



POLICY DOCUMENT– Postmasters' In Service Debt



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Approval

Role	Name(s)	Date
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Version control

Version No.	Reason for issue	Date
Version 1.0	Policy review to assess the relevance and fitness for purpose of existing POL contractual policies and processes for all Post Office branch models.	18 September 2013
Version 1.1	Amendment to version 1.0, Section 12.0 referring to the write off authority levels for Network Services.	22 October 2013
Version 2.0	Version following post implementation review of version 1.1.	4 December 2014
Version 3.0	Amendments following further review.	April 2017

CONTENTS

PART 1

- 1.0 Statement
- 2.0 Glossary
- 3.0 Contractual position
- 4.0 Right of recovery of sums due
- 5.0 Repayment of outstanding debt
- 6.0 Pluralist Postmasters and multiple partners
- 7.0 Death in service

- 8.0 Securing the debt
- 9.0 Write offs
- 10.0 Debt disputes – Transactional debt
- 11.0 Debt disputes – Non-transactional debt

PART 2 – Policy Implementation

- 1.0 Implementation procedures
- 2.0 Standard letters and documents

SUBJECT: Policy for dealing with the recovery of Postmaster's in service debt

PART 1

1.0 Statement

- 1.1 The purpose of this policy is to clearly set out the processes Post Office Ltd (POL) will follow to recover debt incurred in service by Postmasters of all Post Office branches. This policy supersedes custom and practice formerly implemented to recover debt incurred in service.

2.0 Glossary

Word/term	Definition
AAT	Agents Accounting Team
Branch	The Post Office branch operated by the Postmaster.
Branch Discrepancy	When Branch Trading is completed, Horizon calculates the expected cash position, using the transactions completed through Horizon. The branch then counts the actual cash in the branch and declares this. A branch discrepancy is where there is a difference between these two values, either a cash shortage or surplus.
Branch Trading	The act of the monthly balancing of the branch accounts. The Postmaster is required to reconcile the cash and stock in his branch against what the Horizon system is displaying there should exist in real terms.
DFR	Deduction from fees/ remuneration
Existing Contract	A contract currently in place between Post Office Ltd and the Postmaster (or, as appropriate, a shareholder and/or a director of the Postmaster) for the operation of a Post Office branch.
FSC	Finance Service Centre
NBSC	Network Business Support Centre
Non-transactional Debt	Refers to debt incurred outside of branch transactions. Incurred due to unpaid invoices for example: Franchise Insurance Waivers (once a year); Lease of electronic scales (once every quarter); Property projects (e.g. refurbishment work).
NT Agreement	Contractual conditions for the operation of a Local Post Office® and Main Post

	Office®.
Operator	Refers to an individual, company or partnership responsible for the operation of a Local or Main branch under an NT Agreement only
Postmaster	This is the collective term for an individual, company or partnership contracting with POL as an Operator, Subpostmaster or Franchisee.
POL	Post Office Limited
Settle Centrally	In Horizon Postmasters can choose the option to “Accept and Settle Centrally” which signifies acceptance of a loss or gain within a branch unless the dispute process is instigated. “Settle Centrally” does not prohibit further investigation which might offset all or part of the loss/ gain accepted earlier, but this is the branch’s responsibility to initiate.
Subpostmaster/ Franchisee	Refers to an individual, company or partnership responsible for the operation of a Post Office branch under a Traditional Contract
Traditional Contract	Traditional contracts include: Subpostmasters Contract; Community Subpostmasters Contract; Modified Subpostmasters Contract; Franchise Agreement; Franchise Independent Retailer Agreement; Satellite contract; Outreach Agreements; Company Operated Contract; Local Funded; Paystation Direct Settlement; PO Essential; Temporary Subpostmasters Contract
Transaction Correction	Transaction Corrections are sent to the branches via their Horizon system when a discrepancy has occurred in their accounting or where a branch is considered liable for payment processing failures such as negligent acceptance of counterfeit currency. A discrepancy may not have arisen in branch but a loss has been identified at some point which is attributable to the specific branch. These are sent out by teams within Finance Service Centre who deal with various clients/products.
Transactional Debt	Refers to debt incurred in branch. Usually created by a Transaction Correction or a Branch Discrepancy which has occurred in the office accounts at branch trading.

