

PRIVATE EYE SPECIAL REPORT

On 11 November 2010, a pregnant sub-postmaster from Surrey was driven out of Guildford crown court in a prison van to begin a 15-month sentence for theft.

Seema Misra had been convicted of stealing £74,000 in cash from the Post Office branch she ran in West Byfleet even though, in the trial judge's summing-up: "There is no direct evidence of her taking any money... She adamantly denies stealing. There is no CCTV evidence. There are no fingerprints or marked bank notes or anything of that kind. There is no evidence of her accumulating cash anywhere else or spending large sums of money or paying off debts, no evidence about her bank accounts at all. Nothing incriminating was found when her home was searched."

The only evidence was a shortfall of cash compared to what the Post Office's Horizon computer system said should have been in the branch. "Do you accept the prosecution case that there is ample evidence before you to establish that Horizon is a tried and tested system in use at thousands of post offices for several years, fundamentally robust and reliable?" the judge asked the jury. It did, and pronounced Seema Misra guilty.

In fact, far from being robust and reliable, the Horizon system was full of bugs and glitches. Worse still, the Post Office knew it. A decade later, legal action by 555 sub-postmasters who were prosecuted, sacked or financially ruined has exposed one of the most widespread miscarriages of justice on record, appalling treatment of hundreds of working people and a web of deceit that stretched to the top of an historic British institution. This is the story of how it happened...

CONCEIVED in 1996 as one of the first private finance initiative (PFI) contracts, between the Post Office and the Benefits Agency on the one hand and computer company ICL on the other, the Horizon IT system had an unpromising start. It had been set up to create a swipe card system for payment of pensions and benefits from Post Office branch counters. But, as with most mega-IT projects of the time, it soon fell victim to over-ambition, management consultancy snake oil and the inability of a PFI contract to deliver a complex public service.

When, in May 1999, the plug was finally pulled on what the Commons public accounts committee called "one of the biggest IT failures in the public sector", taxpayers had lost around £700m. Something had to be salvaged, however. So, against the better judgement of its IT specialists, the Post Office decided to use the system to transform its paper-based branch accounting into an electronic system covering the full range of Post Office services. The new Horizon project became the largest non-military IT contract in Europe.

This was some faith to show in ICL, an IT company that had originally been awarded the PFI contract despite ranking last of three bidders technically (but being judged cheaper) and had since then only lived down to low expectations. As the Post Office board of directors ominously noted in its minutes that September: "Serious doubts over the reliability of the software remained."

JUSTICE LOST IN THE POST

How the Post Office wrecked the lives of its own workers

BY RICHARD BROOKS AND NICK WALLIS

TROUBLE ON THE HORIZON

Alan Bates and his partner Suzanne arrived in Craig-y-Don on the north Wales coast in 1998 seeking a new challenge running the Wool Post, a shop and Post Office branch. Alan, a 44-year-old project manager, had already worked with software companies installing electronic "point of sale" systems. So when the Horizon system arrived at his branch a couple of years later, he looked forward to streamlining the business in which he'd invested his £100,000 life savings.

Just two months after Horizon went live in Craig-y-Don in 2000, problems began. An unexplained "variance" of more than £6,000 showed up. Bates thought he had identified the source of £5,000 of this: an overnight software update that caused a duplication of some Giro deposits. He transferred this figure to a suspense account, effectively putting off dealing with that part of the problem. This still left £1,000, for which the Post Office immediately began chasing him.

Under his standard sub-postmaster contract, Bates was liable for any shortfall that involved "carelessness or error". And this, said the Post Office, was the only possible cause. The lack of training on the new system, which had led even the relatively skilled Bates to request more, mattered not. Nor did the fact that Bates had disclosed everything to the official helpline and

conducted all the investigations he could into the supposedly missing money. Even his pleas for the necessary IT access to interrogate his own branch accounts fell on deaf ears.

By April 2003, the Post Office had changed tack slightly, writing off the £1,000 – without explanation – but telling Bates to pay for subsequent unexplained balances that he had been moving into the suspense account and which now ran to £1,400. He stood his ground, replying that he would not accept losses "until such time as I am able to access the data that I am being asked to be responsible for". The Post Office refused him any more information and that summer, five years after he and Suzanne started their new life, Alan Bates had his sub-postmaster contract terminated.

Bates suspected he wasn't alone in his plight. The Post Office's correspondence with him mentioned a "consistent approach for all such cases". Yet the body that should have represented him, the National Federation of Sub-postmasters, was in the pocket of the Post Office and showed no interest. So Bates – who a judge would later say was "persistent and no doubt possesses what might be termed

staying power" – took matters into his own hands, launching the postofficevictims.org.uk website and emblazoning its logo on his shopfront.

Dozens of other victims began to get in touch, as incidents across the country mirrored and often dwarfed Bates's own tribulations. At a branch in Dungannon, County Tyrone, a £43,000 shortfall appeared in 1999. According to internal documents later disclosed by IT company Fujitsu (which had subsumed ICL in 1998), the cause was a "missing payments node" following a software update. An "incident of a very similar nature" threw up a £9,000 discrepancy in Appleby-in-Westmorland, Cumbria. At yet another branch, a shortfall way beyond any possibility of pilfering, amounting to £1.08m, was described by software specialists in July 1999 as "due a known software error which has not been resolved" (*sic*).

Such obvious malfunctioning failed to prevent Post Office investigators demanding sub-postmasters pay for the shortfalls, terminating their contracts and, increasingly, putting them in the dock. Invariably they were falsely told they were unique in experiencing any problems with Horizon. The enforcers, undeterred by the fact that pre-Horizon discrepancies had rarely reached triple figures, convinced themselves the new IT system was exposing an epidemic of fraud.

