
If I had not spotted it and had just taken the customer's cash I would have ended up with an overage of £9.31  
Not a huge error and it would have left me over instead of short but it is proof that the integrity of the Horizon system is compromised  
Please use it if you can (I have erased all reference to my office) and I wish you luck.  
If I can help further please let me know.  
I have also been contacted by BBC Wales, Computer Weekly and Alan Bates. After the Taro 9 programme a few weeks ago I also had a long conversation with David Jones MP. To date Watchdog has not got back to me  
Regards  
Rob Jones

From: lee.castleton [GRO] [GRO]  
Sent: 11 October 2009 15:20  
To: Rob & Kate Jones  
Subject: Re: Horizon Errors

Rob, Kate,  
I cannot tell you how much I would love a copy of the information you have. I have some paperwork that shows errors in my own office but the more the merrier.  
Lee

From: Rob & Kate Jones  
Sent: Sunday, October 11, 2009 11:29 AM  
To: lee.castleton [GRO]  
Subject: Horizon Errors

Hi Lee  
I read in 'Convenience Store' magazine of your fight to clear your name following Horizon problems. Following the appeal in the mag I have just sent the text below as an email to the BBC Watchdog programme.  
I thought you might be interested and if I can be of any help please let me know.  
Regards  
Rob Jones

I understand from 'Convenience Store' magazine that you are interested in computer problems in the Post Office - specifically where subpostmasters have lost money and in some cases been penalised and/or prosecuted by POL.  
If you are interested I have a small piece of hard copy evidence that proves that the Horizon computer system is not as error-free as POL claim it is and is capable of accepting transactions and then losing all details of them resulting in discrepancies. These discrepancies are then the responsibility of the subpostmaster to make good.  
An incidence of this occurred in my PO about 6 weeks ago where the system 'lost' a transaction. I was able to spot it at the time and keep evidence of it. The interesting thing is that when I reported it to POL, instead of being surprised, they had a ready remedy to hand. This would seem to indicate that although they will not publicly admit to system errors they KNOW that they exist but are quite happy to blame the subpostmaster and hold him responsible for any financial discrepancy. The fact is that if I hadn't spotted it at the time (it would have been very easy to miss) I would have been none the wiser until the time came to balance the books.  
Luckily it was a very small financial amount but the evidence does prove the point.

Regards  
Rob Jones  
Porthwyd Post Office

[GRO]  
[GRO]



Stryddfa'r Post Cyl.  
Post Office Ltd.  
Eich Derbynneb  
Your Receipt

Post Office & Stores

Cardernthenshire

Dyddiad ac Amser: 25/08/2009 10:52  
 Data and Time:  
 Blaenrif Sesiun: 1-2260183  
 Session Prefix:  
 Cyrchfan:  
 Dest: UK (E.U.)  
 Nifer/Quantity: 1  
 Pysau/Weight: 3.000 kg

Standard Post £7.05  
 Up to £250 £250.00 £2.25

Cyfanswm Cost Gwasanaethau £9.31  
 Total Cost of Services

11:05 25/08/2009 TP:05 BP:03 SU: AA  
 Transaction Log - Office Copy

USER DATE MODE	TRANSACTION TIME PRODUCT	REF	SU	TP	BP	VOLUME	VALUE
		1-2260176-2	AA	05	03		
25/08/2009	10:44	SC CA CASH UDL	1			100.00	
		1-2260176-3	AA	05	03		
25/08/2009	10:44	SC Cash	1-			100.00-	
		1-2260196-1	AA	05	03		
25/08/2009	10:53	SC Halifax Cashudri	1			10.00	
		1-2260196-2	AA	05	03		
25/08/2009	10:59	SC Cash	1-			10.00-	
		1-2260198-2	AA	05	03		
25/08/2009	11:01	SC Post Boxes PP	1-			3.20-	
		1-2260198-3	AA	05	03		
25/08/2009	11:01	SC Cash	1			3.20	
		1-2260205-2	AA	05	03		
25/08/2009	11:02	SC CA WD LIMIT	1			46.40	
		1-2260205-3	AA	05	03		
25/08/2009	11:02	SC Cash	1-			46.40-	

? →

\*\*\* END OF REPORT \*\*\*

CYFEIRIAD DERBYNNYDD/DESTINATION ADDRESS  
 Enw'r Adeilad Neu'r Rhir Cod Post  
 Building Name or Number Postcode  
 Down Hall House CN22 6AP  
 Dilysuod y Cyfeiriad?  
 Address Validated? Y

MAE'N BRYSTIG EICH BOD YN CASHU'R  
 DERBYNNEB HON FEL PRAWF O BOSTFIO  
 IT IS IMPORTANT THAT YOU RETAIN THIS  
 RECEIPT AS IT IS YOUR PROOF OF POSTING

LENUCH Y TELERAU AC RHODAU AR  
 VAHAK OS GWELUCH YN DDA

PLEASE REFER TO SEPARATE TERMS AND  
 CONDITIONS

I'gaei gwybodæeth am  
 gynhyrchion a gwasanaethau'r  
 Post Brenhinol cysylltuch  
 â ni ar 08457 740 740  
 neu euch i'n gwefan yn  
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Nid derbynneb TAN yw hon  
 This is not a VAT receipt  
 Diolch Yn Fawr  
 Thank You

SP

Royal Mail

POSTAGE PAID UK

Post Brenhinol

TALWYD Y POST DG

25.08.09 09:31

1-2260183-1

If this page does not print out automatically, select Print from the File menu.

## Post Office is urged to act over IT concerns

Sub postmasters complain over accounting system used by Post Office

Rachael Singh, Accountancy Age 08 Oct 2009

Your local sub post office - heart of the community, essential service, potential bank and now focal point for accountancy controversy.

The controversy emerged last week when it was reported that up to 30 sub postmasters had come forward with complaints about the accountancy system used by the Post Office which, they claim, had produced discrepancies for six sub postmasters, concluding they owed more than £430,000 collectively.

Focus has now turned to Horizon, the accounting system used by the Post Office. The claims are that the system was faulty, showing takings for the branches as higher than they actually were.

IT professionals have been watching the news closely and discussion has focused on whether the Post Office has undertaken an IT audit, and whether the software provider is becoming embroiled in the row between local sub post masters and their employer.

The Post Office has issued denials but experts believe it needs to know exactly what is going on, even if the software systems are not to blame.

Richard Anning, head of the ICAEW IT faculty, said: "You need to make sure that your accounting system is bullet proof."

He added: "Whether they have an IT audit or not, they need to understand what was happening."

The interest in the accounting systems is given extra urgency because of Prime Minister Gordon Brown's announcement last week that the Post Office would return to offering banking services as a means of building more competition in the market.

Industry experts believe that alone should press the Post Office into some form of action.

David Turner, group marketing director at accounting software company Coda, believes whether or not these accusations are true the reputational damage is potentially disastrous.

"With an organisation as big as the Post Office, it is important to everyone that they have confidence in their IT systems especially if they are taking on banking systems," he said.

He added that it is vital the Post Office does "something" to "dispel" any rumours of faults because reputation is critical when it comes to accounting.

However, the Post Office may not be alone in its responsibility, claims Mark Thompson, managing director of accountancy software company COA solutions.

"A supplier can't walk away from responsibility," he says.

The integration and maintenance of a company's technology systems is a "partnership" he says, adding that both sides need to work on dealing with discrepancies within an IT system, especially if it was bespoke built.

Horizon had not returned calls from *Accountancy Age* by the time of going to press and the Post Office declined to comment when asked if it would undertake an IT audit.

However, the Post Office has issued a more general statement, saying: "Our Horizon IT system, which operates across the Post Office network, is extremely robust and successfully records millions of transactions each day and there is no evidence pointing to any fault with the technology."

"We are completely confident our system is capable of handling the financial services transactions carried out at Post Office branches and will support any new services that we plan to introduce in the future."

**IN OUR VIEW**

*The Post Office should consider an IT audit to show it has taken the matter seriously. Although it may be small sums of money involved, perception is everything and it could not consider going back into bank services with an accounting system that had doubts attached to it.*

Permalink: <http://www.accountancyage.com/2250781>

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Close this window to return to the website

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Lee

We have completed an initial study of the documents you sent through in relation to your dispute with the Post Office and their software system Horizon.

It is our opinion at the moment, based upon what you have sent and your explanation of the fields and mode of operation, that there is an inconsistency in the printed data. The obvious example is the printout you have numbered "3". This appears to show RSP logged on to terminal 1 through the period 11:52:44 to 12:41:22 at which point RSP can be seen to be logging off. 28 seconds later LCA (I assume that is you) logs on to the same terminal (terminal 1). 1 second later, terminal 1 disconnects from the network (or at least is reported to have disconnected). The terminal is not reported to regain connection to the network until 14:00:42 (the print out isn't very clear so this time might be inaccurately deciphered). During the disconnection period, transactions can be seen to be continuing. There are potentially a number of possible explanations for the printout data:-

1. The terminal continues to function in "off-line" mode until the network re-connects, storing transactions locally.
2. The printout is inaccurate and missing events; the terminal may have re-connected immediately after the disconnection
3. The disconnection message is inaccurate and the terminal did not in fact disconnect.

A further clear example is set out in sheets 3 & 4. At 14:24:56 LCA can be seen logging on to terminal 2 (there is no record of logging off terminal 1) and CTR can be seen logging on to terminal 1 (this might automatically log off LCA). However it appears from sheet 4 (pdf 555) that LCA was logged on to terminal 1 until 14:20:20 and then was using terminal 2 (14:21:12??) until 14:22:14 where the entries then show LCA logged on to terminal 1 until 14:24 at which point CTR is recorded as using terminal 1 (which tallies with sheet 3). This use of terminal 2 between 14:21 and 14:22 does not appear on sheet 3.

The two sheets therefore do not appear on the face of it to present the same data.

Clearly this is extremely important and further investigation with more examples and if possible access to live data or archived data rather than printouts is essential. These discrepancies need to be analysed and explained. If possible the alleged discrepancies in the monetary value of the transactions need to be aligned to the obvious reporting discrepancies seen in the printouts.

We are willing and able to take this further if you wish to instruct us. I would suggest one of our forensic accountants has a look at the transaction data and I would be able to analyse and interpret the report data and timing. I do not think we need one of our Oracle consultants deployed just yet. If you have further evidence in the form of software printouts or if we are fortunate and can secure access to a live system, then it would be essential to deploy an Oracle specialist at that point.

Untitled

Johannesburg - The South African Post Office (Sapo) is continuing to pour millions of rand into a new retail system despite clear evidence that the project is not financially viable, according to a confidential report.

The document, which was tabled in March but which has been kept out of the public eye, illustrates how the R107m project, webRiposte, has resulted in staff having to pay in money for cash shortages resulting from the new dysfunctional system.

The report says the project:

- » Is susceptible to fraud;
- » Has software glitches;
- » Has overrun the budget by R80m; and
- » Should be discontinued.

The webRiposte system was launched in 2004 to replace the old PostLink, a point-of-sale system used at retail branches of the parastatal to expedite consumer service.

The new system has instead performed worse than the old one. webRiposte has resulted in several faults linked to cash and cheque management at some branches.

"The system for no given reason will duplicate the transaction with the same date, time and values," says the report, adding that the problem can neither be fixed nor can the root cause be identified.

"This unfortunately negatively impacts on employee morale as Sapo requires that employees pay in money for cash shortages.

"If the current trend continues, employees will be paying several hundred rands for system errors because the cash management function is not working correctly."

When the mailing and banking parastatal launched webRiposte, Sapo had budgeted R110m for the project. The goal was to roll out the system at 1 567 branches across the country.

However, Sapo has spent R107m on the project and only managed to roll out webRiposte at seven outlets in seven years.

Sapo also took the decision to inject an additional R80m into the project and extend the deadline from 2007 to 2012.

- City Press

16 February 2012

**Royal Mail Group**

Mr Lee Castleton



Information Rights Team  
(Freedom of Information Act)  
Company Secretary's Office  
4th Floor  
Royal Mail Sheffield  
Pond Street  
SHEFFIELD  
S98 6HR

foi   
[www.royalmail.com](http://www.royalmail.com)

Dear Mr Castleton,

Re: Freedom of Information Act – Request for Internal Review (Ref: AJME-8PJH DU)

I am writing in response to your request dated 14<sup>th</sup> January 2012 in which you asked for an internal review of the requests for information you submitted on 12<sup>th</sup>, 13<sup>th</sup> and 14<sup>th</sup> December 2011. Your request, and our response, has been carefully reviewed in line with our obligations under the Freedom of Information Act 2000, and I am writing to inform you of the outcome of this review.

In your emails dated 12<sup>th</sup>, 13<sup>th</sup> and 14<sup>th</sup> December you requested the following information as a result of an article in a national publication:

- 1. I would therefore like to ask for the Losses as a total please, and the gains as a total please for the accounting year 2004/2005 for the Crown Office part of the business.*
- 2. I would therefore like to ask for the Losses as a total please, and the gains as a total please, for the accounting year 2006/2007 for the Crown Office part of the business.*
- 3. I would therefore like to ask for the Losses as a total please, and the gains as a total please for the accounting year 2009/2010 for the Crown Office part of the business.*

In the response issued to you on 12 January 2012 you were advised that as the three requests related to the same class of information the costs of dealing with each were aggregated as described in section 12 (4)(a) of the Freedom of Information Act 2000. You

Cont...

were advised that your requests date back a number of years and relates to information concerning branches that no longer form part of the Crown Network, and therefore it would exceed the appropriate cost-limit under section 12 of the Freedom of Information Act to identify, locate and retrieve the information covered by your requests.

In your email dated 14 January you stated that you believed that the cost of producing the figures requested would be and should be minimal. You go on to state that the figures are part of Post Office Limited accounts and therefore would be easily reproduced. As your requests ask for total losses and gains this would include Crown Offices which have since been closed down, and no longer part of the Network. These Offices would no longer be on our central system and we would be required to locate the information separately.

To retrieve the detailed information requested for those Crown Offices no longer in the Network a request would need to be submitted to Fujitsu for the relevant data held on behalf of Post Office Limited. The cost of this request alone would exceed the cost limit set out section 12 of the Freedom of Information Act. Furthermore, it is expected that it would take a significant amount of time for this information to be retrieved. The data that would be provided by Fujitsu would be vast as it would show all items posted by each account by branch. In order to obtain the information required a large amount of analysis would be required to ensure the information was put together in the appropriate format. An estimate of the time this would take for the amount of data you require is ten to fifteen days.

After reviewing the terms of your request, we are satisfied that Post Office Limited was correct to estimate that the cost of identifying, locating and retrieving all information within the scope of your request would take in excess of 18 hours and exceed the £450 cost limit. Consequently, we believe that the cost-limit exemption under section 12 (1) of the FOI Act was correctly applied and the Post Office Limited is not obliged to comply with your requests as they stand.

Where the cost limit applies, we do have a duty to provide advice and assistance in relation to relevant information which could be retrieved under the cost ceiling. We would advise you to focus or narrow the scope of your requests in order to clarify exactly what information you want to receive and reduce the range of information which could be covered. For example information regarding the Net losses is held however this information is considered to be commercial information, and therefore Post Office Limited may consider that it should be exempt from disclosure under section 43(2) of the Act – prejudice to commercial interests. You may also consider requesting the required information for Crown Offices that are currently open, however again Post Office Limited may consider this information to be exempt under section 43(2) of the Act. However, Post Office Limited will respond to any valid request under the terms of the Freedom of Information Act.

Cont...

I am sorry that your request cannot be met on this occasion but hope that this response suitably explains why the cost-limit does apply. In the event that you remain dissatisfied with this response you do have the right to appeal to the Information Commissioner who can be contacted at the address below:

Information Commissioner's Office  
Wycliffe House  
Water Lane  
Wilmslow  
Cheshire  
SK9 5AF

**GRO**

[www.informationcommissioner.gov.uk](http://www.informationcommissioner.gov.uk)

advice centre

© PAGE 17

**Epos systems drive you round the bend**

It isn't just our country's Post Office experiencing problems with its computer system (Horizon), which has seen many sub-postmasters penalised for accountancy errors. Lee Castleton, who was bankrupted by the PO and who, along with dozens of others, is fighting back with collective action through the courts, has sent me a report from a paper in Johannesburg.

It says that the South African Post Office (SAPO) is continuing to pour millions of rand into a new retail system, despite clear evidence that the project is not financially viable, according to a confidential report.

The document, which has been kept out of the public eye, illustrates how the R107m project, WebRiposte, has resulted in staff having to pay in money for cash shortages resulting from the new dysfunctional system.

Doesn't that sound familiar? The report says the project is susceptible to fraud; has software that has overrun by R80m, and should be discontinued.

**“The document, which has been kept out of the public eye, illustrates how the R107m project has resulted in post office staff having to pay in money for cash shortages resulting from the new dysfunctional system. Doesn't that sound familiar?”**

“This unfortunately negatively impacts on employee morale as SAPO requires that employees pay in money for cash shortages,” it continues (again, how familiar).

To update you on the court case back on home soil – so far, no update. Yes, those wheels grind ever so slowly.

**Part and parcel of playing by the rules**

This was different. This column has spent a lot of time exhorting retailers to follow PayPoint's rules by the book to avoid being scammed. But high-profile retailer Lesley Brown, of Frankmarsh Stores in Barnstaple, likes to do things by the book.

