

7 November 2005

Rowe Cohen
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Our ref:
SJD3/FAC1/348035.134
Your ref:
MDT.113969

Dear Sirs

**Without Prejudice Save as to Costs
Post Office Limited v Mr L Castleton**

Thank you for your letter dated 31 October 2005. We have since spoken with your Mr Turner and have taken instructions from our client.

We are instructed to put forward an offer of mediation to see whether this claim may be settled. Please take your client's instructions and revert to us. We refer you to the cases of *Dunnett v Railtrack* [2002] and *Burchell v Bullard* [2005]. In the event that Mr Castleton declines mediation, we will at the appropriate time refer the Court to this letter on the question of costs.

In the event that Mr Castleton is willing to attend a mediation, we will provide you with our proposals for the venue, mediator and suggested dates.

We await hearing from you

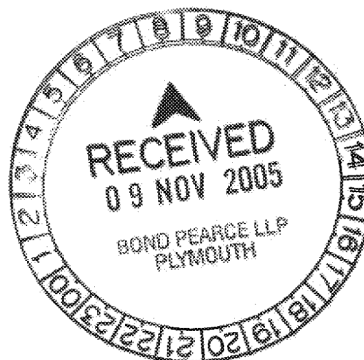
Yours faithfully

Bond Pearce LLP

Date:
Your ref:
Our ref:
Please ask for:
Direct dial:
Direct fax :
E-mail:

8 November 2005
SJD3/FAC1/348035.134
MDT.113969
Mark Turner

GRO



Bond Pearce
Solicitors
DX 8251
PLYMOUTH

By DX and Fax

Without prejudice except as to costs

Dear Sirs

Our client: Mr L Castleton – Marine Drive Post Office, Bridlington
Your client: Post Office Limited

We refer to your letter of 7 November.

It is somewhat perplexing that, after we first raised the issue of ADR with you during the writer's conversation with your Miss Gammack on 15 September, and the court having subsequently ordered a one month stay of its own motion, your client only now proposes mediation following the expiry of that stay. Your client seems to have little appetite for these proceedings and has to date shown very little inclination to drive them on.

Our client is prepared to participate in mediation, subject to two qualifications. Firstly, our long-standing request for disclosure of documentation **must** be addressed before he is willing to contemplate mediation. The report of Bentley Jennison that we made voluntarily available to you over a month ago demonstrates the fundamental relevance of the documents which we have been seeking from your client since as long ago as March this year. There can, in our view, be no objection to their disclosure.

Secondly, documentation relating to the problems experienced with the Horizon system by other sub-postmasters is also central to our client's claim. Our client is aware of a number of other sub-postmasters involved in disputes with your client arising from problems with the operation of Horizon leading to alleged shortfalls. We will therefore require disclosure of all such documentation as a precondition of our client's participation.

These are not unreasonable conditions. We do not believe that mediation can meaningfully take place in the absence of disclosure of these documents. To that end, we would propose that your client either give voluntary disclosure in advance of any court order of the documents which we have requested on numerous occasions in the past or that further discussion of ADR be deferred until such time as standard disclosure (and any subsequent application for specific disclosure which our client might want to pursue) has been completed.

We look forward to hearing from you further in this regard.

Yours faithfully

GRO

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9 November 2005

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Your ref:
MDT.113969

Dear Sirs

Without prejudice save as to costs
Post Office Limited v Mr L Castleton

Thank you for your letter dated 8 November.

We are seeking instructions on the contents of your letter and will revert to you once we have them.

Yours faithfully

Bond Pearce LLP

17 November 2005
By Fax [GRO] & DX

Rowe Cohen
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[GRO]

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Dear Sirs

Without prejudice save as to costs
Our Client: Post Office Limited
Your Client: Mr L Castleton

We refer to our fax of 16 November. We have the following comments on your fax of 8 November:

1. Why are you perplexed? You know that Ms Gammack has left the office and it is understandable that her successor would need some time to read into voluminous documents and take instructions. During this time the employees of the Post Office dealing with this case also changed and we are now instructed by the Post Office's Legal Services team in Croydon.
2. You state that Mr Castleton is only willing to even contemplate mediation after certain conditions, including disclosure. We have not even reached the standard disclosure stage of this case yet, but in order to see whether an early conclusion could be reached in this matter, we have already disclosed numerous documents. This includes the final audit, weekly snapshots, final cash accounts, cash on hand/declared cash and weekly cash flow and Giro deposits/withdrawals. Your expert reports concede that the daily snapshots for week 49 does not necessarily mean that an error has been replicated for other weeks.
3. We have already confirmed that our client has been making every attempt to locate the documents you have requested, although since you made your initial disclosure requests we have supplied you with many documents and it is unclear precisely what the balance of information is that you are seeking. Is it just the particular documents mentioned in Bentley Jennison's report? Are you stating that if our client does not locate the documents, Mr Castleton's position is that he will not mediate?
4. We note your request for disclosure of all such documentation in relation to disputes arising with the operation of Horizon. However:
 - (a) CPR 31.22 states that a party to whom a document has been disclosed may only use that document for the purposes of those proceedings in which it is disclosed. Accordingly, if there are other proceedings involving the Horizon system (as to which the writer is unaware) then disclosure made to the Post Office in those proceedings is not permitted in this claim.
 - (b) CPR 31.7 provides that when giving disclosure, a party is required to make a reasonable search for documents and the factors in deciding the reasonableness of the search include the number of documents involved, the nature and complexity of the proceedings, the ease and expense of retrieval of any particular document and the significance of any document which is likely to be located during the search. Your request appears to be very broad and vague and it is not currently clear precisely what it is you are seeking. Having regard to the disclosure rules, we do not believe that it would be reasonable for the Post Office to search and disclose this category of documents.

In any event, this aspect of your disclosure request appears to be superseded by your 10 November letter in which you state that you already have this sort of information that your client has obtained directly from other Sub-Postmasters.

5. Irrespective of the above, it is clear that you have already formed a view on your client's case and you will doubtless air those views during any mediation. The reality is that after disclosure, both parties will have incurred significantly further costs and that even more will be at stake and positions will be more entrenched. It is unconstructive and untrue to suggest that parties can only mediate successfully after disclosure and that the parties cannot try to settle the case at an early stage based on the information then available. Accordingly, we believe that it would be most cost effective to mediate now. If, however, you refuse to do so, then at the next Case Management Conference we will seek a stay of the claim in order that the parties can attempt to settle and we will certainly refer to this exchange of correspondence on the question of costs.

Please take your client's instructions and revert to us.

Yours faithfully

Bond Pearce LLP

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