

## Post Office Mediation Scheme

DRAFT

Second Sight - Case Review Report

Case Reference: M020

Applicant: Margaret BATEMAN

Advisor: Steve Darlington (Howe & Co)

5 February 2015

This draft report and accompanying documents are confidential and are not to be disclosed to any person other than a person involved in the processing of the Applicant's claims through the Scheme.

## **1. Introduction**

- 1.1. This report has been prepared by Second Sight, which is the trading name of Second Sight Support Services Limited, the company appointed to conduct an independent investigation of a number of matters raised by Subpostmasters, or former Subpostmasters.
- 1.2. This report should be read in conjunction with the following:
  - a) the documents submitted by the Applicant and her Professional Advisor;
  - b) Post Office's Investigation Report ('POIR') including attachments;
  - c) Second Sight's Briefing Report - Part One; and
  - d) Second Sight's Briefing Report - Part Two.
- 1.3. The Terms of Reference for Second Sight as set by the Mediation Working Group for this work are as follows:
  - a) To investigate the specific complaints raised by each Subpostmaster who has been accepted into the Scheme with the aim of providing:
    - i. an assessment of points of common ground between Post Office and that Subpostmaster;
    - ii. an assessment of points of disagreement between Post Office and that Subpostmaster;
    - iii. where there is disagreement, a logical and fully evidenced opinion on the merits of that Subpostmaster's complaint where it is possible to do so;
    - iv. a summary of any points on which it is not possible to offer a fully evidenced opinion due to a lack of evidence/information;
    - v. a view on whether a case is suitable for mediation; and
    - vi. assisting with any reasonable requests made by the Working Group and/or Post Office.
- 1.4. Second Sight has been provided with the following documents:
  - a) the Initial Application to the mediation scheme submitted by the Applicant;
  - b) the Case Questionnaire Response ('CQR') submitted by the Applicant's Professional Advisor; and
  - c) Post Office's Investigation Report ('POIR'), prepared in response to the above mentioned documents.

1.5. The following are the issues raised by the Applicant:

- a) responsibility for direct losses that total £19,335.92;
- b) anomalies associated with:
  - I. Transactions seemingly not entered by, or Transaction Corrections seemingly not accepted by, the Subpostmaster or her staff
  - II. Cash or Stock Remittances (REMs)
  - III. Pensions and Allowances
  - IV. Telecommunications and Power failures
  - V. GIROs
  - VI. Phone Cards
  - VII. Hardware issues
- c) adequacy of training and support, including Helpline and Audit;
- d) limitations in the Audit Trail available to Subpostmasters;
- e) the contract between Post Office and its Subpostmasters;
- f) Post Office's Investigations process; and
- g) other consequential losses, not dealt with in this report, but which may be raised if the case progresses to mediation.

1.6. This report focuses on the net loss of £19,335.92. Other issues, not all of which are dealt with in detail in this report because we could not find a causative link to the financial loss, may however be relevant to the mediation process.

1.7. The Applicant was in post as Subpostmistress of the Twigworth branch from 8 September 2004 until the branch closed on 8 August 2008. She operated the branch on her own.

1.8. In 2007, the branch was evaluated under the Network Change Program and it was decided that the branch was to be closed, subject to public consultation. After the public consultation, the branch was scheduled to be closed on 8 August 2008. The Applicant was instructed to complete a final balance and then send all the equipment and branch records back to Post Office on the final day of trading, in lieu of an Audit taking place at the branch.

1.9. On 8 August 2008, the day of the closure, the Applicant made a final cash declaration of £29,220.92. The cash remitted to Post Office from the branch, however, only amounted to £10,585.00, creating a shortfall of £18,635.92. Subsequently, two Transaction Corrections (TCs) related to National Savings & Investments (NS&I) transactions were received, bringing the final shortfall figure to £19,335.92.