So when a scruffy guy in an old post office van and with no ID, no hand-held terminal, arrived to pick up a 'Collect Plus' parcel, she refused to hand it over. Where was the usual guy from Yodel, PP's partner in this parcel scheme?

She rang PP and, after several calls, the exchange got somewhat heated and Lesley threatened to cancel her contract for Collect Plus. She was astounded to be told that she had to give three

months' notice and, if she didn't comply, her PP terms would be removed.

Lesley wrote a strong reply. I spoke to PayPoint and they have been sent this reply: "We were sorry to hear of Mrs Brown's experience and are grateful to her for bringing it to our attention. The security of our parcels is of paramount concern to us."

Her experience was not acceptable and we apologise. We fully understand her desire to cancel the service and, although we are sorry to lose a loyal customer, we have agreed to discontinue the service immediately. We are pleased that she has valued the service and will continue to work on improvements to ensure that the service meets her needs and collection arrangements for the future. It has also been agreed that appropriate action will be taken against individuals involved in this incident.

**Bank battle for top-up shoppers**



**How do you attract top-up shoppers?**  
Tell us your techniques by logging on to [www.thegrocer.co.uk/convenience](http://www.thegrocer.co.uk/convenience)

**HIM recommends some key steps to stop multiples stealing your core**

...more likely to purchase something on impulse; and they also notice and buy into promotions more than the average shopper. Under the grocery rules, focusing more on... At the...  
...is a soft touch with...  
...challenge will be...  
...that will...

2008, it was fourth on the list of shopper importances. This year, "convenience" is second only to "product availability". High fuel costs are forcing shoppers to rethink their drive to the larger out-of-town hypermarkets and opt for more local options. Therefore, local c-stores should be well placed to win shoppers who turn to local shopping. They have great locations, and many stores now have a fantastic fresh offering of bread, fruit and vegetables. However, to maximise the

fresh fruit and vegetable grocery items, as availability in the... has a negative effect on categories such as... Retailers also... the most of cross top-up items, such as promoting the bread, milk, the milk at... and biscuits fixt... brands as signp... provide a level... To get new... the store retail... leaflets to highl... stock overnight

## Yule be sorry

**WE** HAVE full confidence in the Horizon system," the Post Office wrote to the *Eye* in October after we reported on the scores of sub-postmasters who have been disciplined, prosecuted and even imprisoned for apparent financial shortfalls that they blame on their computer system (see *Eyes* 1298 and 1299).

More than 99 of them have approached the law firm Shoosmiths with a view to taking legal action, and since then the *Eye* has seen repeated complaints of discrepancies caused by the misleading system, most of them sneaking under the public radar. Now, however, more major signs of Horizon's failure have emerged.

Last week the system simply shut down twice as Christmas customers queued up to post their cards. Then around 600 flanked mail customers were billed twice by the system for the same usage. All of which suggests that those who say shortfalls are thrown up by the system from nowhere have a point.

This raises some serious questions over a system created and run by Fujitsu and burdened with a dire history, having been ditched by the Department for Social Security and dumped on the Post Office more than a decade ago.

Horizon was created in the same era of mega-IT projects as the Courts Service's equally evocatively named system Libra. This has just taken a paving from the National Audit Office, which reports that Libra's inability to track the payment of fines has played a large part in leaving the taxpayer £1.4bn out of pocket.

The Post Office might have "full confidence" in Fujitsu (also a major supplier on HM Revenue & Customs' tax systems on which efforts to introduce universal benefits depend) but it seems few other people do.

## WAR PENSIONS

### Insult to injury

**THE** defence select committee's report *The Armed Forces Covenant in Action?* had little to say on social care, including the payment of war pensions and compensation for injury or death while in service.

The War Pensions Scheme was set up to provide "no fault compensation" to ex-service personnel and their families from the start of the First World War in 1914 to 5 April 2005. On 6 April 2005 it was "simplified", with the addition of the Armed Forces and Reserve Forces Compensation Scheme (AFCS), designed to provide similar "no fault compensation" from that date, thus ensuring the whole procedure became a balls-up.

A lump sum paid to a wounded soldier under AFCS is designed to compensate for an injury sustained in service: the loss of both eyes, for example, is valued at £200,000. But if this money is not put into a personal injury trust by the injured party, the government and local councils can take the sum into account when means-testing other benefits. At present, income support, council tax and housing benefits are not available for anyone whose lump sum amounts to more than £16,000. Moreover, if the wounded soldier dies, any payment to a widow, widower or to children is taxable.

In any case, access to a war pension is no longer a right -- the defence secretary can and does reject claims. Between 5 and 19 December, the *Eye* confirmed that 86 cases regarding war pensions were being heard at "first-tier tribunals" on behalf of ex-service personnel who had had their claims queried in this way.

Payments under the AFCS come from the Ministry of Defence, which has a £10bn "black hole" in its £33.8bn budget and needs to make big savings. Once again, it will be left to military charities to pick up the pieces until social care for veterans and their families is reviewed.

### 'Squarebasher'

You can contact the In the Back team on 020 7437 4017 or email: [strobos@private-eye.co.uk](mailto:strobos@private-eye.co.uk)



## In the City

### RBS SPECIAL Part 1:

#### Overdrawn, underdone

*"It could be possible to add a report looking just at the RBS story. But it would add little if anything to our understanding of what's gone wrong."*

**SO SAID** Lord Turner, chairman of the Financially Supervisory Authority, trying a year ago to justify why a 298-word press release was far more informative about the failure of Royal Bank of Scotland than the 450-page report he finally published last week.

That report reveals his claim for the breathtakingly deliberate disinformation the City always knew it was. In return for the £25bn currently lost by the taxpayer in bailing out RBS, we now know why Sir Fred Goodwin and others at RBS could have been the target of regulatory action -- and most importantly, why they were not.

No wonder Turner and chief executive Hector Sants, with the other RBS tainted suits still at the FSA, wanted the taxpayer to be satisfied with the usual "lessons have been learned" mantra that follows every British administrative disaster where lives or millions are lost but nobody responsible pays any price for their failures.

That would have saved FSA faces and more importantly protected those remarkably still in financial regulation: Sants, the proposed head of the new Prudential Regulatory Authority which next year replaces the FSA as the banking watchdog; Margaret Cole, the former FSA enforcement chief who will have a central role in the proposed new Financial Conduct Authority; and Verena Ross, the former FSA head of strategy and risk, who now runs the European Securities and Markets Authority.

The RBS report whitewashes what went on inside both the FSA and RBS. But what is to be expected when FSA general counsel Andrew Whittaker, internal audit head Rosemary Hilary, deputy chairwoman Karin Forseke and director Carolyn Fairbairn were all in place when the train wreck happened, not just at RBS but also Northern Rock, HBOS and Bradford & Bingley.

Despite the FSA's wish to cover its tracks and the censoring influence of lawyers hired by the guilty (the report contains not a single explanation nor serious criticism of Goodwin or chairman Sir Tom McKillop) it's still possible to see that a regulator without the FSA's complicity could and should have taken action against RBS's senior management, starting with Fred the Shred and his "assertive and robust style".

"There was an issue as to whether the CEO achieved the right balance between maintaining his own detailed understanding and the oversight of the Global Banking and Markets business [GBM, the investment banking division which lost almost £1.3bn and sank RBS] and delegating some of the management of that business to others," the report says. "There remains an important question about the quality of the CEO's judgement in his delegation of the responsibility for management and oversight of GBM."

The report lists many "poor" and "questionable" decisions made by Goodwin, supported by his boardroom stooges: keeping RBS "highly capitalised"; adopting a business model with a "high level of liquidity risk"; "inadequate monitoring" and concentration of commercial property lending; rapidly expanding into loss-making structured credit markets "when signs of underlying deterioration... were already starting to emerge"; taking over ABN-AMRO "without a sufficient understanding of the risks involved"; paying with debt and taking all the risks on behalf of the bidding consortium.

It was "a misjudgement with catastrophic consequences" -- yet nobody is held accountable. "A successful case needs clear evidence of actions by particular people that were

inecompetent," declares Turner.

So what about the scale of the losses at GBM, which "reflected both a poor strategic decision to expand the business and a hasty response to emerging problems"? Or

the "bias to optimism", led by Goodwin? Or that "GBM's risk management, control and reporting processes were flawed and senior management on some occasions displayed flawed understanding of key aspects of the risks being taken"? Or that the due diligence on ABN-AMRO was "insufficient" and "inadequate"? Or that "governance, systems and controls and decision making may have fallen well short of best practice and below the practices of a number of peer firms"?

"Specific individual failings have been identified" -- but with no names attached.

The RBS board "failed adequately to challenge" Goodwin's "focus on increasing revenue, assets and earnings per share" instead of "capital, liquidity and asset quality"; set incentives for Goodwin that "made it rational for him to focus on increasing revenue, profit, assets and leverage"; "failed adequately" to identify and address the growing risks.

On ABN-AMRO, the board lacked the "degree of moderation and sensitivity to strategic risk appropriate to a bank". Too many knew too little about banking or trading, but this ignorance did not extend to finance director Guy Whittaker or non-executive Colin Buchan.

But to the FSA -- which failed to pick up on what Goodwin was doing and when it tried was bullied out of it -- all this was irrelevant. The evidence was insufficient or the actions taken were "reasonable" or "not inappropriate" in the context of the banking custom and practice at the time. And who would ever guess that US house prices would fall and banks fail? It would be "unfair" to the multimillionaire bankers and their boardroom dummies, especially as the FSA made the same mistake.

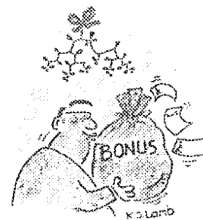
Even investment banking head Johnny Cameron -- the only RBS "scalp" -- agreed a deal to stay out of banking in return for no disciplinary action on the basis that "the FSA did not make any findings of regulatory breach... and he did not make any admissions". And this was the man the FSA says broke the bank and admitted he did not know enough! Cameron, like Guy Whittaker, was compelled to give interviews -- always a sign of innocence!

Meanwhile two senior Cameron GBM subordinates are still in the City. Brian Crowe is a director of AIM-listed Lombard Risk Management -- and chairman of its audit committee -- while Symon Drake-Brockman is FSA-authorized, running a private equity business.

The inability of the FSA to nail Cameron explains why it is similarly struggling to finalise the report into HBOS. Corporate banking head Peter Cummings is refusing a similar deal. Why not, given what he will have read about RBS? And his boss, Sir James Crosby, was the FSA deputy chairman!

The FSA set itself a "likely chance of success" test that could justify its later inaction. "Every allegation made must be capable of being convincingly evidenced before a tribunal," and "conclusive evidence" was needed, "very strong evidence of an individual's personal culpability". There was no "strict liability" for bank directors. Everything had to be judged as to what was "reasonable in all the circumstances at the time of the conduct".

All this is despite the fact that the evidential test was, the report admitted, the civil one of "balance of probabilities", not the much higher criminal test.



# Losses & Gains Quick Guide for Crown Managers



Version 1 (Sep 2008)

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## CONTENTS

- Section 1 Introduction and Purpose
- Section 2 Supervisory Checks (misbalance checks & surprise checks)
- Section 3 Transaction Corrections
- Section 4 Counter Losses & Gains Reporting
- Section 5 Monitoring Records
- Section 6 Loss Escalation Process

## APPENDICES (For reference)

- Appendix A Annual Certificate of Compliance (ACC) – *This workbook has been issued directly to Crown Offices*
- Appendix B Supervisory / Balance Checks  
*(Loss and Gains Policy Action Workbook)*
- Appendix C Local Record of Stock Users
- Appendix D Report from Crown Office Managers for losses over £250
- Appendix E Action Matrix Flowcharts  
(a – Multi User Stock / b – Individual User Stock)
- Appendix F Record of interview / actions agreed
- Appendix G Escalation Interview Action Plans  
*(Loss and Gains Policy Action Workbook)*
- Appendix H Branch Enquiry Form

## Policy Monitoring Tool - Loss Management System (LMS)

1. Data Capture Workbook
2. Data Analysis Workbook
3. Loss and Gains Action Workbook

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**Section 1 – Introduction to Policy and its Purpose**

The impact of losses in the Crown Office Estate is having a serious effect on our ability to deliver the three2eleven plan to bring us back into profitability by 2011. Our actual Crown Office losses in 2007/08 amounted to £2.2M.

The Policy has been redesigned to provide clear and consistent guidance to Crown Office Managers and their Assistants as to their responsibilities for the recording, maintenance & monitoring of losses and gains.

The main Policy, the quick guide, and Loss Management System, will provide Crown Office Managers with the tools to be able to effectively manage losses and gains and to take appropriate measures to reduce losses.

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**Section 2 – Supervisory Surprise Checks & Misbalance Checks**

Supervisory controls are designed to assist Crown Office Managers in effectively minimising the risk to the business assets at their offices and to protect individuals. As part of these supervisory controls, the office management team are responsible for performing random, surprise checks on all stock units (either individual or multi-user) on a regular basis.

There is also a requirement for misbalance checks to be performed on all stocks, both 'multi user' and 'individual', which misbalance by £30 and over. However, these checks are over and above the need for supervisory surprise checks and can be performed by both managers and experienced colleagues.

To meet the minimum standard, a programme of supervisory surprise checks must:

- be performed by the Crown Management Team who will check that colleagues complete a cash declaration towards the end of each working day;
- include monitoring, by Managers, of the levels of cash being held by all colleagues;
- include every stock unit (e.g. Main Cash, ATM, SVM, Postshop cash and value stock, Giro, Bureau De Change and Lottery etc.); Main Cash Stocks held by a Crown Office Manager should be checked by a Crown Area Manager or representative.
- be treated separately to misbalance checks;
- check all cash, stock and vouchers to hand and reconcile to the last declared balance; Print and check for 'outstanding docketts'.
- ensure each stock unit is checked at least once in a three month period, where the stock is rotated, or once in an eight week period where the stock is held by a single colleague. i.e. Individual stocks and when a multi user stock has been balanced by the same colleague every week due to the way duties have been written (these multi user stocks should be treated the same as individual stocks for supervisory check purposes only).
- be supported by a record of stock checks with records of surprise checks being clearly distinguished from misbalance checks and retained for two years; The checker should clearly identify themselves on the local records. (Appendix B – Loss and Gains Action Workbook)
- include a variation on the days of the week used for surprise checks, so as to avoid any pattern that will become known to individuals
- ensure a Manager's signature is recorded onto the final balance record of a checked stock and ensure the stockholder or an independent witness is present at the time of the check. A record of the check, the witness and balance result 'pre' and 'post' check should be entered into the Loss & Gain Action Workbook.

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There is a requirement for Crown Office Managers to complete :-

For all Stock losses and gains of £5 or more

Using the L&G Data Capture Workbook, enter -

- Financial Year
- Week number
- Stock Unit ID
- Value of Loss / Gain
- Name of individual or all individuals who have served from that stock unit during the balancing period
- Details of associated Transaction Corrections -- values, linked to the original trading period and relevant stock unit

For all surprise & misbalance (over £30) checks

Using the L&G Action Workbook, enter -

- Financial Year
- Week Number
- Stock unit
- Name of Stock User
- Original Loss / Gain result
- Type of check (surprise or misbalance)
- Result of Loss / Gain, post check
- Discrepancy comment, if required
- Name of Crown manager or substitute performing the check
- Position or grade of checker
- Ensure Horizon Weekly Balance Report is signed & dated and retain documentation relating to check for 2 years

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Section 3 – Transaction Corrections

Branch Trading should be undertaken in accordance with the latest Branch Trading booklets, which include details of balancing stock units, production of the Branch Trading Statement, production of reports and despatch of documents

If a Transaction Correction is required,

- Crown Office Manager should contact branchcontrol GRO by email using the discrepancy form (See Appendix H). NOTE if the error is a Stock error, please identify the product.
- Branch Control contacts relevant product team within Product & Branch Accounting
- Product & Branch Accounting investigates and issues the associated TC immediately if appropriate
- Office accepts the Transaction Correction on receipt by following the instructions as detailed on the Transaction Corrections
- Office completes Branch Trading , posting only true losses and gains

Note - The value in Local Suspense at Branch Trading should be resolved by selecting the Write-Off to P & L option to prevent losses/gains rolling into the next period

USEFUL CONTACTS

- Any query in respect of Transaction Corrections, please email branchcontrol GRO
- Contact Cathy Macdonald on GRO  
GRO GRO

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**Section 4 – Counter Loss & Gains Management Reporting****4.1 – Losses/Gains between £5.00 and £249.99**

Crown Office Managers must undertake to perform the following in respect of Losses/Gains:

- To report immediately, via telephone, any loss, irrespective of value, where dishonesty is suspected, whether declared or discovered on a supervisory/balancing check, to the NBSC Helpline on **GRO**
- Records of losses and gains do not need to be sent from the office, unless requested by your Crown Area Manager, Investigation or Compliance / Audit Managers. These records must be made available to any of those mentioned at the time of a visit.
- Where a stock unit incurs a loss or gain over £30.00, the Crown Office Manager must perform a balance check of the cash/stock and vouchers on hand. If the relevant colleague cannot be present at the balance check, an alternative witness must be present.
- If the resultant balance check reveals a further loss which raises it above the £250 threshold, the Manager must call the NBSC as per the process in Section 6.2.