Not all the prosecuted were convicted. A few fortunate enough to have a bullish barrister and a sceptical judge saw the paucity of the Post Office's case collapse before the jury. But even those acquitted, such as Nicki Arch in Stroud in April 2002, faced devastating personal consequences (see "They stripped my life apart", p3).

ROLL'S VOICE

It was already well known inside Fujitsu and the Post Office that Horizon was littered with errors and bugs. So why didn't this knowledge translate into greater understanding of sub-postmasters'



Indefatigable justice campaigner Alan Bates

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accounting troubles and at the very least temper the persecution of them? The answer was that denial suited the priorities of both the Post Office and the IT company.

The former, under chief executive Adam Crozier and chairman Allan Leighton, was desperate to turn around its finances (and in 2003/04 it managed to halve losses of £200m the previous year). Fujitsu's UK operations, meanwhile, were losing friends as well as money, as it fouled up not just Horizon but also a large project codenamed Libra to computerise magistrates' courts (*Eyes passim*).

A Fujitsu programmer from the time, Richard Roll, who would become a key witness in the sub-postmasters' high court case against the Post Office in 2019, told the *Eye* that Horizon was one the company's few profitable contracts. Among other private sector deals, it was also lining up a key role in the mother of all government IT splurges, New Labour's £12bn NHS IT project (*Eyes passim ad nauseam*). Fujitsu could ill-afford either bad publicity or the penalties that came with software faults. "We would have been fined," said Roll, who worked at the company between 2001 and 2004. "So the incentive was to pretend it [software error] didn't

happen", while running "a constant rolling programme of patches to fix the bugs". Fujitsu "would basically tell the Post Office what they wanted to hear".

So prolific did Roll's bug-fixing team become it won the company's President's Award for outstanding corporate contribution in 2002. And the quick-fix, ask-no-questions approach that suited Fujitsu financially enabled the Post Office to hold the line that blame for all branch shortfalls must lie with the sub-postmaster.

The Fujitsu insider concluded that errors leaving sub-postmasters out of pocket were inevitable. Could that mean hundreds of them? "Given there were [about] 20,000 post offices when I was at Fujitsu and the sort of problems we were dealing with all the time, yeah," he told the *Eye*. "Sounds reasonable."

CAUGHT IN A TRAP

In 2005, the conspiracy of silence over Horizon's flaws went one step further. The Post Office adjusted the system so that those like Alan Bates who disputed discrepancies could no longer park them in a suspense account and continue trading. Dissent became impossible.

Sub-postmasters with inexplicable shortfalls

were plunged into immediate crisis. Informing the Post Office helpline elicited denials of any problems or an insistence that genuine errors would be fixed through centrally-issued "transaction corrections". At a time of huge stress, the sub-postmasters' legitimate options were either to accept the shortfall, making it their personal liability, or to refuse to sign off the accounts as correct. The former could mean an imminent date in the bankruptcy court; the latter prevented the Horizon system rolling over to the next day, shutting their branch and putting them in breach of contract. For many, either choice spelt ruin.

The other possibility was to sign off the books by saying, incorrectly, that the funds *did* match the Horizon number and hope that what they felt sure was a computer glitch would correct itself. For people desperately worried over the loss of their livelihoods, who knew they'd done nothing wrong, this didn't seem like an inherently dishonest move. But it played into the hands of a calculating and draconian Post Office prosecution service.

One of the first sub-postmasters to fall into what became a common trap was Jo Hamilton in South Wamborough, Hampshire. In 2006, she called the Horizon helpline over a £2,000 shortfall, faithfully followed its advice but then watched as the discrepancy doubled rather than disappeared. When she complained, she was told she was still liable for the full £4,000. Already paying for previously reported discrepancies out of her sub-postmaster salary, Mrs Hamilton found herself agreeing yet more incorrect balances in order to keep trading. When she called the Post Office auditors in the hope of resolving her problems, she received no sympathy. Instead, she was charged with false accounting and theft – despite Post Office investigation documents which later came to light stating: "There is no evidence of theft."

The theft charge was in reality a tool to leverage a conviction for false accounting, triggering recovery powers under proceeds of crime laws. "At first I was only ever charged with theft and I pleaded not guilty as I hadn't stolen any money," Mrs Hamilton told *Private Eye*. "As we neared the trial, the Post Office's lawyers said that if I pleaded guilty to false accounting and paid back the money they would drop the theft charge. My lawyers had struggled to get any disclosure from them so I was advised to accept the plea bargain – because they could not prove I hadn't taken the money even though the Post Office couldn't prove that I had. I was told I would be less likely to go to prison for false accounting and felt I had no choice at all. I was terrified of going to prison."

Such bargains would be repeated dozens of times over the next few years, illustrating the coercive power of the Post Office prosecution service. One sub-postmaster, Noel Thomas from Anglesey, bet on taking the deal to avoid imprisonment, but was jailed anyway. In cases like Jo Hamilton's, the tactic might even have been unlawful. A later civil trial judge would point out that if the accused had already raised their discrepancies with the Post Office, as she had, they "would not be 'deliberately rendering' a false account" as required for the offence. It is likely that an independent prosecutor, looking at the evidence, would often have concluded that the false accounting charge didn't stand up. But the Post Office's prosecutors were anything but independent.

As the cases mounted up, so did the gremlins in the IT system. By 2006, at least 15 separate bugs had been found, with names such as "network banking bug", "data tree build failure discrepancies" and "phantom transactions". The rickety Horizon system was unable to cope with the scale of its job, and the Post Office and

PAYING THE PRICE FOR POLITICAL FAILURE

EVER since Charles I granted the first mail monopoly in 1635, followed 19 years later by Oliver Cromwell's establishment of the General Post Office, Britain's mail system has existed as both business and public service. Misjudging this uncomfortable balance has always come at a price: for customers, communities and, now more than ever, for workers.

