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*Bond Dickinson*

## Rider: Remote Access

### Section 5(B) – Response to the factual allegation that Horizon does not record transaction accurately and /or that Post Office has been manipulating Horizon data.

- 1.1 The Letter of Claim makes a number of imprecise references to the idea that Horizon does not accurately record branch transactions and / or that Post Office has edited branch transaction data so to make it inaccurate.<sup>1</sup> We repeat our above points about the need for your clients to provide proper particulars of allegations if they are to be maintained.
- 1.2 There are a number of controls and processes in place to protect the integrity of data within Horizon. These include:
  - 1.2.1 Each basket of transactions must balance to zero (ie. the value of goods and services vended much match the payments made / taken from the customer) otherwise the basket will not be accepted by the counter terminal in branch. This ensures that only complete baskets are recorded.
  - 1.2.2 Counter transactions are committed atomically (ie. a transaction is either successful in its entirety or it is not successful at all).
  - 1.2.3 A unique Journal Sequence Number is applied to "digitally sign" every counter transaction. This allows missing or duplicate transactions to be detected and remedied.
  - 1.2.4 A master record of transaction data is stored in a central "audit store" which has controls to ensure the permanency of data and a data retrieval process which validates data integrity.
- 1.3 The majority of transactions that make up the branch accounts are generated in branch. There are however four ways in which Post Office (or Fujitsu on Post Office's instruction) can influence those accounts:
  - 1.3.1 **Transactions originating at Post Office.** A number of "transactions" are generated by Post Office and sent to branches, namely transaction corrections, transaction acknowledgements and remittances of cash / stock into a branch.<sup>2</sup> A key feature of these transactions is that they must be approved in branch (by the postmaster or his assistants) before they form part of the branch accounts.
  - 1.3.2 **Global Users.** Global Users are setup by default on Horizon in every branch. These are user accounts for Post Office staff to use when undertaking activity in a branch, such as training or audits. It is possible for these Global Users to conduct transactions within a branch's accounts. However, this access is only possible if the user is physically in the branch using a local terminal and the transactions are recorded against the Global User ID.<sup>3</sup>
  - 1.3.3 **Balancing transactions.** Fujitsu (not Post Office) has the capability to inject a new "transaction" into a branch's accounts. This is called a balancing transaction.<sup>4</sup> The balancing transaction was principally designed to allow errors caused by a technical

<sup>1</sup> Add XREFs TO LOC

<sup>2</sup> See paragraph 7.16 onward in Second Sight's Part One Report for a more detailed explanation of these processes.

<sup>3</sup> Strictly speaking, the Global User ID should be used to generate a new unique ID for the Post Office staff member and the new ID would then be used for training, audits, etc.

<sup>4</sup> The use of balancing transactions was explained to Second Sight and is referenced in its Part Two

issue in Horizon to be corrected: an accounting or operational error would typically be corrected by way of a transaction correction. A balancing transaction can add a transaction to the branch's accounts but it cannot edit or delete other data in those accounts. Balancing transactions only exist within Horizon Online (not the old version of Horizon) and so have only been in use since around 2010.<sup>5</sup> Their use is logged within the system and is extremely rare. As far as Post Office is currently aware a balancing transaction has only been used once<sup>6</sup> to correct a single branch's accounts (not being a branch operated by one of the Claimants).<sup>7</sup>

- 1.3.4 **Access to databases / servers.** In line with standard IT practices at all organisations, there are a small number of persons at Fujitsu (not Post Office) who have special permissions to access and edit, within strict controls, the databases and servers that sit behind Horizon. Use of these permissions is logged and so there would be an audit trail of any activity undertaken using these permissions. Importantly, given that the audit log is hardware encrypted [TBC with FJ] it is not even possible for those with super user access to alter the audit trails of access. Enquiries are continuing as to whether this access could be used to affect a branch's accounts but we currently understand that, if this is possible, it would be a difficult and time consuming process. We believe, given the above methods open to Post Office to deal with errors in a branch's accounts, the use of this access to amend a branch's accounts would be rare however Post Office is making enquiries as to whether it has ever happened.
- 1.4 During the Scheme, it was alleged that Post Office had the ability to "remotely access" Horizon in order to conduct transactions. This allegation is understood to mean that a Post Office (or Fujitsu) employee could log on to a terminal in a branch from a different location outside the branch and conduct (or edit or delete) customer transactions. To be clear: this is not possible.
- 1.5 Ultimately, no postmaster going through the Scheme was able to point to a particular transaction that they believed had been created, edited or deleted by Post Office without their consent. Moreover, you have presented no evidence that misuse of any of the above processes by Post Office was the cause of any shortfall in any Claimant's branch.
- 1.6 Post Office maintains that the combination of technical controls in Horizon and operational controls at Post Office and in branch (including the need for postmasters to diligently monitor their branch accounts, cash and stock as described in Schedule X) provides satisfactory assurance that Horizon does accurately record the transactions input by the Claimants (or their assistants).

