



POLICY DOCUMENT – Postmasters' In Service Debt Policy

**Reference information**

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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 1.0 Draft	Proposed amendments to policy following a review of the debt recovery/concurrent process operating between Finance Service Centre and Contract teams.	15 th January 2018
Version 1.1	Final draft document.	13 th August 2018
Version 1.2	Revised final draft document	8 th February 2019

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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 policy Post Office Ltd (POL) will follow to recover debt incurred in service by Postmasters of all Post Office branches. This policy supercedes custom and practice formerly implemented to recover debt incurred in service.

2.0 Glossary

Word/term	Definition
Assistant	A person employed by the Postmaster (who is approved by Post Office Ltd) to work in the Branch
Basic Business	The type of business carried on by the Postmaster on its own account from the Branch Premises
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 Premises	The premises from which the Post Office Branch and the Basic Business are operated
Branch Trading	The act of the monthly balancing of the branch accounts. The Postmaster is required to reconcile the cash and stock in the 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 at the Branch Premises
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), ATM business rates (Scotland).
NT Agreement	Contractual conditions for the operation of a Local Post Office® and Main Post Office®. This also includes the Temporary Subpostmasters versions.
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	Contract for the operation of Post Office branches, signed prior to the introduction of Local and Main agreements. 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 . These are sent out by teams within Finance Service Centre who deal with various clients/products.
Transactional Debt	Refers to debt incurred in branch created by a Transaction Correction or a Branch Discrepancy which has occurred in the office accounts at branch trading.

3.0 **Introduction and purpose**

- 3.1 In order for POL to be modernised and sustainable it is vital that it works to prevent and minimise financial loss, and mitigate the impact of financial loss on POL and the network. Aside from the direct cost to POL of incurring losses, some of which are ultimately written off, all losses involve administrative costs in dealing with recovering the debt and with the errors that cause them.
- 3.2 This policy is designed to provide clear and consistent guidelines for POL to recover transactional and non-transactional debt incurred whilst in service by Postmasters of all Post Office branches still in post.

4.0 Background

4.1 From a purely contractual perspective the Postmaster of a Post Office branch is responsible for:

- Making good any loss of Post Office cash and stock without delay.
- Making good 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 Assistants.
- Invoices to be settled in line with agreed payment terms on the invoice.

4.2 To ensure that this policy is consistent with the contractual relationships between POL and the Postmasters it is designed to clarify circumstances where mitigation may be appropriate and to provide a clear framework of repayment options, where immediate repayment is not possible.

5.0 Right of recovery of sums due

Traditional contracts

5.1 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

5.2 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 remuneration 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 released to the Operator under the Network Transformation Programme namely investment payments, or conversion or transition payments.)**

6.0 Repayment of outstanding debt

6.1 The contractual position is that Postmasters should repay the debt immediately. POL understands that in some circumstances immediate repayment of the debt is not always possible. It is within POL's interests to ensure the continuation of Post Office services and branches, by motivating Postmasters to repay debt whilst continuing service, and where appropriate limiting the risk of resignation or notice of termination by a Postmaster whilst taking steps to recover the debt.

6.2 Therefore there will be circumstances in which POL will give due consideration to offering one or both of the following repayment options to Postmasters:

- Repayment of full amount in one instalment.
- Repayment plan where Postmaster proposes a reasonable repayment plan
- Repayment by part lump sum and part reasonable repayment plan.

Each repayment option is considered in turn below.

6.3 Repayment of full amount in one instalment

- 6.3.1 The default option for repayment of debt should be in full either via direct payment or by deducting the amount from fees/remuneration. Note that the priority order for payment options is to be defined as card payment, automatic transfer (bacs or chaps payment), one deduction from remuneration, with the last option being payment via cheque.

