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Brian Binley MP
Member of Parliament for Northampton South
House of Commons
LONDON
SW1A 0AA

Your Ref:BB/GD/831
Our Ref:AC854

22 May 2009

Dear Mr Binley

Pat McFadden MP, Minister for Employment Relations and Postal Affairs, has asked me to write to you following your letter to him of 24 February in which you raise concerns on behalf of your constituent, Ms Rebecca Thomson, about the Horizon computer system used in our Post Office® branches.

Horizon is a computerised accounting system, which has been proven to be very robust since its introduction ten years ago. It currently operates in over 12,000 branches, processing up to 750 transactions a second at peak time. All new software releases on Horizon are subject to rigorous testing prior to going live in order to assure the accuracy of the accounting processes. Our ongoing monitoring and control processes ensure that any issues in a 'live' operation are quickly identified and resolved at no detriment to individual subpostmasters.

Over the years since Horizon has been installed we have scrutinised many Horizon transaction records to establish where a discrepancy in the branch accounting may have occurred. This takes place prior to notifying subpostmasters that an error has been made at their branch and asking them to make good the loss, as per the terms and conditions of the Subpostmaster Contract for Services. Any subpostmaster who is unhappy to accept a loss has the opportunity to provide evidence to support why their belief that they are not responsible for it.

Where recovery of funds is found to be appropriate, individual circumstances are taken into account when deciding how the money should be repaid. For example, we may extend the period over which it must be paid. At the same time, however, we must be mindful that the cash and stock we are accountable for are public funds and we have a duty to protect them.

In cases where we take a decision to terminate a subpostmaster's Contract for Services we follow established, vigorous processes that are designed to protect not only our interests but those of the subpostmaster and are undertaken in accordance with guidelines agreed with the National Federation of Subpostmasters.

Please be assured that we take the concerns of our subpostmasters extremely seriously. No evidence, however, has been found that shows the Horizon system has caused the errors to occur. The primary cause is found to be mistakes in the input of data by subpostmasters and/or their assistants.



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To date there has been just one case against Post Office Limited which actually progressed to a court hearing in the civil courts where a subpostmaster has blamed the Horizon system for being faulty and causing them a financial loss. This is the case of Castleton, which I understand MsThomson referred to in a recent article in Computer Weekly. In this case the judge found in Post Office Limited's favour. Mr Castleton counter-claimed for a substantial amount of damages and both his claim and his defence to the action brought against him by Post Office Limited were dismissed.

In his judgement, His Honour Judge Richard Harvey QC stated:

" 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... the losses must have been caused by his own error or that of his assistants".

In the second case in which proceedings were issued, the claimant subsequently withdrew his claim following production of evidence and Post Office Limited successfully claimed its legal costs incurred from the subpostmaster concerned.

In both of the cases referred to above, Post Office Limited defended the claim vigorously and assistance was obtained from Fujitsu, who are the suppliers of the Horizon system, regarding the dates and times that the discrepancies were reported in each case. All of these reports proved that there was no problem with the Horizon system that would explain the discrepancies that were reported at these times.

I am satisfied that there is no evidence to doubt the integrity of the Horizon system and that it is robust and fit for purpose. I do hope that you and Ms Thomson are similarly reassured but if you do have any further questions then please let me know.

Yours sincerely,

GRO

Alan Cook
Managing Director

cc: Pat McFadden MP