Sub-post offices grew with the expansion of the railways, as essential nodes of the Victorian mail system collecting and sorting post outside town and city centres. By 1914, 23,000 branches had become centres of local communities, proving especially valuable in times of crisis such as the Second World War and remaining the "government shop" for everything from collecting pensions and benefits to licences and savings accounts.

Later governments attached less value to this service. Growing commercialisation from the 1980s translated into cost-cutting and closures. Under-investment and the extraction of hundreds of millions of pounds by the Treasury in the 1990s left the Post Office's finances precarious.

The then New Labour business secretary Stephen Byers subjected the Post Office to the full tsunami of management-consultancy-driven reorganisation. Under a 1999 McKinsey-inspired programme called "Shaping for Competitive Success", the Post Office was broken into 21 separate business units operating as an internal market that nobody understood. As

author of *Masters of the Post* Duncan Campbell-Smith, put it: "This was not to be confused with the 'Competitive Overhead Strategic Structure Programme', the 'Harnessing Technology Project' or the 'Finance Excellence Programme'. The mood climaxed with the toe-curling re-naming of the 350-year-old institution as Consignia in 2001 (which after due ridicule became Royal Mail a year later). Such was the dysfunctional environment into which the Horizon IT system was introduced in 1999.

Under the lavishly remunerated team of former Asda man Allan Leighton (chairman 2002-2009) and ex-Saatchi & Saatchi and Football Association boss Adam Crozier (chief executive 2003-2010), the group's financial fortunes perked up temporarily. But a mid-2000s triple whammy of reduced letter-sending, a huge pension deficit and the over-hasty opening up of mail services to cherry-picking competition, floored the business. Sub-post offices bore the brunt, 2,500 closing while the rest were nobbled by unjoined-up government decisions such as reducing the payment of pensions through the Post Office.

From 2003, the government's ownership of the Post Office was managed by a new Shareholder Executive (now part of UK Government Investments). With this outfit itself run by ex-bankers and consultants setting profit-driven targets for Post Office executives, sub-postmasters who now reported unaccountable financial

shortfalls were never going to receive a sympathetic hearing.

The balkanisation of the Post Office was completed in 2013 when a new coalition government pulled off the privatisation previous governments hadn't managed. Lib Dem business secretary Vince Cable sold off the profitable delivery part as Royal Mail plc and kept the benighted Post Office Ltd in public hands.

Sub-postmasters again got the shitty end of the stick. Groovy "Big Society" aspirations to "mutualise" the Post Office – which had sweetened the privatisation part of Cable's pill – turned into a cost-cutting "network transformation programme". Sub-postmasters were asked to give up basic pay in return for a small grant to tart up their offices; they could make up for lost income by selling more financial products (on behalf of the Bank of Ireland). Meanwhile, fees from Royal Mail for handling post were slashed and parts of government such as the DVLA withdrew business. It soon became clear that cuts in payments to sub-postmasters were funding the Post Office's return to pre-subsidy profitability (in 2016/17), from which its directors were trousering large bonuses.

The "transformation" hasn't worked for anybody else. Last October, a parliamentary select committee found the Post Office network to be "fragile". A rethink was "urgently required", including on "valuing the sub-postmasters and Post Office staff who deliver the services". History gives little cause for optimism.

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Fujitsu set about replacing the "legacy" system with what became Horizon Online from 2010 (and which would itself prove hardly less infested).

At least Alan Bates's efforts, now under the Justice for Sub-Postmasters Alliance banner, were bearing fruit. In 2009, the growing band of dispossessed former sub-postmasters whom he'd enlisted told their story to *Computer Weekly* magazine. Local papers began highlighting some of the more controversial cases. In 2011, the BBC's *Inside Out South* reported Jo Hamilton's and Seema Misra's stories (while the latter was still behind bars) and that year the *Eye* picked up the story as the latest in a string of government IT contracts gone wrong.

The Post Office, preparing for its separation from the Royal Mail under the coalition government's privatisation plans, remained uncompromising. The Horizon system, it told the BBC, was "absolutely accurate and reliable". Its chief operating officer, Mike Young, responded to the *Eye*'s first report with an instant letter for publication: "We have full confidence in the Horizon system." He was in a shrinking minority.

SECOND SIGHT IS 20/20

The publicity helped persuade law firm Shoosmiths to take up Alan Bates's campaign, and around 100 sub-postmasters quickly signed up to sue the Post Office. The level of interest could partly be explained by the pisspoo treatment they had received from their supposed representatives at the National Federation of Sub-postmasters.

MPs' in-trays were also filling up with horrifying stories from sub-postmasters in their

constituencies. In May 2012, two of them, Jo Hamilton's MP James (now Lord) Arbuthnot and fellow Tory Oliver Letwin MP (then also a Cabinet Office minister), went to the Post Office's Old Street HQ with a raft of concerns. New chief executive Paula Vennells – a retail veteran looking to protect the Post Office brand – and chairman Alice Perkins promised to be "open and transparent". They reassured Arbuthnot and Letwin that Horizon had been upgraded and had the full support of the National Federation of Sub-postmasters. In fact, even the supine federation had expressed concerns (privately of course). As a judge later pointed out, the MPs "were entitled to expect accurate information" but "did not receive it". The promise of transparency "was not accurate".

Misleading parliamentarians was a measure of the arrogance in the Post Office boardroom. But the MPs did get Vennells to commission a review of the Horizon system from forensic IT firm Second Sight. For Arbuthnot it gave hope of getting some answers. For Vennells, who was preoccupied with the Post Office's financial bottom line after it split from Royal Mail that year and its target of financial independence from government by 2020, the review provided a handy patch of long grass into which to kick the matter. One Post Office insider told the *Eye* that "meeting the 2020 objective became the relentless focus... Anything that could get in the way of '2020' as it became known, was logged as a risk to be managed and minimised carefully".