- 1.10. Post Office sought repayment of the shortfall from the Applicant and instructed its solicitors to begin the claim process. The Applicant instructed her own solicitors and the claim was settled out of court, on 9 August 2010, for £10,000.00 plus £8,654.38 in costs, which the Applicant was to repay at a rate of £20.00 per week. The Applicant initially made these payments, but ceased to do so at the beginning of the mediation process.

## **2. Points of common ground between the Applicant and Post Office**

- 2.1. It is common ground that no final audit took place at the branch and, instead, the Applicant was asked to send all the branch's equipment, cash, stock and records to Post Office.
- 2.2. Both parties recognise that a settlement was reached and a repayment plan agreed, but the Applicant has ceased to make payments since the beginning of the mediation process.

## **3. Points of disagreement between Post Office and the Subpostmaster**

- 3.1. The Applicant reports instances of specific discrepancies that she believes could provide evidence of faults in the Horizon system, including:
- a) a £3,500.00 surplus caused when she mis-keyed a customer's Girobank deposit as a withdrawal;
  - b) a £200.00 shortfall caused by an error in the phone card stock; and
  - c) two discrepancies related to 'Green GIRO' (i.e. Pensions & Allowances) payments, of which one was corrected, but the other was never reconciled.

Post Office disputes the Applicant's version of events in relation to these discrepancies and denies that Horizon could in any way be blamed for causing them.

- 3.2. The Applicant documents a series of issues and what she considered to have been unhelpful encounters she had with Post Office staff, including:
- a) she was not provided with a copy of her contract prior to her appointment;
  - b) the decision to close her branch was not explained to her and she was told that the closure would go ahead irrespective of what transpired at the public consultation;
  - c) the Business Development Manager (BDM) ignored her concerns about Horizon; and
  - d) she was contacted on the last day of trading to inform her that the auditor was too busy to visit her branch and that she should simply send everything back.

Post Office insists that its staff acted in line with standard procedure and that an adequate level of support was provided to the Applicant.

- 3.3. The Applicant states that she had to frequently reboot the system and is unsure what effect this might have had. She says that she called the Helpline to try and find out, but was met with what she describes as: "*blank indifference*". Post Office insists that system reboots cannot cause discrepancies "*as long as the correct recovery procedures are followed*" and that there is

no evidence in the National Business Support Centre (NBSC) Helpline logs of the Applicant making an enquiry about the issue.

- 3.4. The Applicant complains that Post Office failed to investigate the cause of the final shortfall, once it had been discovered. Post Office asserts that it investigated the issue, but was unable to determine the cause of the shortfall.
- 3.5. The Applicant states that Post Office demanded £19,335.92 from her in May 2009 without any explanation and that she received no reply to the questions that she posed in her written response. Post Office states that an explanation of the shortfall was provided to the Applicant in writing.
- 3.6. There is disagreement on whether the training provided by Post Office was adequate.

**4. Where there is disagreement, a logical and fully evidenced opinion on the merits of that Subpostmaster's complaint where it is possible to do so**

**Discrepancies**

- 4.1. The Applicant reports that, in August 2005, she encountered a £3,500 surplus. She says that she called the Helpline several times and that she was told that: "*the system had allowed her to input a Girobank deposit as a withdrawal*". She states that she was advised to put this surplus into an envelope and await a TC, which arrived six to eight weeks later. The Applicant questions how the system could have allowed this and what the wider implications of this "*fault*" could be.
- 4.2. Post Office states that its records show that, on 9 August 2005, the Applicant processed an Alliance and Leicester GIRO deposit transaction for £1,620.42 as a withdrawal, causing a surplus of £3,240.84. It says that a TC invoice of £1,620.42 was issued on 23 August 2005, correcting the mistake. Our observation on this is that a TC of that amount would not have "*corrected the mistake*", it would have only half-corrected the mistake. Indeed a second TC Invoice then needed to be issued and this happened two months later, on 2 November 2005.
- 4.3. Post Office asserts that it was the Applicant's error that caused the deposit to be entered as a withdrawal and states that Horizon is dependent on the user inputting the correct information. It insists that this is not a fault in the system and that there are a number safeguards in place to prevent such an error creating a permanent shortfall. Firstly, it states, the balance due to Post Office would be displayed on the screen and, therefore, the operator should realise that an error has been made. It says that, where the error is not spotted on the screen, it should be detected during the "*end of day procedures*". It was quite difficult for us to establish, from the extract of Post Office's Standard Operating Procedures that it has quoted in the POIR, exactly what those "*end of day procedures*" involved. It seems that this involved printing out report (on the back office printer using a document referred to as the 'G9901MA Form'. Subpostmasters were expected check the details shown on that report with the individual paying-in slips and other documents before sending them off to Girobank for further checking. Post Office says