**4.2 – Losses over £250.00 (Appendix D)**

Crown Office Managers must undertake to perform the following in respect of losses over £250.00. (NOTE – Crown Office Manager, if on duty, should take responsibility for ensuring the following action is taken)

- Crown Office Manager to complete the report for losses over £250.00 (Appendix D) and e-mail this form to "Fraud Team Post Office Ltd" e-mail address as soon as possible after the discovery of the loss. This form should be completed even if the loss is "known".
- Ensure all colleagues who had access to the stock, complete the Investigation Team's "Counter Loss over £250 – Individual Report" and these should be retained along with the required event and transaction logs until requested, pending any future investigation.
- In the event that a transaction correction (TC) is received for a loss previously reported over £250, the "Fraud Team Post Office Ltd" must be e-mailed giving details of the amount, stock unit, date and Branch Trading Period it relates to. It is important this is done as soon as the TC is received to avoid any unnecessary extra work being undertaken by the Investigation Team on a reported loss.
- Crown Area Manager to receive a copy of the loss report form and to ensure that appropriate local action taken by Crown Office Manager, including support requested from Compliance and OE Teams if required.
- Finance Team to receive a copy of the report form as pre-warning of loss performance.

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4.3 – Losses over £2000 (Appendix D)

- As above for losses over £250.00, but additionally a call must be made to the NBSC Helpline on 0845 6011022 by the close of play on the day of discovery of the loss.
- Crown Area Manager to receive a copy of the loss report form and to ensure that appropriate local action taken by the Crown Office Manager, including support requested from Compliance and OE Teams if required.
- Copy of loss form should be circulated to both your Regional Manager and your Finance Analyst

Section 5 – Monitoring Records

Stockholder records (Appendix C and Appendix B)

Crown Office Managers must ensure the following actions are undertaken:

- An accurate record must be kept of all stock unit holders, whether individual or 'multi user' on the workbook provided. This workbook needs to be completed on a weekly basis and must be kept up to date.
- The stockholder record allows Crown Office Managers to record details of Surprise Checks, which are to be conducted on all stock units at least twice a year.
- The stockholder record also allows Crown Office Managers to record details of Balance Checks, which need to be conducted on all losses and gains over £30.00.
- Stock units must be rotated on a regular basis. This simple task will prevent build up of losses in a till and provide a deterrent to anyone who considers falsifying their balance. The maximum period for an individual holding and balancing the same stock is 8 weeks. This would also apply to multi user stocks where the same individual balances every week due to the way the duties are scheduled. All other rotating stocks should be checked once in three months as a minimum.

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Section 6 – Loss Escalation Process & Trigger Points

MULTI USER STOCKS		
Escalation	Performance	Action
Stage 1	3 losses of £30 or more over a period of 3 months (13 weeks)	Informal Interview – Crown Office Manager - with colleagues, identified as having access to the stocks that have incurred losses, to raise awareness of their performance and to reiterate the Loss Escalation Process. Action Plan should be agreed and notes taken and signed. Consideration given to a switch to individual balancing if appropriate at this stage.
Stage 2	Further 3 losses of £30 or more over the period of 3 months following the Stage 1 interview.	2 <sup>nd</sup> Informal Interview – Crown Office Manager - to review performance and agree the level of support required. Action Plan agreed and notes taken and signed. Notice given to colleagues that they will switch to individual balancing by stage 3 if improvement is not forthcoming and switch is not appropriate at this stage 2.
Stage 3	Further 3 losses of £30 or more over the period of 3 months following the Stage 2 interview.	3 <sup>rd</sup> Informal Interview – Crown Office Manager - Colleagues moved onto individual stocks. Action Plan agreed and notes taken and signed.

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INDIVIDUAL STOCKS		
Escalation	Performance	Action
Stage 1	3 losses of £30 or more over a period of 3 months (13 weeks).	Informal interview – Crown Office Manager - to raise awareness of loss performance, agree the level of support required and to reiterate the Loss Escalation Process. Action plan with notes signed
Stage 2	Further 3 losses of £30 or more, over the period of 3 months following the Stage 1 interview.	Informal interview – Crown Office Manager to review performance and agree the level of support required and to reiterate the Loss Escalation Process. Action plan with notes signed
Stage 3	Further 3 losses of £30 or more, over the period of 3 months following the Stage 2 interview.	Formal interview – Crown Office Manager to review performance and agree the level of support required and to reiterate the Loss Escalation Process. Notification that all future losses of £5 or more will be taken into account. Action plan with notes signed
Stage 4	Further 4 losses of £5 or more, over the period of 6 months following the Stage 3 interview.	Formal Interview – Crown Office Manager to review performance, and agree the level of support required and to reiterate the Loss Escalation Process. Reiterate the possible consequences of reaching L&G Escalation Stage 5.
Stage 5	Further 3 losses of £5 or more, over the period of 6 months following the Stage 4 interview	Formal Interview with appropriate management level from outside of immediate crown office, to review performance and consider disciplinary action under the Conduct Code.

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### Additional Notes

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

It is essential that a Crown Office Manager interviews colleagues as soon as possible following escalation and prior to the following weeks balance, otherwise allowances will need to be made in the escalation process e.g. cannot issue Stage 2 interview until Stage 1 interview undertaken.

There may be occasions when a loss will need to be recorded against an individual within a multi user stock rather than the whole team. e.g. Payment not taken by colleague for MVL transaction resulting in shortage for that colleague alone and clearly identified.

For all interviews, including Multi User Stock Escalation Interviews, it would make good practice to encourage an individual to be accompanied by a friend or CWU rep if they so wished, although not mandatory. However, remember that all interviews should take place prior to the following week's balance and should not be delayed.

At any time action taken by line managers may be to either uphold the decision to progress through the escalation process or to reduce standing to a lower 'stage' once any mitigating circumstances or Transaction Corrections are fully understood. All decisions must be clearly documented within the action plans agreed.

### Trainees / new recruits and individual stocks

New Entrant Trainees should be given their own stock during their probationary period in order to assess their suitability for counter work from the results of their balancing record. A decision to confirm the 'trainees' appointment should only be made by the Crown Office Manager if their level of losses meets the Business standard at the six or twelve month stage. A decision would then be made whether to extend the trial period further. Although individual losses should be recorded in the Loss Management System, 'Trainees' will not progress through the Loss & Gains Escalation Process, however, performance will be monitored and discussed as part of the Trial Report procedure.

It is likely that more mistakes will be made by trainees and the trial report process should be used to ensure that the appropriate level of support is provided to an individual who would have triggered loss 'escalation'. Discussion should take place in respect of action required and the individual made aware of what action would have been taken under normal circumstances. Poor loss performance may result in a trial extension or not passing trial but all mitigating circumstances should be carefully explored, supported and documented. Discussion should also take place with the Crown Area Manager in respect of additional training opportunities being explored.

## Confidential

### Criteria for converting Multi User Tills to Individual Stocks

At any time that the office loss level rises to an unacceptable level, action may be taken to convert the whole office approach to stock control from 'multi user' to 'individual' till ownership. Discussion should take place between Crown Area Managers, Crown Office Managers and possibly Investigation, Audit/ Compliance and Operational Efficiency Team Managers as appropriate.

On the job support and training should be offered to individuals to help them prepare for this conversion and on site facilities should be sufficient to ensure an effective level of security is provided to enable individual stock control.

It is clear that, in some cases, the introduction of 'individual stocks' will require an investment of additional time and may reduce flexibility at the Counter. It is therefore essential that the cost of converting multi user to individual stocks is calculated through a review of current duties, performed by the Operational Efficiency Team, and a decision taken of whether it is appropriate to convert the whole office approach or just part of it, i.e. a mix of multi user and individual stocks. This will depend on the individual circumstances and risk to each Crown Office

A recovery plan should be developed that supports the monitoring of performance over an agreed timescale with the intention of returning to 'multi user' stocks as quickly as possible.

### Trigger point for action

When the value of losses over a period of time (reviewed quarterly) reaches an unacceptable level, action should be taken. eg. The monthly trend of loss and gain performance is above the budget set for the office or the office may be one of the worst 10%. At this level, losses are likely to be having a detrimental effect on contribution and profit and loss, outweighing the benefits of flexibility encouraged through a multi user till approach.

If an acceptable level is exceeded then a request should be made to the Operational Efficiency Team to review duties and a decision then made to either introduce individual stock balancing for the whole office or just for individuals. The agreed plan should also include a timescale.

Support from the Investigation Team must be requested by the Manager, should there be a degree of suspicion or possible theft.



IN CONFIDENCE

**Crown Office Counter Loss > £250**

Email this form to 'Fraud Team Post Office Ltd' address (fraud.team@)

- ...as soon as possible after the discovery of the loss. This form should be completed even if the loss is "known".
- Crown Area Manager to receive a copy of the loss report form and to ensure that appropriate local action taken by BM, including support requested from Compliance and OE Teams if required.
- Finance Team to receive a copy of report form as pre-warning of net loss performance.

(You do not need to submit any paperwork until a member of the Investigation Team contacts you.)

**Crown Office Counter Loss > £2000**

- As above for losses over £250.00, but additionally a call must be made to the NBSC Helpline on  by the close of play on the day of discovery of the loss.
- Report the loss to your Crown Area Manager by email.
- This form should also be emailed to your Regional Manager and Finance Analyst.

(You do not need to submit any paperwork until a member of the Investigation Team contacts you.)

Please read this form carefully and answer all of the following questions

- a) It is essential to supply the following information for ALL Counter, Bureau, Postshop, SVM, ATM, and Error Notice losses of £250 and over, as soon as the C/A is completed.
- b) Please obtain a separate report from each of the clerk/s who dealt with the stock and hold these reports locally, pending any future investigation.
- c) You should abstract the event and transaction logs for the whole week of the loss detailing every activity within the stock (i.e. all sessions, all transactions, Normal and Reversals)

Office Name:	
Branch Code:	
Postcode:	
Telephone Number:	
TP & CAP:	
Week Ending:	
Amount:	
Date Loss Identified:	
Date of Last Clear Cash Declaration:	
List Users of Till: (include full names)	

IN CONFIDENCE

Type of Stock: i.e. BM Main safe, Counter stock unit (include indicator) / Bureau De Change / Postshop (state whichever applies)	
Have all Cash, Stock & Vouchers been checked: Yes/No	
Have all fitments (pedestals, safe, inserts etc) and waste bins been searched: ? Yes/No	
Any other comments: (i.e. is there any explanation for the loss, error notice expected)	
Were there any losses/gains of a similar amount during this week, or last week: ?  If yes, give details:	
What was the date of the last spot check & result: ?	
Are losses by the Officer(s) involved giving cause for concern?  If yes, give details:	
Are losses in the office giving cause for concern?  If yes, give details:	
Is there anything known which may provide the Officer(s) with a motive for dishonesty?  If yes, please include a separate report (For losses over £250 only circulate to Investigation Team):	
Is there any reason to doubt the honesty of any other Officer(s)? If yes please include a separate report (For losses over £250 only circulate to Investigation Team):	
Reported By: (insert full name & job title)	Date:

E Mail a copy of this form to Fraud Team Post Office Ltd. For those offices without access to e mail, please forward a copy of this form to:

Post Office Ltd Fraud Team  
PO Box 1  
Croydon  
CR9 1WN

This report should be retained securely within the branch for 2 years and made available upon request to Senior Management, Fraud and Compliance Managers

lee.castleton

From: "Rob & Kate Jones" [GRO] [GRO]  
Date: 12 October 2009 19:41  
To: "lee.castleton" [GRO] [GRO]  
Attach: Horizon.jpg  
Subject: RE: Horizon Errors

Hi Lee  
I have attached the evidence that I have.  
Don't get too excited -- it comprises a certificate of posting, a postage label from the same transaction and the transaction log covering the time it happened. No entry appears in the log!  
The interesting thing is that when I reported it to POL, instead of being surprised, they had an immediate answer ready. I was told to do the transaction again and to destroy the paperwork. This would seem to indicate that although they will not publicly admit to system errors they KNOW that they exist. Needless to say I ignored the bit about destroying the paperwork!  
After doing the transaction again I balanced perfectly at the end of the day  
If I had not spotted it and had just taken the customer's cash I would have ended up with an overage of £9.31  
Not a huge error and it would have left me over instead of short but it is proof that the integrity of the Horizon system is compromised.  
Please use it if you can (I have erased all reference to my office) and I wish you luck.  
If I can help further please let me know.  
I have also been contacted by BBC Wales, Computer Weekly and Alan Bates. After the Tardis programme a few weeks ago I also had a long conversation with David Jones MP. To date Watchdog has not got back to me.  
Regards  
Rob Jones

From: lee.castleton [GRO] [GRO]  
Sent: 11 October 2009 15:20  
To: Rob & Kate Jones  
Subject: Re: Horizon Errors

Rob, Kate,  
I cannot tell you how much I would love a copy of the information you have. I have some paperwork that shows errors in my own office but the more the merrier.  
Lee

From: Rob & Kate Jones  
Sent: Sunday, October 11, 2009 11:29 AM  
To: lee.castleton [GRO]  
Subject: Horizon Errors

Hi Lee  
I read in 'Convenience Store' magazine of your fight to clear your name following Horizon problems. Following the appeal in the mag I have just sent the text below as an email to the BBC Watchdog programme  
I thought you might be interested and if I can be of any help please let me know.  
Regards  
Rob Jones

I understand from 'Convenience Store' magazine that you are interested in computer problems in the Post Office - specifically where subpostmasters have lost money and in some cases been penalised and/or prosecuted by POL.  
If you are interested I have a small piece of hard copy evidence that proves that the Horizon computer system is not as error-free as POL claim it is and is capable of accepting transactions and then losing all details of them resulting in discrepancies. These discrepancies are then the responsibility of the subpostmaster to make good.  
An incidence of this occurred in my PO about 6 weeks ago where the system 'lost' a transaction. I was able to spot it at the time and keep evidence of it. The interesting thing is that when I reported it to POL, instead of being surprised, they had a ready remedy to hand. This would seem to indicate that although they will not publicly admit to system errors they KNOW that they exist but are quite happy to blame the subpostmaster and hold him responsible for any financial discrepancy. The fact is that if I hadn't spotted it at the time (it would have been very easy to miss) I would have been none the wiser until the time came to balance the books.  
Luckily it was a very small financial amount but the evidence does prove the point.

Regards  
Rob Jones  
Porthwyd Post Office

[GRO]  
[GRO]



Swyddfa'r Post Cyl.  
Post Office Ltd.  
Eich Derynneb  
Your Receipt

Post Office Stores

Garnarthenshire

Gyddiad ac Anser:  
Date and Time: 25/08/2009 10:52  
Blaenrif Sesiun:  
Session Prefix: **1-2260183**  
Cyrchfan:  
Dest: UK (E.U.)  
Nifer/Quantity: 1  
Pysau/Weight: 3.890 kg  
Standard Pcl £7.06  
Eiddo up to £250 £250.00 £2.25

Cyfanswm Cost Gwasanaethau  
Total Cost of Services £9.31

11:05 25/08/2009 TP:05 PP:03 SU: AA  
Transaction Log - Office Copy

USER	TRANSACTION REF	SU	TR	BP
DATE	TIME			
MODE	PRODUCT	VOLUME		VALUE
25/08/2009 10:44	1-2260176-2	AA	05	03
SC CA CASH NDL		1		100.00
25/08/2009 10:44	1-2260176-3	AA	05	03
SC Cash		1-		100.00-
25/08/2009 10:53	1-2260196-1	AA	05	03
SC Halifax Cashodr1		1		10.00
25/08/2009 10:59	1-2260196-2	AA	05	03
SC Cash		1-		10.00-
25/08/2009 11:01	1-2260198-2	AA	05	03
SC Post Boxes PP		1-		3.20-
25/08/2009 11:01	1-2260198-3	AA	05	03
SC Cash		1		3.20
25/08/2009 11:02	1-2260205-2	AA	05	03
SC CA UD LTRIT		1		46.40
25/08/2009 11:02	1-2260205-3	AA	05	03
SC Cash		1-		46.40-

? →

\*\*\* END OF REPORT \*\*\*

CYFEIRIAD DERBYNNYDD/DESTINATION ADDRESS  
Enw'r Adeilad Neu'r Rhir Cod Post  
Building Name or Number Postcode  
Ynion Hall House CH22 6AP  
Dilyswyd y Cyfeiriad?  
Address Validated? Y

MAE'N BUYSIO EICH GOD YN CADU'R  
DERBYNNEB HON FEL PROFF O BOSTIO  
IT IS IMPORTANT THAT YOU RETAIN THIS  
RECEIPT AS IT IS YOUR PROOF OF POSTING

GENUCH Y TELERAU AC AMODAU AR  
MAHAN OS GUELWCH YN DDA

PLEASE REFER TO SEPARATE TERMS AND  
CONDITIONS

I gael gwybodaeth an  
gynhyrchion a gwasanaethau'r  
Post Brenhinol, gwelwch  
a ni ar **GRO**  
neu eich tîm gweran ym  
www.postoffice.co.uk

For information regarding  
Royal Mail  
products and services  
contact us on  
**GRO**  
or visit our web site at  
www.postoffice.co.uk

Nid derbynneb TAU ym hon  
This is not a VAT receipt  
Diolch Yn Fawr  
Thank You

SP

Royal Mail

POSTAGE PAID UK

Post Brenhinol

TALWYD Y POST DG

25/08/09 £9.31

**1-2260183**

If this page does not print out automatically, select Print from the File menu.