#### **Paragraph 8.5 – Response to the allegation that Post Office concealed its remote access capabilities and that therefore the limitation deadline should be extended**

##### **Amendments to original letter shown in yellow**

- 1.1 At no point did Post Office conceal facts relevant to the Claimants' causes of action in relation any of the matters referred to in paragraph 127 of the Letter of Claim. You assert four ways in which Post Office allegedly concealed matters:

Report at paragraph 14.16.

<sup>5</sup> Post Office is making enquiries as to whether something akin to a balancing transaction existed in Horizon before the upgrade in 2010.

<sup>6</sup> This was in relation to one of the branches affected by the "Payments Mismatch" error described in Schedule 6.

<sup>7</sup> Several hundred other balancing transactions have been used but not in a manner that would affect branch accounting. These were generally used to "unlock" a Stock Unit within a branch.

- 1.1.1 You say that Post Office's investigators disregarded problems with Horizon – a point we have addressed above. We cannot see how ignoring an issue amounts to a deliberate act of concealing information from your clients. By ignoring an issue as you suggest, Post Office would not have had the information in the first place in order to subsequently conceal it.
- 1.1.2 You say that helpline operators persistently said to postmasters that "*they were the only one*". No evidence has been advanced which shows that this statement was ever made, still less in relation to issues that were known by the relevant operators to be recurring. The idea that there was some form of conspiracy orchestrated by Post Office to make all its helpline operators lie to postmasters using these exact words to hide known problems is ridiculous.
- 1.1.3 You say that Post Office has acted obstructively in refusing to disclose certain information. We have addressed Second Sight's particular requests for documents in Schedule 4, which shows these requests were minor in the wider context. Against a background where Post Office has handed over hundreds of thousands of documents to third parties, including Second Sight and the CCRC, it is not sustainable to suggest that Post Office has operated a system of mass suppression of documents. In any event, we note Second Sight's views at the end of the Part Two Report:

*"...we wish to place on record our appreciation for the hard work and professionalism of Post Office's in-house team of investigators, working for Angela Van Den Bogerd, Post Office's Head of Partnerships.*

*Our work would have been much harder and taken much longer without the high quality work carried out by this team. We have also received excellent support from the administrative team set up by Post Office to support the Working Group."*<sup>8</sup>

These comments make clear that Post Office has been anything but obstructive.

- 1.1.4 You say that Post Office has concealed its "*ability to remotely alter transactions*" but this allegation is too imprecise to be a basis on which to extend limitation. Post Office has zero capability to technically alter transactions. Post Office's software supplier, Fujitsu, as outlined previously, has tightly controlled access which requires precise instructions to execute or is used for maintenance / defect fix, again acting as agents for Post Office and to keep the system running not to alter live transactions<sup>9</sup>:
- (a) in light of our explanation above<sup>9</sup>, you need to specify exactly what capabilities Post Office is said to have concealed;
  - (b) as this is an allegation of bad faith, you need to particularise why you believe that Post Office has allegedly misrepresented the situation (including what was said, by whom, to whom, when and in what context, for each individual Claimant);
  - (c) you need to show that Post Office's alleged concealment was "*deliberate*" – Post Office will say that it made due enquiries before making any statement on this topic; and
  - (d) you need to demonstrate that the fact concealed was an essential fact needed to found a cause of action.<sup>10</sup> However, the issue of "*remote access*" cannot be said to be essential to the claims you assert.

<sup>8</sup> Paragraphs 26.5 and 26.6

<sup>9</sup> Add XREF to Remote Access section

<sup>10</sup> *Arcadia Group Brands Ltd v Visa Inc* [2014] EWHC 3561 (Comm): "*The claimant must satisfy 'a statement of claim test': in other words, the facts which have been concealed must be those which are essential for a claimant to prove in order to establish a prima facie case. [...] Thus section 32(1)(b) does not apply to new facts which might make a claimant's case stronger.*"