that the Applicant would have had a similar opportunity to correct errors when completing the same process in respect of withdrawal records. Post Office insists that this discrepancy demonstrates that the Applicant did not carry out those checking procedures at the end of each day.

- 4.4. It is our understanding that the icons for 'deposit' and 'withdrawal' icons are adjacent to each other on the Horizon touch screen, so an error such as the one made by the Applicant would appear to be a relatively easy one to make. Indeed, we have seen other examples of this sort of mistake having occurred in other branches. It is our opinion, however, that Post Office is correct in stating that this error should have been detected and rectified by the Applicant during the end of day procedures. It is clear that this discrepancy was caused by a keying error made by the Applicant, rather than by a 'fault' in Horizon, although, in our view, improved design and ergonomics would reduce the incidence of such errors.
- 4.5. The Applicant reports that, when completing the opening balance one day, she found that the phone card stock was £200 down from the previous evening. She states that the shortfall represented 20 phone cards worth £10 each, which was unusual as she rarely sold phone cards. She says that she called the Helpline, who she says told her that she must have entered the wrong amount for a sale. She states that the Helpline operative told her to simply adjust the stock figures when she informed them that the branch had balanced the previous evening and had not yet opened that day, meaning that no transactions had taken place in the intervening period.
- 4.6. Post Office confirms that a discrepancy concerning phone cards did occur, but asserts that the discrepancy amounted to only two phone cards and was a result of the Applicant making an operational error. It states that, on 30 November 2006, a session commenced at 10:08 and the Applicant sold two holiday phone cards, but the transaction was not settled to cash. It says that, at this point, the Applicant's User ID suspended the session using the suspend/swap icon. This allowed the Applicant to continue serving customers for the rest of the day without the transaction being "*resolved*". Post Office states that the last session of the day was at 17:29. It says that the Applicant failed to log out and, if she had done so, the system would have prompted her to settle the suspended session. It states that Horizon forced a log-out at 18:48 due to a period of inactivity at the terminal and, in doing so, automatically settled the suspended session to cash and printed a receipt showing that a transaction for two holiday phone cards had been settled to cash at 18:48.
- 4.7. Post Office reports that the NBSC call logs show that the Applicant called the Helpline the next day to query the transaction and was told to reverse it. It states that Applicant reversed the transaction and the problem was rectified. It also notes that, on 4 December 2006, the Applicant mistakenly selected the phone cards icon during a multiple transaction and inadvertently charged a customer for 10 phone cards that the customer had not requested. It states that the customer settled the transaction by debit card, but returned to the branch later the same day on noticing the error.