## Post Office is urged to act over IT concerns

Sub postmasters complain over accounting system used by Post Office

Rachael Singh, Accountancy Age 08 Oct 2009

Your local sub post office - heart of the community, essential service, potential bank and now focal point for accountancy controversy.

The controversy emerged last week when it was reported that up to 30 sub postmasters had come forward with complaints about the accountancy system used by the Post Office which, they claim, had produced discrepancies for six sub postmasters, concluding they owed more than £430,000 collectively.

Focus has now turned to Horizon, the accounting system used by the Post Office. The claims are that the system was faulty, showing takings for the branches as higher than they actually were.

IT professionals have been watching the news closely and discussion has focused on whether the Post Office has undertaken an IT audit, and whether the software provider is becoming embroiled in the row between local sub post masters and their employer.

The Post Office has issued denials but experts believe it needs to know exactly what is going on, even if the software systems are not to blame.

Richard Anning, head of the ICAEW IT faculty, said: "You need to make sure that your accounting system is bullet proof."

He added: "Whether they have an IT audit or not, they need to understand what was happening."

The interest in the accounting systems is given extra urgency because of Prime Minister Gordon Brown's announcement last week that the Post Office would return to offering banking services as a means of building more competition in the market.

Industry experts believe that alone should press the Post Office into some form of action.

David Turner, group marketing director at accounting software company Coda, believes whether or not these accusations are true the reputational damage is potentially disastrous.

"With an organisation as big as the Post Office, it is important to everyone that they have confidence in their IT systems especially if they are taking on banking systems," he said.

He added that it is vital the Post Office does "something" to "dispel" any rumours of faults because reputation is critical when it comes to accounting.

However, the Post Office may not be alone in its responsibility, claims Mark Thompson, managing director of accountancy software company COA solutions.

"A supplier can't walk away from responsibility," he says.

The integration and maintenance of a company's technology systems is a "partnership" he says, adding that both sides need to work on dealing with discrepancies within an IT system, especially if it was bespoke built.

Horizon had not returned calls from *Accountancy Age* by the time of going to press and the Post Office declined to comment when asked if it would undertake an IT audit.

However, the Post Office has issued a more general statement, saying: "Our Horizon IT system, which operates across the Post Office network, is extremely robust and successfully records millions of transactions each day and there is no evidence pointing to any fault with the technology."

"We are completely confident our system is capable of handling the financial services transactions carried out at Post Office branches and will support any new services that we plan to introduce in the future."

**IN OUR VIEW**

*The Post Office should consider an IT audit to show it has taken the matter seriously. Although it may be small sums of money involved, perception is everything and it could not consider going back into bank services with an accounting system that had doubts attached to it.*

Permalink: <http://www.accountancyage.com/2250781>

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Lee

We have completed an initial study of the documents you sent through in relation to your dispute with the Post Office and their software system Horizon.

It is our opinion at the moment, based upon what you have sent and your explanation of the fields and mode of operation, that there is an inconsistency in the printed data. The obvious example is the printout you have numbered "3". This appears to show RSP logged on to terminal 1 through the period 11:52:44 to 12:41:22 at which point RSP can be seen to be logging off. 28 seconds later LCA (I assume that is you) logs on to the same terminal (terminal 1). 1 second later, terminal 1 disconnects from the network (or at least is reported to have disconnected). The terminal is not reported to regain connection to the network until 14:00:42 (the print out isn't very clear so this time might be inaccurately deciphered). During the disconnection period, transactions can be seen to be continuing. There are potentially a number of possible explanations for the printout data:-

1. The terminal continues to function in "off-line" mode until the network re-connects, storing transactions locally.
2. The printout is inaccurate and missing events; the terminal may have re-connected immediately after the disconnection
3. The disconnection message is inaccurate and the terminal did not in fact disconnect.

A further clear example is set out in sheets 3 & 4. At 14:24:56 LCA can be seen logging on to terminal 2 (there is no record of logging off terminal 1) and CTR can be seen logging on to terminal 1 (this might automatically log off LCA). However it appears from sheet 4 (pdf 555) that LCA was logged on to terminal 1 until 14:20:20 and then was using terminal 2 (14:21:12??) until 14:22:14 where the entries then show LCA logged on to terminal 1 until 14:24 at which point CTR is recorded as using terminal 1 (which tallies with sheet 3). This use of terminal 2 between 14:21 and 14:22 does not appear on sheet 3.

The two sheets therefore do not appear on the face of it to present the same data.

Clearly this is extremely important and further investigation with more examples and if possible access to live data or archived data rather than printouts is essential. These discrepancies need to be analysed and explained. If possible the alleged discrepancies in the monetary value of the transactions need to be aligned to the obvious reporting discrepancies seen in the printouts.

We are willing and able to take this further if you wish to instruct us. I would suggest one of our forensic accountants has a look at the transaction data and I would be able to analyse and interpret the report data and timing. I do not think we need one of our Oracle consultants deployed just yet. If you have further evidence in the form of software printouts or if we are fortunate and can secure access to a live system, then it would be essential to deploy an Oracle specialist at that point.

Untitled

Johannesburg - The South African Post Office (Sapo) is continuing to pour millions of rand into a new retail system despite clear evidence that the project is not financially viable, according to a confidential report.

The document, which was tabled in March but which has been kept out of the public eye, illustrates how the R107m project, webRiposte, has resulted in staff having to pay in money for cash shortages resulting from the new dysfunctional system.

The report says the project:

- » Is susceptible to fraud;
- » Has software glitches;
- » Has overrun the budget by R80m; and
- » Should be discontinued.

The webRiposte system was launched in 2004 to replace the old PostLink, a point-of-sale system used at retail branches of the parastatal to expedite consumer service.

The new system has instead performed worse than the old one. webRiposte has resulted in several faults linked to cash and cheque management at some branches.

"The system for no given reason will duplicate the transaction with the same date, time and values," says the report, adding that the problem can neither be fixed nor can the root cause be identified.

"This unfortunately negatively impacts on employee morale as Sapo requires that employees pay in money for cash shortages.

"If the current trend continues, employees will be paying several hundred rands for system errors because the cash management function is not working correctly."

When the mailing and banking parastatal launched webRiposte, Sapo had budgeted R110m for the project. The goal was to roll out the system at 1 567 branches across the country.

However, Sapo has spent R107m on the project and only managed to roll out webRiposte at seven outlets in seven years.

Sapo also took the decision to inject an additional R80m into the project and extend the deadline from 2007 to 2012.

- City Press

16 February 2012

**Royal Mail Group**

Mr Lee Castleton



Information Rights Team  
(Freedom of Information Act)  
Company Secretary's Office  
4th Floor  
Royal Mail Sheffield  
Pond Street  
SHEFFIELD  
S98 6HR

foi   
www.royalmail.com

Dear Mr Castleton,

Re: Freedom of Information Act – Request for Internal Review (Ref: AJME-8PJH DU)

I am writing in response to your request dated 14<sup>th</sup> January 2012 in which you asked for an internal review of the requests for information you submitted on 12<sup>th</sup>, 13<sup>th</sup> and 14<sup>th</sup> December 2011. Your request, and our response, has been carefully reviewed in line with our obligations under the Freedom of Information Act 2000, and I am writing to inform you of the outcome of this review.

In your emails dated 12<sup>th</sup>, 13<sup>th</sup> and 14<sup>th</sup> December you requested the following information as a result of an article in a national publication:

- 1. I would therefore like to ask for the Losses as a total please, and the gains as a total please for the accounting year 2004/2005 for the Crown Office part of the business.*
- 2. I would therefore like to ask for the Losses as a total please, and the gains as a total please, for the accounting year 2006/2007 for the Crown Office part of the business.*
- 3. I would therefore like to ask for the Losses as a total please, and the gains as a total please for the accounting year 2009/2010 for the Crown Office part of the business.*

In the response issued to you on 12 January 2012 you were advised that as the three requests related to the same class of information the costs of dealing with each were aggregated as described in section 12 (4)(a) of the Freedom of Information Act 2000. You

Cont...

were advised that your requests date back a number of years and relates to information concerning branches that no longer form part of the Crown Network, and therefore it would exceed the appropriate cost-limit under section 12 of the Freedom of Information Act to identify, locate and retrieve the information covered by your requests.

In your email dated 14 January you stated that you believed that the cost of producing the figures requested would be and should be minimal. You go on to state that the figures are part of Post Office Limited accounts and therefore would be easily reproduced. As your requests ask for total losses and gains this would include Crown Offices which have since been closed down, and no longer part of the Network. These Offices would no longer be on our central system and we would be required to locate the information separately.

To retrieve the detailed information requested for those Crown Offices no longer in the Network a request would need to be submitted to Fujitsu for the relevant data held on behalf of Post Office Limited. The cost of this request alone would exceed the cost limit set out section 12 of the Freedom of Information Act. Furthermore, it is expected that it would take a significant amount of time for this information to be retrieved. The data that would be provided by Fujitsu would be vast as it would show all items posted by each account by branch. In order to obtain the information required a large amount of analysis would be required to ensure the information was put together in the appropriate format. An estimate of the time this would take for the amount of data you require is ten to fifteen days.

After reviewing the terms of your request, we are satisfied that Post Office Limited was correct to estimate that the cost of identifying, locating and retrieving all information within the scope of your request would take in excess of 18 hours and exceed the £450 cost limit. Consequently, we believe that the cost-limit exemption under section 12 (1) of the FOI Act was correctly applied and the Post Office Limited is not obliged to comply with your requests as they stand.

Where the cost limit applies, we do have a duty to provide advice and assistance in relation to relevant information which could be retrieved under the cost ceiling. We would advise you to focus or narrow the scope of your requests in order to clarify exactly what information you want to receive and reduce the range of information which could be covered. For example information regarding the Net losses is held however this information is considered to be commercial information, and therefore Post Office Limited may consider that it should be exempt from disclosure under section 43(2) of the Act – prejudice to commercial interests. You may also consider requesting the required information for Crown Offices that are currently open, however again Post Office Limited may consider this information to be exempt under section 43(2) of the Act. However, Post Office Limited will respond to any valid request under the terms of the Freedom of Information Act.

Cont...

I am sorry that your request cannot be met on this occasion but hope that this response suitably explains why the cost-limit does apply. In the event that you remain dissatisfied with this response you do have the right to appeal to the Information Commissioner who can be contacted at the address below:

Information Commissioner's Office  
Wycliffe House  
Water Lane  
Wilmslow  
Cheshire  
SK9 5AF

**GRO**

[www.informationcommissioner.gov.uk](http://www.informationcommissioner.gov.uk)

advice centre

0 PAGE 17

**Epos systems drive you round the bend**

It isn't just our country's Post Office experiencing problems with its computer system (Horizon), which has seen many sub-postmasters penalised for accountancy errors. Lee Castleton, who was bankrupted by the PO and who, along with dozens of others, is fighting back with collective action through the courts, has sent me a report from a paper in Johannesburg.

It says that the South African Post Office (SAPO) is continuing to pour millions of rand into a new retail system, despite clear evidence that the project is not financially viable, according to a confidential report.

The document, which has been kept out of the public eye, illustrates how the R107m project, WebRiposte, has resulted in staff having to pay in money for cash shortages resulting from the new dysfunctional system.

Doesn't that sound familiar? The report says the project is susceptible to fraud, has software which has overrun by R80m, and should be discontinued.

“The document, which has been kept out of the public eye, illustrates how the R107m project has resulted in post office staff having to pay in money for cash shortages resulting from the new dysfunctional system. Doesn't that sound familiar?”

“This unfortunately negatively impacts on employee morale as SAPO requires that employees pay in money for cash shortages,” it continues (again, how familiar). To update you on the court case back on home soil – so far, no update. Yes, those wheels grind ever so slowly.

**Part and parcel of playing by the rules**

This was different. This column has spent a lot of time exhorting retailers to follow PayPoint's rules by the book to avoid being scammed. But high-profile retailer Lesley Brown, of Frankmarsh Stores in Barnstaple, likes to do things by the book.

So when a scruffy guy in an old post office van and with no ID, no hand-held terminal, arrived to pick up a 'Collect Plus' parcel, she refused to hand it over. Where was the usual guy from Yodel, PP's partner in this parcel scheme?

She rang PP and, after several calls, the exchange got somewhat heated and Lesley threatened to cancel her contract for Collect Plus. She was astounded to be told that she had to give three

months' notice and, to comply, her PP term be removed.

Lesley wrote a strong reply to PayPoint. I spoke to PayPoint and they have been sent this reply. “We were, of Mrs Brown's experience, are grateful to her for her security of our parcel priority. The security of our parcel deliveries is of paramount concern to us.

“Her experience is not acceptable and we apologise. We fully understand her desire to cancel service and, although sorry to lose a loyal standing Collect+ customer, we have agreed to discontinue service immediately. We are, of course, pleased that she was a valued PayPoint customer.

The reply also says she has carried out a full investigation and implemented improvements to ensure that chaos and collection are communicated prior to the future. It has also indicated appropriate action for individuals involved.

Bank  
**Battle for top-up shoppers**



**How do you attract top-up shoppers?**  
Tell us your techniques by logging on to [www.thegrocer.co.uk/convenience](http://www.thegrocer.co.uk/convenience)

**HIM recommends some key steps to stop multiples stealing your core**

...more likely to purchase something on impulse; and they also notice and buy into promotions more than the average shopper. Under the grocery category, focusing more on... At the...  
...the change is...  
...a soft touch with...  
...she said...  
...challenges will be...  
...that will...

2008, it was fourth on the list of shopper importances. This year, "convenience" is second only to "product availability". High fuel costs are forcing shoppers to rethink their drive to the larger out-of-town hypermarkets and opt for more local options. Therefore, local c-stores should be well placed to win shoppers who turn to local shopping. They have great locations, and many stores now have a fantastic fresh offering of bread, fruit and vegetables. However, to maximise the

fresh fruit and vegetable grocery items, as availability in the has a negative effect on categories such as milk, the milk at fixture, or the m and biscuits fixt brands as signp provide a level c To get new ci the store retails leaflets to highl stock everyday

34  
POST OFFICE I.T.

## Yule be sorry

**WE HAVE** full confidence in the Horizon system," the Post Office wrote to the *Eye* in October after we reported on the scores of sub-postmasters who have been disciplined, prosecuted and even imprisoned for apparent financial shortfalls that they blame on their computer system (see *Eyes* 1296 and 1299).

More than 99 of them have approached the law firm Shoosmiths with a view to taking legal action, and since then the *Eye* has seen repeated complaints of discrepancies caused by the misfiring system, most of them sneaking under the public radar. Now, however, more major signs of Horizon's failure have emerged.

Last week the system simply shut down twice as Christmas customers queued up to post their cards. Then around 600 franked mail customers were billed twice by the system for the same usage. All of which suggests that those who say shortfalls are thrown up by the system from nowhere have a point.

This raises some serious questions over a system created and run by Fujitsu and burdened with a dire history, having been ditched by the Department for Social Security and dumped on the Post Office more than a decade ago.

Horizon was created in the same era of mega-IT projects as the Courts Service's equally evocatively named system Libra. This has just taken a pasting from the National Audit Office, which reports that Libra's inability to track the payment of fines has played a large part in leaving the taxpayer £1.4bn out of pocket.

The Post Office might have "full confidence" in Fujitsu (also a major supplier on HM Revenue & Customs' tax systems on which efforts to introduce universal benefits depend) but it seems few other people do.

## WAR PENSIONS

### Insult to injury

**THE** defence select committee's report *The Armed Forces Covenant in Action?* had little to say on social care, including the payment of war pensions and compensation for injury or death while in service.

The War Pensions Scheme was set up to provide "no fault compensation" to ex-service personnel and their families from the start of the First World War in 1914 to 5 April 2005. On 6 April 2005 it was "simplified", with the addition of the Armed Forces and Reserve Forces Compensation Scheme (AFCS), designed to provide similar "no fault compensation" from that date, thus ensuring the whole procedure became a balls-up.

A lump sum paid to a wounded soldier under AFCS is designed to compensate for an injury sustained in service; the loss of both eyes, for example, is valued at £200,000. But if this money is not put into a personal injury trust by the injured party, the government and local councils can take the sum into account when means-testing other benefits. At present, income support, council tax and housing benefits are not available for anyone whose lump sum amounts to more than £16,000. Moreover, if the wounded soldier dies, any payment to a widow, widower or to children is taxable.

In any case, access to a war pension is no longer a right – the defence secretary can and does reject claims. Between 5 and 19 December, the *Eye* confirmed that 86 cases regarding war pensions were being heard at "first-tier tribunals" on behalf of ex-service personnel who had had their claims queried in this way.

Payments under the AFCS come from the Ministry of Defence, which has a £10bn "black hole" in its £33.8bn budget and needs to make big savings. Once again, it will be left to military charities to pick up the pieces until social care for veterans and their families is reformed.