3.0 Contractual position

3.1 From a purely contractual perspective the Postmaster of a Post Office branch is responsible for making good without delay:

- any loss of Post Office cash and stock;
- any losses incurred whilst operating under their respective contractual agreements that come to light following termination of the agreement;
- all losses incurred through their own negligence, carelessness or error and also for losses caused by their Post Office assistants.

4.0 Right of recovery of sums due

Traditional contracts

- 4.1 POL has a common law right to set off sums owed by the Subpostmaster/Franchisee to POL against some payments made by POL to the Subpostmaster/Franchisee.

NT Agreements

- 4.2 Where money is owed by an Operator to POL whether that money is owed under an Existing Contract or lease of premises or otherwise, POL at its own discretion may recover *all* of that money from any sum due to the Operator under the NT Agreement or the Existing Contract, including their fees or any termination payment owing to Operators leaving the Post Office network. This right does not affect POL's right to require an Operator to make good any deficiencies identified through the late account procedure and/or repay any other debts due. **Also note that POL has made a business decision that sums owed by the Operator cannot be recovered from funds POL releases to the Operator under the Network Transformation Programme namely investment payments, or conversion or transition payments.**

5.0 Repayment of outstanding debt

- 5.1 To ensure that this policy is consistent with the contractual relationships between POL and the Postmasters it is designed to provide a clear framework of repayment options, where immediate repayment is not possible.
- 5.2 POL's main objective should be to recover debt as promptly as possible via the following payment methods:

Repayment method	Authorisation	Payment options
1. Repayment of full amount in one instalment.	Agents Accounting Team	1. Card payment;
2. Repayment plan where Postmaster proposes a reasonable repayment plan up to 24 months.	Agents Accounting Team Leader	2. Automatic transfers (bacs or chaps payment);
3. Repayment plan where Postmaster proposes a reasonable repayment plan beyond 24 months.	Senior Debt Recovery Manager & Head of Agency Contracts	3. Deduction from remuneration; or 4. Cheque.

- 5.3 The following rules apply to repayment plans:

- 5.3.1 Only one instalment plan can be in place at any time. However where the Postmaster:

- 5.3.1.1 incurs further transactional debt during a time they already have an instalment plan in place; and
- 5.3.1.2 is currently repaying that debt via DFR; and
- 5.3.1.3 the existing deductions from DFR are below 25% of the Branch fees/remuneration;

then the AAT Leader may provide authority for the Postmaster to add the repayment of the new debt to the existing DFR plan, however monthly repayments must not exceed the 25% remuneration threshold. Additionally if the Postmaster takes up this option then the length of the existing instalment plan will not be extended unless agreed by the AAT Leader;

5.3.2 In cases where the monthly instalments would be insufficient to repay the debt over the agreed repayment period, a lump sum will be required from the Postmaster to repay the balance and this must be received by the AAT prior to the end date of the repayment plan in cleared funds;

5.3.3 Where repayment is being made via DFR:

5.3.1.1 POL must consider the circumstances of the Postmaster's branch including its fees/remuneration for the previous 12 months and the term remaining on the Postmaster's agreement (this is of particular relevance where a Postmaster has given notice to terminate in accordance with his respective operating contract);

5.3.1.2 the maximum amount that can be deducted each month is 25% of the monthly remuneration, unless the Postmaster voluntarily offered more;

5.3.1.3 If the case involves a pluralist Postmaster the percentage of fees/remuneration deducted is to be calculated in the aggregated fees/remuneration for all branches operated by the Postmaster.

6.0 Pluralist Postmasters and multiple partners

6.1 In the case of pluralist Postmasters and multiple partners, POL will consider the aggregated remuneration of all of the pluralist's or multiple partners' branches as opposed to the individual position of the site where the loss has occurred.

7.0 Death in service

7.1 The recovery of debt from a Postmaster who has died in service will be dealt with by the Former Agents Debt team. It is important to note that each case must be treated with sensitivity and due diligence. Where POL has contracted with a company, as opposed to an individual, the branch may be able to continue operating. In such an instance POL will continue to deploy its business as usual policy.