- 4.8. From the evidence presented, we find that the cause of the discrepancy in this instance was an operational error made by the Applicant. The incident on 4 December 2006 is an example of what we describe as a 'one-sided transaction', where either the branch or the customer gets something for nothing because of an error. Here the error was rectified once the customer, on realising that he had been overcharged, notified the Applicant. In our opinion, it is reasonable to assume that, if the customer had benefitted from the error, he would have been less likely to notify the branch of the mistake. We find that, because of this, one-sided transactions are more likely to cause permanent shortfalls than to cause surpluses. Also, if such errors are systematically repeated, then they can generate large shortfalls.
- 4.9. The Applicant reports that, in late 2006, two discrepancies related to GIRO transactions occurred, one for £1,295.08 and one for £1,257.99. She states that the discrepancy for £1,295.08 was corrected six months later, but the other discrepancy was never corrected. She says that she used the GIRO icon on Horizon to get the relevant figure for GIRO transactions when carrying out balances, but this icon disappeared one day and, thereafter, she found it difficult to reconcile those transactions. She asserts that she called Chesterfield about this issue and received no reply.
- 4.10. Post Office reports that the branch's final balance snapshot for the week ending 14 March 2007 shows that the branch processed Green GIROS with a total value of £1,295.08 that week. It states that its records show that a TC Credit was issued to the branch on 29 May 2007 for £1,295.08 and the TC was brought into account and settled to cash on 30 May 2007. It says that a TC Invoice was issued to the branch for the same amount on 9 July 2007, but the Applicant did not accept that TC, instead opting to challenge it. Post Office states that evidence of why the TC had been issued was posted to the Applicant on 20 October 2007 and the TC Invoice was re-issued. The Applicant accepted the second TC Invoice on 24 October 2007.
- 4.11. Post Office asserts that no permanent discrepancy was caused by these TCs as they cancelled each other out. The reason that the TC Credit was issued on 29 May 2007 has not been provided to us by Post Office, and we have assumed that it was issued in error by Post Office, as it later had to be corrected. Whilst it is true that the TCs cancelled each other out, the Applicant would have had reason to believe that the TC Credit had been sent to correct discrepancies that had created shortfalls at the branch and, therefore, gained the impression that the second TC would create a shortfall. The length of time between the initial balance, the TC Credit and the TC Invoice would, in our opinion, have made it difficult for the Applicant to connect the events to each other and would have complicated the weekly and monthly balancing processes and we are mindful that even transient shortfalls have to be funded by Subpostmasters.
- 4.12. Post Office reports that the final balance snapshot produced for the week ending 21 March 2007 showed the total of the Green GIRO transactions carried out that week as £1,257.99. It states that there was no discrepancy related to this amount, so no TCs were issued and no complaints were made by the Applicant at the time. We can only conclude that, on the evidence presented, that there was no discrepancy related to this amount.

- 4.13. In relation to the Applicant's assertion that "*the Green GIRO icon disappeared from Horizon*", Post Office states that there was a Green GIRO icon on Horizon for the purpose of making weekly reconciliations that could also be used to produce a report on any Green GIROs paid since the previous reconciliation at any time. It insists that this icon never disappeared and could not, therefore, have had an effect on the Applicant's ability to reconcile Green GIRO transactions.

#### **Unhelpful Communications**

- 4.14. The Applicant reports that she did not receive a copy of her contract prior to her appointment as Subpostmistress. She says that she received only the "*signature page*" of the contract at some later point and insists that she never signed the contract. Post Office responds that a letter from Post Office Human Resources, dated 19 July 2004, notifying the Applicant that her application was successful, contained a welcome pack that included a copy of the Subpostmaster contract. It says that its records show that the Applicant signed an Acknowledgement of Appointment Letter, which bound her to the terms of the contract, and the 'Serv 135' document, which contains extracts from the contract. It appears that, whilst the Applicant may be correct in stating that she never signed the contract itself, she did sign documents binding her to its terms.