Defying Post Office attempts to frustrate them by blocking access to information such as error logs, Second Sight's investigators Ron Warrington and Ian Henderson soon found some real nasties under the stones. An interim report in the summer of 2013 showed that they had diagnosed the two core issues: faulty IT and the victimisation of sub-postmasters. It was now understood even at Post Office HQ that prosecuting entirely on IT evidence was unsafe. Although the Post Office was not going to admit that, it spoke volumes that the number of sub-postmaster prosecutions fell from 42 in 2012/13 to just two in 2013/14 and zero the next year. Not that this was much consolation for the 60 sub-postmasters convicted on Horizon evidence, of whom 20 were imprisoned.

There were two ways Paula Vennells could react to Second Sight's emerging findings. One was to accept them and open the way to justice for the sub-postmasters. The other was to feign concern while trying to bury what could be an expensive problem. Vennells and her executives were now earning bumper bonuses by shaving £30m a year off the Post Office's losses in pursuit of the 2020 goal (see *'The Post Office Hall of Shame'*, p5). If the commercial partners – including banks, energy companies and public bodies – on which the Post Office's commercial plan depended were to be kept outside, the illusion of Horizon's infallibility could not be shattered. The financial imperatives duly trumped fairness for sub-postmasters.

Professing a desire to get to the bottom of the affair, Vennells initially agreed to retain Second Sight to look at individual cases as part of a mediation scheme under the chairmanship of former appeal court judge Sir Anthony Hooper. But when sub-postmasters began to ask for more than just warm words from the mediation, the tone hardened. Out went the Post Office's relatively conciliatory general counsel (ie top lawyer) Susan Crichton, replaced by the more commercial Chris Aujard from the City via a gold-mining company.

Aujard, the sort of lawyer who talked about "adding value" for his corporate employers, took responsibility for the mediation scheme. It quickly proved to be another trap. Within a couple of years, although 150 people had applied

CASE STUDY

PHIL AND FIONA COWAN

A major factor in an untimely death



PHIL COWAN ran a number of service stations in Edinburgh. In 2001, he bought a Post Office in Parson's Green Terrace, becoming the sub-postmaster while his wife Fiona managed the branch day-to-day.

The couple inherited an experienced member of staff and together became a strong team, sticklers for getting the accounts right. Every discrepancy was traced and corrected in branch or by a "transaction correction" sent by the Post Office. Until, that was, 11 February 2004, when Phil got a phone call from the branch telling him the weekly balance was showing a shortage of £30,000. The branch had been experiencing growing discrepancies for five weeks, but Fiona had expected them to be rectified through "transaction corrections" issued by the Post Office. She had not told her husband as she didn't want to worry him.

Phil immediately called in the area manager, who suspended him and closed the branch. Interrogated by Post Office investigators, Phil suggested the discrepancy might be some kind of computer glitch. He was told this was not possible: no one else in the entire Post Office network had problems with Horizon.

Fiona was charged with false accounting. Phil's business was ruined. With the criminal charge hanging over her, Fiona was spat at in the street and called a thief. Phil was told not to bother reapplying to manage his service station franchises at the end of their leases. On 21 January 2009, Fiona overdosed on antidepressants and died aged 47.

Years later, Phil found out through a freedom of information request that all charges against Fiona had been dropped while she was still alive. No one had bothered to tell either of them. "The horror of that whole Post Office fiasco was a major factor in her death," he says.

CASE STUDY

NICKI ARCH

'They stripped my life apart'



NICKI ARCH successfully managed the Chalford Hill post office in Stroud, Gloucestershire, for three years before Horizon arrived in 2000.

After it was installed, she found that pension payments mysteriously kept duplicating. Post Office auditors arrived and declared a £24,000 discrepancy. Nicki was suspended on the spot by Post Office investigators, then sacked.

"They stripped my life apart," she says. "I presented every single bit of financial history from the minute I left university to them. They came to my house to see what was in it. They didn't even have a search warrant."

In 2001, the Post Office charged Nicki with fraud, theft and false accounting, but shortly before trial offered her a deal. The theft and fraud charges would be dropped if she pleaded guilty to false accounting. Nicki refused. The trial was a farce. After three days of evidence, during which nobody from the Post Office explained how Nicki was meant to have stolen any money, the jury took two hours to acquit her.

The ordeal led Nicki to suffer a breakdown, for which she was hospitalised. She was penniless for years and spent a decade on antidepressants. Nicki blames the Post Office for ruining her marriage and her life.

"I hate everything about it," she tells the *Eye*. "Even now, I will not go into a post office, I will not use anything to do with the Post Office. I will drive to somewhere to deliver a letter before I'll post it. I can't bear it."

to the scheme, a mere 12 cases had been mediated. The Post Office's lawyers quibbled over anything Second Sight found. Even those who did get through the process received no real recompense. A dispute resolution specialist brought in gave the game away when he remarked that sub-postmasters had "attended with the expectation that they are going into a compensation process rather than a facilitated dialogue..."

Finances, jobs and reputations were never going to be restored by "facilitated dialogue". But that was the point. At the end of 2014, Paula Vennells was still remarkably insisting to MP James Arbuthnot in writing that "no fault in the system has been identified..." His and other MPs' patience was wearing thin.

In Westminster Hall just before Christmas 2014, North West Leicestershire Tory MP Andrew Bridgen – whose constituent Michael Rudkin had "lost his business, his reputation, his position as a magistrate... and his good name" – called the mediation a "sham". Arbuthnot lamented how "the Post Office has built up the hopes of sub-postmasters so the scheme has their support", only to break its word. The Post Office, he said, had been "duplicitous". Yorkshire Labour MP Mike Wood revealed that the top brass brazenly continued to mislead MPs. He had "met five senior managers of Post Office Ltd – the chair of the board, the chief

executive, the chief technology officer and two others..." All, he recalled, had said that "we cannot conceive of there being failings in our Horizon system".

