

16 May 2008

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Our ref:
SJD3/ABG1/362318.29
Your ref:
SMB/LP/SOM6-1

Dear Sirs

Post Office Limited v Mrs T Somaskandarajah

Thank you for your letter dated 29 April.

We have the following comments in response:

- 1 You seem possibly to be under a misapprehension that Mrs Somaskandarajah has only been suspended from office rather than dismissed. Mrs Somaskandarajah was suspended on or around 23 October 2004. Her contract was then summarily terminated on or around 21 November 2005. She subsequently appealed against the decision to terminate her contract but the decision was upheld by the Appeals Manager.

Documents

- 2 You state in your 23 August 2007 letter that the documents that are missing including daily cash declarations, AP Reports, P and A Reports, green Giro reports, trial cash reports and final cash accounts. However, on 7 June 2007, we sent to you various documentation which included copies of the former Sub Post Mistress Statement of Errors together with the underlying documentation for every error mentioned on the Statement of Outstanding debt. This includes, for example, Girobank slips and records of deposits that you subsequently requested on 23 August 2007. We also sent you the final cash account, balance snapshots dated 21 October 2004 and photocopies of two slips of paper as long ago as 17 August 2007.
- 3 You initially stated that documents were removed by Mr Steve George and Ms Kerry James. After we told you that there was no lady called Kerry James but a man called Ceri James who denied removing any documents, you then stated that a red ring binder was removed from the branch by Mr George. However, Mr George does not recall removing a red ring binder.
- 4 We have already supplied you with the relevant documents (and various others you requested). As long ago as 21 June 2007, we asked you to explain how each of the remaining documents was relevant to the Claim and exactly how they are going to help resolve it. You have never answered that question. Instead, you simply stated that the documents belong to your client. We disagree. The relationship between our respective clients was one of principal and agent. Accordingly, any financial documents produced by Mrs Somaskandarajah were held in her capacity as agent for Post Office Limited (**POL**). Furthermore, pursuant specifically to Clause 4 of Section 12 of the Contract, Mrs Somaskandarajah was obliged to produce such accounts immediately whenever requested by a person duly authorised by POL. We therefore do not accept that you are entitled to the documents. Furthermore, you have consistently failed to explain their relevance.

Audit

- 5 The audit carried out on 21 October 2004 identified and documented the following control gaps at the branch:

- Personal cheques on handing correctly treated;
 - Mis-use of monies;
 - Cash and stock not secured during lunch-time if not on premises;
 - Safe left open;
 - Safe keys left in safe door and not secured;
 - Unauthorised amounts held in suspense account (less than £1,000 for less than 8 weeks);
 - Cash not listed accurately over £500;
 - Foreign currency not held securely;
 - Procedures for adjusting losses and gains were not adhered to.
- 6 The above control gaps constituted breaches of clauses 5, Section 1, Section 12 and Clause 3 of Section 22 of the Contract. As such, POL was quite within its rights to terminate the contract for these reasons alone. We enclose a copy letter dated 12 January 2005 from POL to Mrs Somaskandarajah in this regard, for your information.
- 7 Irrespective of the breaches identified in the audit on 21 October 2005, as previously stated, many further losses subsequently came to light in respect of which Mrs Somaskandarajah failed to account, by virtue of which POL was also entitled to summarily terminate Mrs Somaskandarajah's contract.

3 month's income

- 8 Even if POL had no grounds upon which to have terminated the contract (which is denied), the maximum loss Mrs Somaskandarajah can seek to recover is 3 month's income as a subpostmistress, because POL was always contractually entitled to terminate the contract on three month's notice for any or no reason.

Summary

Given the control gaps identified during the audit and the additional losses that were identified subsequently, we do not believe that Mrs Somaskandarajah would have a credible claim for 3 month's loss of income. If however you do issue a claim, it will be met by a counterclaim of £38,898.96 plus interest, alternatively damages for breach of contract. Our client's position is fully reserved.

Yours faithfully

Bond Pearce LLP