#### **Hardware Issues**

- 4.15. The Applicant reports that she frequently had to reboot the equipment at the branch, which she describes as "*ageing*". She states that she called the Helpline to try to ascertain what affect rebooting the system might have, but says that she was met with what she describes as: "*blank indifference*".
- 4.16. Post Office refers to the Horizon Service Desk (HSD) Helpline logs, which show that the branch made five calls relating to hardware issues. It states that these issues were resolved either on the day, with the assistance of the HSD, or by an engineer visit. It says that power failures and system reboots have the potential to cause discrepancies, but only where the correct recovery procedures are not followed. Post Office states that there is no evidence of the Applicant contacting the NBSC to ask what the effects of rebooting the system might be.
- 4.17. One of the calls made by the Applicant to the HSD, on 17 July 2007, describes how the monitor would not turn on after a power cut. When a power cut occurs, the system goes down and must be rebooted. When the system is rebooted, the Subpostmaster must complete the recovery process referenced by Post Office in order to ensure that no transactions are lost. We find that, when incidents such as power cuts occur, the system sometimes does not perform as Post Office asserts that it should and that unforeseen circumstances, such as a monitor not turning on, may well limit a Subpostmaster's ability to "*follow the recovery procedures*". That would obviously be true if the screen, to which Horizon was sending instructions, remained blank. Were that to happen, then losses could well ensue because it would have been impossible to follow: "*the correct recovery procedures*". Whilst we find that instances such as



this one could have caused losses, we doubt, however, that this type of incident could have caused losses that aggregated to the large shortfall suffered by this branch.

### Investigations & Audit Trail

- 4.18. The Applicant reports that Post Office failed to properly investigate the shortfall that was uncovered after the branch closure. She states that she spent hours going back over the audit trail on the system trying to identify the cause of errors. She says that she found discrepancies to be *“untraceable, illogical and unfathomable”*, even with her previous accounting experience.
- 4.19. Post Office asserts that it was not possible for it to determine when or how any discrepancies occurred as the branch had not previously reported any shortages. It states that the Applicant would have been aware of the shortfall on 8 August 2008 as she completed the cash declaration. It says that it could not know for sure whether the cash declared by the Applicant was in the branch on the last day of trading, but knows for certain that the cash was not remitted back to Post Office in full.
- 4.20. Post Office states that it sent a letter to the Applicant, on 24 February 2009, explaining the reason for the shortfall. On analysis of this letter, we find that it explained nothing beyond that the Applicant had failed to remit the correct sum of money to Post Office. It does not appear that Post Office launched any sort of investigation to help the Applicant to identify the underlying root cause of the shortfall, and instead simply sought repayment of money relying on the terms of the Applicant’s contract. A letter, sent by the Applicant to Post Office on 8 August 2008, states *“you will find from final account figures and monies returned that I have discrepancies in the account held”*. This suggests that the Applicant was aware that there was a shortfall in the branch accounts before the final day of trading, but expected Post Office to investigate and rectify the issue once it had received the branch’s cash, stock and records.
- 4.21. Post Office states that it does not consider that there is any merit to the Applicant’s suggestion that there were any deficiencies in the audit trail that would have increased the likelihood of making errors. It cites the £3,500 GIRO error as an example of an instance where the audit trail on Horizon was effective in ensuring that an error did not become a permanent discrepancy. Whilst we agree with Post Office’s argument that the audit trail available to Subpostmasters does not have an effect on the frequency of errors made at the counter, we find that, in certain circumstances, it does limit the ability of Subpostmasters to identify and rectify errors. At the time, Subpostmasters had access to Horizon records for a period of 42 days. We have found this to be insufficient in some instances, most obviously when a Subpostmaster receives a TC more than 42 days after the transaction that triggered it. For example, the first TC issued as a result of the Green GIRO incident described in Section 4.10. was issued 77 days after the anomaly that is said, by Post Office, to have triggered it. In a situation such as this, it seems reasonable to assume that the Subpostmaster will consider the absence of the transactional information needed to challenge or accept a TC as an *“audit trail deficiency”*.