The mediation scheme also gave a shield to ministers who were less than determined to help those in trouble. When Arbutnot raised the scheme's shortcomings, the Lib Dem with the Post Office brief, Jo Swinson MP, bleated about the "slightly difficult territory, because the [mediation] working group discussions are confidential... I cannot find out what is said in them". Her two superior wise monkeys, business secretary Vince Cable (nominally sole shareholder of the Post Office) and prime minister David Cameron, were equally unhelpful when Arbutnot confronted them in the Commons.

In the face of the parliamentary onslaught, however, one woman could no longer lurk in the shadows.

COMMITTEE RAGE

In February 2015 Paula Vennells was summoned by the Commons business committee, along with Second Sight's Ian Henderson. To barely disguised derision, the Post Office chief executive claimed to run "a business that genuinely cares about the people who work for us". If "there had been any miscarriages of justice, it would have been really important to me and the Post Office that we surfaced those... so far we have no evidence of that." And so, misleadingly, on.

Documents revealed in later legal action showed that Vennells had demanded defensive rather than informative briefing in preparation for the hearing. On the question of whether sub-postmasters' accounts could be accessed or altered away from a branch – which was crucial to pinning all responsibility on sub-postmasters – she'd instructed her underlings: "I need to say no, it is not possible and that we are sure of this because of xxx [sic]..." The memo gave an insight into Post Office culture, from the top down. One insider told the *Eye* of unswerving loyalty at HQ: "If you wanted to belong and fit in, you had to put the future of the Post Office first. If that meant turning a blind eye – or worse – that's what people would do."

Denial dictated Vennells's response to MPs exasperated by a mediation process that had turned into trench warfare. The Post Office was refusing to hand over crucial papers to Second Sight investigators, including all-important prosecution files, effectively stalling the process. When Vennells claimed to MPs that she was unaware of this, Second Sight's Henderson, also giving evidence at the hearing, humiliatingly corrected her: "It came up at one of the working group meetings at which you and I were present." The affair had become, Tory committee member Nadhim Zahawi said, "a shambles".

For an authoritarian body whose bosses were used to getting their own way, such opprobrium was hard to take. As any bully would, it lashed out. Second Sight was sacked and ordered to hand over or destroy all the material it had accumulated. Its final report would not be published. To those in the know this wasn't a surprise; an earlier leaked version revealed the investigators' conclusion that Post Office officials "fail to identify the underlying root cause of shortfall prior to initiating civil recovery action or criminal proceedings". And in words that rang painfully true for those caught in the trap that snared Jo Hamilton, "investigators seem to have found that recording admissions of false accounting was the key to achieving rapid, and inexpensive, asset recovery". The Post Office's cynical methods had been rumbled.

As Bridgen remarked that summer in the Commons chamber: "Second Sight has proven to be far too independent" for what he called a

"feudal" Post Office. Yet the minister answering for a new Tory government, George Freeman MP, continued his predecessors' tradition of parroting the Post Office line: there was "no evidence of systemic flaws in the system".

In the Post Office bunker, meanwhile, there was a creeping sense of downfall. Board minutes for July 2016 noted that its IT was "not fit for purpose". The same month a blog post from campaigner Tim McCormack about a Horizon-related conviction prompted Vennells to email finance director Al Cameron and chief information officer Rob Houghton asking for a report. As before, her message came with the subtext that she'd like the problem to go away. "I want to know we've rectified all the issues raised," she wrote. Houghton commissioned an "urgent review", but on the same day wrote to all involved instructing (for reasons that were blocked from disclosure): "Can you stand down on this please?" When a judge looked at the episode three years later, he would remark that "the Post Office's own decision at the highest level *not* to investigate certain matters as recently as 2016 [was] of great concern".

The Post Office and the government were determined not to face up to a now long-running injustice, and the mediation process was dead. Alan Bates's resolve, by contrast, was not.

CASE STUDY

MARTIN GRIFFITHS

From Horizon shortfalls to suicide

BY 2009, Martin Griffiths had been successfully running Hope Farm Road Post Office in Great Sutton, Cheshire, for 14 years. He'd swallowed some small but unexplained shortfalls in the past, but now four-figure discrepancies were showing up on his Horizon computer screen.

When Martin first declared these to the Post Office, its response was uncompromising. Horizon was functioning perfectly; he would have to make good his "losses" from personal savings.

Two years later, Martin was visited by Post Office auditors, who said his balance was now £23,000 out. The Post Office suspended him, then reinstated him, but the losses continued to escalate. Between January 2012 and October 2013, more than £57,000 went "missing" from Hope Farm Road. Now Martin, increasingly stressed, had to turn to his parents. They lent him their life savings.

To make matters worse, in May 2013 armed robbers burst into his branch, smashed his hand and told him that if he didn't hand over the contents of the safe he would be beaten around the head. They left with around £54,000 in cash. Two months later Martin was told that, having failed to manage discrepancies and security at his branch, his contract was being terminated. He would liable for some of the stolen cash, too.

That September, Martin stepped in front of a bus. He left a note apologising to his family. His life support was switched off three weeks later. The coroner recorded a verdict of suicide.

The Post Office didn't tell the incoming sub-postmaster at Hope Farm Road what had happened to his predecessor. Within a few months the new man, who had previously run a successful Post Office branch, also found discrepancies on his Horizon terminal. He was suspended from his job and told to pay the Post Office tens of thousands of pounds.



TRIAL AND TERROR

The farcical mediation process had at least brought forward so many victims that Bates was able to persuade a new firm of solicitors, Freeeths, and litigation funders, Therium, that a blockbuster legal action was viable. In March 2017, the high court granted a "group litigation order" enabling a staggering 555 claimants gathered together as the Justice for Sub-Postmasters Alliance to sue the Post Office.