### 'Squarebasher'

You can contact the *In the Back* team on 020 743 4017 or email: [stobes@private-eye.co.uk](mailto:stobes@private-eye.co.uk)



## In the City

### RBS SPECIAL Part 1:

#### Overdrawn, underdone

*"It would be possible to add a report looking just at the RBS story. But it would add little if anything to our understanding of what went wrong."*

**SO SAID** Lord Turner, chairman of the Fundamentally Supine Authority, trying a year ago to justify why a 298-word press release was far more informative about the failure of Royal Bank of Scotland than the 450-page report he finally published last week.

That report reveals his claim for the breathtakingly deliberate disinformation the City always knew it was. In return for the £25bn currently lost by the taxpayer in bailing out RBS, we now know why Sir Fred Goodwin and others at RBS could have been the target of regulatory action – and most importantly, why they were not.

No wonder Turner and chief executive Hector Sants, with the other RBS tainted suits still at the FSA, wanted the taxpayer to be satisfied with the usual "lessons have been learned" mantra that follows every British administrative disaster where lives or millions are lost but nobody responsible pays any price for their failures.

That would have saved FSA faces and more importantly protected those remarkably still in financial regulation: Sants, the proposed head of the new Prudential Regulatory Authority which next year replaces the FSA as the banking watchdog; Margaret Cole, the former FSA enforcement chief who will have a central role in the proposed new Financial Conduct Authority; and Verena Ross, the former FSA head of strategy and risk, who now runs the European Securities and Markets Authority.

The RBS report whitewashes what went on inside both the FSA and RBS. But what is to be expected when FSA general counsel Andrew Whittaker, internal audit head Rosemary Hilary, deputy chairwoman Karin Forseke and director Carolyn Fairbairn were all in place when the train wreck happened, not just at RBS but also Northern Rock, HBOS and Bradford & Bingley.

Despite the FSA's wish to cover its tracks and the censoring influence of lawyers hired by the guilty (the report contains not a single explanation from or serious criticism of Goodwin or chairman Sir Tom McKillop) it's still possible to see that a regulator without the FSA's complicity could and should have taken action against RBS's senior management, starting with Fred the Shred and his "assertive and robust style".

"There was an issue as to whether the CEO achieved the right balance between maintaining his own detailed understanding and the oversight of the Global Banking and Markets business [GBM, the investment banking division which lost almost £1.3bn and sank RBS] and delegating some of the management of that business to others," the report says. "There remains an important question about the quality of the CEO's judgement in his delegation of the responsibility for management and oversight of GBM."

The report lists many "poor" and "questionable" decisions made by Goodwin, supported by his boardroom stooges: keeping RBS "highly capitalised"; adopting a business model with a "high level of liquidity risk"; "inadequate monitoring" and concentration of commercial property lending; rapidly expanding into loss-making structured credit markets "with signs of underlying deterioration... were already starting to emerge"; taking over ABN-AMRO "without a sufficient understanding of the risks involved"; paying with debt and taking all the risks on behalf of the bidding consortium.

It was "a misjudgement with catastrophic consequences" – yet nobody is held accountable. "A successful case needs clear evidence of actions by particular people that were

incompetent," declares Turner.

So what about the scale of the losses at GBM, which "reflected both a poor strategic decision to expand the business and a flawed response to emerging problems"? Or the "bias to optimism", led by Goodwin? Or that "GBM's risk management, control and reporting processes were flawed and senior management on some occasions displayed flawed understanding of key aspects of the risks being taken"? Or that the due diligence on ABN-AMRO was "insufficient" and "inadequate"? Or that "governance, systems and controls and decision making may have fallen well short of best practice and below the practices of a number of peer firms"?

"Specific individual failings have been identified" – but with no names attached.

The RBS board "failed adequately to challenge" Goodwin's "focus on increasing revenue, assets and earnings per share" instead of "capital, liquidity and asset quality"; set incentives for Goodwin that "made it rational for him to focus on increasing revenue, profit, assets and leverage"; "failed adequately" to identify and address the growing risks.

On ABN-AMRO, the board lacked the "degree of moderation and sensitivity to strategic risk appropriate to a bank". Too many knew too little about banking or trading, but this ignorance did not extend to finance director Guy Whittaker or non-executive Colin Buchan.

But to the FSA – which failed to pick up on what Goodwin was doing and when it tried was bullied out of it – all this was irrelevant. The evidence was insufficient or the actions taken were "reasonable" or "not inappropriate" in the context of the banking custom and practice at the time. And who would ever guess that US house prices would fall and banks fail? It would be "unfair" to the multimillionaire bankers and their boardroom dummies, especially as the FSA made the same mistake.

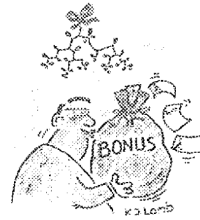
Even investment banking head Johnny Cameron – the only RBS "scalp" – agreed a deal to stay out of banking in return for no disciplinary action on the basis that "the FSA did not make any findings of regulatory breach... and he did not make any admissions". And this was the man the FSA says broke the bank and admitted he did not know enough! Cameron, like Guy Whittaker, was compelled to give interviews – always a sign of innocence!

Meanwhile two senior Cameron GBM subordinates are still in the City. Brian Crowe is a director of AIM-listed Lombard Risk Management – and chairman of its audit committee – while Symon Drake-Brockman is FSA-authorized, running a private equity business.

The inability of the FSA to nail Cameron explains why it is similarly struggling to finalise the report into HBOS. Corporate banking head Peter Cummings is refusing a similar deal. Why not, given what he will have read about RBS? And his boss, Sir James Crosby, was the FSA deputy chairman!

The FSA set itself a "likely chance of success" test that could justify its later inaction. "Every allegation made must be capable of being convincingly evidenced before a tribunal," and "conclusive evidence" was needed. "Very strong evidence of an individual's personal culpability". There was no "strict liability" for bank directors. Everything had to be judged as to what was "reasonable in all the circumstances at the time of the conduct".

All this is despite the fact that the evidential test was, the report admitted, the civil one of "balance of probabilities", not the much higher criminal test.



# Losses & Gains Quick Guide for Crown Managers



Version 1 (Sep 2008)

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## CONTENTS

- Section 1 Introduction and Purpose
- Section 2 Supervisory Checks (misbalance checks & surprise checks)
- Section 3 Transaction Corrections
- Section 4 Counter Losses & Gains Reporting
- Section 5 Monitoring Records
- Section 6 Loss Escalation Process

## APPENDICES (For reference)

- Appendix A Annual Certificate of Compliance (ACC) – *This workbook has been issued directly to Crown Offices*
- Appendix B Supervisory / Balance Checks  
*(Loss and Gains Policy Action Workbook)*
- Appendix C Local Record of Stock Users
- Appendix D Report from Crown Office Managers for losses over £250
- Appendix E Action Matrix Flowcharts  
(a – Multi User Stock / b – Individual User Stock)
- Appendix F Record of interview / actions agreed
- Appendix G Escalation Interview Action Plans  
*(Loss and Gains Policy Action Workbook)*
- Appendix H Branch Enquiry Form

## Policy Monitoring Tool - Loss Management System (LMS)

1. Data Capture Workbook
2. Data Analysis Workbook
3. Loss and Gains Action Workbook

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**Section 1 – Introduction to Policy and its Purpose**

The impact of losses in the Crown Office Estate is having a serious effect on our ability to deliver the three2eleven plan to bring us back into profitability by 2011. Our actual Crown Office losses in 2007/08 amounted to £2.2M.

The Policy has been redesigned to provide clear and consistent guidance to Crown Office Managers and their Assistants as to their responsibilities for the recording, maintenance & monitoring of losses and gains.

The main Policy, the quick guide, and Loss Management System, will provide Crown Office Managers with the tools to be able to effectively manage losses and gains and to take appropriate measures to reduce losses.

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**Section 2 – Supervisory Surprise Checks & Misbalance Checks**

Supervisory controls are designed to assist Crown Office Managers in effectively minimising the risk to the business assets at their offices and to protect individuals. As part of these supervisory controls, the office management team are responsible for performing random, surprise checks on all stock units (either individual or multi-user) on a regular basis.

There is also a requirement for misbalance checks to be performed on all stocks, both 'multi user' and 'individual', which misbalance by £30 and over. However, these checks are over and above the need for supervisory surprise checks and can be performed by both managers and experienced colleagues.

To meet the minimum standard, a programme of supervisory surprise checks must:

- be performed by the Crown Management Team who will check that colleagues complete a cash declaration towards the end of each working day;
- include monitoring, by Managers, of the levels of cash being held by all colleagues;
- include every stock unit (e.g. Main Cash, ATM, SVM, Postshop cash and value stock, Giro, Bureau De Change and Lottery etc.); Main Cash Stocks held by a Crown Office Manager should be checked by a Crown Area Manager or representative.
- be treated separately to misbalance checks;
- check all cash, stock and vouchers to hand and reconcile to the last declared balance; Print and check for 'outstanding dockets'.
- ensure each stock unit is checked at least once in a three month period, where the stock is rotated, or once in an eight week period where the stock is held by a single colleague. i.e. Individual stocks and when a multi user stock has been balanced by the same colleague every week due to the way duties have been written (these multi user stocks should be treated the same as individual stocks for supervisory check purposes only).
- be supported by a record of stock checks with records of surprise checks being clearly distinguished from misbalance checks and retained for two years; The checker should clearly identify themselves on the local records. (Appendix B – Loss and Gains Action Workbook)
- include a variation on the days of the week used for surprise checks, so as to avoid any pattern that will become known to individuals
- ensure a Manager's signature is recorded onto the final balance record of a checked stock and ensure the stockholder or an independent witness is present at the time of the check. A record of the check, the witness and balance result 'pre' and 'post' check should be entered into the Loss & Gain Action Workbook.

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There is a requirement for Crown Office Managers to complete :-

For all Stock losses and gains of £5 or more

Using the L&G Data Capture Workbook, enter -

- Financial Year
- Week number
- Stock Unit ID
- Value of Loss / Gain
- Name of individual or all individuals who have served from that stock unit during the balancing period
- Details of associated Transaction Corrections – values, linked to the original trading period and relevant stock unit

For all surprise & misbalance (over £30) checks

Using the L&G Action Workbook, enter -

- Financial Year
- Week Number
- Stock unit
- Name of Stock User
- Original Loss / Gain result
- Type of check (surprise or misbalance)
- Result of Loss / Gain, post check
- Discrepancy comment, if required
- Name of Crown manager or substitute performing the check
- Position or grade of checker
- Ensure Horizon Weekly Balance Report is signed & dated and retain documentation relating to check for 2 years

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**Section 3 – Transaction Corrections**

Branch Trading should be undertaken in accordance with the latest Branch Trading booklets, which include details of balancing stock units, production of the Branch Trading Statement, production of reports and despatch of documents

If a Transaction Correction is required,

- Crown Office Manager should contact branchcontrol@GRO by email using the discrepancy form (See Appendix H). NOTE if the error is a Stock error, please identify the product.
- Branch Control contacts relevant product team within Product & Branch Accounting
- Product & Branch Accounting investigates and issues the associated TC immediately if appropriate
- Office accepts the Transaction Correction on receipt by following the instructions as detailed on the Transaction Corrections
- Office completes Branch Trading, posting only true losses and gains

Note - The value in Local Suspense at Branch Trading should be resolved by selecting the Write-Off to P & L option to prevent losses/gains rolling into the next period

**USEFUL CONTACTS**

- Any query in respect of Transaction Corrections, please email branchcontrol@GRO
- Contact Cathy Macdonald on GRO  
GRO GRO

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Section 4 – Counter Loss & Gains Management Reporting

4.1 – Losses/Gains between £5.00 and £249.99

Crown Office Managers must undertake to perform the following in respect of Losses/Gains:

- To report immediately, via telephone, any loss, irrespective of value, where dishonesty is suspected, whether declared or discovered on a supervisory/balancing check, to the NBSC Helpline on GRO
- Records of losses and gains do not need to be sent from the office, unless requested by your Crown Area Manager, Investigation or Compliance / Audit Managers. These records must be made available to any of those mentioned at the time of a visit.
- Where a stock unit incurs a loss or gain over £30.00, the Crown Office Manager must perform a balance check of the cash/stock and vouchers on hand. If the relevant colleague cannot be present at the balance check, an alternative witness must be present.
- If the resultant balance check reveals a further loss which raises it above the £250 threshold, the Manager must call the NBSC as per the process in Section 6.2.

4.2 – Losses over £250.00 (Appendix D)

Crown Office Managers must undertake to perform the following in respect of losses over £250.00. (NOTE – Crown Office Manager, if on duty, should take responsibility for ensuring the following action is taken)

- Crown Office Manager to complete the report for losses over £250.00 (Appendix D) and e-mail this form to "Fraud Team Post Office Ltd" e-mail address as soon as possible after the discovery of the loss. This form should be completed even if the loss is "known".
- Ensure all colleagues who had access to the stock, complete the Investigation Team's "Counter Loss over £250 – Individual Report" and these should be retained along with the required event and transaction logs until requested, pending any future investigation.
- In the event that a transaction correction (TC) is received for a loss previously reported over £250, the "Fraud Team Post Office Ltd" must be e-mailed giving details of the amount, stock unit, date and Branch Trading Period it relates to. It is important this is done as soon as the TC is received to avoid any unnecessary extra work being undertaken by the Investigation Team on a reported loss.
- Crown Area Manager to receive a copy of the loss report form and to ensure that appropriate local action taken by Crown Office Manager, including support requested from Compliance and OE Teams if required.
- Finance Team to receive a copy of the report form as pre-warning of loss performance.

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4.3 – Losses over £2000 (Appendix D)

- As above for losses over £250.00, but additionally a call must be made to the NBSC Helpline on 0845 6011022 by the close of play on the day of discovery of the loss.
- Crown Area Manager to receive a copy of the loss report form and to ensure that appropriate local action taken by the Crown Office Manager, including support requested from Compliance and OE Teams if required.
- Copy of loss form should be circulated to both your Regional Manager and your Finance Analyst

Section 5 – Monitoring Records
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Stockholder records (Appendix C and Appendix B)

Crown Office Managers must ensure the following actions are undertaken:

- An accurate record must be kept of all stock unit holders, whether individual or 'multi user' on the workbook provided. This workbook needs to be completed on a weekly basis and must be kept up to date.
- The stockholder record allows Crown Office Managers to record details of Surprise Checks, which are to be conducted on all stock units at least twice a year.
- The stockholder record also allows Crown Office Managers to record details of Balance Checks, which need to be conducted on all losses and gains over £30.00.
- Stock units must be rotated on a regular basis. This simple task will prevent build up of losses in a till and provide a deterrent to anyone who considers falsifying their balance. The maximum period for an individual holding and balancing the same stock is 8 weeks. This would also apply to multi user stocks where the same individual balances every week due to the way the duties are scheduled. All other rotating stocks should be checked once in three months as a minimum.

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Section 6 – Loss Escalation Process & Trigger Points

MULTI USER STOCKS		
Escalation	Performance	Action
Stage 1	3 losses of £30 or more over a period of 3 months (13 weeks)	Informal Interview – Crown Office Manager - with colleagues, identified as having access to the stocks that have incurred losses, to raise awareness of their performance and to reiterate the Loss Escalation Process. Action Plan should be agreed and notes taken and signed. Consideration given to a switch to individual balancing if appropriate at this stage.
Stage 2	Further 3 losses of £30 or more over the period of 3 months following the Stage 1 interview.	2 <sup>nd</sup> Informal Interview – Crown Office Manager - to review performance and agree the level of support required. Action Plan agreed and notes taken and signed. Notice given to colleagues that they will switch to individual balancing by stage 3 if improvement is not forthcoming and switch is not appropriate at this stage 2.
Stage 3	Further 3 losses of £30 or more over the period of 3 months following the Stage 2 interview.	3 <sup>rd</sup> Informal Interview – Crown Office Manager - Colleagues moved onto individual stocks. Action Plan agreed and notes taken and signed.

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INDIVIDUAL STOCKS		
Escalation	Performance	Action
Stage 1	3 losses of £30 or more over a period of 3 months (13 weeks).	Informal interview – Crown Office Manager - to raise awareness of loss performance, agree the level of support required and to reiterate the Loss Escalation Process. Action plan with notes signed
Stage 2	Further 3 losses of £30 or more, over the period of 3 months following the Stage 1 interview.	Informal interview – Crown Office Manager to review performance and agree the level of support required and to reiterate the Loss Escalation Process. Action plan with notes signed
Stage 3	Further 3 losses of £30 or more, over the period of 3 months following the Stage 2 interview.	Formal interview – Crown Office Manager to review performance and agree the level of support required and to reiterate the Loss Escalation Process. Notification that all future losses of £5 or more will be taken into account. Action plan with notes signed
Stage 4	Further 4 losses of £5 or more, over the period of 6 months following the Stage 3 interview.	Formal Interview – Crown Office Manager to review performance, and agree the level of support required and to reiterate the Loss Escalation Process. Reiterate the possible consequences of reaching L&G Escalation Stage 5.
Stage 5	Further 3 losses of £5 or more, over the period of 6 months following the Stage 4 interview	Formal Interview with appropriate management level from outside of immediate crown office, to review performance and consider disciplinary action under the Conduct Code.