### Disputed Shortages

- 4.22. The Applicant asserts that Post Office sent her a demand, in May 2009, for £19,355.92 without an explanation of how that shortfall had occurred. She states that she sent a reply, referring to her previous correspondence in which she had asked for assistance, but says that she received no response. She also says that Post Office then initiated civil proceedings against her to recover £22,249.86. Post Office states that a letter was sent on 24 February 2009 "*explaining the shortfall*" and reminding the Applicant of her duty, under the contract, to make it good, but says that it received no reply. It asserts that it sent three more letters in March, April and May 2009 and, again, received no reply from the Applicant. It sent another letter on 17 July 2009 advising the Applicant to make good the shortfall or propose a payment plan within 14 days or it would instruct its solicitors to start legal proceedings. There was again no reply and a similar letter was sent on 24 July 2009, giving the Applicant another 14 days to reply. Post Office states that the Applicant replied on 3 August 2009, stating that she had not defrauded Post Office and asking for evidence of the shortfall. Post Office instructed its solicitors to start legal proceedings in November 2009, eventually resulting in a settlement being reached on 9 August 2010.
- 4.23. The evidence presented by Post Office shows that it attempted to contact the Applicant on numerous occasions before initiating legal proceedings against her. The correspondence on Post Office's side, however, is focused on the recovery of the shortfall under the terms of the Applicant's contract rather than on providing an explanation of how the shortfall occurred, which is what the Applicant was seeking. We have seen no evidence that Post Office made any attempt to help the Applicant understand how the shortfall may have arisen, or even enter into any dialogue with the Applicant with that intent.

**5. A summary of any points on which it is not possible to offer a fully evidenced opinion due to a lack of evidence/information**

### Unhelpful Communications

- 5.1. The Applicant states that she was visited by a Network Change Officer (NCO) in November 2007, who advised her that the branch had been earmarked for closure and would close irrespective of the outcome of the public consultation. She says that the reasons behind the closure were not explained to her and the NCO told her to take the issue up with the auditors on the closure date.
- 5.2. Post Office states that all proposed changes under the Network Change program were communicated to stakeholders in a public consultation, which was required to meet Post Office's Code of Practice. It states that no decisions were made until the consultation and review process had been completed. Post Office says that all information delivered by NCOs was scripted to ensure "*standardisation of approach and message*". It asserts that there is no evidence of the NCO making comments such as those alleged by the Applicant. It says that, whilst it cannot verify what was said by the NCO, the Applicant would have been informed that no Audit was to take place at the branch. It is obvious that those one-on-one conversations

were not recorded so there could never be any "*evidence of the NCO making comments such as those alleged by the Applicant*". Absent such evidence, we are unable to reach any conclusion as to whether these two allegations: that the public consultation process was, effectively, a sham; and that she should speak to the Auditor on the day that the branch was closed, are true.

- 5.3. The Applicant complains that, shortly before the closure date was to be made public, she was visited by a Post Office Business Development Manager (BDM) to discuss ways of boosting sales. She states that he was not interested in listening to her concerns about the Horizon system. Post Office states that the role of the BDM would have been to support the Subpostmistress in increasing sales. It says that there is no record of the BDM visit taking place. It states, however, that a visit would not have been unusual in these circumstances as the branch closure was subject to public consultation and, therefore, not finalised. Post Office asserts that, even if the closure had been finalised, the BDM might still have visited the branch because "*Post Office is committed to serving its customers through its products whether a closure was proposed or not*" and sales promotion could have had a positive impact on the final remuneration for the branch.
- 5.4. Again, without records of the visit, nor even proof that any visit happened, we are unable to arrive at an evidenced conclusion as to whether a BDM visited the branch to assist in boosting sales.
- 5.5. The Applicant reports that, on the final day of trading, she received a phone call from Post Office informing her that an Audit would not be carried out at the branch as she had expected. She says that she was instead advised to simply "*send everything back*". She states that she sent a letter to Post Office demanding that a full Audit be conducted on the equipment, cash and stock she had returned and that she received a response acknowledging her letter, but no further communication was ever received.
- 5.6. Post Office asserts that, during the Network Change Program, it was decided that not all branches would be audited when they were closed. It states that, where it was decided that an audit would not be carried out, the Subpostmaster would be sent instructions on how to complete the final balance and send back Post Office assets. We have not seen any evidence of how and when the Applicant was informed that there would be no audit at the branch upon its closing and, therefore, we cannot arrive at a judgement as to whether the audit was cancelled at the last minute. Post Office has not commented further on any correspondence that it has received from the Applicant about this issue.