6.4 Postmaster proposes a reasonable monthly repayment plan

- 6.4.1 Postmasters will not always be able to repay the debt in one payment. POL will consider reasonable repayment plans suggested by Postmasters. Repayment plans should be funded by deductions from fees/remuneration, however direct payments will also be accepted.
- 6.4.2 The maximum amount that can be deducted each month is 25% of the fees/remuneration unless the Postmaster voluntarily offers to pay more.
- 6.4.3 The normal duration over which a repayment plan should be arranged is 12 months.
- 6.4.4 In circumstances where a 25% deduction from fees/remuneration would be insufficient to repay the debt over 12 months and lump sum payment should be requested.
- 6.4.5 If a lump sum payment cannot be made an extension of the plan beyond 12 months can be agreed.
- 6.4.6 Decision levels in respect of repayment plans are:-
Up to 12 months duration – FSC Duty
Between 12 and 24 months – FSC team leader
Between 24 and 48 months – Senior Debt Recovery Manager, FSC
Over 48 months – Senior Debt Recovery Manager and Head of Agency Contracts Deployment
- 6.4.7 The agreed repayment is to be confirmed to the Postmaster in writing detailing the amount of debt and the amounts to be repaid each month. Example letters are shown in appendix 1. (The letter should also expressly reserve all of POL's rights and remedies under the contract.)
- 6.4.8 Only one repayment plan should be in place at any time, requests to add to a current repayment plan will be considered.
- 6.4.9 Proposals to repay beyond 48 months should only be agreed in exceptional circumstances by the Senior Debt Recovery Manager, FSC and Head of Agency Contracts Deployment, with a brief rationale being placed on file.

6.5 Repayment of debt following an incident or at reinstatement on a conduct case.

- 6.5.1 the approach to be adopted should be the same as for transaction debt ie repayment in full by one instalment however where this is not possible a part lump sum payment and repayment plan can be used and if this is not possible a repayment plan for the full amount outstanding.

6.5.2 Decision levels in respect of repayment plans are:-

- Up to 12 months duration – Contract Advisor
- Between 12 and 24 months – Contract Advisor and their Line Manager
- Over 24 months – Senior Debt Recovery Manager, FSC and Head of Agency Contracts Deployment

7 **Pluralist Postmasters and multiple partners**

7.1 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.

8 **Death in service**

8.1 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.

9 **Risk register/Branch profile**

9.1 The Agents Debt team will refer cases where the debt exceeds one year's fees/remuneration to the Branch Analysis Team.

9.2 Persistent offenders ie where a Postmaster regularly requests repayment plans will be referred to the Branch Analysis team.

10 **Securing the debt**

10.1 There may be circumstances where POL wants extra comfort that it can recover losses incurred by securing the debt, particularly where there are concerns about the Postmaster's accounts or where there is the risk that the Postmaster may leave the network. POL loses significant amounts of money to former Postmasters.

10.2 The debt may be secured in two ways:

- a. **Guarantees (proactive)** – under the Local and Mains Post Office agreements Operators operating as a company are obliged to provide guarantees to secure the performance of the Operator's obligations under the agreement, where the company has existed for less than three years, or if the company is deemed a financial risk. It is important that POL explains clearly to the guarantor that they will be liable for the debt. The Guarantees in Company to Company relationships policy should be referred.
- b. **Charges on property (reactive)** – POL may consider securing the debt against property of the Postmaster by placing a charge on their property. This measure should not be implemented without informed advice from Legal Services.

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

11 **Write offs**

11.1 Decisions in respect of write-offs are not taken by groups but are the responsibility of individual managers, who bear P&L accountability for those decisions. The reasons for a write-off must be fully documented and may be subject to audit. The write off process is shown at appendix 2.

11.2 Finance and Operations Directorate may write off against its cost centre, in which case the following authorisation levels apply:

Up to £5,000	Agents Contracts Deployment Manager (Head of Operations Support)
Up to £25,000	Head of Agency Contracts Deployment (Head of Network Operations)
Up to £250,000	Network Operations Director
£250,001+	Chief Financial Officer

(If the debt is to be written off by the Field teams the authority lies with the job roles shown in brackets.)

11.3 Alternatively, FSC may write off debts against its cost centre, in which case the authorisation limits below will apply:

Up to £1,000	Team Leader, FSC
Up to £25,000	Senior Debt Recovery Manager, FSC
Up to £250,000	Finance Director, Finance and Operations- Network Operations Director
£250,001+	Chief Financial Officer

12 **Debt disputes - Transactional debt**

12.1 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.

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

- Transaction Corrections
- Branch Discrepancies






(Details are shown in Appendix 3)

12.3 The decision of the manager allocated to investigate the dispute will be final.

13 **Debt Disputes - Non-transactional debt**

- 13.1 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 request a credit to be raised to offset against the invoice.

14 **Appendices**

1	Deductions letter	 Deductions Letter NEW 2018 Template.
1	Repayment letter new	 Repayments Letter NEW 2018 Template.
1	Repayment revised and agreed	 Revised Agreed NEW 2018 Template.
1	Repayment revised	 Revised Plan NEW 2018 Template.docx
2	Write Off Process	
3	Debt Disputes – Transaction Corrections and Branch Discrepancies	 Debt disputes Extract Draft 08.02.1