7.2 The Former Agents Debt team will write (signed for delivery) to the next of kin to notify them of the outstanding debt amount and requesting repayment, giving 21 days to respond. If a response is received, repayment details are discussed with the next of kin. If no response is received the Former Agents Debt team will research whether the address for the next of kin is correct or whether another contact within the Postmaster's family is available. If the address is correct and no response has been received a second letter is sent out to the next of kin, giving

14 days to respond. Subsequent to this if no response is received a third letter is sent out, giving 7 days to respond. Further failure to respond prompts the requirement to send a referral to POL's legal representatives for further action.

7.3 Note that if POL was unsuccessful in recovery, the Former Agents Debt team will weigh up the cost effectiveness of pursuing the debt prior to referring it to POL's legal representatives.

7.4 In regards the repayment options available to former Postmasters payment must be taken using direct payment methods.

8.0 Securing the debt

8.1 The debt may be secured via guarantees. The Guarantees in Company to Company relationships policy should be referred to.

8.2 The Postmaster should obtain independent legal advice before providing a Guarantee. POL should obtain an Independent Legal Advice ("ILA") certificate confirming this. This will minimise the risk of the Guarantee being set aside.

9.0 Write offs

This section is currently being reviewed.

10.0 Debt disputes -Transactional debt

10.1 POL acknowledges the potential financial impact and stress that may be caused by unexpected Transaction Corrections or Branch Discrepancies. An effective dispute resolution process is essential to ensure that settled centrally debts are not recovered from Postmasters without reasonable time to investigate, challenge and resolve individual amounts.

10.2 There are two routes by which Postmasters might instigate the dispute process:

- Transaction Corrections
- Branch Discrepancies

10.3 *Transaction Corrections*

10.3.1 Branches should contact the Transaction Correction issuer within 7 days of acceptance at branch to challenge the evidence provided to support the Transaction Correction wherever possible. Where time permits prior to Branch Trading, branches should challenge prior to acceptance.

10.3.2 If the challenge is accepted by POL in full or part at this stage, a compensating Transaction Correction will be issued to close the dispute.

10.3.3 On receipt of supporting information the issuing team will suspend the debt recovery process, if the Transaction Correction was settled centrally, until a response has been made. Written

submissions to the specific team should receive a written response, within 10 working days, in line with business standards. It is recommended that written submissions be sent using a priority service.

Transaction Corrections where there is insufficient time to investigate prior to Branch Trading roll over.

- 10.3.4 Branches should contact NBSC **GRO** and request further time to investigate and present supporting information. A reference number will be provided.
- 10.3.5 Supporting information to support any dispute must then be presented by the Postmaster in writing via Special Delivery to *Agents Accounting Team* (**GRO**) within 7 days quoting the above reference number.
- 10.3.6 The Agents Accounting Team will then present to the issuing team who will suspend the debt recovery process, if the Transaction Correction was settled centrally, until a written response has been made. FSC will provide an update on the query or a resolution, where possible within 10 working days.

10.4 **Branch Discrepancie**

- 10.4.1 The resolution of branch discrepancies is the responsibility of the branch. If the Postmaster requires assistance with an unidentified discrepancy, then they should contact NBSC.
- 10.4.2 If the Postmaster believes a transaction correction is required they should contact the appropriate department in FSC via NBSC **GRO**. It is FSC's sole responsibility to update NBSC of any changes to a department's contact number. Supporting information should be presented and resolution then follows the transaction correction process. It is recommended that this be sent using a priority service. FSC will provide an update on the query or a resolution, within 10 working days.

10.5 **Further Review**

- 10.5.1 If the Postmaster believes that the supporting information provided to FSC adequately supports their dispute but the dispute has not been allowed, for transaction corrections only they should make a written submission using the details provided with the notification. For other types of enquiry, they should contact NBSC.
- 10.5.2 The debt recovery process, if settled centrally, will be suspended pending a written response.
- 10.5.3 A written response will be provided, within 10 working days, in line with Business standards.
- 10.5.4 All correspondence will be included on the Cloud City for the Network to be able to view.