The Post Office's case was creaking from the outset. During one procedural hearing leading up to the opening of the class action, the critical claim that only a sub-postmaster could alter their own accounts – which underpinned the notion that all shortfalls must be their fault – was exposed as nonsense. "Fujitsu... has the capability to inject a new transaction into our branch accounts," admitted the Post Office's counsel, adding that previous statements to the contrary were "a matter of enormous regret".

These were of course crocodile tears. The Post Office took its contempt for the sub-postmasters to new levels by doing all it could to subvert the judicial process. In late 2018, the Hon Mr Justice Fraser criticised the Post Office's "undoubtedly aggressive and, literally, dismissive" approach. This was typified by repeated applications to strike out the claimants' evidence, sometimes before it was even lodged (showing, Fraser added laconically, "considerable, if not almost supernatural foresight"). Untroubled by costs now reaching eight figures, the Post Office was "simply attempting to restrict evidence for public relations purposes".

When the first in a series of scheduled trials began in the high court that November, addressing the contracts and relationships between sub-postmasters and their paymaster, several incriminating documents explained the obstructiveness. Almost everything the Post Office had said about the Horizon system proved to be false. The idea that it was "robust" was exploded within days, when emails emerged from 2012 showing the angst over the software at senior levels. Managers had discussed problems thrown up by Horizon in 2010 that were "impacting circa 40 branches". They'd fretted that admitting as much would have a "potential impact on the ongoing legal cases". And – in words that betrayed the Post Office's true priorities – the information could "provide branches with ammunition to blame Horizon for future discrepancies". Another memo, from 2009, discussed a branch with balances "in a mess" and concluded in bold: "It is Horizon-related."

The Post Office's QC, David Cavender, sought to stymie any argument on the central issue in the trial: whether the Post Office's dealings with sub-postmasters were unfair. Finding that they were, he claimed, would harm "its ability to control its network throughout the UK". This in turn "would represent an existential threat to Post Office's ability to continue to carry on its business throughout the UK in the way it presently does". The point seemed merely to reinforce the view of the Post Office as a "feudal" institution and would later be slapped down by the judge as "an attempt to put the court in *terrorem*". (It was a bit rich, too, since in employment tribunals the Post Office was distancing itself from the idea that it controlled sub-postmasters, in order to avoid national insurance contributions and employment obligations like sick pay).

Judge Fraser, a former Royal Marine, was not someone who could be easily put in *terrorem* – ie be cowed from doing his duty by threats of exaggerated consequences. He watched as the sub-postmasters' counsel Patrick Green QC took apart the Post Office's witnesses, most of whom

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arrived programmed with their employer's false narrative and conspicuous ignorance of the issues.

Particularly alarming was the testimony of director Angela Van den Bogerd, a Post Office veteran of 33 years who had been handling complaints about Horizon since 2010 and had sat on a working group created to deal with the scandal from 2014. Confronted with one sub-postmaster's shortfall, connected to lottery ticket sales, she claimed to have "seen this cold". In fact she had signed a detailed witness statement about the matter just two days before.

In a serious indictment of the Post Office's culture, when he delivered his judgment on 15 March 2019, Mr Justice Fraser criticised half of its 14 witnesses for being less than honest (under oath). Van den Bogerd had "sought to obfuscate matters, and mislead me" and, although "a very clever person", had an unfortunate "disregard for factual accuracy". A senior criminal investigator had given evidence that was "incapable of belief", while a more junior official had been "nervous about giving evidence before me that he thought might be unhelpful to the Post Office". Dishonesty at the top and fear further down appeared to characterise the Post Office. When it came to an "obdurate" refusal to produce "plainly important documents", Fraser concluded that the Post Office's stance "would be a worrying position were it to be adopted by any litigant; the Post Office is an organisation responsible for providing a public service, which in my judgment makes it even worse".

With the Post Office's credibility in tatters, the ordinary sub-postmasters – who had painstakingly set out their stories of sudden shortfalls and subsequent persecution – won a resounding victory. The Post Office, said Fraser, was guilty of "oppressive behaviour". The contractual relationship was so unfair, for example in holding sub-postmasters responsible for shortfalls no matter what the cause and peremptorily suspending them without pay, as to



Seema Misra, wrongfully convicted in 2010

be unenforceable. Thus did 555 men and women glimpse justice for the first time in many years.

HORIZON PANNING

A week after the judgment in the first trial, courtroom 26 in the high court's Rolls Building was already hosting the early skirmishes in the second, examining the Horizon system in detail. With more of the IT flaws emerging almost hourly, on 21 March Judge Fraser returned from lunch to announce a show-stopper.

The Post Office had applied for Fraser to "recuse" himself from the case, ie drop out, on the ground that he was biased – citing 109 paragraphs of his first trial judgment (which were certainly a measure of how damning it had been). It was a clear attempt to derail litigation that was going from bad to worse. Fraser didn't take long to decide that he wasn't biased, at which point the Post Office took the matter to the appeal court. Now it was the turn of another judge, Lord Justice Coulson, to scour his thesaurus for uncomplimentary adjectives. Arguments advanced by the expensive QC retained by the Post Office for the exercise, Lord (Anthony) Grabiner, were "misconceived", "fatally flawed", "untenable", "demonstrably wrong" and "without substance". The scoreline was a 109-nil defeat for the Post Office.

When the main event resumed in the high

court, the performance of the Fujitsu staff responsible for running the Horizon IT system made the Post Office's arse-covering and mendacity in the first trial look open and honest. QC Patrick Green dragged Fujitsu witnesses through reams of obvious computer errors and glitches going back nearly 20 years and featuring a "bug table" listing 23 serious software faults. But still, almost all of them refused to face the plain truth that the IT was flawed.