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**Additional Notes**

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

It is essential that a Crown Office Manager interviews colleagues as soon as possible following escalation and prior to the following weeks balance, otherwise allowances will need to be made in the escalation process e.g. cannot issue Stage 2 interview until Stage 1 interview undertaken.

There may be occasions when a loss will need to be recorded against an individual within a multi user stock rather than the whole team. e.g. Payment not taken by colleague for MVL transaction resulting in shortage for that colleague alone and clearly identified.

For all interviews, including Multi User Stock Escalation Interviews, it would make good practice to encourage an individual to be accompanied by a friend or CWU rep if they so wished, although not mandatory. However, remember that all interviews should take place prior to the following week's balance and should not be delayed.

At any time action taken by line managers may be to either uphold the decision to progress through the escalation process or to reduce standing to a lower 'stage' once any mitigating circumstances or Transaction Corrections are fully understood. All decisions must be clearly documented within the action plans agreed.

**Trainees / new recruits and individual stocks**

New Entrant Trainees should be given their own stock during their probationary period in order to assess their suitability for counter work from the results of their balancing record. A decision to confirm the 'trainees' appointment should only be made by the Crown Office Manager if their level of losses meets the Business standard at the six or twelve month stage. A decision would then be made whether to extend the trial period further. Although individual losses should be recorded in the Loss Management System, 'Trainees' will not progress through the Loss & Gains Escalation Process, however, performance will be monitored and discussed as part of the Trial Report procedure.

It is likely that more mistakes will be made by trainees and the trial report process should be used to ensure that the appropriate level of support is provided to an individual who would have triggered loss 'escalation'. Discussion should take place in respect of action required and the individual made aware of what action would have been taken under normal circumstances. Poor loss performance may result in a trial extension or not passing trial but all mitigating circumstances should be carefully explored, supported and documented. Discussion should also take place with the Crown Area Manager in respect of additional training opportunities being explored.

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Criteria for converting Multi User Tills to Individual Stocks

At any time that the office loss level rises to an unacceptable level, action may be taken to convert the whole office approach to stock control from 'multi user' to 'individual' till ownership. Discussion should take place between Crown Area Managers, Crown Office Managers and possibly Investigation, Audit/ Compliance and Operational Efficiency Team Managers as appropriate.

On the job support and training should be offered to individuals to help them prepare for this conversion and on site facilities should be sufficient to ensure an effective level of security is provided to enable individual stock control.

It is clear that, in some cases, the introduction of 'individual stocks' will require an investment of additional time and may reduce flexibility at the Counter. It is therefore essential that the cost of converting multi user to individual stocks is calculated through a review of current duties, performed by the Operational Efficiency Team, and a decision taken of whether it is appropriate to convert the whole office approach or just part of it, i.e. a mix of multi user and individual stocks. This will depend on the individual circumstances and risk to each Crown Office

A recovery plan should be developed that supports the monitoring of performance over an agreed timescale with the intention of returning to 'multi user' stocks as quickly as possible.

Trigger point for action

When the value of losses over a period of time (reviewed quarterly) reaches an unacceptable level, action should be taken. eg. The monthly trend of loss and gain performance is above the budget set for the office or the office may be one of the worst 10%. At this level, losses are likely to be having a detrimental effect on contribution and profit and loss, outweighing the benefits of flexibility encouraged through a multi user till approach.

If an acceptable level is exceeded then a request should be made to the Operational Efficiency Team to review duties and a decision then made to either introduce individual stock balancing for the whole office or just for individuals. The agreed plan should also include a timescale.

Support from the Investigation Team must be requested by the Manager, should there be a degree of suspicion or possible theft.



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**Crown Office Counter Loss > £250**

Email this form to 'Fraud Team Post Office Ltd' address (fraud.team@)

- As soon as possible after the discovery of the loss. This form should be completed even if the loss is "known".
- Crown Area Manager to receive a copy of the loss report form and to ensure that appropriate local action taken by BM, including support requested from Compliance and OE Teams if required.
- Finance Team to receive a copy of report form as pre-warning of net loss performance.

(You do not need to submit any paperwork until a member of the Investigation Team contacts you.)

**Crown Office Counter Loss > £2000**

- As above for losses over £250.00, but additionally a call must be made to the NBSC Helpline on  by the close of play on the day of discovery of the loss.
- Report the loss to your Crown Area Manager by email.
- This form should also be emailed to your Regional Manager and Finance Analyst.

(You do not need to submit any paperwork until a member of the Investigation Team contacts you.)

Please read this form carefully and answer all of the following questions

- a) It is essential to supply the following information for ALL Counter, Bureau, Postshop, SVM, ATM, and Error Notice losses of £250 and over, as soon as the CJA is completed.
- b) Please obtain a separate report from each of the clerk/s who dealt with the stock and hold these reports locally, pending any future investigation.
- c) You should abstract the event and transaction logs for the whole week of the loss detailing every activity within the stock (i.e. all sessions, all transactions, Normal and Reversals)

Office Name:	
Branch Code:	
Postcode:	
Telephone Number:	
TP & CAP:	
Week Ending:	
Amount:	
Date Loss Identified:	
Date of Last Clear Cash Declaration:	
List Users of Till: (include full names)	

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Type of Stock: i.e. BM Main safe, Counter stock unit (include indicator) / Bureau De Change / Postshop (state whichever applies)	
Have all Cash, Stock & Vouchers been checked: Yes/No	
Have all fitments (pedestals, safe, inserts etc) and waste bins been searched? Yes/No	
Any other comments: (i.e. is there any explanation for the loss, error notice expected)	
Were there any losses/gains of a similar amount during this week, or last week?  If yes, give details:	
What was the date of the last spot check & result?  Are losses by the Officer(s) involved giving cause for concern?  If yes, give details:	
Are losses in the office giving cause for concern?  If yes, give details:	
Is there anything known which may provide the Officer(s) with a motive for dishonesty?  If yes, please include a separate report (For losses over £250 only circulate to Investigation Team):	
Is there any reason to doubt the honesty of any other Officer(s)? If yes please include a separate report (For losses over £250 only circulate to Investigation Team):	
Reported By: (insert full name & job title)	Date:

E Mail a copy of this form to Fraud Team Post Office Ltd. For those offices without access to e mail, please forward a copy of this form to:

Post Office Ltd Fraud Team  
PO Box 1  
Croydon  
CR9 1WN

This report should be retained securely within the branch for 2 years and made available upon request to Senior Management, Fraud and Compliance Managers

lee.castleton

From: "Rob & Kate Jones" [GRO] [GRO]  
Date: 12 October 2009 19:41  
To: "lee.castleton" [GRO] [GRO]  
Attach: Horizon.jpg  
Subject: RE: Horizon Errors

Hi Lee  
I have attached the evidence that I have.  
Don't get too excited - it comprises a certificate of posting, a postage label from the same transaction and the transaction log covering the time it happened. No entry appears in the log!  
The interesting thing is that when I reported it to POL, instead of being surprised, they had an immediate answer ready. I was told to do the transaction again and to destroy the paperwork. This would seem to indicate that although they will not publicly admit to system errors they KNOW that they exist. Needless to say I ignored the bit about destroying the paperwork!  
After doing the transaction again I balanced perfectly at the end of the day  
if I had not spotted it and had just taken the customer's cash I would have ended up with an overage of £9.31  
Not a huge error and it would have left me over instead of short but it is proof that the integrity of the Horizon system is compromised.  
Please use it if you can (I have erased all reference to my office) and I wish you luck.  
if I can help further please let me know.  
I have also been contacted by BBC Wales, Computer Weekly and Alan Bates. After the Taro 9 programme a few weeks ago I also had a long conversation with David Jones MP. To date Watchdog has not got back to me.  
Regards  
Rob Jones

From: lee.castleton [GRO] [GRO]  
Sent: 11 October 2009 15:20  
To: Rob & Kate Jones  
Subject: Re: Horizon Errors

Rob, Kate,  
I cannot tell you how much I would love a copy of the information you have. I have some paperwork that shows errors in my own office but the more the merrier.  
Lee

From: Rob & Kate Jones  
Sent: Sunday, October 11, 2009 11:29 AM  
To: [castleton.castleton] [GRO]  
Subject: Horizon Errors

Hi Lee  
I read in 'Convenience Store' magazine of your fight to clear your name following Horizon problems. Following the appeal in the mag I have just sent the text below as an email to the BBC Watchdog programme.  
I thought you might be interested and if I can be of any help please let me know.  
Regards  
Rob Jones

I understand from 'Convenience Store' magazine that you are interested in computer problems in the Post Office - specifically where subpostmasters have lost money and in some cases been penalised and/or prosecuted by POL.  
If you are interested I have a small piece of hard copy evidence that proves that the Horizon computer system is not as error-free as POL claim it is and is capable of accepting transactions and then losing all details of them resulting in discrepancies. These discrepancies are then the responsibility of the subpostmaster to make good.  
An incidence of this occurred in my PO about 6 weeks ago where the system 'lost' a transaction. I was able to spot it at the time and keep evidence of it. The interesting thing is that when I reported it to POL, instead of being surprised, they had a ready remedy to hand. This would seem to indicate that although they will not publicly admit to system errors they KNOW that they exist but are quite happy to blame the subpostmaster and hold him responsible for any financial discrepancy. The fact is that if I hadn't spotted it at the time (it would have been very easy to miss) I would have been none the wiser until the time came to balance the books.  
Luckily it was a very small financial amount but the evidence does prove the point.

Regards  
Rob Jones  
Porthyrhyd Post Office  
[GRO]  
[GRO]



Syddfa'r Post Cyl.  
Post Office Ltd.  
Eich Derbynnab  
Your Receipt

Post Office Stores

Carnarthenhire

Dyddiad ac Amser: 25/08/2009 10:52  
 Date and Time:  
 Blaenrif Sesiun: 1-2260183  
 Session Prefix:  
 Cwrchfan:  
 Dest: UK (E.U.)  
 Mfer/Quantity: 1  
 Pwysau/Weight: 3.000 kg

Standard Pcl £7.06  
 Ffio up to £250 £250.00 £2.25

Cyfanswm Cost Gwasanaethau  
 Total Cost of Services £9.31

11:05 25/08/2009 TP:05 SP:03 SU: 00  
 Transaction Log - Office Copy

USER DATE MODE	TIME	TRANSACTION REF	SG	TP	BF	VALUE
		1-2260176-2	AA	05	03	
25/08/2009	10:44	SC CA CASH HDL	1			100.00
		1-2260176-3	AA	05	03	
25/08/2009	10:44	SC Cash	1-			100.00-
		1-2260196-1	AA	05	03	
25/08/2009	10:53	SC Halifax Cashdri	1			10.00
		1-2260196-2	AA	05	03	
25/08/2009	10:59	SC Cash	1-			10.00-
		1-2260198-2	AA	05	03	
25/08/2009	11:01	SC Post Boxes PP	1-			3.20-
		1-2260198-3	AA	05	03	
25/08/2009	11:01	SC Cash	1			3.20
		1-2260205-2	AA	05	03	
25/08/2009	11:02	SC CA WD LIMIT	1			46.40
		1-2260205-3	AA	05	03	
25/08/2009	11:02	SC Cash	1-			46.40-

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\*\*\* END OF REPORT \*\*\*

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## Post Office is urged to act over IT concerns

Sub postmasters complain over accounting system used by Post Office

Rachael Singh, Accountancy Age 08 Oct 2009

Your local sub post office - heart of the community, essential service, potential bank and now focal point for accountancy controversy.

The controversy emerged last week when it was reported that up to 30 sub postmasters had come forward with complaints about the accountancy system used by the Post Office which, they claim, had produced discrepancies for six sub postmasters, concluding they owed more than £430,000 collectively.

Focus has now turned to Horizon, the accounting system used by the Post Office. The claims are that the system was faulty, showing takings for the branches as higher than they actually were.

IT professionals have been watching the news closely and discussion has focused on whether the Post Office has undertaken an IT audit, and whether the software provider is becoming embroiled in the row between local sub post masters and their employer.

The Post Office has issued denials but experts believe it needs to know exactly what is going on, even if the software systems are not to blame.

Richard Anning, head of the ICAEW IT faculty, said: "You need to make sure that your accounting system is bullet proof."

He added: "Whether they have an IT audit or not, they need to understand what was happening."

The interest in the accounting systems is given extra urgency because of Prime Minister Gordon Brown's announcement last week that the Post Office would return to offering banking services as a means of building more competition in the market.

Industry experts believe that alone should press the Post Office into some form of action.

David Turner, group marketing director at accounting software company Coda, believes whether or not these accusations are true the reputational damage is potentially disastrous.

"With an organisation as big as the Post Office, it is important to everyone that they have confidence in their IT systems especially if they are taking on banking systems," he said.

He added that it is vital the Post Office does "something" to "dispel" any rumours of faults because reputation is critical when it comes to accounting.

However, the Post Office may not be alone in its responsibility, claims Mark Thompson, managing director of accountancy software company COA solutions.

"A supplier can't walk away from responsibility," he says.

The integration and maintenance of a company's technology systems is a "partnership" he says, adding that both sides need to work on dealing with discrepancies within an IT system, especially if it was bespoke built.

Horizon had not returned calls from *Accountancy Age* by the time of going to press and the Post Office declined to comment when asked if it would undertake an IT audit.

However, the Post Office has issued a more general statement, saying: "Our Horizon IT system, which operates across the Post Office network, is extremely robust and successfully records millions of transactions each day and there is no evidence pointing to any fault with the technology."

"We are completely confident our system is capable of handling the financial services transactions carried out at Post Office branches and will support any new services that we plan to introduce in the future."

**IN OUR VIEW**

*The Post Office should consider an IT audit to show it has taken the matter seriously. Although it may be small sums of money involved, perception is everything and it could not consider going back into bank services with an accounting system that had doubts attached to it.*

Permalink: <http://www.accountancyage.com/2250781>

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Lee

We have completed an initial study of the documents you sent through in relation to your dispute with the Post Office and their software system Horizon.

It is our opinion at the moment, based upon what you have sent and your explanation of the fields and mode of operation, that there is an inconsistency in the printed data. The obvious example is the printout you have numbered "3". This appears to show RSP logged on to terminal 1 through the period 11:52:44 to 12:41:22 at which point RSP can be seen to be logging off. 28 seconds later LCA (I assume that is you) logs on to the same terminal (terminal 1). 1 second later, terminal 1 disconnects from the network (or at least is reported to have disconnected). The terminal is not reported to regain connection to the network until 14:00:42 (the print out isn't very clear so this time might be inaccurately deciphered). During the disconnection period, transactions can be seen to be continuing. There are potentially a number of possible explanations for the printout data:-

1. The terminal continues to function in "off-line" mode until the network re-connects, storing transactions locally.
2. The printout is inaccurate and missing events; the terminal may have re-connected immediately after the disconnection
3. The disconnection message is inaccurate and the terminal did not in fact disconnect.

A further clear example is set out in sheets 3 & 4. At 14:24:56 LCA can be seen logging on to terminal 2 (there is no record of logging off terminal 1) and CTR can be seen logging on to terminal 1 (this might automatically log off LCA). However it appears from sheet 4 (pdf 555) that LCA was logged on to terminal 1 until 14:20:20 and then was using terminal 2 (14:21:12??) until 14:22:14 where the entries then show LCA logged on to terminal 1 until 14:24 at which point CTR is recorded as using terminal 1 (which tallies with sheet 3). This use of terminal 2 between 14:21 and 14:22 does not appear on sheet 3.

The two sheets therefore do not appear on the face of it to present the same data.

Clearly this is extremely important and further investigation with more examples and if possible access to live data or archived data rather than printouts is essential. These discrepancies need to be analysed and explained. If possible the alleged discrepancies in the monetary value of the transactions need to be aligned to the obvious reporting discrepancies seen in the printouts.

We are willing and able to take this further if you wish to instruct us. I would suggest one of our forensic accountants has a look at the transaction data and I would be able to analyse and interpret the report data and timing. I do not think we need one of our Oracle consultants deployed just yet. If you have further evidence in the form of software printouts or if we are fortunate and can secure access to a live system, then it would be essential to deploy an Oracle specialist at that point.

Untitled

Johannesburg - The South African Post Office (Sapo) is continuing to pour millions of rand into a new retail system despite clear evidence that the project is not financially viable, according to a confidential report.

The document, which was tabled in March but which has been kept out of the public eye, illustrates how the R107m project, webRiposte, has resulted in staff having to pay in money for cash shortages resulting from the new dysfunctional system.

The report says the project:

- » Is susceptible to fraud;
- » Has software glitches;
- » Has overrun the budget by R80m; and
- » should be discontinued.

The webRiposte system was launched in 2004 to replace the old PostLink, a point-of-sale system used at retail branches of the parastatal to expedite consumer service.

The new system has instead performed worse than the old one. webRiposte has resulted in several faults linked to cash and cheque management at some branches.

"The system for no given reason will duplicate the transaction with the same date, time and values," says the report, adding that the problem can neither be fixed nor can the root cause be identified.

"This unfortunately negatively impacts on employee morale as Sapo requires that employees pay in money for cash shortages.

"If the current trend continues, employees will be paying several hundred rands for system errors because the cash management function is not working correctly."

When the mailing and banking parastatal launched webRiposte, Sapo had budgeted R110m for the project. The goal was to roll out the system at 1 567 branches across the country.