10.5.5 Where a dispute is subsequently not upheld, a branch then becomes liable for the settled centrally debt and no repayment will be made for any debt made good.

11.0 Debt Disputes - Non-transactional debt

- 11.1 Where the Postmaster disputes the amount of an invoice he should raise a query using the **GRO** email address. The Agents Accounting Team will then forward on the query to the responsible individual within POL who raised the invoice. The responsible individual will respond to the Agents Accounting Team to confirm the amount and will respond to the postmaster accordingly. Where the Postmaster has successfully disputed an invoice amount (i.e. he has been charged incorrectly), the responsible individual will send an SD05 form to the Accounts Receivable Team who will raise a credit note to offset against the invoice.

PART 2

1.0 Implementation procedures



Note that the contracts advisor **should not** be contacted in cases where the Postmaster is unresponsive. A log of contact attempts should be kept by the team tasked with making contact, and in cases of continued non-response the process should continue beyond that stage of the process, on the basis that a TC is not anticipated.

Entries into the concurrence reported should contain debts the PM is refusing to repay, but not disputed items or a lack of response.








Feedback re process maps embedded below:



Process chart A – should this include the dispute process if at box 3a or 3b the PMR indicates he wanted to dispute the debt? Box 2 and 6 of the process chart refer to a £5k limit whereas the notes for boxes 3a and 3b refer to a £10k figure, not sure why this is different? At box 11 the process chart indicates the CA consults with FAT whereas the notes indicate FAT and SSRT consult with the CA. As the case is referred to FAT I would have thought they will consult with the CA (not sure if SSRT will be involved in this discussion) and I think we need to consider the outputs of the consultation which could be an audit or progress with debt recovery ie back to recovery in the process chart and how this is shown. In the flow on the process chart would the decision taken at box 3a to refer to FAT then take this direct to box 11 or is referral only made if the PMR does not make good?

Process chart B – I have similar questions and again should this include the dispute process particularly as this looks for the issue to be referred back to the originator of the invoice – we have had a number of NT invoices referred to CAs for non-payment but this is due to the PMR not agreeing with the amount and only the NT team can resolve these issues and again the case should not have been referred to the CA until the dispute is resolved.

Process Charts A and B Process for recovery of in service <i>transactional</i> debt incurred by a Postmaster (B) Process for recovery of in service <i>non-transactional</i> debt incurred by a Postmaster.	 PM01%20Current%20Debt%20Recovery.v:
Process Chart C Process for recovery of in Service debt incurred by a former Postmaster.	 pcC - Former Postmaster debt reco

2.0 Standard letters and documents

Standard Letter A Statement of debt detailing amount of outstanding transactional or non-transactional debt.	 sIA - New Statement V5 0 15 05 2014.docx
Standard Letter B Reminder of debt, following Standard Letter A, detailing amount of outstanding transactional or non-transactional debt.	 sIB - New Dunning Doc 04 06 2014.docx
Standard Letter C Subsequent to voluntary agreement, letter agreeing with Postmaster that transactional or non-transactional debt will be deducted from fees/remuneration in one instalment.	 sIC - Dfr Voluntary single payment.docx
Standard Letter D Subsequent to voluntary agreement, letter agreeing with Postmaster that transactional or non-transactional debt will be deducted from fees/remuneration over a number of instalments.	 sID - Dfr Voluntary instalments.docx
Standard Letter E Letter to Postmaster who has an existing instalment plan in place, has settled a further transactional debt centrally, and POL is deducting the further debt from fees/remuneration in one instalment.	 sIK - Dfr Forced single payment.docx
Standard Letter F Letter to Postmaster who has an existing instalment plan in place, has settled a further transactional debt centrally, and POL is deducting the further debt from fees/remuneration over a number of instalments.	 sIL - Dfr Forced instalments.docx
Standard Letter G First statement of debt letter to former Postmaster.	 sIG - 1st letter to former Postmasters.c
Standard Letter H Second letter to former Postmaster reminding of unpaid debt.	

	 slH - 2nd letter to former Postmasters.c
Standard Letter I Letter of action to former Postmaster subsequent to Standard Letter I and J.	 slI- 3rd letter to former Postmasters.c