It didn't help that, in line with its strategy of evasion, the Post Office didn't call key Fujitsu personnel for fear of what they might be forced to reveal. One absentee was a central figure on the Horizon contract, recently-retired lead engineer Gareth Jenkins. He had nevertheless provided vast amounts of information for the written statements of the witnesses who did appear. He'd also, it turned out, been the company's witness at criminal trials including Seema Misra's nine years earlier. This meant that when the misleading words he had fed more junior staff were scrutinised in the courtroom, the cover-up began to look dark indeed.

Fujitsu IT security analyst Andy Dunks was questioned on a particularly tortuous part of his written evidence. He'd claimed that "at all material times the system was operating properly, or if not, any respect in which it was not operating properly, or was out of operation was not such as to effect [sic] the information held within it". Was this mangled syntax the party line? No, said Dunks; there was no party line. Green then presented him with Gareth Jenkins's evidence in Seema Misra's trial all those years before, which read word-for-word the same as Dunks's statement.

Plainly there *was* a party line, right down to the mis-spelling of "affect". It was also clearly an untrue line. Emails revealed in the trial showed that a senior Fujitsu specialist had said as far back as 2006 about one glitch causing accounting errors, "this bug has been around for years and affects a number of sites most weeks". Four

WHO TO BLAME: THE POST OFFICE HALL OF SHAME

THERE's standing room only in the Post Office IT Hall of Shame, where greatest culpability lies with those who resisted attempts to get to the bottom of the affair and blocked the sub-postmasters' pursuit of justice.

Obstructor-in-chief was **Paula Vennells CBE**, Post Office chief executive from April 2012 to March 2019. An ordained Anglican priest, Vennells joined the Post Office in 2007 as network director after a long career in marketing with Dixons, Argos and Whitbread. She was richly rewarded in the top job, her pay reaching £717,500 in 2018/19. Of this, £388,000 came in performance bonuses mostly linked to the company's strategic plan to "achieve commercial sustainability and profitability". A mere £36,000 was deducted from a "short term" bonus because of "the ongoing postmaster group litigation and its impact on the business". Not long



Paula Vennells CBE

before, the 2019 new year honours list gave Vennells a CBE for "services to the Post Office and charity".

After resigning in April 2019, Vennells acquired two prestigious posts: non-executive director at the Cabinet Office (which she lost last month); and chair of Imperial Healthcare NHS Trust, responsible for five large London hospitals. Covering up problems is exactly what is *not* needed there, which makes Vennells' failure to learn from the Horizon affair

troubling. After the court defeats, she apologised not for getting it badly wrong but merely for being "unable to find a solution and a resolution outside of litigation and for the distress this caused".

The man who should have been holding Vennells to account was **Tim Parker**, a private equity veteran known as the Prince of Darkness for his prolific job-cutting, who became chairman of the Post Office in October 2015. There is no evidence of his questioning the approach to the Horizon scandal. With a bulging portfolio of chairmanships – now featuring the HM Courts and Tribunals Service, the National Trust, Samsonite luggage company plus advisory roles at CVC and Monarch Capital private equity firms – in early 2018 Parker cut his commitment to the Post Office by 75 percent (or around a day a week).

Going AWOL in a crisis doesn't chime with his self-proclaimed leadership

style. In an interview at the University of the West of England in 2018, he said he acted as "guarantor of good behaviour, transparent management..." With the guarantee evidently worthless, Parker (who also called himself a "pro chair") may soon be spending even less time at Post Office HQ. He declined an invitation to talk to the *Eye* for this report.

Vennells and Parker followed a procession of directors who had failed to confront Horizon's failure or its consequences. As



Tim Parker

chief executive of what was called Royal Mail but included the Post Office until 2012, **Moya Greene** and her chairman, City grandee **Donald Brydon**, focused relentlessly on the forthcoming privatisation of mail operations. The latter's successor from 2011, **Alice Perkins**, a career civil servant turned serial non-executive, let the scandal fester in the mire of mediation during her four-year, £100,000-a-year chairmanship.

Supposedly "senior independent" directors who have also come and gone without making a difference include ex-M&S man **Neil McCausland** (2011-2016) and former TNT executive **Ken McCall** (2016-present). Chair from 2016 of the audit, risk and compliance committee that should have been on to the eight-figure legal costs racking up and evidence of bad practice, **Carla Stent**, wasn't exactly on the ball either (perhaps she was too busy with her "frequent

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years after that, the "party line" put Seema Misra behind bars.

The man who wasn't there, Gareth Jenkins, also fed Fujitsu's central technical witness in the case, its "chief architect" on the Post Office account Torstein Godeseth. By the time he took the stand, Godeseth had twice corrected his written evidence (later described as "wholly misleading" by the judge). He'd discovered what had really been going on from ex-Fujitsu man Richard Roll, who had earlier taken the stand as a witness for the sub-postmasters. But Godeseth was frank in the witness box, admitting what Fujitsu and the Post Office had long denied: that the company *could* alter sub-postmasters' branch records remotely from its Bracknell HQ. He also accepted, when taken through a host of software bugs and their consequences for branch accounts, that the system certainly was *not* always "operating properly" and that the failings definitely *did* affect the figures.

As Fraser prepared to deliver his judgment on this farrago towards the end of last year, Lord Justice Coulson reappeared to heap some fresh ordure on the Post Office. He had been

considering its appeal against the first trial judgment in which the Post Office's dealings with sub-postmasters had been found "oppressive". As with the attempt to de-bench Fraser, he had little difficulty dismissing it. The appeal, he said, had been based "on the idea that the Post Office was entitled to treat [sub-postmasters] in capricious or arbitrary ways which would not be unfamiliar to a mid-Victorian factory-owner..."