### **Training**

- 5.7. The Applicant reports that her training consisted of four days of classroom training in Oxford and then a week of on-site support from a Post Office trainer. She complains that the training was, in her opinion, "*woefully inadequate*", that the trainer did not show her how to process any transactions and only assisted her during one balance.

- 5.8. Post Office asserts that the standard level of training at the time was between five to ten days of classroom training followed by five to ten days of on-site support from a trainer. It states that the training covered all necessary transactional, remittance and balancing procedures as well as how to detect and report discrepancies. It says that ongoing training would have been provided through workbooks and the weekly publication 'Branch Focus'. Post Office reports that records are no longer available to verify the level of training the Applicant received, but suggests that, as no requests were made by the Applicant for further training, it must have been adequate. It does provide the results of a test on transactional processes, on which the Applicant scored 9.3 out of 10.
- 5.9. As most of the records of the Applicant's training are no longer available, it is difficult to assess how effective it was. Some of the discrepancies described in Section 4 illustrate examples of operational errors made by the Applicant, and it is possible that she was prone to making, and perhaps systematically repeating, some errors and that she made further mistakes when attempting to rectify them. That being the likelihood, we consider that she might have made fewer errors had they been detected and had further guidance and training then been provided.
- 5.10. In our view, this is not a case where the Subpostmaster's initial training was inadequate in the sense of it being anything less than "*the standard package*". Rather, we have concluded that Post Office's practice of relying on its Subpostmasters to themselves recognise that they have been making mistakes and that they have been making those mistakes because they have been inadequately trained, such that they then call for additional training, is seriously flawed. It seems to us to be inarguable that, where errors are being systematically repeated, then the individuals who are making those errors will not be aware of that (or they would stop making those mistakes). It follows that, in ignorance of their need for further training, it is unrealistic to expect them to call for it. Logically therefore, Post Office's reliance on such requests, as what seems to be the principal trigger for the provision of additional training, is in our view misplaced.

#### **Cause of the Shortfall**

- 5.11. Post Office asserts that, in its view, the specific discrepancies highlighted by the Applicant show that she was prone to making operational errors. It states that it is possible that the £19,335.92 shortfall had accumulated over time as a result of a number of operational errors and further suggests that she may have falsified the branch's trading statements in order to conceal losses. As referenced in Section 4.20, there is evidence to suggest that the Applicant was aware that of the existence of a shortfall, in the accounts, before her branch ceased trading. If that was the case, it seems probable to us that she did alter her branch's figures to hide that shortfall from Post Office. Whilst false accounting can exacerbate a shortfall, as it makes it difficult to detect and rectify discrepancies, it cannot, in itself however, be the root cause of a shortfall, as there must have been an initial shortfall to conceal.
- 5.12. In the absence of evidence of any other specific transactions that may have generated this branch's shortfall, and without other evidence that would allow us to reach a firm opinion as to

the real underlying root cause(s) of the shortfall in the branch, we can only refer here, as does Post Office, to the possibility that operational errors made at the counter, such as those outlined in our Briefing Report - Part Two, could have generated some or all of the shortfall. To the extent that such operational errors were to blame for the branch's shortfall, it is likely that customers benefitted from them.

**6. Is this case suitable for mediation?**

6.1. In our opinion this case is suitable for mediation, not least because it will offer both parties the opportunity to reach closure on the matter of the extent to which possibly inadequate training and support contributed to the frequency and seriousness of the errors made by the Applicant. It would also be helpful if the Applicant was, even at this late stage, able to gain some insight into the real underlying root cause(s) of the branch's shortfalls. The following issue should also be considered:

- a) whether Post Office or the Applicant is responsible in part or in whole for the losses of £19,335.92.