However, Sapo has spent R107m on the project and only managed to roll out webRiposte at seven outlets in seven years.

Sapo also took the decision to inject an additional R80m into the project and extend the deadline from 2007 to 2012.

- City Press

16 February 2012

**Royal Mail Group**

Mr Lee Castleton



Information Rights Team  
(Freedom of Information Act)  
Company Secretary's Office  
4th Floor  
Royal Mail Sheffield  
Pond Street  
SHEFFIELD  
S98 6HR

for   
[www.royalmail.com](http://www.royalmail.com)

Dear Mr Castleton,

Re: Freedom of Information Act – Request for Internal Review (Ref: AJME-8PJHJU)

I am writing in response to your request dated 14<sup>th</sup> January 2012 in which you asked for an internal review of the requests for information you submitted on 12<sup>th</sup>, 13<sup>th</sup> and 14<sup>th</sup> December 2011. Your request, and our response, has been carefully reviewed in line with our obligations under the Freedom of Information Act 2000, and I am writing to inform you of the outcome of this review.

In your emails dated 12<sup>th</sup>, 13<sup>th</sup> and 14<sup>th</sup> December you requested the following information as a result of an article in a national publication:

- 1. I would therefore like to ask for the Losses as a total please, and the gains as a total please for the accounting year 2004/2005 for the Crown Office part of the business.*
- 2. I would therefore like to ask for the Losses as a total please, and the gains as a total please, for the accounting year 2006/2007 for the Crown Office part of the business.*
- 3. I would therefore like to ask for the Losses as a total please, and the gains as a total please for the accounting year 2009/2010 for the Crown Office part of the business.*

In the response issued to you on 12 January 2012 you were advised that as the three requests related to the same class of information the costs of dealing with each were aggregated as described in section 12 (4)(a) of the Freedom of Information Act 2000. You

Cont...

were advised that your requests date back a number of years and relates to information concerning branches that no longer form part of the Crown Network, and therefore it would exceed the appropriate cost-limit under section 12 of the Freedom of Information Act to identify, locate and retrieve the information covered by your requests.

In your email dated 14 January you stated that you believed that the cost of producing the figures requested would be and should be minimal. You go on to state that the figures are part of Post Office Limited accounts and therefore would be easily reproduced. As your requests ask for total losses and gains this would include Crown Offices which have since been closed down, and no longer part of the Network. These Offices would no longer be on our central system and we would be required to locate the information separately.

To retrieve the detailed information requested for those Crown Offices no longer in the Network a request would need to be submitted to Fujitsu for the relevant data held on behalf of Post Office Limited. The cost of this request alone would exceed the cost limit set out section 12 of the Freedom of Information Act. Furthermore, it is expected that it would take a significant amount of time for this information to be retrieved. The data that would be provided by Fujitsu would be vast as it would show all items posted by each account by branch. In order to obtain the information required a large amount of analysis would be required to ensure the information was put together in the appropriate format. An estimate of the time this would take for the amount of data you require is ten to fifteen days.

After reviewing the terms of your request, we are satisfied that Post Office Limited was correct to estimate that the cost of identifying, locating and retrieving all information within the scope of your request would take in excess of 18 hours and exceed the £450 cost limit. Consequently, we believe that the cost-limit exemption under section 12 (1) of the FOI Act was correctly applied and the Post Office Limited is not obliged to comply with your requests as they stand.

Where the cost limit applies, we do have a duty to provide advice and assistance in relation to relevant information which could be retrieved under the cost ceiling. We would advise you to focus or narrow the scope of your requests in order to clarify exactly what information you want to receive and reduce the range of information which could be covered. For example information regarding the Net losses is held however this information is considered to be commercial information, and therefore Post Office Limited may consider that it should be exempt from disclosure under section 43(2) of the Act – prejudice to commercial interests. You may also consider requesting the required information for Crown Offices that are currently open, however again Post Office Limited may consider this information to be exempt under section 43(2) of the Act. However, Post Office Limited will respond to any valid request under the terms of the Freedom of Information Act,

Cont...

I am sorry that your request cannot be met on this occasion but hope that this response suitably explains why the cost-limit does apply. In the event that you remain dissatisfied with this response you do have the right to appeal to the Information Commissioner who can be contacted at the address below:

Information Commissioner's Office  
Wycliffe House  
Water Lane  
Wilmslow  
Cheshire  
SK9 5AF

**GRO**

[www.informationcommissioner.gov.uk](http://www.informationcommissioner.gov.uk)

advice centre



© PAGE 17

**Epos systems drive you round the bend**

It isn't just our country's Post Office experiencing problems with its computer system (Horizon), which has seen many sub-postmasters penalised for accountancy errors. Lee Castleton, who was bankrupted by the PO and who, along with dozens of others, is fighting back with collective action through the courts, has sent me a report from a paper in Johannesburg.

It says that the South African Post Office (SAPO) is continuing to pour millions of rand into a new retail system, despite clear evidence that the project is not financially viable, according to a confidential report.

The document, which has been kept out of the public eye, illustrates how the R107m project, WebRiposte, has resulted in staff having to pay in money for cash shortages resulting from the new dysfunctional system.

Doesn't that sound familiar? The report says the project is susceptible to fraud, has software glitches has overrun by R80m, and should be discontinued.

**“The document, which has been kept out of the public eye, illustrates how the R107m project has resulted in post office staff having to pay in money for cash shortages resulting from the new dysfunctional system. Doesn't that sound familiar?”**

“This unfortunately negatively impacts on employee morale as SAPO requires that employees pay in money for cash shortages,” it continues (again, how familiar).

To update you on the court case back on home soil – so far, no update. Yes, those wheels grind ever so slowly.

**Part and parcel of playing by the rules**

This was different. This column has spent a lot of time exhorting retailers to follow PayPoint's rules by the book to avoid being scammed. But high-profile retailer Lesley Brown, of Frankmarsh Stores in Barnstaple, likes to do things by the book.

So when a scruffy guy in an old post office van and with no ID, no hand-held terminal, arrived to pick up a 'Collect Plus' parcel, she refused to hand it over. Where was the usual guy from Yodel, PP's partner in this parcel scheme?

She rang PP and, after several calls, the exchange got somewhat heated and Lesley threatened to cancel her contract for Collect Plus. She was astounded to be told that she had to give three

months' notice and, if she didn't comply, her PP term would be removed.

Lesley wrote a strong letter. I spoke to PayPoint and they have been sent this reply: “We were sorry to hear of Mrs Brown's experience. We are grateful to her for bringing to our attention the security of our parcel service. The security of our parcel service is of paramount concern to us.”

“Her experience was not acceptable and we apologise. We fully understand her desire to cancel her service and, although we are sorry to lose a loyal customer, Collect Plus has agreed to discontinue its service immediately. We will insist on the three-month notice period. We are, of course, pleased that she was able to get a valued PayPoint parcel delivered.”

The reply also says: “We have carried out a full investigation and implemented improvements to ensure that our collection and delivery service is communicated properly. It has also been agreed that appropriate action will be taken against individuals involved in such incidents.”

**Battle for top-up shoppers**



**How do you attract top-up shoppers?** Tell us your techniques by logging on to [www.thegrocer.co.uk/convenience](http://www.thegrocer.co.uk/convenience)

**HIM recommends some key steps to stop multiples stealing your core**

... more likely to purchase something on impulse, and they also notice and buy into promotions more than the average shopper. Under the grocery store, focusing more on tailoring to the customer. At the moment, the focus is on the customer. At the moment, the focus is on the customer. At the moment, the focus is on the customer.

2008, it was fourth on the list of shopper importances. This year, “convenience” is second only to “product availability”. High fuel costs are forcing shoppers to rethink their drive to the larger out-of-town hypermarkets and opt for more local options. Therefore, local c-stores should be well placed to win shoppers who turn to local shopping. They have great locations, and many stores now have a fantastic fresh offering of bread, fruit and vegetables. However, to maximise the

fresh fruit and vegetable grocery items, as availability in the categories such as milk, the milk at fixture, or the m and biscuits fixt brands as signp provide a level of To get new c. the store retaile leaflets to highl stock everyday

## Yule be sorry

**WE** HAVE full confidence in the Horizon system," the Post Office wrote to the Eye in October after we reported on the scores of sub-postmasters who have been disciplined, prosecuted and even imprisoned for apparent financial shortfalls that they blame on their computer system (see Eyes 1298 and 1299).

More than 90 of them have approached the law firm Shoosmiths with a view to taking legal action; and since then the Eye has seen repeated complaints of discrepancies caused by the misfiring system, most of them sneaking under the public radar. Now, however, more major signs of Horizon's failure have emerged.

Last week the system simply shut down twice as Christmas customers queued up to post their cards. Then around 650 franked mail customers were billed twice by the system for the same usage. All of which suggests that those who say shortfalls are thrown up by the system from now here have a point.

This raises some serious questions over a system created and run by Fujitsu and burdened with a dire history, having been ditched by the Department for Social Security and dumped on the Post Office more than a decade ago.

Horizon was created in the same era of mega-IT projects as the Courts Service's equally evocatively named system Libra. This has just taken a posting from the National Audit Office, which reports that Libra's inability to track the payment of fines has played a large part in leaving the taxpayer £1.4bn out of pocket.

The Post Office might have "full confidence" in Fujitsu (also a major supplier on HM Revenue & Customs' tax systems on which efforts to introduce universal benefits depend) but it seems few other people do.

## WAR PENSIONS

### Insult to injury



**THE** defence select committee's report *The Armed Forces Covenant in Action?* had little to say on social care, including the payment of war pensions and compensation for injury or death while in service.

The War Pensions Scheme was set up to provide "no fault compensation" to ex-service personnel and their families from the start of the First World War in 1914 to 5 April 2005. Or 6 April 2005 it was "simplified", with the addition of the Armed Forces and Reserve Forces Compensation Scheme (AFCS), designed to provide similar "no fault compensation" from that date, thus ensuring the whole procedure became a balls-up.

A lump sum paid to a wounded soldier under AFCS is designed to compensate for an injury sustained in service; the loss of both eyes, for example, is valued at £200,000. But if this money is not put into a personal injury trust by the injured party, the government and local councils can take the sum into account when means-testing other benefits. At present, income support, council tax and housing benefits are not available for anyone whose lump sum amounts to more than £16,000. Moreover, if the wounded soldier dies, any payment to a widow, widower or to children is taxable.

In any case, access to a war pension is no longer a right – the defence secretary can and does reject claims. Between 5 and 19 December, the Eye confirmed that 86 cases regarding war pensions were being heard at "first-tier tribunals" on behalf of ex-service personnel who had had their claims queried in this way.

Payments under the AFCS come from the Ministry of Defence, which has a £10bn "black hole" in its £33.8bn budget and needs to make big savings. Once again, it will be left to military charities to pick up the pieces until social care for veterans and their families is reviewed.

**'Squarebasher'**

You can contact the In the Back team on 020 7437 4017 or email: [strobos@private-eye.co.uk](mailto:strobos@private-eye.co.uk)



## In the City

### RBS SPECIAL Part 1: Overdrawn, underdone

*"It would be possible to add a report looking just at the RBS story. But it would add little if anything to our understanding of what went wrong."*

**SO SAID** Lord Turner, chairman of the Fundamentally Soggy Authority, trying a year ago to justify why a 298-word press release was far more informative about the failure of Royal Bank of Scotland than the 450-page report he finally published last week.

That report reveals his claim for the breathtakingly deliberate disinformation the City always knew it was. In return for the £25bn currently lost by the taxpayer in bailing out RBS, we now know why Sir Fred Goodwin and others at RBS could have been the target of regulatory action – and most importantly, why they were not.

No wonder Turner and chief executive **Hector Sants**, with the other RBS tainted suits still at the FSA, wanted the taxpayer to be satisfied with the usual "lessons have been learned" mantra that follows every British administrative disaster where lives or millions are lost but nobody responsible pays any price for their failures.

That would have saved FSA faces and more importantly protected those remarkably still in financial regulation: Sants, the proposed head of the new Prudential Regulatory Authority which next year replaces the FSA as the banking watchdog; Margaret Cole, the former FSA enforcement chief who will have a central role in the proposed new Financial Conduct Authority; and Verena Ross, the former FSA head of strategy and risk, who now runs the European Securities and Markets Authority.

The RBS report whitewashes what went on inside both the FSA and RBS. But what is to be expected when FSA general counsel **Andrew Whittaker**, internal audit head **Rosemary Hilary**, deputy chairwoman **Karin Forseke** and director **Carolyn Fairbairn** were all in place when the train wreck happened, not just at RBS but also Northern Rock, HBOS and Bradford & Bingley.

Despite the FSA's wish to cover its tracks and the censoring influence of lawyers hired by the guilty (the report contains not a single explanation from or serious criticism of Goodwin or chairman Sir Tom McKillop) it's still possible to see that a regulator without the FSA's complexity could and should have taken action against RBS's senior management, starting with Fred the Shead and his "assertive and robust style".

"There was an issue as to whether the CEO achieved the right balance between maintaining his own detailed understanding and the oversight of the Global Banking and Markets business [GBM, the investment banking division which lost almost £1.5bn and sank RBS] and delegating some of the management of that business to others," the report says. "There remains an important question about the quality of the CEO's judgement in his delegation of the responsibility for management and oversight of GBM."

The report lists many "poor" and "questionable" decisions made by Goodwin, supported by his boardroom stooges: keeping RBS "lightly capitalised"; adopting a business model with a "high level of liquidity risk"; "inadequate monitoring" and concentration of commercial property lending; rapidly expanding into loss-making structured credit markets "when signs of underlying deterioration... were already starting to emerge"; taking over ABN-AMRO "without a sufficient understanding of the risks involved"; paying with debt and taking all the risks on behalf of the bidding consortium.

It was "a misjudgement with catastrophic consequences" – yet nobody is held accountable. "A successful case needs clear evidence of actions by particular people that were

incompetent," declares Turner.

So what about the scale of the losses at GBM, which "reflected both a poor strategic decision to expand the business and a flawed response to emerging problems"? Or the "bias to optimism", led by Goodwin? Or that "GBM's risk management, control and reporting processes were flawed and senior management on some occasions displayed

poor understanding of key aspects of the risks being taken"? Or that the due diligence on ABN-AMRO was "insufficient" and "inadequate"? Or that "go to market" systems and controls and decision making may have fallen well short of best practice and below the practices of a number of peer firms?

"Specific individual failings have been identified" – but with no names attached. The RBS board "failed adequately to challenge" Goodwin's "focus on increasing revenue, assets and earnings per share" instead of "capital, liquidity and asset quality", set incentives for Goodwin that "made it rational for him to focus on increasing revenue, profit, assets and leverage"; "failed adequately" to identify and address the growing risks.

On ABN-AMRO, the board lacked the "degree of moderation and sensitivity to strategic risk appropriate to a bank". Too many knew too little about banking or trading, but this ignorance did not extend to finance director **Guy Whittaker** or non-executive **Collin Buchan**.

But to the FSA – which failed to pick up on what Goodwin was doing and when it tried was bullied out of it – all this was irrelevant. The evidence was insufficient or the actions taken were "reasonable" or "not inappropriate" in the context of the banking custom and practice at the time. And who would ever guess that US house prices would fall and banks fail? It would be "unfair" to the multimillionaire bankers and their boardroom dummies, especially as the FSA made the same mistake.

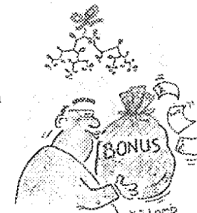
Even investment banking head **Johnny Cameron** – the only RBS "scalp" – agreed a deal to stay out of banking in return for no disciplinary action on the basis that "the FSA did not make any findings of regulatory breach... and he did not make any admissions". And this was the man the FSA says broke the bank and admitted he did not know enough! Cameron, like Guy Whittaker, was compelled to give interviews – always a sign of innocence!

Meanwhile two senior Cameron GBM subordinates are still in the City: **Brian Crowe** is a director of AIM-listed Lombard Risk Management – and chairman of its audit committee – while **Symon Drake-Brockman** is FSA-licensed, running a private equity business.

The inability of the FSA to nail Cameron explains why it is similarly struggling to finalise the report into HBOS. Corporate banking head **Peter Cummings** is refusing a similar deal. Why not, given what he will have read about RBS? And his boss, Sir **James Crosby**, was the FSA deputy chairman!

The FSA set itself a "likely chance of success" test that could justify its later inaction. "Every allegation made must be capable of being convincingly evidenced before a tribunal," and "conclusive evidence" was needed. "Very strong evidence of an individual's personal culpability". There was no "strict liability" for bank directors. Everything had to be judged as to what was "reasonable in all the circumstances at the time of the conduct".

All this is despite the fact that the exidential test was, the report admitted, the civil one of "balance of probabilities", not the much higher criminal test.