Even the Post Office, now with new chief executive Nick Read, could see the writing on the wall. The hitherto little-known businessman sat down with lawyers for the £55 to hammer out a settlement. In front of them was Fraser's eviscerating judgment in the Horizon trial, to be published once they'd shaken hands.

FINISHING POST

So it was that, two weeks before Christmas, final victory for the sub-postmasters was declared. The Post Office agreed to pay £58m to settle their claims (plus its own costs, which could take the total bill for taxpayers towards £100m). Fraser's judgment, released a few days later, confirmed what they knew: Horizon was "not

remotely robust" up to 2010, the period in which most shortfalls arose, and "still had a significant number of bugs, errors and defects" thereafter. Here was confirmation that the sub-postmasters had not been mad or mistaken in blaming computer error for their nightmares. Rather, two mighty organisations – one a public body, the other a multinational company – had cheated them and lied to them for their own purposes. Both received the exorcism they deserved.

The Post Office's approach, said Fraser, boiled down to "bare assertions and denials that ignore what has actually occurred... [and] amounts to the 21st century equivalent of maintaining that the earth is flat". He even ruled that the civil settlement should not stop sub-postmasters pursuing the Post Office for malicious prosecution. As for the IT company, the trial had presented such "grave concerns regarding the veracity of evidence given by Fujitsu employees to other courts in previous proceedings" that Fraser decided to send a file to the director of public prosecutions.

Meanwhile, the Criminal Cases Review Commission has referred 39 sub-postmasters' convictions to the appeal courts. More will follow. In February, prime minister Boris Johnson committed in the House of Commons to an independent inquiry.

More victories, then, will come. But at a very heavy price: not just the £46m of the settlement that will go to lawyers and funders – leaving many sub-postmasters with just a few thousand pounds to show for years of turmoil – but also the litany of lost livelihoods, broken relationships, ruined reputations, damaged mental health, stolen liberty and even deaths.

While the Post Office stands justly disgraced, there remains one shortfall larger than any thrown up by its IT system: that in accountability for those responsible for the scandal. If the lessons of one of Britain's worst abuses of official and corporate power are to be learned, it must be re-balanced.



Sub-postmasters celebrate their victory at the High Court, 16 December 2019

speaking on... corporate culture".

Sharing responsibility are the directors from UK Government Investments. In keeping with its habit of relying on bankers and beancounters, this outfit placed ex-Deloitte man **Richard Callard** (2014-2018) and former Deutsche and UBS banker **Tom Cooper** (2018-present) on the Post Office board. Both placements seem to have done little beyond watching the numbers, in tune with the wishes of their political masters.

These were the government ministers who failed to properly examine the unfurling public scandal while holding the postal services brief. Under the coalition came the uninspiring trio of **Ed Davey** (2010-2012), **Norman Lamb** (for seven months) and **Jo Swinson** (2012-2015). They were followed by a succession of shortlived Tory junior ministers with other fish to



Jo Swinson

fry and careers that would not have been helped by addressing the sub-postmasters' grievances: **George Freeman**, **Baroness (Lucy) Neville-Rolfe**, **Margot James**, **Andrew Griffiths** and **Kelly Tolhurst**.

For two decades these and previous directors and ministers presided over a policy of persecution. The instrument of this was the Post Office's investigation branch, now the **Security and Investigations Service**. The world's oldest criminal investigation force, it

dates from when guards accompanied royal mail carriages to fend off spies and highwaymen – and it still puts protecting the crown ahead of justice. Several sub-postmasters told the Eye of bullying and underhand tactics such as extracting "evidence" without lawyers present.

Investigators then handed cases to in-house prosecutors (unlike police investigations, which go to the independent Crown Prosecution Service). Second Sight's forensic auditors found prosecutors reaching "agreements whereby no mention was to be made in court, by the defendant, of any criticism of the Horizon system" and that "decisions to prosecute may have been contrary to the [prosecutors'] code..."

Meanwhile, those who should have backed the sub-postmasters, the **National Federation of Sub-postmasters (NFSP)**, let them swing in the wind. Entirely funded by the Post

Office (and kicked out of the TUC in 2014), the NFSP has long parroted the Post Office line. In 2015, its then general secretary **George Thomson** told MPs that Horizon "has been fantastically robust... from day one" and characterised Alan Bates's campaign for justice as a "cottage industry".

Questions will soon be asked of Fujitsu top brass too. Uppermost among them are: the company's UK chief executive from 2000 to 2004 (and then chairman for three years) **Richard Christou**,



Michael Keegan

who boasts of having made Fujitsu the government's no.2 IT supplier at the same time as the Horizon bugs secretly proliferated; and his equally bungling successors from 2004 to 2008, **David Courtley**, and from 2009-2011, **Roger Gilbert** (on whose watch a Fujitsu employee gave apparently false evidence at the trial of Seema Misra). Then came **Duncan Tait**, who until last July led Fujitsu across Europe while its senior staff gave evidence in court that was so misleading police are now investigating. Tait is now a trustee of Business in the Community.

Things could also get uncomfortable for Fujitsu's UK chairman and UK chief executive from 2015 to 2018 (and board member before then), **Michael Keegan** (husband of current junior education minister Gillian). He is now a Crown representative at the Cabinet Office dealing with defence suppliers on behalf of the taxpayer.

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The image shows the front cover of Private Eye magazine. At the top left is a small logo of a man in a top hat. To its right, the title 'PRIVATE EYE' is printed in large, bold, white capital letters on a blue background. Below the logo, smaller text reads 'No. 1519', '3 April - 23 Apr 2019', and '£2.00'. The main body of the cover is white and contains a large red 'SUBSCRIBE' headline, followed by 'TO SAVE UP TO 35% ON THE COVER PRICE' in bold black text. Below this is a bulleted list of three points: 'Home delivery', 'Makes a great gift', and 'Saves money'. The entire cover is framed by a blue border, which is itself inside a larger grey border.

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