# Losses & Gains Quick Guide for Crown Managers



Version 1 (Sep 2008)

Confidential

## CONTENTS

- Section 1 Introduction and Purpose
- Section 2 Supervisory Checks (misbalance checks & surprise checks)
- Section 3 Transaction Corrections
- Section 4 Counter Losses & Gains Reporting
- Section 5 Monitoring Records
- Section 6 Loss Escalation Process

## APPENDICES (For reference)

- Appendix A Annual Certificate of Compliance (ACC) – *This workbook has been issued directly to Crown Offices*
- Appendix B Supervisory / Balance Checks  
*(Loss and Gains Policy Action Workbook)*
- Appendix C Local Record of Stock Users
- Appendix D Report from Crown Office Managers for losses over £250
- Appendix E Action Matrix Flowcharts  
(a – Multi User Stock / b – Individual User Stock)
- Appendix F Record of interview / actions agreed
- Appendix G Escalation Interview Action Plans  
*(Loss and Gains Policy Action Workbook)*
- Appendix H Branch Enquiry Form

## Policy Monitoring Tool - Loss Management System (LMS)

1. Data Capture Workbook
2. Data Analysis Workbook
3. Loss and Gains Action Workbook

Confidential

**Section 1 – Introduction to Policy and its Purpose**

The impact of losses in the Crown Office Estate is having a serious effect on our ability to deliver the three2eleven plan to bring us back into profitability by 2011. Our actual Crown Office losses in 2007/08 amounted to £2.2M.

The Policy has been redesigned to provide clear and consistent guidance to Crown Office Managers and their Assistants as to their responsibilities for the recording, maintenance & monitoring of losses and gains.

The main Policy, the quick guide, and Loss Management System, will provide Crown Office Managers with the tools to be able to effectively manage losses and gains and to take appropriate measures to reduce losses.

## Confidential

**Section 2 – Supervisory Surprise Checks & Misbalance Checks**

Supervisory controls are designed to assist Crown Office Managers in effectively minimising the risk to the business assets at their offices and to protect individuals. As part of these supervisory controls, the office management team are responsible for performing random, surprise checks on all stock units (either individual or multi-user) on a regular basis.

There is also a requirement for misbalance checks to be performed on all stocks, both 'multi user' and 'individual', which misbalance by £30 and over. However, these checks are over and above the need for supervisory surprise checks and can be performed by both managers and experienced colleagues.

To meet the minimum standard, a programme of supervisory surprise checks must:

- be performed by the Crown Management Team who will check that colleagues complete a cash declaration towards the end of each working day;
- include monitoring, by Managers, of the levels of cash being held by all colleagues;
- include every stock unit (e.g. Main Cash, ATM, SVM, Postshop cash and value stock, Giro, Bureau De Change and Lottery etc.); Main Cash Stocks held by a Crown Office Manager should be checked by a Crown Area Manager or representative.
- be treated separately to misbalance checks;
- check all cash, stock and vouchers to hand and reconcile to the last declared balance; Print and check for 'outstanding docketts'.
- ensure each stock unit is checked at least once in a three month period, where the stock is rotated, or once in an eight week period where the stock is held by a single colleague. i.e. Individual stocks and when a multi user stock has been balanced by the same colleague every week due to the way duties have been written (these multi user stocks should be treated the same as individual stocks for supervisory check purposes only).
- be supported by a record of stock checks with records of surprise checks being clearly distinguished from misbalance checks and retained for two years; The checker should clearly identify themselves on the local records. (Appendix B – Loss and Gains Action Workbook)
- include a variation on the days of the week used for surprise checks, so as to avoid any pattern that will become known to individuals
- ensure a Manager's signature is recorded onto the final balance record of a checked stock and ensure the stockholder or an independent witness is present at the time of the check. A record of the check, the witness and balance result 'pre' and 'post' check should be entered into the Loss & Gain Action Workbook.

Confidential

There is a requirement for Crown Office Managers to complete :-

For all Stock losses and gains of £5 or more

Using the L&G Data Capture Workbook, enter -

- Financial Year
- Week number
- Stock Unit ID
- Value of Loss / Gain
- Name of individual or all individuals who have served from that stock unit during the balancing period
- Details of associated Transaction Corrections – values, linked to the original trading period and relevant stock unit

For all surprise & misbalance (over £30) checks

Using the L&G Action Workbook, enter -

- Financial Year
- Week Number
- Stock unit
- Name of Stock User
- Original Loss / Gain result
- Type of check (surprise or misbalance)
- Result of Loss / Gain, post check
- Discrepancy comment, if required
- Name of Crown manager or substitute performing the check
- Position or grade of checker
- Ensure Horizon Weekly Balance Report is signed & dated and retain documentation relating to check for 2 years

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Section 3 – Transaction Corrections

Branch Trading should be undertaken in accordance with the latest Branch Trading booklets, which include details of balancing stock units, production of the Branch Trading Statement, production of reports and despatch of documents

If a Transaction Correction is required,

- Crown Office Manager should contact branchcontrol GRO by email using the discrepancy form (See Appendix H). NOTE if the error is a Stock error, please identify the product.
- Branch Control contacts relevant product team within Product & Branch Accounting
- Product & Branch Accounting investigates and issues the associated TC immediately if appropriate
- Office accepts the Transaction Correction on receipt by following the instructions as detailed on the Transaction Corrections
- Office completes Branch Trading, posting only true losses and gains

Note - The value in Local Suspense at Branch Trading should be resolved by selecting the Write-Off to P & L option to prevent losses/gains rolling into the next period

USEFUL CONTACTS

- Any query in respect of Transaction Corrections, please email branchcontrol GRO
  
- Contact Cathv.Macdonald, or GRO  
**GRO** **GRO**

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Section 4 – Counter Loss & Gains Management Reporting

4.1 – Losses/Gains between £5.00 and £249.99

Crown Office Managers must undertake to perform the following in respect of Losses/Gains:

- To report immediately, via telephone, any loss, irrespective of value, where dishonesty is suspected, whether declared or discovered on a supervisory/balancing check, to the NBSC Helpline on GRO
- Records of losses and gains do not need to be sent from the office, unless requested by your Crown Area Manager, Investigation or Compliance / Audit Managers. These records must be made available to any of those mentioned at the time of a visit.
- Where a stock unit incurs a loss or gain over £30.00, the Crown Office Manager must perform a balance check of the cash/stock and vouchers on hand. If the relevant colleague cannot be present at the balance check, an alternative witness must be present.
- If the resultant balance check reveals a further loss which raises it above the £250 threshold, the Manager must call the NBSC as per the process in Section 6.2.

4.2 – Losses over £250.00 (Appendix D)

Crown Office Managers must undertake to perform the following in respect of losses over £250.00. (NOTE – Crown Office Manager, if on duty, should take responsibility for ensuring the following action is taken)

- Crown Office Manager to complete the report for losses over £250.00 (Appendix D) and e-mail this form to "Fraud Team Post Office Ltd" e-mail address as soon as possible after the discovery of the loss. This form should be completed even if the loss is "known".
- Ensure all colleagues who had access to the stock, complete the Investigation Team's "Counter Loss over £250 – Individual Report" and these should be retained along with the required event and transaction logs until requested, pending any future investigation.
- In the event that a transaction correction (TC) is received for a loss previously reported over £250, the "Fraud Team Post Office Ltd" must be e-mailed giving details of the amount, stock unit, date and Branch Trading Period it relates to. It is important this is done as soon as the TC is received to avoid any unnecessary extra work being undertaken by the Investigation Team on a reported loss.
- Crown Area Manager to receive a copy of the loss report form and to ensure that appropriate local action taken by Crown Office Manager, including support requested from Compliance and OE Teams if required.
- Finance Team to receive a copy of the report form as pre-warning of loss performance.

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4.3 – Losses over £2000 (Appendix D)

- As above for losses over £250.00, but additionally a call must be made to the NBSC Helpline on [GRO] by the close of play on the day of discovery of the loss.
- Crown Area Manager to receive a copy of the loss report form and to ensure that appropriate local action taken by the Crown Office Manager, including support requested from Compliance and OE Teams if required.
- Copy of loss form should be circulated to both your Regional Manager and your Finance Analyst

Section 5 – Monitoring Records
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Stockholder records (Appendix C and Appendix B)

Crown Office Managers must ensure the following actions are undertaken:

- An accurate record must be kept of all stock unit holders, whether individual or 'multi user' on the workbook provided. This workbook needs to be completed on a weekly basis and must be kept up to date.
- The stockholder record allows Crown Office Managers to record details of Surprise Checks, which are to be conducted on all stock units at least twice a year.
- The stockholder record also allows Crown Office Managers to record details of Balance Checks, which need to be conducted on all losses and gains over £30.00.
- Stock units must be rotated on a regular basis. This simple task will prevent build up of losses in a till and provide a deterrent to anyone who considers falsifying their balance. The maximum period for an individual holding and balancing the same stock is 8 weeks. This would also apply to multi user stocks where the same individual balances every week due to the way the duties are scheduled. All other rotating stocks should be checked once in three months as a minimum.

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Section 6 – Loss Escalation Process & Trigger Points

<b>MULTI USER STOCKS</b>		
<b>Escalation</b>	<b>Performance</b>	<b>Action</b>
Stage 1	3 losses of £30 or more over a period of 3 months (13 weeks)	Informal Interview – Crown Office Manager - with colleagues, identified as having access to the stocks that have incurred losses, to raise awareness of their performance and to reiterate the Loss Escalation Process. Action Plan should be agreed and notes taken and signed. Consideration given to a switch to individual balancing if appropriate at this stage.
Stage 2	Further 3 losses of £30 or more over the period of 3 months following the Stage 1 interview.	2 <sup>nd</sup> Informal Interview – Crown Office Manager - to review performance and agree the level of support required. Action Plan agreed and notes taken and signed. Notice given to colleagues that they will switch to individual balancing by stage 3 if improvement is not forthcoming and switch is not appropriate at this stage 2.
Stage 3	Further 3 losses of £30 or more over the period of 3 months following the Stage 2 interview.	3 <sup>rd</sup> Informal Interview – Crown Office Manager - Colleagues moved onto individual stocks. Action Plan agreed and notes taken and signed.

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INDIVIDUAL STOCKS		
Escalation	Performance	Action
Stage 1	3 losses of £30 or more over a period of 3 months (13 weeks).	Informal interview – Crown Office Manager - to raise awareness of loss performance, agree the level of support required and to reiterate the Loss Escalation Process. Action plan with notes signed
Stage 2	Further 3 losses of £30 or more, over the period of 3 months following the Stage 1 interview.	Informal interview – Crown Office Manager to review performance and agree the level of support required and to reiterate the Loss Escalation Process. Action plan with notes signed
Stage 3	Further 3 losses of £30 or more, over the period of 3 months following the Stage 2 interview.	Formal interview – Crown Office Manager to review performance and agree the level of support required and to reiterate the Loss Escalation Process. Notification that all future losses of £5 or more will be taken into account. Action plan with notes signed
Stage 4	Further 4 losses of £5 or more, over the period of 6 months following the Stage 3 interview.	Formal interview – Crown Office Manager to review performance, and agree the level of support required and to reiterate the Loss Escalation Process. Reiterate the possible consequences of reaching L&G Escalation Stage 5.
Stage 5	Further 3 losses of £5 or more, over the period of 6 months following the Stage 4 interview	Formal interview with appropriate management level from outside of immediate crown office, to review performance and consider disciplinary action under the Conduct Code.

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**Additional Notes**

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

It is essential that a Crown Office Manager interviews colleagues as soon as possible following escalation and prior to the following weeks balance, otherwise allowances will need to be made in the escalation process e.g. cannot issue Stage 2 interview until Stage 1 interview undertaken.

There may be occasions when a loss will need to be recorded against an individual within a multi user stock rather than the whole team. e.g. Payment not taken by colleague for MVL transaction resulting in shortage for that colleague alone and clearly identified.

For all interviews, including Multi User Stock Escalation Interviews, it would make good practice to encourage an individual to be accompanied by a friend or CWU rep if they so wished, although not mandatory. However, remember that all interviews should take place prior to the following week's balance and should not be delayed.

At any time action taken by line managers may be to either uphold the decision to progress through the escalation process or to reduce standing to a lower 'stage' once any mitigating circumstances or Transaction Corrections are fully understood. All decisions must be clearly documented within the action plans agreed.

**Trainees / new recruits and individual stocks**

New Entrant Trainees should be given their own stock during their probationary period in order to assess their suitability for counter work from the results of their balancing record. A decision to confirm the 'trainees' appointment should only be made by the Crown Office Manager if their level of losses meets the Business standard at the six or twelve month stage. A decision would then be made whether to extend the trial period further. Although individual losses should be recorded in the Loss Management System, 'Trainees' will not progress through the Loss & Gains Escalation Process, however, performance will be monitored and discussed as part of the Trial Report procedure.

It is likely that more mistakes will be made by trainees and the trial report process should be used to ensure that the appropriate level of support is provided to an individual who would have triggered loss 'escalation'. Discussion should take place in respect of action required and the individual made aware of what action would have been taken under normal circumstances. Poor loss performance may result in a trial extension or not passing trial but all mitigating circumstances should be carefully explored, supported and documented. Discussion should also take place with the Crown Area Manager in respect of additional training opportunities being explored.

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**Criteria for converting Multi User Tills to Individual Stocks**

At any time that the office loss level rises to an unacceptable level, action may be taken to convert the whole office approach to stock control from 'multi user' to 'individual' till ownership. Discussion should take place between Crown Area Managers, Crown Office Managers and possibly Investigation, Audit/ Compliance and Operational Efficiency Team Managers as appropriate.

On the job support and training should be offered to individuals to help them prepare for this conversion and on site facilities should be sufficient to ensure an effective level of security is provided to enable individual stock control.

It is clear that, in some cases, the introduction of 'individual stocks' will require an investment of additional time and may reduce flexibility at the Counter. It is therefore essential that the cost of converting multi user to individual stocks is calculated through a review of current duties, performed by the Operational Efficiency Team, and a decision taken of whether it is appropriate to convert the whole office approach or just part of it, i.e. a mix of multi user and individual stocks. This will depend on the individual circumstances and risk to each Crown Office

A recovery plan should be developed that supports the monitoring of performance over an agreed timescale with the intention of returning to 'multi user' stocks as quickly as possible.

**Trigger point for action**

When the value of losses over a period of time (reviewed quarterly) reaches an unacceptable level, action should be taken. eg. The monthly trend of loss and gain performance is above the budget set for the office or the office may be one of the worst 10%. At this level, losses are likely to be having a detrimental effect on contribution and profit and loss, outweighing the benefits of flexibility encouraged through a multi user till approach.

If an acceptable level is exceeded then a request should be made to the Operational Efficiency Team to review duties and a decision then made to either introduce individual stock balancing for the whole office or just for individuals. The agreed plan should also include a timescale.

Support from the Investigation Team must be requested by the Manager, should there be a degree of suspicion or possible theft.



IN CONFIDENCE

**Crown Office Counter Loss > £250**

Email this form to 'Fraud Team Post Office Ltd' address (fraud.team@)

- ...as soon as possible after the discovery of the loss. This form should be completed even if the loss is "known".
- Crown Area Manager to receive a copy of the loss report form and to ensure that appropriate local action taken by BM, including support requested from Compliance and OE Teams if required.
- Finance Team to receive a copy of report form as pre-warning of net loss performance.

(You do not need to submit any paperwork until a member of the Investigation Team contacts you.)

**Crown Office Counter Loss > £2000**

- As above for losses over £250.00, but additionally a call must be made to the NBSC Helpline on  by the close of play on the day of discovery of the loss.
- Report the loss to your Crown Area Manager by email.
- This form should also be emailed to your Regional Manager and Finance Analyst.

(You do not need to submit any paperwork until a member of the Investigation Team contacts you.)

Please read this form carefully and answer all of the following questions

- a) It is essential to supply the following information for ALL Counter, Bureau, Postshop, SVM, ATM, and Error Notice losses of £250 and over, as soon as the CA is completed.
- b) Please obtain a separate report from each of the clerk/s who dealt with the stock and hold these reports locally, pending any future investigation.
- c) You should abstract the event and transaction logs for the whole week of the loss detailing every activity within the stock (i.e. all sessions, all transactions, Normal and Reversals)

Office Name:	
Branch Code:	
Postcode:	
Telephone Number:	
TP & CAP:	
Week Ending:	
Amount:	
Date Loss Identified:	
Date of Last Clear Cash Declaration:	
List Users of Tilt (include full names)	

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Type of Stock: i.e. BM Main safe, Counter stock unit (include indicator) / Bureau De Change / Postshop (state whichever applies)	
Have all Cash, Stock & Vouchers been checked: Yes/No	
Have all fittings (pedestals, safe, inserts etc) and waste bins been searched: ? Yes/No	
Any other comments: (i.e. is there any explanation for the loss, error notice expected)	
Were there any losses/gains of a similar amount during this week, or last week: ?	
If yes, give details:	
What was the date of the last spot check & result: ?	
Are losses by the Officer(s) involved giving cause for concern?  If yes, give details:	
Are losses in the office giving cause for concern?  If yes, give details:	
Is there anything known which may provide the Officer(s) with a motive for dishonesty?  If yes, please include a separate report (For losses over £250 only circulate to Investigation Team):	
Is there any reason to doubt the honesty of any other Officer(s)? If yes please include a separate report (For losses over £250 only circulate to Investigation Team):	
Reported By: (insert full name & job title)	Date:

E Mail a copy of this form to Fraud Team Post Office Ltd. For those offices without access to e mail, please forward a copy of this form to:

Post Office Ltd Fraud Team  
PO Box 1  
Croydon  
CR9 1WN

This report should be retained securely within the branch for 2 years and made available upon request to Senior Management, Fraud and Compliance Managers